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KAZ MINERALS PLC  
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17 August 2017

## KAZ MINERALS PLC HALF-YEARLY REPORT FOR THE PERIOD ENDED 30 JUNE 2017

### OPERATIONAL HIGHLIGHTS

- Copper output more than doubled to 118 kt in the first half of 2017
- Aktogay ramp up progressing well, Bozshakol expected to achieve full capacity in second half
- By-products on track to meet or exceed 2017 guidance

### FINANCIAL HIGHLIGHTS

- Gross Revenues<sup>1</sup> increased by 2.3 times, to \$837 million (H1 2016: \$363 million) on higher volumes and commodity prices
  - Revenues of \$721 million, excluding pre-commercial sales (H1 2016: \$302 million)
- Gross EBITDA<sup>1</sup> of \$505 million (H1 2016: \$147 million) driven by increased revenues and low operating costs
  - EBITDA<sup>1</sup> of \$429 million, excluding pre-commercial earnings (H1 2016: \$115 million)
  - Operating profit of \$291 million (H1 2016: \$68 million)
- Net cash cost<sup>1</sup> of 64 USc/lb, maintained position amongst the lowest cost copper producers globally
  - Bozshakol full year gross cash cost<sup>1</sup> now expected to be 115-135 USc/lb
  - Aktogay guidance reduced to 110-130 USc/lb following strong first half performance
  - East Region and Bozymchak guidance now set at 205-225 USc/lb

### FINANCIAL POSITION

- Net debt<sup>1</sup> reduced to \$2,442 million at 30 June 2017 (31 December 2016: \$2,669 million), supported by higher operating cash flows, lower capital expenditure and refund of project VAT of \$176 million
- Available liquidity of \$1,563 million, including \$1,223 million of cash and cash equivalents and \$340 million available for drawing
  - New \$600 million PXF facility
- Gearing levels reducing rapidly

### OUTLOOK

- Full year copper production target narrowed to 235-260 kt
  - Aktogay sulphide to achieve commercial production and Bozshakol to reach design capacity in second half
- KAZ Minerals is delivering copper growth into a tightening market

| \$ million (unless otherwise stated)                 | Six months<br>ended<br>30 June 2017 | Six months<br>ended<br>30 June 2016 |
|--|-------------------------------------|-------------------------------------|
| Gross Revenues <sup>1,2</sup>                        | 837                                 | 363                                 |
| Gross EBITDA <sup>1,2,3</sup>                        | 505                                 | 147                                 |
| Revenues   | 721                                 | 302                                 |
| EBITDA (excluding special items) <sup>1,3</sup>      | 429                                 | 115                                 |
| Operating profit                                     | 291                                 | 68                                  |
| Profit before tax                                    | 240                                 | 91                                  |
| Underlying Profit <sup>1</sup>                       | 195                                 | 76                                  |
| EPS - basic and diluted (\$)                         | 0.41                                | 0.16                                |
| EPS - based on Underlying Profit (\$) <sup>1,4</sup> | 0.44                                | 0.17                                |
| Net cash flows from/(used in) operating activities   | 337                                 | (63)                                |
| Free Cash Flow <sup>1</sup>                          | 155                                 | (65)                                |
| Free Cash Flow before interest <sup>1</sup>          | 269                                 | 20                                  |
| Gross cash cost (USc/lb) <sup>1,2</sup>              | 144                                 | 173                                 |
| Net cash cost (USc/lb) <sup>1,2</sup>                | 64                                  | 78                                  |
| Cash and cash equivalents                            | 1,223                               | 1,056                               |
| Net debt <sup>1</sup>                                | 2,442                               | 2,531                               |

<sup>1</sup> These metrics, used throughout this document, are non-IFRS measures that the Directors use internally to assess the financial performance of the Group. See glossary for definitions.

<sup>2</sup> Includes operations during the period prior to commercial production.

<sup>3</sup> Reconciliation to operating profit provided in note 4(a)(i) in the financial information.

<sup>4</sup> Reconciliation of EPS based on Underlying Profit/(Loss) is found in note 8 in the financial information.

Oleg Novachuk, Chief Executive, said: "I am delighted that the successful delivery of our two growth projects has been reflected in our operating and financial results. We have doubled copper production whilst maintaining our position amongst the lowest cost copper producers globally. This strong performance has resulted in a reduction in our gearing levels, with net debt falling and over half a billion dollars of Gross EBITDA generated in the first half of 2017. We aim to complete the final stages of ramping up Bozshakol this year and Aktogay in 2018, supported by an improved outlook for copper."

**For further information, please contact:**

### **KAZ Minerals PLC**

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### **Instinctif Partners**

|                |                              |
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### **REGISTERED OFFICE**

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## NOTES TO EDITORS

**KAZ Minerals PLC** (“KAZ Minerals” or “the Group”) is a high growth copper company focused on large scale, low cost, open pit mining in Kazakhstan. It operates the Bozshakol and Aktogay open pit copper mines in the Pavlodar and East regions of Kazakhstan, three underground mines and associated concentrators in the East Region of Kazakhstan and the Bozymchak copper-gold mine in Kyrgyzstan. In 2016, total copper cathode equivalent output was 140 kt with by-products of 75 kt of zinc in concentrate, 120 koz of gold bar equivalent and 3,103 koz of silver bar equivalent.

The Group’s new operations at Bozshakol and Aktogay are delivering one of the highest growth rates in the industry and transforming KAZ Minerals into a company dominated by world class, open pit copper mines.

Bozshakol is a first quartile asset on the global cost curve with an annual ore processing capacity of 30 million tonnes and a mine life of 40 years at a copper grade of 0.36%. The mine and processing facilities will produce an average of 100 kt of copper and 120 koz of gold in concentrate per year over the first 10 years of operations.

Aktogay is a large scale, open pit mine similar to Bozshakol, with a mine life of more than 50 years and average copper grades of 0.37% (oxide) and 0.33% (sulphide). Aktogay commenced production of copper cathode from oxide ore in December 2015 and copper in concentrate production from sulphide ore commenced in February 2017. The sulphide concentrator has an annual ore processing capacity of 25 million tonnes. Aktogay is competitively positioned on the global cost curve and will produce an average of 90 kt of copper from sulphide ore and 20 kt of copper cathode from oxide ore per year over the first 10 years of operations.

KAZ Minerals is listed on the London Stock Exchange, the Kazakhstan Stock Exchange and the Hong Kong Stock Exchange and employs around 13,000 people, principally in Kazakhstan.

## AVAILABILITY OF THIS ANNOUNCEMENT

Copies of the half-yearly report will not be mailed to shareholders. Copies can be obtained from the KAZ Minerals website ([www.kazminerals.com](http://www.kazminerals.com)) or by contacting the Corporate Communications department at the Company’s registered office.

## FORWARD-LOOKING STATEMENTS

This half-yearly report includes forward-looking statements with respect to the business, strategy and plans of KAZ Minerals and its current goals, assumptions and expectations relating to its future financial condition, performance and results. Although KAZ Minerals believes that the expectations reflected in such forward-looking statements are reasonable and are made by the Directors in good faith, no assurance can be given that such expectations will prove to be correct. By their nature, forward-looking statements involve known and unknown risks, assumptions and uncertainties and other factors which are unpredictable as they relate to events and depend on circumstances that will occur in the future which may cause actual results, performance or achievements of KAZ Minerals to be materially different from those expressed or implied in these forward-looking statements. Principal risk factors that could cause KAZ Minerals’ actual results, performance or achievements to differ materially from those in the forward-looking statements include (without limitation) health and safety, business interruption, political risk, new project construction and commissioning, community and labour relations, employees, reserves and resources, legal and regulatory compliance, environmental compliance, commodity price, foreign exchange and inflation, exposure to China, acquisitions and divestment and liquidity and such other risk factors disclosed in KAZ Minerals’ most recent Annual Report and Accounts. Forward-looking statements should therefore be construed in light of such risk factors. These forward-looking statements should not be construed as a profit forecast.

No part of this half-yearly report constitutes, or shall be taken to constitute, an invitation or inducement to invest in KAZ Minerals, or any other entity, and shareholders are cautioned not to place undue reliance on the forward-looking statements. Except as required by the Listing Rules and applicable law, KAZ Minerals does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this half-yearly report.

## CHIEF EXECUTIVE'S REVIEW

KAZ Minerals has delivered a strong operational and financial performance in the first half of 2017 reflecting the successful delivery of our two major growth projects. Copper output increased to 118 kt in the first half of the year, a 110% increase on the 56 kt of copper produced in the first half of 2016. As production from our new, low cost assets ramps up we have also maintained our competitive position on the global cost curve, with a copper net cash cost of 64 USc/lb.

Our production is growing at a time when market conditions are improving, with LME copper prices averaging \$5,748/t during the first half of the year compared to \$4,701/t in the same period in 2016. The higher commodity price environment, combined with our low operating costs and increased output generated a 3.4 times increase in Gross EBITDA, to \$505 million.

The Group's performance in the first half of 2017 has resulted in a material improvement in the Group's financial position, with gearing levels falling rapidly and net debt reducing to \$2,442 million at 30 June 2017, from \$2,669 million at 31 December 2016. The PXF facility was refinanced at the beginning of June, increasing the Group's available liquidity to \$1,563 billion at 30 June 2017. Our operational performance and improving financial position has been recognised by the market and the KAZ Minerals share price has almost doubled since the beginning of the year, significantly outperforming the mining peer group.

### Health and safety

We are disappointed to report that one fatality occurred in the first half of 2017 following a rock fall incident in June at the Irtyshsky mine in the East Region. The Group has taken a number of measures to improve roof support over the past few years and as with every serious incident, a full investigation is underway to determine the causes and the remedial actions to be taken. Our goal is to reduce the number of fatal incidents to zero and we will continue to work on improving our culture and systems to achieve this. No fatalities have occurred at Bozshakol, Aktogay or Bozymchak since the commencement of operations at each of those mines.

The number of recordable injuries reduced from 29 reported in the prior year period to 28 in the first half of 2017, representing a Total Recordable Injury Frequency Rate of 1.81.

Current health and safety priorities include audits being carried out at each of our operations to ensure compliance with Group health and safety standards, implementation of "permit-to-work" procedures and a programme to standardise personal protective equipment across the Group.

### Operational performance

Copper production of 118 kt consisted of 52 kt from Bozshakol and 33 kt from each of Aktogay and the East Region and Bozymchak. With increased ore throughput from Bozshakol and Aktogay anticipated in the second half of the year, we have narrowed our full year copper production guidance to 235-260 kt.

Group gold production of 93 koz represents good progress against the full year target set at the start of 2017 of 135-170 koz. The East Region and Bozymchak are expected to achieve the upper end of 2017 guidance of 50-60 koz following consistently strong output at Bozymchak. Having produced 63 koz in the first six months of the year, Bozshakol is likely to achieve the top end of its guidance, after taking into account the expected reduction in gold grade over the second half. Full year guidance for Bozshakol gold production is therefore narrowed to 100-110 koz and Group gold guidance has been revised to 150-170 koz.

Following silver production of 1,756 koz, it is now expected that the Group will produce 3,100-3,350 koz of silver in 2017. Silver output was higher than planned in the first half of the year mainly due to the contribution from Bozshakol and Aktogay, where the silver content in concentrate was consistently above the minimum level required for payment.

Zinc in concentrate output was 32 kt in the first six months of the year, with a temporarily lower zinc grade at the Artemyevsky mine. Achieving the full year target for zinc in concentrate production of 70-75 kt is dependent on the confirmation of higher zinc grades in the second half.

### Bozshakol and Aktogay ramp up

The ramp up of Bozshakol is progressing well, with processing volumes during the second quarter averaging 93% of design capacity in the main sulphide concentrator and 69% in the clay plant. As previously guided, Bozshakol remains on track to achieve 100% of design capacity in the second half of 2017. The lower end of the copper production guidance range for 2017 has been increased to 100-110 kt.

With Bozshakol approaching full capacity, the focus of our ramp up effort has shifted to Aktogay, where the sulphide concentrator commenced output in February of this year. We are aiming for a faster ramp up at Aktogay compared to Bozshakol. Copper production from sulphide ore at Aktogay was 23 kt in the first half, assisted by a layer of

supergene enriched ore which elevated the average copper processing grade to 0.75%. Whilst the benefit of this high grade layer will continue into the second half, feed grades are expected to reduce and ramp up progress will be driven by increasing throughput levels. The Aktogay sulphide plant is on track to achieve commercial levels of ore throughput in the second half of the year and we have narrowed copper production guidance to 70-85 kt, consisting of 20 kt from oxide ore and 50-65 kt from the sulphide concentrator in 2017.

## **Financial performance**

Output growth at Bozshakol and Aktogay, combined with higher commodity prices in 2017, has delivered significantly higher revenues of \$721 million, an increase of 139% compared to \$302 million in the first half of 2016. Revenues exclude \$116 million of sales from pre-commercial production, principally arising from the Aktogay sulphide concentrator.

The Group has maintained its low cost position with gross cash costs of 144 USc/lb and net cash costs of 64 USc/lb, after by-product credits. Bozshakol recorded a gross cash cost of 120 USc/lb, slightly below the lower end of the guidance range of 125-145 USc/lb, and a net cash cost of 48 USc/lb. Aktogay gross cash costs were also below guidance at 113 USc/lb. Aktogay unit costs were assisted by a higher than anticipated copper grade, a smooth ramp up and low maintenance costs during the early stages of commissioning at the sulphide plant. Following the first half performance, the full year gross cash cost guidance for Bozshakol has been reduced to 115-135 USc/lb and Aktogay to 110-130 USc/lb.

The East Region and Bozymchak recorded a gross cash cost of 200 USc/lb in the first half, 12% higher than the prior year period due to lower production volumes. Costs were below the full year guidance range of 230-250 USc/lb due to a release of finished goods inventory resulting in copper sales of 38 kt compared to production of 33 kt and limited domestic inflation in Kazakhstan. Net cash costs after by-product credits remained competitive at 50 USc/lb, supported by strong gold and silver sales volumes and by higher zinc prices. Unit costs are expected to increase in the second half due to lower copper sales volumes and some cost inflation, but following the performance in the year to date the full year gross cash cost guidance range for the East Region and Bozymchak has been lowered to 205-225 USc/lb.

The Group generated \$505 million of Gross EBITDA in the first half of 2017 and \$429 million EBITDA, with \$76 million of EBITDA from pre-commercial production capitalised to the balance sheet. Operating profit increased to \$291 million from \$68 million in the first half of 2016 and profit before tax was 164% higher at \$240 million. Underlying Profit was \$195 million and earnings per share based on Underlying Profit for the first half increased by 159% to \$0.44 from \$0.17 in the first half of 2016.

Free Cash Flow before interest increased to \$269 million from \$20 million in the first half of 2016, from higher operating cash flow compared to the prior year period. Net cash flows from operating activities were \$337 million in the first half of 2017.

## **Financial position**

Net debt reduced from \$2,669 million at the year end to \$2,442 million at 30 June 2017 as cash flow from operations exceeded capital expenditure in the period and refunds of \$176 million of project related VAT were received. Gross debt decreased from \$3,777 million at the prior year end to \$3,665 million as scheduled repayments were made against the Group's debt facilities. The Group had cash and cash equivalents of \$1,223 million at 30 June 2017.

A new PXF agreement was signed on 9 June 2017, increasing the size of the facility to \$600 million from the \$224 million outstanding at the end of May, of which \$300 million was drawn down as at 30 June 2017. The repayment profile of the facility has also been extended, to June 2021. I am pleased to report strong support for the refinancing, with all the existing lenders increasing their participation and four new lenders added to the syndicate. The revised terms of the PXF provide additional financial flexibility as we complete the ramp up of Bozshakol and Aktogay.

Against a background of strong EBITDA growth and with our net debt falling, the Group's gearing metrics are reducing rapidly and are expected to improve further over the second half of the year.

## **Shareholder returns**

The Group's dividend policy, established at the time of Listing, is for the Board to consider the cash generation and financing requirements of the business before recommending a suitable dividend. This maintains flexibility, which is appropriate given the underlying cyclicity of a commodity business.

Whilst the outlook for the Group's financial position is increasingly positive as Bozshakol and Aktogay continue to ramp up successfully and commodity prices rise, the Group has invested heavily in the new projects and it remains our near-term priority to reduce gearing metrics. Accordingly, the Board does not recommend an interim dividend in respect of the first half of the 2017 financial year, although it is the Board's intention that the Group resumes dividend payments in the future.

## **Outlook**

We maintain a positive view on copper prices in the medium term, as suppliers face a number of challenges set against steadily increasing demand from traditional sectors such as construction, power and consumer goods in China. Copper consumption could grow faster than currently expected if momentum towards new sources of demand, such as the adoption of more copper-intensive energy and transportation technologies continues to build.

In the remainder of 2017 we expect to benefit from delivering production growth at industry leading operating costs into a tightening market. By the end of the year we aim to achieve commercial levels of production at the Aktogay sulphide concentrator and design capacity throughput at Bozshakol. I look forward to reporting on our progress against these goals as we complete the final stages of the ramp up of our new, low cost operations.

## OPERATING REVIEW

The Group's operations in 2017 include the Bozshakol and Aktogay open pit copper mines in the Pavlodar and East regions of Kazakhstan, three underground mines and associated concentrators in the East Region of Kazakhstan and the Bozymchak copper-gold mine in Kyrgyzstan.

### Group production summary

| kt (unless otherwise stated) | Six months ended<br>30 June 2017 | Six months ended<br>30 June 2016 |
|------------------------------|----------------------------------|----------------------------------|
| Copper production            | <b>118.0</b>                     | 56.3                             |
| Bozshakol                    | <b>52.0</b>                      | 10.1                             |
| Aktogay                      | <b>33.0</b>                      | 5.4                              |
| East Region and Bozymchak    | <b>33.0</b>                      | 40.8                             |
| Zinc in concentrate          | <b>32.3</b>                      | 39.6                             |
| Gold production (koz)        | <b>93.0</b>                      | 45.1                             |
| Silver production (koz)      | <b>1,756</b>                     | 1,560                            |

Group copper production of 118.0 kt was more than double the prior year period as Bozshakol and Aktogay continued to ramp up. Bozshakol contributed 52.0 kt of copper production, as the primary sulphide concentrator achieved 93% of ore throughput capacity during the second quarter and meaningful output commenced at the clay plant. Aktogay production increased from 5.4 kt to 33.0 kt, with the oxide plant now fully ramped up and as the sulphide plant recorded output of 22.6 kt following initial production in February 2017. The Aktogay sulphide plant has ramped up faster than the Bozshakol plant, benefitting from the experience gained at Bozshakol as well as higher grades. As expected, production from the East Region and Bozymchak has reduced following the closure of the Yubileyno-Snegirikhinsky mine at the end of 2016 and the adoption of a six-day week at Orlovsky for ventilation work.

### Group financial summary

| \$ million (unless otherwise stated)                      | Six months ended<br>30 June 2017 | Six months ended<br>30 June 2016 |
|---|----------------------------------|----------------------------------|
| Sales volumes <sup>1</sup>                                |                                  |                                  |
| Copper sales (kt)   | <b>115.3</b>                     | 54.2                             |
| Gold sales (koz)  | <b>83.6</b>                      | 39.1                             |
| Silver sales (koz)  | <b>2,043</b>                     | 1,383                            |
| Zinc in concentrate (kt)                                  | <b>32.0</b>                      | 39.3                             |
| Gross Revenues <sup>1</sup>                               | <b>837</b>                       | 363                              |
| Realised price: copper in concentrate (\$/t) <sup>1</sup> | <b>5,238</b>                     | 3,970                            |
| Realised price: copper cathode (\$/t) <sup>1</sup>        | <b>5,793</b>                     | 4,714                            |
| Gross EBITDA (excluding special items) <sup>1</sup>       | <b>505</b>                       | 147                              |
| EBITDA (excluding special items)                          | <b>429</b>                       | 115                              |
| Gross cash costs (USc/lb) <sup>1</sup>                    | <b>144</b>                       | 173                              |
| Net cash costs (USc/lb) <sup>1</sup>                      | <b>64</b>                        | 78                               |

<sup>1</sup> Includes operations during the period prior to commercial production.

Gross Revenues increased by 131% to \$837 million from the prior year period, driven by the volume growth at Bozshakol and Aktogay and assisted by improved prices across all commodities, particularly copper and zinc. The LME copper price increased by 22% from \$4,701/t to \$5,748/t, whilst the LME zinc price increased by 50% to \$2,690/t from \$1,799/t. Over half of the Group's copper revenues are now derived from the sale of copper in concentrate, whereas in the prior year period the majority of copper revenues were from the sale of cathode. Copper in concentrate is sold by reference to the LME price minus a deduction for TC/RCs.

Gross EBITDA increased by 244% benefitting from the higher Gross Revenues as well as the reduction in gross cash cost resulting from increased volumes from the low cost operations of Bozshakol and Aktogay. EBITDA, which excludes the results from operations in pre-commercial production, was \$429 million, significantly above the prior year period following Bozshakol sulphide and Aktogay oxide being declared commercial in the second half of 2016. The tenge, in which a significant portion of the Group's costs are based, strengthened slightly during the first half, trading at an average of 319 KZT/\$ versus 346 KZT/\$ in the prior year period. The Group recorded a gross and net cash cost of 144 USc/lb and 64 USc/lb respectively in the first half of 2017, placing the Group's operations competitively amongst pure-play copper producers.

## BOZSHAKOL

The Bozshakol mine and on-site processing facilities are located in the north of Kazakhstan and have an annual ore processing capacity of 30 million tonnes and a mine life of 40 years at a copper grade of 0.36%. The main sulphide concentrator commenced production in the first quarter of 2016 and was declared commercial on 27 October 2016. The separate clay plant, which has an annual processing capacity of 5 million tonnes, began commissioning in the fourth quarter of 2016 with the first shipment of saleable material during the first quarter of 2017 and commercial production achieved on 1 July 2017.

### Production summary

| kt (unless otherwise stated)       | Six months<br>ended<br>30 June 2017 | Six months<br>ended<br>30 June 2016 |
|------------------------------------|-------------------------------------|-------------------------------------|
| Ore extraction                     | <b>19,426</b>                       | 11,016                              |
| Ore processed                      | <b>11,690</b>                       | 2,290                               |
| Average copper grade processed (%) | <b>0.56</b>                         | 0.56                                |
| Copper recovery rate (%)           | <b>83</b>                           | 82                                  |
| Copper in concentrate              | <b>54.4</b>                         | 10.6                                |
| Copper production                  | <b>52.0</b>                         | 10.1                                |
| Average gold grade processed (g/t) | <b>0.31</b>                         | 0.29                                |
| Gold recovery rate (%)             | <b>59</b>                           | 60                                  |
| Gold in concentrate (koz)          | <b>67.2</b>                         | 13.0                                |
| Gold production (koz)              | <b>62.9</b>                         | 12.3                                |
| Silver production (koz)            | <b>361</b>                          | 58                                  |

Ore processing volumes of 11.7 million tonnes were significantly above the prior year period when the sulphide concentrator was in the early stages of commissioning and the clay plant was not yet in operation. The main sulphide concentrator increased ore throughput levels to 93% of design capacity in the second quarter of 2017 as the plant approached full capacity and as scheduled downtimes reduced. Following the commissioning of the clay plant at the end of 2016, ramp up has progressed well, with ore throughput achieving 69% of design capacity during the second quarter. The ramp up of both concentrators is proceeding in line with expectations and Bozshakol remains on track to achieve design capacity in the second half of 2017.

Ore extraction of 19.4 million tonnes was 76% higher than the prior year period, reflecting the increased ore processing volumes. There continued to be a build-up of stockpiled clay material to enable access to sulphide ores. At 30 June 2017, there were approximately 30 million tonnes of stockpiled material available for processing at the clay plant.

In line with the increase in processing volumes, copper production of 52.0 kt was more than five times higher than the prior year period, with the copper grade remaining constant at 0.56% and recovery rates increasing slightly to 83%. Gold and silver production also increased significantly, with gold production benefitting from temporarily elevated grades and silver production from improved recoveries.

The majority of copper in concentrate production has been dispatched to customers in China, however 7.5 kt of material has been sent for toll processing at the Balkhash smelter in Kazakhstan, where additional capacity on attractive terms was available.

Bozshakol is on track to achieve 2017 copper production guidance of 100-110 kt. Gold production of 62.9 koz was assisted by higher gold grades which are expected to reduce in the second half of the year. As a result, the gold production guidance range has been narrowed to 100-110 koz. Silver production is expected to be around 650 koz.

## Financial summary

| \$ million (unless otherwise stated)                | Six months ended<br>30 June 2017 | Six months ended<br>30 June 2016 |
|---|----------------------------------|----------------------------------|
| Gross Revenues <sup>1</sup>                         | 344                              | 45                               |
| Copper  | 264                              | 32                               |
| Gold  | 74                               | 12                               |
| Silver  | 6                                | 1                                |
| Revenues  | 323                              | 0                                |
| Sales volumes <sup>1</sup>                          |                                  |                                  |
| Copper sales (kt)                                   | 50.0                             | 7.8                              |
| Gold sales (koz)                                    | 58.1                             | 9.1                              |
| Silver sales (koz)                                  | 323                              | 44                               |
| Gross EBITDA (excluding special items) <sup>1</sup> | 242                              | 23                               |
| Capitalised EBITDA                                  | (12)                             | (28)                             |
| EBITDA (excluding special items)                    | 230                              | (5)                              |
| Gross cash cost (USc/lb) <sup>1</sup>               | 120                              | 152                              |
| Net cash cost (USc/lb) <sup>1</sup>                 | 48                               | 77                               |
| Expansionary capital expenditure (direct project)   | 49                               | 87                               |
| Expansionary capital expenditure (pre-commercial)   | 7                                | 20                               |

<sup>1</sup> Includes sulphide and clay operations during the period prior to commercial production.

### Gross Revenues

Prior to the achievement of commercial production, all revenues and operating costs are capitalised and not recognised in the income statement. Sulphide operations achieved commercial levels of production on 27 October 2016 and clay operations from 1 July 2017. The income statement for the current period therefore reflects revenues and operating costs for sulphide operations only, whereas in the prior year period all Bozshakol revenues and operating costs were capitalised. Gross Revenues and Gross EBITDA include the pre-commercial production period and are shown in the table above.

Gross Revenues increased by over seven times to \$344 million, reflecting the growth in sales volumes and favourable commodity prices. Copper sales of 50 kt include 4 kt of material sold as copper cathode after processing at the Balkhash smelter. By-product revenues were \$80 million from the sale of 58 koz and 323 koz of gold and silver respectively.

Revenues recorded in the income statement during the period of \$323 million exclude \$21 million of revenues from clay material. All revenues and operating costs will be recorded in the income statement going forward as the clay plant was declared commercial from 1 July 2017.

### EBITDA (excluding special items)

Bozshakol generated a Gross EBITDA of \$242 million, with EBITDA excluding clay operations of \$230 million. The gross cash cost is expressed on a unit of copper sales basis, after adjustment for the copper payable and TC/RC terms. The gross cash cost of 120 USc/lb has fallen from the prior year period due to the substantial increase in volumes. As expected gross cash costs have increased from the levels reported in the second half of 2016, when costs benefited from several factors, including limited maintenance expenditure, the processing of higher grade, softer material as well as the absence of clay operations, which have a higher operating cost, particularly during the early stages of ramp up. The gross cash cost of copper sold in 2017 is expected to be between 115-135 USc/lb which places Bozshakol competitively on the global cost curve.

### Capital expenditure

At 30 June 2017, construction activities were complete with outstanding project capital payments of approximately \$40 million still to be incurred relating to retention payments, the acquisition of key spares and a subsoil payment in respect of reserves. Sustaining capital expenditure for both Bozshakol and Aktogay is expected to total around \$25 million in the second half of 2017.

During the first half of 2017, payments in respect of direct capital expenditure on Bozshakol, excluding capitalised interest on debt facilities, were \$49 million. This included \$35 million in respect of the stockpiling of clay material to provide access to sulphide material. In addition, there was an outflow of \$7 million from clay operations during the period prior to commercial production, whilst to date sustaining capital expenditure has been minimal.

## AKTOGAY

The Aktogay project is a large scale, open pit development similar to Bozshakol, with a mine life of more than 50 years and average copper grades of 0.37% (oxide) and 0.33% (sulphide). Aktogay commenced production of copper cathode from oxide ore in December 2015 and following a period of steady output the oxide operations achieved commercial levels of production from 1 July 2016. The production of copper in concentrate from sulphide ore began in the first quarter of 2017 and the concentrator has an annual ore processing capacity of 25 million tonnes when fully ramped up.

### Production summary

| kt (unless otherwise stated)       | Six months ended<br>30 June 2017 | Six months ended<br>30 June 2016 |
|------------------------------------|----------------------------------|----------------------------------|
| <b>Oxide</b>                       |                                  |                                  |
| Ore extraction                     | 8,297                            | 8,679                            |
| Copper grade (%)                   | 0.42                             | 0.41                             |
| Copper cathode production          | 10.4                             | 5.4                              |
| <b>Sulphide</b>                    |                                  |                                  |
| Ore extraction                     | 4,725                            | –                                |
| Ore processed                      | 4,574                            | –                                |
| Average copper grade processed (%) | 0.75                             | –                                |
| Recovery rate (%)                  | 69                               | –                                |
| Copper in concentrate              | 23.7                             | –                                |
| Copper production                  | 22.6                             | –                                |
| <b>Total copper production</b>     | <b>33.0</b>                      | <b>5.4</b>                       |

The sulphide concentrator recorded its initial production in February 2017 and together with cathodes from the oxide plant Aktogay produced 33.0 kt of copper in the period.

With cathode production from oxide material now fully ramped up, the mining of oxide ore was broadly stable at 8.3 million tonnes. Copper cathode output increased to 10.4 kt, compared to 5.4 kt in the prior year period when the oxide plant was in the early stages of ramp up. Copper cathode production from oxide ore remains on track to achieve guidance of around 20 kt in 2017.

The ramp up of the sulphide concentrator proceeded successfully during the period, achieving 47% of design throughput capacity during the second quarter, higher than the 32% achieved at Bozshakol during the comparative stage of ramp up. Having benefited from the lessons learnt at Bozshakol, as well as from elevated copper grades, copper production from sulphide operations was 22.6 kt in the period. The average copper grade of sulphide ore processed was 0.75%, above expectations due to the mining of a layer of supergene enriched ore. The grade is expected to decline in the second half of the year as enriched ores reduce. A small quantity of material has been dispatched for toll processing in Kazakhstan, with 5.4 kt of copper in concentrate sent to Balkhash and the majority of output exported to China based smelters during the period.

Aktogay is now well placed to achieve the 2017 guidance of 70-85 kt, consisting of around 20 kt from oxide ore and 50-65 kt sulphide ore, with increasing ore throughput in the second half of the year expected to offset a reduction in copper grade.

### Financial summary

| \$ million (unless otherwise stated)                | Six months ended<br>30 June 2017 | Six months ended<br>30 June 2016 |
|---|----------------------------------|----------------------------------|
| Gross Revenues <sup>1</sup>                         | 153                              | 16                               |
| Revenues  | 58                               | 0                                |
| Copper sales (kt) <sup>1</sup>                      | 27.8                             | 3.3                              |
| Gross EBITDA (excluding special items) <sup>1</sup> | 93                               | 2                                |
| Capitalised EBITDA                                  | (64)                             | (4)                              |
| EBITDA (excluding special items)                    | 29                               | (2)                              |
| Gross cash cost (USc/lb) <sup>1</sup>               | 113                              | 156                              |
| Expansionary capital expenditure (direct project)   | 64                               | 73                               |
| Expansionary capital expenditure (pre-commercial)   | (52)                             | 12                               |

<sup>1</sup> Includes sulphide and oxide operations during the period prior to commercial production.

## Gross Revenues

Prior to the achievement of commercial production all revenues and operating costs are capitalised and not recognised in the income statement. Oxide operations achieved commercial levels of production from 1 July 2016 and sulphide operations are expected to achieve commercial production in the second half of 2017. The income statement for the prior year period therefore does not reflect any revenues or operating costs, whilst for the first half of 2017 represents oxide operations only. Gross Revenues and Gross EBITDA have been shown in the table above which include the pre-commercial production period.

Gross Revenues increased substantially from the prior year period to \$153 million and was mainly attributable to the 19 kt of copper sales from the sulphide operations. Copper sales volumes from oxide material increased from 3 kt to 9 kt.

## EBITDA (excluding special items)

Gross EBITDA of \$93 million includes \$64 million from sulphide operations, which began production and ramped up during the period. EBITDA of \$29 million relates to the sale of copper cathode from oxide operations, which contributed a small positive Gross EBITDA in the prior year period during the early stages of commissioning.

The gross cash cost has reduced from 156 USc/lb to 113 USc/lb, reflecting both the successful ramp up of the oxide plant as well as the significant volume growth provided by the sulphide operations. The gross cash cost benefited from increased efficiencies and automation at the oxide plant, a smooth sulphide ramp up, muted inflationary pressures and lower maintenance costs during the early periods of operation. The gross cash cost was also assisted by the elevated copper grade in the first half of 2017. The full year gross cash cost for 2017 is expected to be 110-130 USc/lb.

## Capital expenditure

In the first half of 2017 direct project capital expenditure, excluding capitalised interest on debt facilities, was \$64 million. This included spend on mining equipment, the acquisition of first fill items and the build-up of inventory included within the project budget. Expenditure for the full year is expected to be in the region of \$150 million, to include final payments for construction, first fill items and the purchase rather than lease of wagons for the transportation of concentrate, which the Group is currently assessing. In 2018, payments of \$300 million to the principal construction contractor are scheduled in respect of work performed in 2016 and a further \$70 million may be invested to expand the heap leach cells, although management is seeking to defer this construction work. Sustaining capital expenditure for both Bozshakol and Aktogay is expected to total around \$25 million in the second half of 2017.

Pre-commercial cash flows in the first half of 2017 relate to the sulphide operations and in the prior year period to the oxide operations.

## EAST REGION AND BOZYMCHAK

### Production summary

#### Copper

| kt (unless otherwise stated)       | Six months ended<br>30 June 2017 | Six months ended<br>30 June 2016 |
|------------------------------------|----------------------------------|----------------------------------|
| Ore extraction                     | 1,973                            | 2,404                            |
| Ore processed                      | 1,965                            | 2,458                            |
| Average copper grade processed (%) | 1.97                             | 1.95                             |
| Average recovery rate (%)          | 90                               | 89                               |
| Copper in concentrate              | 34.9                             | 42.7                             |
| Copper production                  | 33.0                             | 40.8                             |

Copper production in the East Region and Bozymchak reduced by 19% to 33.0 kt versus the prior year period due to the closure of the Yubileyno-Snegirikhinsky mine at the end of 2016 and the adoption of a six-day week at Orlovsky for ventilation maintenance. Bozymchak operated at design capacity throughout the period. As a result, ore extraction and ore processed of 2.0 million tonnes were around 20% lower than the prior year period. Ore processed included 83 kt of ore from the closed Yubileyno-Snegirikhinsky mine, the remaining small stockpile will be processed during the second half of the year.

Copper production for the East Region and Bozymchak is expected to be around 65 kt in 2017.

## By-products

| koz (unless otherwise stated)   | Six months ended<br>30 June 2017 | Six months ended<br>30 June 2016 |
|---------------------------------|----------------------------------|----------------------------------|
| Zinc bearing ore processed (kt) | 1,457                            | 1,926                            |
| Zinc grade processed (%)        | 3.07                             | 2.89                             |
| Zinc in concentrate (kt)        | 32.3                             | 39.6                             |
| Gold bearing ore processed      | 1,965                            | 2,458                            |
| Gold grade processed (g/t)      | 0.82                             | 0.81                             |
| Gold in concentrate             | 31.6                             | 34.8                             |
| Gold production                 | 29.7                             | 32.8                             |
| Silver bearing ore processed    | 1,965                            | 2,458                            |
| Silver grade processed (g/t)    | 35.9                             | 37.3                             |
| Silver in concentrate           | 1,409                            | 1,622                            |
| Silver production               | 1,282                            | 1,502                            |

As with copper and in line with expectations, output of all by-products was lower than the prior year period due to the closure of the Yubileyno-Snegirikhinsky mine and maintenance works at Orlovsky.

Zinc in concentrate output reduced by 18%, with the reduction in processing volumes partially offset by higher grades and recoveries. Production in the first half of the year benefited from higher zinc grades at the Irtyshtsky mine and is expected to increase further in the second half of the year when mining at Artemyevsky moves to a high grade transitional zone.

The 9% reduction in gold output to 29.7 koz was lower than other by-products as the majority of production is supplied from the Bozymchak mine. Bozymchak gold production fell by 5% versus the prior year period as a result of a reduction in ores processed and a small reduction in grades.

Silver production of 1,282 koz in the period represents a reduction of 15% compared to the prior year period due to lower processing volumes in the East Region. The average silver grade reduced to 35.9 g/t as a result of a higher proportion of output from the lower grade Bozymchak mine.

Strong gold and silver output to date should result in production from the East Region and Bozymchak being towards the higher end of the 50-60 koz gold and 2,250-2,500 koz silver ranges for 2017. Achieving full year zinc in concentrate production of 70-75 kt is dependent on the successful mining of higher zinc grades in the second half of the year.

## Financial Summary

| \$ million (unless otherwise stated) | Six months ended<br>30 June 2017 | Six months ended<br>30 June 2016 |
|--------------------------------------|----------------------------------|----------------------------------|
| Revenues                             | 340                              | 302                              |
| Copper                               | 216                              | 202                              |
| Zinc                                 | 59                               | 40                               |
| Silver                               | 28                               | 21                               |
| Gold                                 | 32                               | 37                               |
| Other                                | 5                                | 2                                |
| Sales volumes                        |                                  |                                  |
| Copper sales (kt)                    | 37.5                             | 43.1                             |
| Zinc sales (kt)                      | 32.0                             | 39.3                             |
| Silver sales (koz)                   | 1,632                            | 1,339                            |
| Gold sales (koz)                     | 25.5                             | 30.0                             |
| EBITDA (excluding special items)     | 180                              | 134                              |
| Gross cash costs (US\$/lb)           | 200                              | 178                              |
| Net cash costs (US\$/lb)             | 50                               | 72                               |
| Capital expenditure                  | 34                               | 26                               |
| Sustaining                           | 23                               | 22                               |
| Expansionary                         | 11                               | 4                                |

## Revenues

Revenues generated at the East Region and Bozymchak increased by 13% to \$340 million as a reduction in sales volumes was more than offset by favourable commodity prices. Copper revenues benefited from an increase in the average LME copper price, as well as the sale of material built up at the end of 2016 such that sales volumes of 38 kt were higher than production of 33 kt in the period. Revenues from by-products increased by 24% to \$124 million, largely as a result of a significant increase in the LME price for zinc. Silver sales volumes were supported by a release of work in progress, whereas gold sales were below production owing to a build-up of work in progress at Balkhash due to the timing of maintenance works.

## EBITDA (excluding special items)

EBITDA improved by \$46 million compared to the prior year period, in line with the increase in revenues. Cash operating costs of \$160 million reduced slightly, as lower costs from reduced volumes were partially offset by a slightly stronger tenge. A significant portion of the East Region's operating costs are denominated in tenge which traded at an average of 319 KZT/\$ versus 346 KZT/\$ in the prior year period. There continues to be a focus on cost control and management has taken a robust position in the renegotiation of contracts following the devaluation of the tenge in August 2015. However, some tariff increases have begun to feed into costs during the period and costs in the second half of the year are expected to be further impacted. Costs at Bozymchak increased, impacted by a stronger exchange rate, as well as legislative changes which have increased salary costs.

The gross cash cost of copper for East Region and Bozymchak of 200 US\$/lb was 12% above the prior year period due to the reduction in production volumes during the period as described above. Gross cash costs did however benefit from favourable sales volumes in the first half of the year, as finished goods carried forward from 2016 were sold and sales volumes therefore exceeded production in the period. As a result, the gross cash cost is expected to increase in the second half of the year due to lower sales volumes, the impact of inflation and the timing of maintenance expenditure. However, following the strong cost performance to date, the cost guidance for the full year has been lowered to 205-225 US\$/lb, from a previous guidance range of 230-250 US\$/lb.

The improvement in net cash cost from 72 US\$/lb to 50 US\$/lb is due to the increase in by-product revenues. The higher market prices for all by-products, particularly zinc, as well as higher silver volumes, more than offset lower zinc and gold sales volumes and the higher gross cash cost.

## Capital expenditure

Sustaining capital expenditure of \$23 million was broadly in line with the prior year period and includes certain projects deferred from previous years. Expenditure in the period relates to mine development works across the underground mines, the purchase of mine equipment, expansion of tailings facilities and maintenance of support infrastructure. In 2017 sustaining capital requirements for the East Region and Bozymchak are expected to be around \$60 million.

Expansionary capital of \$11 million predominantly relates to the initial development works for the extension of the existing Artemyevsky mine to develop a ventilation tunnel. The majority of the expenditure for the project will occur from 2019, with expenditure estimated at around \$30 million in 2017 and 2018 for long-lead items such as shaft development.

## OTHER PROJECTS

The Group expects to make available up to \$20 million during 2017 for other projects of which \$6 million was invested in the first half of 2017 relating to further studies at Koksay and to study the feasibility of construction of a copper smelter in Kazakhstan. The smelter would process copper concentrate from Bozshakol and Aktogay. Any decision to proceed with construction will be subject to additional technical and economic evaluation and the availability of suitable financing.

## FINANCIAL REVIEW

### Basis of preparation

The financial information has been prepared in accordance with IFRSs, as adopted by the EU, using accounting policies consistent with those adopted in the consolidated financial statements for the year ended 31 December 2016.

The Bozshakol clay and Aktogay sulphide plants commenced sales during the six months ended 30 June 2017 and were in pre-commercial production throughout the period. The Bozshakol clay plant has been declared commercial from 1 July 2017. The Bozshakol sulphide and Aktogay oxide plants commenced sales in the first half of 2016 and were in pre-commercial production until 27 October 2016 and 1 July 2016 respectively. During the pre-commercial production phase, revenues and operating costs are capitalised within property, plant and equipment as part of the cost of construction and are not included in the income statement.

The Financial Review and note 4(a)(i) to the condensed consolidated financial statements include the non-IFRS measures Gross Revenues and Gross EBITDA, which include the results of the plants during pre-commercial production to provide a measure of their performance for the periods presented. For the six months ended 30 June 2017, Bozymchak has been combined with the East Region and the comparative information has been restated accordingly. In the first half of 2016, Aktogay formed part of the Mining Projects segment.

### Income statement

An analysis of the consolidated income statement is shown below:

| \$ million (unless otherwise stated)   | Six months ended<br>30 June 2017 | Six months ended<br>30 June 2016 |
|--|----------------------------------|----------------------------------|
| Gross Revenues   | 837                              | 363                              |
| Gross EBITDA (excluding special items)                                       | 505                              | 147                              |
| Revenues   | 721                              | 302                              |
| Cash operating costs   | (292)                            | (187)                            |
| <b>EBITDA (excluding special items)</b>                                      | <b>429</b>                       | <b>115</b>                       |
| Less: special items  | –                                | (3)                              |
| Less: depreciation, depletion and amortisation                               | (78)                             | (19)                             |
| Less: MET and royalties  | (60)                             | (25)                             |
| <b>Operating profit</b>  | <b>291</b>                       | <b>68</b>                        |
| Net finance (costs)/income   | (51)                             | 23                               |
| <b>Profit before taxation</b>  | <b>240</b>                       | <b>91</b>                        |
| Income tax expense   | (55)                             | (18)                             |
| <b>Profit attributable to equity holders of the Company</b>                  | <b>185</b>                       | <b>73</b>                        |
| <b>Earnings per share attributable to equity shareholders of the Company</b> |                                  |                                  |
| Ordinary EPS – basic and diluted (\$)  | 0.41                             | 0.16                             |
| EPS based on Underlying Profit – basic and diluted (\$)                      | 0.44                             | 0.17                             |

### Gross Revenues and revenues

Gross Revenues for the first half of 2017 were \$837 million, an increase of 131% from the prior year period due to the additional contributions from Bozshakol and Aktogay of \$299 million and \$137 million respectively. The higher revenues were due to the significant production growth from the Group's recently launched open pit operations and an improved commodity price environment. The total copper sold in the first half of 2017 was 115.3 kt compared to 54.2 kt in the prior year period from higher output from the Bozshakol sulphide and Aktogay oxide plants and the commencement of operations at the Bozshakol clay and Aktogay sulphide plants. The LME copper price averaged \$5,748/t in the first half of 2017, up from \$4,701/t in the prior year period.

Gross Revenues from by-products were \$205 million, of which gold was \$106 million, above the \$49 million gold revenues in the first half of 2016 due to increased sales of Bozshakol material. By-products made up 24% of Gross Revenues in the first half of 2017 compared to 31% in the prior year period due to the significant increase in copper sales.

Revenues recognised in the income statement increased by 139% to \$721 million, reflecting the Bozshakol sulphide and Aktogay oxide plants having achieved commercial production in the second half of 2016. Revenues recognised in the income statement exclude sales during the pre-commercial production period which are capitalised. Capitalised revenues in the first half of 2017 were \$21 million and \$95 million from the Bozshakol clay and Aktogay sulphide plants respectively with \$45 million from the Bozshakol sulphide and \$16 million from the Aktogay oxide plant being capitalised in the prior year period.

Further information on Gross Revenues and revenues by operating segment can be found in the Operating Review.

## Operating profit

Operating profit for the first half of 2017 was \$291 million compared to \$68 million in the first half of 2016 due primarily to the growth in revenues across all the Group's products from higher volumes at the new operations and stronger commodity prices. The Group's operating profit margin, defined as operating profit divided by revenues, has increased to 40% in the current half year period from 23% in the comparative period in the prior year. This increase is attributed to the higher contribution from the Bozshakol and Aktogay operations and to improved commodity prices. The increase in the Group's cost of sales and selling and distribution expenses is due to the higher sales volumes from the new operations.

## EBITDA (excluding special items)

EBITDA (excluding special items) is a key non-IFRS measure that the Directors use internally to assess the performance of the Group's segments and is viewed as relevant to capital intensive industries with long life assets. This performance measure removes depreciation, depletion, amortisation, MET, royalties and special items. The Directors believe that the exclusion of MET and royalties provides an informed measure of the operational profitability given the nature of the tax as further explained in the 'Taxation' section. The Directors believe that this measure closely reflects the operating cash generative capacity and therefore the trading performance of the business as a whole. Special items are excluded to enhance the comparability of EBITDA (excluding special items) from period to period. A reconciliation of this measure to operating profit can be found in note 4(a)(i) of the condensed consolidated financial statements.

Gross EBITDA (excluding special items) includes the EBITDA (excluding special items) earned by the Group's major growth projects in the period prior to commercial production, which is capitalised to property, plant and equipment.

A reconciliation of EBITDA (excluding special items) by operating segment is shown below:

| \$ million   | Six months<br>ended<br>30 June 2017 | Six months<br>ended<br>30 June 2016 |
|--|-------------------------------------|-------------------------------------|
| Bozshakol  | 242                                 | 23                                  |
| East Region and Bozymchak                          | 180                                 | 134                                 |
| Aktogay <sup>1</sup>                               | 93                                  | 2                                   |
| Corporate services                                 | (10)                                | (12)                                |
| Gross EBITDA (excluding special items)             | 505                                 | 147                                 |
| Less: Capitalised pre-commercial production EBITDA | (76)                                | (32)                                |
| Bozshakol  | (12)                                | (28)                                |
| Aktogay <sup>1</sup>                               | (64)                                | (4)                                 |
| <b>EBITDA (excluding special items)</b>            | <b>429</b>                          | <b>115</b>                          |

<sup>1</sup> Aktogay has been included as a separate segment in the current period and was reported within Mining Projects in the prior year period.

Gross EBITDA (excluding special items) for the Group rose by 244% from \$147 million to \$505 million mainly due to the ramp up of sales from the Bozshakol sulphide and Aktogay oxide plants and the first contribution from the Bozshakol clay and Aktogay sulphide plants which commenced sales activities during the first quarter of 2017. The Gross EBITDA (excluding special items) margin for the Group improved from 40% in the first half of 2016 to 60% in the first half of 2017 due to stronger commodity prices and as the Group's unit cost of production reduced.

At Bozshakol, Gross EBITDA (excluding special items) rose from \$23 million in the first half of 2016 to \$242 million due to the sulphide plant operating at commercial levels of production in 2017 and the commencement of sales from the smaller clay plant. Copper and gold sales rose from 7.8 kt and 9.1 koz in the first six months of 2016 to 50.0 kt and 58.1 koz respectively.

Aktogay's Gross EBITDA (excluding special items) improved from \$2 million in the first half of 2016 to \$93 million in the first half of 2017 due to the oxide plant operating at commercial levels of production throughout the current period and from the commencement of sales from the sulphide plant in the first quarter of 2017. Accordingly, copper sales increased from 3.3 kt in the first half of 2016 to 27.8 kt in the current period.

The East Region and Bozymchak's Gross EBITDA (excluding special items) of \$180 million was \$46 million above the first half of 2016 due to an increase in revenues from higher realised metal prices, in particular copper and zinc, and from lower cash operating costs. These factors more than offset lower copper (5.6 kt), zinc (7.3 kt) and gold (4.5 koz) sales volumes. Cash operating costs in the first half of 2017 of \$160 million were \$8 million lower than the first half of 2016, largely due to lower sales volumes.

Corporate costs reduced slightly from \$12 million in the first half of 2016 to \$10 million, reflecting the impact of the strengthening US dollar on UK pound sterling costs.

The increase in EBITDA (excluding special items) from \$115 million to \$429 million in the first half of 2017 is due to the \$235 million and \$31 million increased contribution from the Bozshakol sulphide and Aktogay oxide plants respectively, following their achievement of commercial production in the second half of 2016 and the price driven \$46 million higher EBITDA from the East Region and Bozymchak.

Please refer to the Operating Review for a detailed analysis of the Group's EBITDA (excluding special items) by operating segment.

## Other items excluded from EBITDA (excluding special items)

### MET and royalties

MET and royalties charge in the income statement increased from \$25 million in the first half of 2016 to \$60 million in the first half of 2017. This reflected the higher volume of metal in ore mined from Bozshakol and Aktogay during commercial production.

The total MET incurred at Bozshakol and Aktogay was \$49 million and \$23 million respectively (30 June 2016: \$24 million and \$9 million). This includes amounts capitalised prior to commercial production, which comprised:

- \$23 million (30 June 2016: \$24 million) incurred at Bozshakol in respect of long-term stockpiled clay ore and included in the cost of non-current inventory on the balance sheet;
- \$3 million relating to clay material processed and capitalised to property, plant and equipment;
- \$11 million at Aktogay relating to sulphide operations (30 June 2016: \$9 million, relating to oxide); and
- \$6 million relating to oxide ore included in the cost of unsold inventory and work in progress.

The MET and royalties incurred at the East Region and Bozymchak operations of \$31 million for the first half of 2017 were above the \$25 million charge in the prior year period reflecting the impact of higher metal realised prices, partly offset by lower volumes.

### Depreciation, depletion and amortisation

Depreciation, depletion and amortisation for the first half of 2017 of \$78 million is \$59 million higher than the \$19 million charge in the first half of 2016 as depreciation of the Bozshakol sulphide and Aktogay oxide assets only commenced during the second half of 2016 on their achievement of commercial production.

## Net finance income/(costs)

Net finance income/(costs) includes:

| \$ million  | Six months ended<br>30 June 2017 | Six months ended<br>30 June 2016 |
|---|----------------------------------|----------------------------------|
| Interest income   | 7                                | 4                                |
| Interest on borrowings                                      | (109)                            | (93)                             |
| PXF fees  | (10)                             | –                                |
| Unwinding of discount on NFC deferral                       | (8)                              | (2)                              |
| Total interest  | (127)                            | (95)                             |
| Interest capitalised  | 61                               | 84                               |
| Interest expense  | (66)                             | (11)                             |
| Interest on employee obligations and unwinding of discounts | (3)                              | (2)                              |
| Net interest expense  | (62)                             | (9)                              |
| Net foreign exchange gains                                  | 11                               | 32                               |
| <b>Net finance (costs)/income</b>                           | <b>(51)</b>                      | <b>23</b>                        |

Net finance costs were \$51 million compared to a net finance income of \$23 million in the first half of 2016.

The interest cost on borrowings amounted to \$109 million and was \$16 million higher than the \$93 million incurred in the first half of 2016. The increase is attributed to higher US dollar LIBOR rates in 2017 and from the additional borrowing costs associated with the DBK loan drawn in December 2016. The PXF amendment cost of \$10 million reflects the fees paid on the refinancing, classified as a special item and excluded from Underlying Profit. The increase in the unwinding of the discount to \$8 million compared to \$2 million in the prior year period is due to the accrual of the full amount owed to NFC over 2016. This interest is capitalised to the cost of the Aktogay sulphide plant until it reaches commercial production.

The interest expense recognised in the income statement of \$66 million (\$11 million in the first half of 2016) is stated after the deduction of interest capitalised to the construction of new mines. Interest expenses rose as the borrowing

costs associated with the Bozshakol sulphide and Aktogay oxide plants ceased being capitalised after these assets achieved commercial production in the second half of 2016. Upon achievement of commercial production at the Aktogay sulphide plant, expected in the second half of 2017, the Group will cease capitalising borrowing costs, including the DBK debt costs, associated with that project.

The \$11 million net foreign exchange gain in the first half of 2017 was principally driven by a 4% appreciation of the tenge from 31 December 2016 which resulted in net foreign exchange gains on US dollar net monetary liabilities in Kazakhstan based entities.

The \$32 million net foreign exchange gain in the first half of 2016 was principally driven by the impact of the 11% appreciation of the Kyrgyz som and the 9% depreciation in the UK pound sterling. The appreciation of the som on Bozymchak's US dollar denominated intercompany net debt resulted in a gain of \$23 million. The depreciation of the UK pound sterling in June 2016 against the US dollar gave rise to a \$9 million gain.

## Taxation

The table below shows the Group's effective tax rate as well as the all-in effective tax rate which takes into account the impact of MET and royalties and removes the effect of special items on the Group's tax charge.

| \$ million (unless otherwise stated)             | Six months<br>ended<br>30 June 2017 | Six months<br>ended<br>30 June 2016 |
|--|-------------------------------------|-------------------------------------|
| <b>Profit before taxation</b>                    | <b>240</b>                          | 91                                  |
| Add: MET and royalties                           | 60                                  | 25                                  |
| Add: special items                               | 10                                  | 3                                   |
| <b>Adjusted profit before taxation</b>           | <b>310</b>                          | 119                                 |
| Income tax expense                               | 55                                  | 18                                  |
| Add: MET and royalties                           | 60                                  | 25                                  |
| Less: taxation effect of special items           | –                                   | –                                   |
| <b>Adjusted tax expense</b>                      | <b>115</b>                          | 43                                  |
| <b>Effective tax rate (%)</b>                    | <b>23</b>                           | 20                                  |
| <b>All-in effective tax rate<sup>1</sup> (%)</b> | <b>37</b>                           | 36                                  |

<sup>1</sup> The all-in effective tax rate, a non-IFRS measure, is calculated as the income tax expense plus MET and royalties less the tax effect of special items and other non-recurring items, divided by profit before taxation which is adjusted for MET and royalties and special items to arrive at adjusted profit before taxation. Adjusted profit before taxation is a non-IFRS measure. The all-in effective tax rate is considered to be a representative tax rate on the recurring profits of the Group.

### Effective tax rate

The effective tax rate was 23% and higher than the prior year period due to unrecognised tax losses from the Group's UK entities.

### All-in effective tax rate

The all-in effective tax rate was marginally above the first half of 2016 as the higher effective tax rate more than offset a slightly lower MET and royalties charge as a proportion of adjusted profit. As MET and royalties are determined independently of the profitability of operations, in periods of lower profitability it puts upwards pressure on the all-in effective tax rate, as the impact of MET and royalties is elevated due to their revenue based nature. Conversely, during periods of higher profitability, the MET and royalties impact on the all-in effective tax rate decreases.

### Future tax rates

Future tax rates are materially affected by the application of corporate income tax ('CIT') and MET and royalties. The CIT rate in Kazakhstan is 20% and 10% in Kyrgyzstan on assessable profits whilst MET and royalties are revenue-based and dependent on commodity prices.

## Underlying Profit

Underlying Profit is a non-IFRS measure and is the profit for the period after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resultant tax and non-controlling interest effects. The reconciliation of Underlying Profit from profit attributable to equity holders of the Company is set out below:

| \$ million (unless otherwise stated)                     | Six months ended<br>30 June 2017 | Six months ended<br>30 June 2016 |
|--|----------------------------------|----------------------------------|
| Net profit attributable to equity holders of the Company | 185                              | 73                               |
| Special items within operating profit – note 5           | –                                | 3                                |
| Special items within profit before taxation – PXF fees   | 10                               | –                                |
| <b>Underlying Profit</b>                                 | <b>195</b>                       | <b>76</b>                        |
| Weighted average number of shares in issue (millions)    | 447                              | 447                              |
| Ordinary EPS – basic and diluted (\$)                    | 0.41                             | 0.16                             |
| EPS based on Underlying Profit – basic and diluted (\$)  | 0.44                             | 0.17                             |

The Group's net profit attributable to equity holders of the Company was \$185 million in the first half of 2017 compared to \$73 million for the first half of 2016.

The Underlying Profit for the period was \$195 million compared to \$76 million in the prior year period, primarily due to increased profit contributions from the Bozshakol and Aktogay operations as they continue to ramp up production to their respective design capacities, partially offset by interest costs on project borrowings being expensed in the current period whilst being capitalised in the prior year period.

## Earnings per share

Basic earnings per share of \$0.41 increased from the \$0.16 in the first half of 2016 and earnings per share based on Underlying Profit rose to \$0.44 from \$0.17, reflecting the Group's improved profitability.

## Dividends

The policy established at the time of Listing was for the Company to maintain a dividend policy which took into account the profitability of the business and underlying growth in earnings of the Group, as well as its cash flows and growth requirements. The Directors would also ensure that dividend cover is prudently maintained.

Whilst the Group's gearing metrics are improving, taking into consideration the debt assumed for the construction of the two major growth projects, the Directors did not declare an interim dividend for 2017. The Board will continue to assess the Group's financial position, its cash flows and growth requirements in determining when to resume dividend payments in the future.

## Cash flows

The summary of cash flows shown below is prepared on a basis consistent with internal management reporting. The key non-IFRS measure of Free Cash Flow is defined as the net cash flow from operating activities before capital expenditure and non-current VAT associated with major projects less sustaining capital expenditure. This measure is used by the Directors to monitor the Group's ability to reduce debt, fund returns to shareholders and invest in the future growth and development of the business.

| \$ million  | Six months<br>ended<br>30 June 2017 | Six months<br>ended<br>30 June 2016 |
|---|-------------------------------------|-------------------------------------|
| <b>EBITDA (excluding special items)<sup>1</sup></b>   | <b>429</b>                          | 115                                 |
| Change in inventories <sup>2</sup>  | (4)                                 | (7)                                 |
| Change in prepayments and other current assets <sup>2</sup>   | (20)                                | (11)                                |
| Change in trade and other receivables <sup>2</sup>  | (22)                                | (4)                                 |
| Change in trade and other payables and provisions <sup>2</sup>  | 15                                  | (12)                                |
| Interest paid   | (114)                               | (85)                                |
| MET and royalties paid <sup>2</sup>   | (66)                                | (26)                                |
| Income tax paid   | (47)                                | (15)                                |
| Foreign exchange and other movements  | 7                                   | 2                                   |
| <b>Net cash flows from/(used in) operating activities before capital expenditure and non-current VAT associated with major projects<sup>3</sup></b> | <b>178</b>                          | (43)                                |
| Sustaining capital expenditure  | (23)                                | (22)                                |
| <b>Free Cash Flow</b>   | <b>155</b>                          | (65)                                |
| Expansionary and new project capital expenditure  | (85)                                | (197)                               |
| Net non-current VAT received/(paid) associated with major projects  | 159                                 | (20)                                |
| Proceeds from disposal of property, plant and equipment   | –                                   | 1                                   |
| Interest received   | 7                                   | 4                                   |
| Other movements   | (1)                                 | (1)                                 |
| <b>Cash flow movement in net debt</b>   | <b>235</b>                          | (278)                               |

<sup>1</sup> EBITDA (excluding special items) is defined as profit before interest, taxation, depreciation, depletion, amortisation, MET and royalties. Please refer to note 4(a)(i) of the consolidated financial statements.

<sup>2</sup> Excludes working capital and MET movements arising from pre-commercial production activities at the Bozshakol and Aktogay operations.

<sup>3</sup> The difference between 'net cash flow from operating activities before capital expenditure and non-current VAT associated with major projects' and net cash from/(used) in operating activities as reflected on the Group cash flow statement, is the VAT received/(paid) on the construction of the major projects.

## Summary

Net cash flows from operating activities before capital expenditure and non-current VAT associated with major projects improved following higher profitability, partly offset by increased interest payments on borrowings, increased MET payments from Bozshakol and Aktogay following commercial production and higher income tax payments.

## Working capital

The working capital movements in the table above exclude the period of pre-commercial production which are included within expansionary and new project capital expenditure;

- inventory levels have risen by \$4 million following higher consumables at the Bozshakol and Aktogay operations and an increase in ore on leach pads at Aktogay. The \$12 million increase in inventory as reflected in the IFRS based cash flow statement (see note 13(a)) includes MET and depreciation, both production costs, which are excluded from the cash flow above as MET is reflected separately and EBITDA (excluding special items) is stated before depreciation and amortisation;
- prepayments and other current assets increased by \$20 million primarily due to a build-up of operating VAT receivable at the Bozshakol and Aktogay operations. During the period, \$20 million of VAT receivable at the East Region operations was refunded;
- trade and other receivables increased by \$22 million from increased volumes at Bozshakol and Aktogay; and
- trade and other payables rose by \$15 million due to increased operational spending at the Bozshakol and Aktogay operations and from the timing of payments received for inventory delivered to customers. The \$13 million accounts payable and provision outflow reflected in the IFRS based cash flow statement (see note 13(a)) includes the accruals relating to MET and royalties. The cash flow shown above reflects MET and royalty payments separately.

Working capital movements at Bozshakol and Aktogay incurred during pre-commercial production are reflected within expansionary capital expenditure in the cash flow above and are not included in Free Cash Flow. These include outflows of \$24 million for consumables and inventory at the Aktogay sulphide plant and \$35 million for long-term clay ore that was stockpiled during the current period and both funded out of their respective project budgets. Other pre-commercial working capital movements include an \$18 million increase in trade and other receivables partly offset by increased accounts payable of \$4 million and a \$6 million increase in MET. In the first half of 2016, the pre-commercial working capital movements included a \$32 million outflow for consumables and raw materials, a \$20 million increase in trade and other receivables and a \$6 million increase in prepayments, partly offset by a \$24 million increase in trade and other payables and a \$17 million increase in fixed asset payables.

In the first half of 2016, inventory levels rose by \$7 million due to a build up of copper and gold work in progress and raw material at the East Region and Bozymchak. Trade and other receivables increased by \$4 million due to lower

revenues and the timing of receipts, while prepayments and other current assets increased by \$11 million primarily from the build-up of VAT and advances paid for processing services in the East Region and Bozshakol. Trade and other payables decreased by \$12 million due to the release of payments received in advance for customer deliveries.

### **Interest cash flows**

Interest paid during the first half of 2017 was \$114 million compared with \$85 million in the first half of 2016. The increased payments, which includes the \$10 million PXF amendment costs, are broadly consistent with the higher borrowings cost for the year at \$119 million compared to \$95 million in the prior period. Interest payments are made semi-annually under the CDB Bozshakol/Bozshakol, CDB Aktogay US dollar and DBK US dollar facilities, quarterly under the CDB Aktogay RMB facility and monthly under the PXF facility.

### **Income taxes and Mineral Extraction Tax**

Income tax payments of \$47 million include \$25 million of withholding tax on interest accrued in previous periods financing the major growth projects. Excluding withholding tax payments, taxes paid were below the income statement charge due to capital allowances available on the major growth projects. At 30 June 2017, the Group's net income tax payable was \$5 million, compared to \$4 million at 31 December 2016.

MET and royalty payments increased to \$66 million reflecting the payments made by Bozshakol and Aktogay and the impact of higher metal prices. The total MET paid on ore mined at Bozshakol and Aktogay in the first half of 2017 was \$56 million and \$11 million respectively, with \$27 million relating to clay ore and \$6 million relating to Aktogay sulphide material included within expansionary capital expenditure. At 30 June 2017, the MET and royalty payable was \$53 million compared to \$49 million at 31 December 2016.

### **Free Cash Flow**

The Group's Free Cash Flow before interest payments on borrowings was \$269 million compared to \$20 million in the first half of 2016 due to the improved profitability of the Group, in particular the sales contributions from Bozshakol and Aktogay and the improved copper price. After interest payments, Free Cash Flow was \$155 million compared to an outflow of \$65 million in the prior year period.

### **Capital expenditure**

Sustaining capital expenditure relates to the East Region and Bozshakol and increased by \$1 million to \$23 million.

Expansionary and new project expenditure of \$85 million includes operating cash flows relating to pre-commercial production activities at the Aktogay sulphide and Bozshakol clay plants. The spend was below the \$197 million invested in the first half of 2016 as construction activities were largely completed in the prior year. At Aktogay, capital expenditure financed out of the project budget was \$64 million and includes \$24 million for consumables and inventory while operating cash inflows from pre-commercial production activities of the sulphide plant were \$52 million to arrive at total expansionary capital spend of \$12 million. At Bozshakol, expenditure financed from the project budget was \$49 million, including \$35 million for long-term stockpiled clay ore while operating cash outflows from pre-commercial production activities at the clay plant amounted to \$7 million, resulting in total expansionary capital spend of \$56 million. The Group incurred \$17 million on other expansionary projects including the Artemyevsky mine extension. Please refer to the Operating Review for an analysis of the Group's capital expenditure by operating segment.

### **Non-current VAT**

The non-current VAT associated with the major growth projects cash flow includes the receipt of \$176 million of VAT incurred during the construction of Bozshakol and Aktogay.

### **Other investing and financing cash flows**

In the first half of 2017 other investing cash flows relate to interest received on cash and cash equivalents and deposits of \$7 million (30 June 2016; \$4 million).

## Balance sheet

The Group's capital employed position is shown below:

| \$ million                                   | At<br>30 June<br>2017 | At<br>31 December<br>2016 |
|--|-----------------------|---------------------------|
| Equity attributable to owners of the Company | 837                   | 533                       |
| Non-controlling interests                    | 3                     | 3                         |
| Borrowings                                   | 3,665                 | 3,777                     |
| Capital employed                             | 4,505                 | 4,313                     |

## Summary of movements

The Group's attributable profit for the period of \$185 million led to the increase in the equity attributable to owners of the Company and an appreciation of the tenge increased the US dollar value of the Group's foreign currency operations by \$117 million.

## Net debt

Net debt consists of cash and cash equivalents and borrowings. A summary of the Group's net debt position is shown below:

| \$ million                | At<br>30 June<br>2017 | At<br>31 December<br>2016 |
|---------------------------|-----------------------|---------------------------|
| Cash and cash equivalents | 1,223                 | 1,108                     |
| Borrowings                | (3,665)               | (3,777)                   |
| Net debt                  | (2,442)               | (2,669)                   |

Cash and cash equivalents at 30 June 2017 totalled \$1,223 million and was above the \$1,108 million at 31 December 2016 due to the Free Cash Flow generated by the Bozshakol and Aktogay operations as well as increased cash flow from the East Region and Bozymchak, receipt of VAT relating to the major growth projects and a draw down of \$76 million from the amended PXF facility. These cash inflows more than offset the repayment of debt of \$196 million and expansionary capital expenditure. The \$196 million repayment of debt in the first half of 2017 includes the settlement of the \$40 million CAT facility.

In June 2017, the Group completed an amendment and extension of the PXF facility. The new facility extends the maturity profile of the facility by 2.5 years from December 2018 until June 2021. Under the revised repayment profile, principal repayments will commence in July 2018 and then continue in equal monthly instalments over a three year period until final maturity in June 2021. The facility amount was increased to \$600 million of which \$300 million was drawn at 30 June 2017 with the remainder available for drawing until 31 December 2017.

In order to manage counterparty and liquidity risk, surplus funds within the Group are held predominantly in the UK and funds remaining in Kazakhstan are utilised mainly for working capital purposes. The funds within the UK are held primarily with major European and US financial institutions and triple-'A' rated liquidity funds. At 30 June 2017, \$1,137 million of cash and cash equivalents was held in the UK and Europe and \$86 million in Kazakhstan and Kyrgyzstan.

At 30 June 2017, borrowings (net of amortised fees) were \$3,665 million, a decrease of \$112 million from 31 December 2016 reflecting the \$40 million repayment of the CAT facility, \$91 million in principal repayments of the CDB Bozshakol/Bozymchak finance facility, \$59 million repaid under the previous PXF facility and \$6 million paid under the CDB Aktogay RMB facility. \$76 million was drawn under the amended and extended PXF facility. The borrowings (net of unamortised fees) consisted of \$1,613 million under the CDB Bozshakol/Bozymchak facility, \$1,455 million under the CDB Aktogay finance facilities, \$297 million under the DBK facility and \$300 million under the PXF debt facility.

Full details of the terms of the Group's borrowings are included in note 11 of the condensed consolidated financial statements.

## Going concern

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level of the Group taking into consideration the expected outlook of the Group's financial position, cash flows, future capital expenditure and required debt repayments.

On 9 June 2017, the Group announced that it had successfully completed an amendment and extension to its PXF facility. The amended facility was increased to \$600 million, the maturity profile was extended by two and half years to June 2021 and financial covenants were revised to increase headroom as production at Bozshakol and Aktogay continue to ramp up. The Board considers that there is sufficient committed available liquidity to meet the Group's

requirements for the foreseeable future, taking into account reasonably possible downside scenarios, including lower than expected commodity prices and lower than expected production at Bozshakol and Aktogay. A severe downturn in copper price or a material adverse event impacting production could adversely impact future liquidity, including financial covenants.

After making appropriate assessment, the Board has a reasonable expectation that the Group has adequate liquidity to continue in operational existence for the foreseeable future. Accordingly, it is appropriate to adopt the going concern basis of accounting in the preparation of these consolidated financial statements.

## PRINCIPAL RISKS

### Managing our risks

The significant risks identified by KAZ Minerals are those that could materially affect the Group's financial condition, performance, strategy and prospects together with their potential impact and the mitigating actions being taken by management, are set out in the 2016 Annual Report and Accounts, which is available at [www.kazminerals.com](http://www.kazminerals.com).

In the view of the Board, the principal risks set out in the 2016 Annual Report and Accounts reflect the significant risks and uncertainties for the Group for the remaining six months of 2017, with a summary and any key changes described below, including an update on liquidity risk. There may be other risks unknown, or currently believed immaterial by the Group, which might become material. The risks set out below are not in order of likelihood of occurrence or materiality and should be viewed, as with any forward looking statements in this document, with regard to the cautionary statement.

#### Health & safety

Mining is a hazardous industry. Health and safety incidents could result in harm to people, as well as production disruption, financial loss and reputational damage.

#### Business interruption

Operations are subject to a number of risks not wholly within the Group's control, including: geological and technological challenges; weather and other natural phenomena; damage to or failure of equipment and infrastructure; loss or interruption to key inputs such as electricity and water and the availability of key supplies and services, including the Balkhash smelter.

Any disruption could impact production, may require the Group to incur unplanned expenditure and negatively impact cash flows.

#### Political

The Group could be affected by political instability or social and economic changes in the countries in which it operates. This could include the granting and renewal of permits and changes to foreign trade or legislation that could affect the business environment and negatively impact the Group's business, financial performance and licence to operate.

#### New project construction and commissioning

Projects may fail to achieve the desired economic returns due to an inability to recover mineral resources, design or construction deficiencies, a failure to achieve expected operating parameters or because of capital or operating costs being higher than expected. Failure to effectively manage new projects or a lack of available financing may prevent or delay completion of projects.

These risks will continue in 2017 during the ramp up of the Bozshakol and Aktogay operations to design capacity. The speed of ramp up is dependent on the successful start-up and operation of equipment and the performance of suppliers and the workforce. These factors could result in delays which could impact cash flows, liquidity and financial results.

#### Community and labour relations

The Group operates in areas where it is a major employer, where employees are represented by labour unions and where it may provide support to the local community. This may impose restrictions on the Group's flexibility in taking certain operating decisions. Failure to identify and manage the concerns and expectations of local communities and the labour force could affect the Group's reputation and social licence to operate, and result in production disruptions and increases in operating costs. Wage negotiations could be impacted by higher commodity prices, higher domestic inflation or the continued weakness of the tenge.

#### Employees

The Group is dependent on its ability to attract and retain highly skilled personnel. Failure to do so could have a negative impact on operations or the successful implementation of growth projects and result in higher operating costs to recruit required staff. The remote location of some operations increases this challenge.

## Reserves and resources

The Group's ore reserves are partly based on an estimation method established by the former Soviet Union. There are numerous uncertainties inherent in estimating ore reserves, which if changed, could require the need to restate ore reserves and impact the economic viability of affected operations and development projects.

## Legal and regulatory compliance

In Kazakhstan and Kyrgyzstan all subsoil reserves belong to the State and subsoil usage rights must be renewed. Legislation, including subsoil use laws and taxation have been in force for a relatively short period of time and may be subject to change and uncertainty of interpretation, application and enforcement. As a Company listed in the UK, the Group is also subject to legislation and compliance requirements, including related party rules and the UK Bribery Act.

Non-compliance with legislation could result in regulatory challenges, reputational damage, fines, litigation and ultimately the loss of operating licences. Substantial payments of tax could arise for the Group, or tax receivable balances may not be recovered as expected.

## Environmental compliance

Mining operations involve the use of toxic substances and requires the storage of large volumes of waste materials in tailings dams, which could result in spillages and significant environmental damage. The Group is subject to environmental laws and regulations which are continually developing, including those to tackle climate change. Failure to comply with applicable laws could lead to the suspension of operating licences, the imposition of financial penalties or costly compliance costs and reputational damage.

Increased levels of production from Bozshakol and Aktogay will increase the Group's environmental footprint and energy and water consumption.

## Commodity price

The Group's results are heavily dependent on the commodity price for copper and to a lesser extent, the prices of gold, silver and zinc. Commodity prices can fluctuate significantly and are dependent on several factors, including world supply and demand and investor sentiment. The financial impact of commodity price movements on the Group's financial position will increase with the continued ramp up of output from Bozshakol and Aktogay.

## Foreign exchange and inflation

Fluctuations in rates of exchange or inflation in the jurisdictions to which the Group is exposed could result in future increased costs. As the functional currency of the Group's operations is the local currency, fluctuations in exchange rates can give rise to exchange gains and losses in the income statement and volatility in the level of net assets recorded on the Group's balance sheet.

## Exposure to China

Sales are made to a limited number of end customers in China, with Chinese sales to increase further as copper concentrate output increases in 2017. Treatment and refining charges are dependent upon Chinese smelting capacity and the level of copper concentrate supply in the region.

China is an important source of financing to the Group with long-term debt facilities of \$3.1 billion at 30 June 2017. In addition, the Group uses contractors, services and materials from China.

## Acquisitions and divestments

The Group may acquire or dispose of assets and businesses which fail to achieve the expected benefit or value to the Group. Changing market conditions, incorrect assumptions or deficiencies in due diligence could result in the wrong decisions being made and in acquisitions or disposals failing to deliver expected benefits. The Restructuring was effected under the laws and regulations of Kazakhstan which are subject to change and open to interpretation, including the legal and tax aspects of the Restructuring in 2014, which could give rise to liabilities for KAZ Minerals.

## Liquidity

The Group is exposed to liquidity risk if it is unable to meet payment obligations as they fall due or is unable to access acceptable sources of finance. Non-compliance with financial covenants could result in borrowing facilities becoming uncommitted and repayable. The debt financing of the Bozshakol and Aktogay projects has resulted in an elevated net debt level. Gearing metrics are expected to reduce as Bozshakol and Aktogay ramp up to full capacity.

Failure to manage liquidity risk could have a material impact on the Group's cash flows, earnings and financial position.

On 9 June 2017, the Group announced that it had completed an amendment and extension of its PXF facility, including an increase in commitments to \$600 million. The maturity profile of the facility increased by 2.5 years until June 2021. Financial covenants were revised to increase headroom as Bozshakol and Aktogay continue to ramp up production.

**Further details regarding going concern are included in note 2 to the financial statements.**

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Each Director confirms to the best of his/her knowledge that this condensed set of financial statements has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union and that the half-yearly report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months of the financial year, and their impact on this condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions that have taken place in the first six months of the current financial year and any material changes in the related party transactions described in the KAZ Minerals 2016 Annual Report and Accounts.

The Directors of KAZ Minerals PLC are listed on the Company's website at [www.kazminerals.com](http://www.kazminerals.com).

**OLEG NOVACHUK**  
CHIEF EXECUTIVE  
16 August 2017

## INDEPENDENT REVIEW REPORT TO KAZ MINERALS PLC

### Conclusion

We have been engaged by KAZ Minerals PLC (the 'Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises consolidated statement of total comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes 1 to 15.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34 '*Interim Financial Reporting*' as adopted by the European Union (the 'EU') and the Disclosure Guidance and Transparency Rules (the 'DTR') of the UK's Financial Conduct Authority (the 'UK FCA').

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 '*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*' issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

### The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

**Juliette Lowes**

**For and on behalf of KPMG LLP**

Chartered Accountants

15 Canada Square

London E14 5GL

16 August 2017

## CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME (UNAUDITED)

Six months ended 30 June 2017

| \$ million (unless otherwise stated)   | Notes | Six months<br>ended<br>30 June 2017 | Six months<br>ended<br>30 June 2016 |
|--|-------|-------------------------------------|-------------------------------------|
| Revenues   | 4(b)  | 721                                 | 302                                 |
| Cost of sales  |       | (344)                               | (170)                               |
| <b>Gross profit</b>  |       | <b>377</b>                          | <b>132</b>                          |
| Selling and distribution expenses  |       | (37)                                | (13)                                |
| Administrative expenses  |       | (53)                                | (51)                                |
| Net other operating income   |       | 5                                   | 3                                   |
| Impairment losses  |       | (1)                                 | (3)                                 |
| <b>Operating profit</b>  |       | <b>291</b>                          | <b>68</b>                           |
| Analysed as:   |       |                                     |                                     |
| Operating profit (excluding special items)                                   |       | 291                                 | 71                                  |
| Special items  | 5     | –                                   | (3)                                 |
| Interest income  |       | 7                                   | 4                                   |
| Finance costs  | 6     | (69)                                | (13)                                |
| Foreign exchange gain, net   |       | 11                                  | 32                                  |
| <b>Profit before taxation</b>  |       | <b>240</b>                          | <b>91</b>                           |
| Income tax expense   | 7     | (55)                                | (18)                                |
| <b>Profit for the period</b>   |       | <b>185</b>                          | <b>73</b>                           |
| Analysed as:   |       |                                     |                                     |
| Underlying Profit  | 8     | 195                                 | 76                                  |
| Special items  | 5     | (10)                                | (3)                                 |
| Attributable to:   |       |                                     |                                     |
| Equity holders of the Company  |       | 185                                 | 73                                  |
| Non-controlling interests  |       | –                                   | –                                   |
|  |       | <b>185</b>                          | <b>73</b>                           |
| <b>Other comprehensive income/(expense) for the period after tax:</b>        |       |                                     |                                     |
| Items that may be reclassified subsequently to the income statement:         |       |                                     |                                     |
| Exchange differences on retranslation of foreign operations                  |       | 117                                 | (12)                                |
| <b>Other comprehensive income/(expense) for the period</b>                   |       | <b>117</b>                          | <b>(12)</b>                         |
| <b>Total comprehensive income for the period</b>                             |       | <b>302</b>                          | <b>61</b>                           |
| Attributable to:   |       |                                     |                                     |
| Equity holders of the Company  |       | 302                                 | 61                                  |
| Non-controlling interests  |       | –                                   | –                                   |
|  |       | <b>302</b>                          | <b>61</b>                           |
| <b>Earnings per share attributable to equity shareholders of the Company</b> |       |                                     |                                     |
| Ordinary EPS – basic and diluted (\$)  | 8     | 0.41                                | 0.16                                |
| EPS based on Underlying Profit – basic and diluted (\$)                      | 8     | 0.44                                | 0.17                                |

## CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30 June 2017

| \$ million   | Notes | At<br>30 June<br>2017 | At<br>31 December<br>2016 | At<br>30 June<br>2016 |
|--|-------|-----------------------|---------------------------|-----------------------|
| <b>Assets</b>  |       |                       |                           |                       |
| <b>Non-current assets</b>                            |       |                       |                           |                       |
| Intangible assets                                    |       | 7                     | 8                         | 7                     |
| Property, plant and equipment                        |       | 2,786                 | 2,670                     | 2,490                 |
| Mining assets  |       | 431                   | 422                       | 389                   |
| Other non-current assets                             | 9     | 242                   | 364                       | 260                   |
| Deferred tax asset                                   |       | 74                    | 72                        | 66                    |
|  |       | <b>3,540</b>          | <b>3,536</b>              | <b>3,212</b>          |
| <b>Current assets</b>                                |       |                       |                           |                       |
| Inventories  |       | 280                   | 247                       | 157                   |
| Prepayments and other current assets                 |       | 73                    | 54                        | 61                    |
| Income taxes receivable                              |       | 5                     | 7                         | 1                     |
| Trade and other receivables                          |       | 138                   | 105                       | 52                    |
| Cash and cash equivalents                            | 13(b) | 1,223                 | 1,108                     | 1,056                 |
|  |       | <b>1,719</b>          | <b>1,521</b>              | <b>1,327</b>          |
| <b>Total assets</b>                                  |       | <b>5,259</b>          | <b>5,057</b>              | <b>4,539</b>          |
| <b>Equity and liabilities</b>                        |       |                       |                           |                       |
| <b>Equity</b>  |       |                       |                           |                       |
| Share capital  | 10(a) | 171                   | 171                       | 171                   |
| Share premium  |       | 2,650                 | 2,650                     | 2,650                 |
| Capital reserves                                     |       | (1,920)               | (2,037)                   | (2,084)               |
| Retained earnings                                    |       | (64)                  | (251)                     | (356)                 |
| <b>Attributable to equity holders of the Company</b> |       | <b>837</b>            | <b>533</b>                | <b>381</b>            |
| Non-controlling interests                            |       | 3                     | 3                         | 3                     |
| <b>Total equity</b>                                  |       | <b>840</b>            | <b>536</b>                | <b>384</b>            |
| <b>Non-current liabilities</b>                       |       |                       |                           |                       |
| Borrowings   | 11    | 3,399                 | 3,446                     | 3,277                 |
| Deferred tax liability                               |       | 65                    | 56                        | 40                    |
| Employee benefits                                    |       | 15                    | 15                        | 14                    |
| Provisions   |       | 62                    | 57                        | 14                    |
| Other non-current liabilities                        | 12    | 57                    | 292                       | 188                   |
|  |       | <b>3,598</b>          | <b>3,866</b>              | <b>3,533</b>          |
| <b>Current liabilities</b>                           |       |                       |                           |                       |
| Trade and other payables                             |       | 299                   | 309                       | 294                   |
| Borrowings   | 11    | 266                   | 331                       | 310                   |
| Income taxes payable                                 |       | 10                    | 11                        | 14                    |
| Employee benefits                                    |       | 2                     | 2                         | 2                     |
| Other current liabilities                            | 12    | 244                   | 2                         | 2                     |
|  |       | <b>821</b>            | <b>655</b>                | <b>622</b>            |
| <b>Total liabilities</b>                             |       | <b>4,419</b>          | <b>4,521</b>              | <b>4,155</b>          |
| <b>Total equity and liabilities</b>                  |       | <b>5,259</b>          | <b>5,057</b>              | <b>4,539</b>          |

These condensed consolidated financial statements were approved by the Board of Directors on 16 August 2017.

## CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Six months ended 30 June 2017

| \$ million  | Notes | Six months ended | Six months ended |
|---|-------|------------------|------------------|
|   |       | 30 June 2017     | 30 June 2016     |
| <b>Cash flows from operations</b>   |       |                  |                  |
| Cash receipts from customers  |       | 679              | 265              |
| Net proceeds/(payments) on non-current VAT  |       | 159              | (20)             |
| Cash payments to employees, suppliers and taxes other than non-current VAT and income tax |       | (340)            | (208)            |
| Cash flows from operations before interest and income taxes                               | 13(a) | 498              | 37               |
| Interest and financing charges paid   |       | (114)            | (85)             |
| Income taxes paid   |       | (47)             | (15)             |
| <b>Net cash flows from/(used in) operating activities</b>                                 |       | <b>337</b>       | <b>(63)</b>      |
| <b>Cash flows from investing activities</b>   |       |                  |                  |
| Interest received   |       | 7                | 4                |
| Proceeds from disposal of property, plant and equipment                                   |       | –                | 1                |
| Purchase of intangible assets   |       | (1)              | (1)              |
| Purchase of property, plant and equipment   |       | (89)             | (194)            |
| Investments in mining assets  |       | (18)             | (24)             |
| Licence payments for subsoil contracts  |       | (1)              | (1)              |
| Movement in short-term bank deposits  | 13(c) | –                | 400              |
| <b>Net cash flows (used in)/from investing activities</b>                                 |       | <b>(102)</b>     | <b>185</b>       |
| <b>Cash flows from financing activities</b>   |       |                  |                  |
| Proceeds from borrowings  |       | 76               | 250              |
| Repayment of borrowings   |       | (196)            | (166)            |
| <b>Net cash flows (used in)/from financing activities</b>                                 |       | <b>(120)</b>     | <b>84</b>        |
| Net increase in cash and cash equivalents   | 13(c) | 115              | 206              |
| Cash and cash equivalents at the beginning of the period                                  |       | 1,108            | 851              |
| Effect of exchange rate changes on cash and cash equivalents                              | 13(c) | –                | (1)              |
| <b>Cash and cash equivalents at the end of the period</b>                                 | 13(b) | <b>1,223</b>     | <b>1,056</b>     |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 June 2017

| \$ million  | Attributable to equity holders of the Company |               |                  |                   |            | Non-controlling interests | Total equity |
|---|---|---------------|------------------|-------------------|------------|---------------------------|--------------|
|   | Share capital                                 | Share premium | Capital reserves | Retained earnings | Total      |                           |              |
| At 1 January 2017   | 171   | 2,650         | (2,037)          | (251)             | 533        | 3                         | 536          |
| Profit for the period                                       | –   | –             | –                | 185               | 185        | –                         | 185          |
| Exchange differences on retranslation of foreign operations | –   | –             | 117              | –                 | 117        | –                         | 117          |
| Total comprehensive income for the period                   | –   | –             | 117              | 185               | 302        | –                         | 302          |
| Share-based payments  | –   | –             | –                | 2                 | 2          | –                         | 2            |
| <b>At 30 June 2017</b>                                      | <b>171</b>                                    | <b>2,650</b>  | <b>(1,920)</b>   | <b>(64)</b>       | <b>837</b> | <b>3</b>                  | <b>840</b>   |
| At 1 January 2016   | 171   | 2,650         | (2,072)          | (430)             | 319        | 3                         | 322          |
| Profit for the period                                       | –   | –             | –                | 73                | 73         | –                         | 73           |
| Exchange differences on retranslation of foreign operations | –   | –             | (12)             | –                 | (12)       | –                         | (12)         |
| Total comprehensive income/(expense) for the period         | –   | –             | (12)             | 73                | 61         | –                         | 61           |
| Share-based payments  | –   | –             | –                | 1                 | 1          | –                         | 1            |
| <b>At 30 June 2016</b>                                      | <b>171</b>                                    | <b>2,650</b>  | <b>(2,084)</b>   | <b>(356)</b>      | <b>381</b> | <b>3</b>                  | <b>384</b>   |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Six months ended 30 June 2017

### 1. Corporate information

KAZ Minerals PLC (the 'Company') is a public limited company incorporated in England and Wales. The Company's registered office is 6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, United Kingdom. The Group comprises the Company and its divisions as set out below.

The Group operates in the natural resources industry through five divisions, the principal activities of which during the first half of 2017 were:

| Operating division       | Principal activity                                      | Primary country of operations |
|--------------------------|---|-------------------------------|
| Bozshakol                | Mining and processing of copper and other metals        | Kazakhstan                    |
| East Region <sup>1</sup> | Mining and processing of copper and other metals        | Kazakhstan                    |
| Bozymchak <sup>1</sup>   | Mining and processing of copper and other metals        | Kyrgyzstan                    |
| Aktogay                  | Mining and processing of copper and other metals        | Kazakhstan                    |
| Mining Projects          | Development of metal deposits and processing facilities | Kazakhstan                    |

1 The East Region and Bozymchak are separate divisions but have been combined for segmental reporting purposes.

These condensed consolidated financial statements for the six months ended 30 June 2017 were authorised for issue in accordance with a resolution of the Board on 16 August 2017. The information for the year ended 31 December 2016 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board ('IASB') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB, as adopted by the European Union up to 31 December 2016, has been delivered to the Registrar of Companies. The auditor's opinion in relation to those accounts was unqualified, did not draw attention to any matters by way of emphasis and also did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

### 2. Basis of preparation

#### (a) Condensed consolidated financial statements

The condensed consolidated financial statements for the six month period ended 30 June 2017 have been prepared in accordance with International Accounting Standard ('IAS') 34 '*Interim Financial Reporting*' and the requirements of the Disclosure and Transparency Rules of the Financial Conduct Authority in the United Kingdom as applicable to interim financial reporting. These condensed consolidated financial statements represent a 'condensed set of financial statements' as referred to in the Disclosure and Transparency Rules issued by the Financial Conduct Authority. Accordingly, they do not include all the information and disclosures required for full annual financial statements, and should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2016.

#### (b) Comparative figures

Where a change in the presentational format of these condensed consolidated financial statements has been made during the period, comparative figures have been restated accordingly. Figures may have been restated to conform with the current basis of understanding.

#### (c) Significant accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Judgements are based on the Directors' best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the condensed consolidated financial statements.

Estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions applied are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated financial statements, significant judgements made by the Directors in applying the Group's accounting policies and the key sources of estimation uncertainty used were consistent, in all

material respects, with those applied to the Group's consolidated financial statements for the year ended 31 December 2016.

Consistent with the year end, the Directors reviewed the carrying value of the Group's assets to determine whether there were any indicators of impairment such that the carrying values of the assets may not be recoverable. The assessment of whether an indicator of impairment has arisen requires considerable judgement, taking account of future operational and financial plans, commodity prices, market demand and the competitive environment. Where such indicators exist, the carrying value of the assets of a cash generating unit is compared with the recoverable amount of those assets, that is, the higher of its fair value less costs to sell and value in use, which is determined on the basis of discounted future cash flows.

The preparation of discounted future cash flows includes management estimates of commodity prices, market demand and supply, future operating costs, economic and regulatory climates, capital expenditure requirements, long-term mine plans and other factors.

Any subsequent changes to cash flows due to changes in the factors listed above could impact the recoverable amount of the assets.

An assessment of the key external and internal factors, including short to long-term commodity prices, exchange rates, cash costs and production expectations affecting the Group and its Cash Generating Units ('CGU's') at 30 June 2017 did not identify any indicators of impairment.

For the six month period to 30 June 2016 the reduction in the short and medium term consensus market estimate of copper prices was identified as an impairment indicator at the Bozymchak CGU due to its shorter life of mine compared to the Group's other operations and an impairment assessment was undertaken. This assessment required an estimation of the projected cash flows using forecast commodity prices, production profile and operating costs and sustaining capital requirements, among other factors. The projected cash flows were discounted using an appropriate rate to determine the CGU's recoverable amount and was compared to its carrying value. After considering the improved operational performance of Bozymchak in the first half of 2016, its lower cash operating costs and the impact of the lower short and medium term copper prices, no impairment was considered necessary.

#### **(d) Going concern**

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level of the Group taking into consideration the expected outlook of the Group's financial position, cash flows, future capital expenditure and required debt repayments.

At 30 June 2017, the Group's net debt was \$2,442 million with total debt of \$3,665 million, gross liquid funds of \$1,223 million and total undrawn committed facilities of \$340 million. The gross debt consisted of:

- \$1,613 million of the CDB-Bozshakol and Bozymchak facilities which amortises over the period to 2025;
- \$1,455 million of the \$1.5 billion loan facility with CDB, which amortises over the period to 2029, with repayments increasing from March 2018;
- \$300 million for the amended PXF facility, with a further \$300 million undrawn commitment. The facility amortises over the period from July 2018 to June 2021.
- \$297 million of the DBK facility, which amortises during the period from June 2018 to June 2025.

These condensed consolidated financial statements have been prepared on a going concern basis. In making the assessment that the Group is a going concern, the Board has considered the Group's cash flow forecasts for the period to 30 September 2018, the outlook for commodity prices, based on market consensus forecasts, the assumed ramp up of production from Bozshakol and Aktogay and the principal repayments due under the Group's debt facilities.

On 9 June 2017, the Group announced that it had successfully completed an amendment and extension to its PXF facility. The amended facility was increased to \$600 million, the maturity profile was extended by two and half years to June 2021 and financial covenants were revised to increase headroom as production at Bozshakol and Aktogay continue to ramp up.

The Board considers that there is sufficient committed available liquidity to meet the Group's requirements for the foreseeable future, taking into account reasonably possible downside scenarios, including lower than expected commodity prices and lower than expected production at Bozshakol and Aktogay. A severe downturn in copper price or a material adverse event impacting production could adversely impact future liquidity, including financial covenants.

After making appropriate assessment, the Board has a reasonable expectation that the Group has adequate liquidity to continue in operational existence for the foreseeable future. Accordingly, it is appropriate to adopt the going concern basis of accounting in the preparation of these consolidated financial statements.

### 3. Summary of significant accounting policies

#### (a) Basis of accounting

The condensed consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The condensed consolidated financial statements are presented in US dollars ('\$') and all financial information has been rounded to the nearest million dollars ('\$ million') except where otherwise indicated.

None of the amendments to standards and interpretations applicable during the period has had an impact on the financial position or performance of the Group. The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

All accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

In preparing these condensed consolidated financial statements, the Group has adopted all the applicable extant accounting standards issued by the IASB and all the applicable extant interpretations issued by the IFRIC and as adopted by the European Union up to 30 June 2017. The impact and assessment of IFRS 15 'Revenue from Contracts with Customers' which becomes effective in the European Union on 1 January 2018 is documented in the Group's annual consolidated financial statements in the 2016 Annual Report and Accounts. The impact of IFRS 15, which is not expected to have a material effect on the Group's reported revenues when compared to the current accounting policy, is being assessed in respect of sales arrangements entered into for 2018.

#### (b) Exchange rates

The following foreign exchange rates against the US dollar have been used in the preparation of the condensed consolidated financial statements:

|                   | 30 June 2017 |         | 31 December 2016 |         | 30 June 2016 |         |
|-------------------|--------------|---------|------------------|---------|--------------|---------|
|                   | Spot         | Average | Spot             | Average | Spot         | Average |
| Kazakhstan tenge  | 321.46       | 318.59  | 333.29           | 342.16  | 338.87       | 346.11  |
| Kyrgyzstan som    | 69.14        | 68.84   | 69.23            | 69.88   | 67.49        | 71.29   |
| UK pound sterling | 0.77         | 0.79    | 0.80             | 0.74    | 0.75         | 0.70    |

In the six months to 30 June 2017, the appreciation of the tenge resulted in a non-cash foreign exchange gain of \$117 million (30 June 2016: non-cash foreign exchange loss of \$12 million) recognised directly within reserves arising on the translation on consolidation of the Group's Kazakhstan based subsidiaries whose functional currency is the tenge.

### 4. Segment information

Information provided to the Group's Board of Directors for the purposes of resource allocation and the assessment of segmental performance is prepared in accordance with the management and operational structure of the Group. The Group is organised into a number of businesses as shown below, according to the nature of their operations, end-products and services rendered. Each of these business units represents an operating segment in accordance with IFRS 8 'Operating segments'. On grounds of materiality, the East Region and Bozshakol segments have been presented on a combined basis for the six months ended 30 June 2017 and the comparative information has been restated accordingly.

The Group's operating segments are:

#### **Bozshakol**

The Bozshakol open pit, sulphide concentrator and clay plant located in the Pavlodar region of Kazakhstan and the associated international sales and marketing activities managed out of the UK. The sulphide concentrator, which sells copper concentrate with gold content as a by-product, was commissioned in February 2016 and achieved commercial production on 27 October 2016 with its revenues and costs being recognised in the income statement from that date. The clay plant, which was commissioned in the fourth quarter of 2016 and which achieved commercial production on 1 July 2017, is included in the Bozshakol operating segment due to the sharing of infrastructure and mining pit, its relative small size and to reflect the Group's management structure. The clay plant's pre-commercial revenues and costs were recorded against property, plant and equipment until it achieved commercial production

from when depreciation of the asset base commenced and interest associated with borrowings used to finance the construction of the plant were expensed.

### ***Aktogay***

The Aktogay open pit, sulphide concentrator and oxide plant located in the East of Kazakhstan and the associated international sales and marketing activities managed out of the UK. The sulphide concentrator commenced commissioning in the final quarter of 2016 and is in pre-commercial production. With the commissioning of the sulphide plant, Aktogay has been reflected as a separate segment from the second half of 2016. Until commercial production is achieved, the revenues and operating costs of the sulphide concentrator will be recorded against property, plant and equipment. The oxide operation, which sells copper cathodes, reached commercial production on 1 July 2016 with its revenues and costs being recognised in the income statement from that date. The oxide plant is included in the Aktogay operating segment due to the sharing of infrastructure, its relative small size and to reflect the Group's management structure. In the first half of 2016, Aktogay was included within the Mining Projects segment.

### ***East Region and Bozymchak***

The East Region and Bozymchak are reflected as one operating segment and consists of Vostoksvetmet LLC ('VCM' or 'East Region'), whose principal activity is the mining and processing of copper and other metals which are produced as by-products from three underground mines and concentrators located in the eastern region of Kazakhstan; and KAZ Minerals Bozymchak LLC ('Bozymchak') a copper-gold open pit mine and concentrator located in western Kyrgyzstan and the associated international sales and marketing activities managed out of the UK. In the current period, Bozymchak did not satisfy the quantitative requirements of IFRS 8 '*Operating Segments*' for disclosure as a separate segment and was combined with the East Region operations, given their similar economic characteristics; similar concentrate production processes and as their combined output is toll processed at the Balkhash smelter and subsequently sold to the Group's customers. In 2016, Bozymchak was reflected as a separate segment. The comparative disclosures have been restated to reflect the East Region and Bozymchak as a combined segment.

### ***Mining Projects***

The Group's project companies, whose responsibility was the development of the Group's major growth projects until the respective concentrators are commissioned. For the period ended 30 June 2017, the segment principally includes the Koksay mineral deposit. The Mining Projects segment for the period ended 30 June 2016 included Aktogay.

### ***Managing and measuring operating segments***

The key performance measure of the operating segments is EBITDA (excluding special items), which is defined as profit before interest, taxation, depreciation, depletion, amortisation, mineral extraction tax and royalties, as adjusted for special items. Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business (see note 5). EBITDA (excluding special items) is a key non-IFRS measure that the Directors use internally to assess the performance of the Group's segments and is viewed as relevant to capital intensive industries with long life assets. The Directors also believe that this measure closely reflects the operating cash generative capacity and therefore the trading performance of the business as a whole. Special items are excluded to enhance comparability of EBITDA (excluding special items) from period to period.

The Group's Treasury department manages the Group's borrowings and monitors finance costs at the Group level on a net basis rather than on a gross basis at an operating segment level.

## (a) Operating segments

### (i) Income statement information

| \$ million   | Six months ended 30 June 2017 |                           |           |                    |            |
|--|-------------------------------|---------------------------|-----------|--------------------|------------|
|  | Bozshakol                     | East Region and Bozymchak | Aktogay   | Corporate Services | Total      |
| <b>Revenues</b>  |                               |                           |           |                    |            |
| Gross Revenues   | 344                           | 340                       | 153       | –                  | 837        |
| Pre-commercial production revenues capitalised to property, plant and equipment <sup>1</sup> | (21)                          | –                         | (95)      | –                  | (116)      |
| <b>Revenues – income statement</b>   | <b>323</b>                    | <b>340</b>                | <b>58</b> | <b>–</b>           | <b>721</b> |
| Gross EBITDA (excluding special items)   | 242                           | 180                       | 93        | (10)               | 505        |
| Pre-commercial production EBITDA capitalised to property, plant and equipment <sup>1,2</sup> | (12)                          | –                         | (64)      | –                  | (76)       |
| <b>EBITDA (excluding special items)</b>  | <b>230</b>                    | <b>180</b>                | <b>29</b> | <b>(10)</b>        | <b>429</b> |
| Less: special items – note 5   | –                             | –                         | –         | –                  | –          |
| <b>EBITDA</b>  | <b>230</b>                    | <b>180</b>                | <b>29</b> | <b>(10)</b>        | <b>429</b> |
| Less: depreciation, depletion and amortisation <sup>3</sup>                                  | (43)                          | (23)                      | (11)      | (1)                | (78)       |
| Less: mineral extraction tax and royalties <sup>2,3</sup>                                    | (23)                          | (31)                      | (6)       | –                  | (60)       |
| <b>Operating profit/(loss)</b>   | <b>164</b>                    | <b>126</b>                | <b>12</b> | <b>(11)</b>        | <b>291</b> |
| Net finance costs and foreign exchange gain  |                               |                           |           |                    | (51)       |
| Income tax expense   |                               |                           |           |                    | (55)       |
| <b>Profit for the period</b>   |                               |                           |           |                    | <b>185</b> |

| \$ million   | Six months ended 30 June 2016 |                           |                           |                    |            |
|--|-------------------------------|---------------------------|---------------------------|--------------------|------------|
|  | Bozshakol                     | East Region and Bozymchak | Mining Projects – Aktogay | Corporate Services | Total      |
| <b>Revenues</b>  |                               |                           |                           |                    |            |
| Gross Revenues   | 45                            | 302                       | 16                        | –                  | 363        |
| Pre-commercial production revenues capitalised to property, plant and equipment <sup>1</sup> | (45)                          | –                         | (16)                      | –                  | (61)       |
| <b>Revenues – income statement</b>   | <b>–</b>                      | <b>302</b>                | <b>–</b>                  | <b>–</b>           | <b>302</b> |
| Gross EBITDA (excluding special items)   | 23                            | 134                       | 2                         | (12)               | 147        |
| Pre-commercial production EBITDA capitalised to property, plant and equipment <sup>1,2</sup> | (28)                          | –                         | (4)                       | –                  | (32)       |
| <b>EBITDA (excluding special items)</b>  | <b>(5)</b>                    | <b>134</b>                | <b>(2)</b>                | <b>(12)</b>        | <b>115</b> |
| Less: special items – note 5   | –                             | (3)                       | –                         | –                  | (3)        |
| <b>EBITDA</b>  | <b>(5)</b>                    | <b>131</b>                | <b>(2)</b>                | <b>(12)</b>        | <b>112</b> |
| Less: depreciation, depletion and amortisation <sup>3</sup>                                  | –                             | (19)                      | –                         | –                  | (19)       |
| Less: mineral extraction tax and royalties <sup>2,3</sup>                                    | –                             | (25)                      | –                         | –                  | (25)       |
| <b>Operating profit/(loss)</b>   | <b>(5)</b>                    | <b>87</b>                 | <b>(2)</b>                | <b>(12)</b>        | <b>68</b>  |
| Net finance costs and foreign exchange gain  |                               |                           |                           |                    | 23         |
| Income tax expense   |                               |                           |                           |                    | (18)       |
| <b>Profit for the period</b>   |                               |                           |                           |                    | <b>73</b>  |

<sup>1</sup> During pre-commercial production, revenues and operating costs are capitalised to property, plant and equipment.

<sup>2</sup> MET and royalties have been excluded from the key financial indicator of EBITDA (excluding special items). The Directors believe that MET and royalties are a substitute for a tax on profits, hence their exclusion provides a more informed measure of the operational performance of the Group. The MET incurred at Bozshakol (clay) and Aktogay (sulphide) during the pre-commercial production stage of \$3 million (30 June 2016: \$9 million) and \$11 million (30 June 2016: \$9 million) respectively has been capitalised to property, plant and equipment. MET incurred on stockpiled clay ore at Bozshakol and included within non-current inventory was \$23 million (30 June 2016: \$15 million).

<sup>3</sup> Depreciation, depletion and amortisation and MET and royalties excludes the costs associated with inventories on the balance sheet.

## (ii) Balance sheet information

At 30 June 2017

| \$ million  | East Region and Bozymchak |            |              |                 |                    | Total         |
|---|---------------------------|------------|--------------|-----------------|--------------------|---------------|
|   | Bozshakol                 | Bozymchak  | Aktogay      | Mining Projects | Corporate Services |               |
| <b>Assets</b>   |                           |            |              |                 |                    |               |
| Property, plant and equipment, mining assets and intangible assets <sup>1</sup> | 1,308                     | 325        | 1,339        | 250             | 2                  | 3,224         |
| Intragroup investments  | –                         | –          | –            | –               | 5,294              | 5,294         |
| Other non-current assets  | 157                       | 26         | 58           | 1               | –                  | 242           |
| Operating assets <sup>2</sup>   | 163                       | 205        | 145          | –               | 361                | 874           |
| Inter-segment loans   | –                         | –          | –            | –               | 1,874              | 1,874         |
| Cash and cash equivalents   | 20                        | 71         | 275          | 2               | 855                | 1,223         |
| <b>Segment assets</b>   | <b>1,648</b>              | <b>627</b> | <b>1,817</b> | <b>253</b>      | <b>8,386</b>       | <b>12,731</b> |
| Deferred tax asset  |                           |            |              |                 |                    | 74            |
| Income taxes receivable   |                           |            |              |                 |                    | 5             |
| Elimination   |                           |            |              |                 |                    | (7,551)       |
| <b>Total assets</b>   |                           |            |              |                 |                    | <b>5,259</b>  |
| <b>Liabilities</b>  |                           |            |              |                 |                    |               |
| Employee benefits and provisions  | 7                         | 69         | 3            | –               | –                  | 79            |
| Inter-segment borrowings  | 1,058                     | 116        | 700          | –               | –                  | 1,874         |
| Operating liabilities <sup>3</sup>  | 267                       | 165        | 458          | 5               | 88                 | 983           |
| <b>Segment liabilities</b>  | <b>1,332</b>              | <b>350</b> | <b>1,161</b> | <b>5</b>        | <b>88</b>          | <b>2,936</b>  |
| Borrowings  |                           |            |              |                 |                    | 3,665         |
| Deferred tax liability  |                           |            |              |                 |                    | 65            |
| Income taxes payable  |                           |            |              |                 |                    | 10            |
| Elimination   |                           |            |              |                 |                    | (2,257)       |
| <b>Total liabilities</b>  |                           |            |              |                 |                    | <b>4,419</b>  |

At 31 December 2016

| \$ million  | East Region and Bozymchak |            |              |                 |                    | Total         |
|---|---------------------------|------------|--------------|-----------------|--------------------|---------------|
|   | Bozshakol                 | Bozymchak  | Aktogay      | Mining Projects | Corporate Services |               |
| <b>Assets</b>   |                           |            |              |                 |                    |               |
| Property, plant and equipment, mining assets and intangible assets <sup>1</sup> | 1,291                     | 305        | 1,261        | 241             | 2                  | 3,100         |
| Intragroup investments  | –                         | –          | –            | –               | 5,195              | 5,195         |
| Other non-current assets  | 214                       | 29         | 120          | 1               | –                  | 364           |
| Operating assets <sup>2</sup>   | 140                       | 198        | 82           | –               | 346                | 766           |
| Inter-segment loans   | –                         | –          | –            | –               | 1,914              | 1,914         |
| Cash and cash equivalents   | 33                        | 41         | 293          | 1               | 740                | 1,108         |
| <b>Segment assets</b>   | <b>1,678</b>              | <b>573</b> | <b>1,756</b> | <b>243</b>      | <b>8,197</b>       | <b>12,447</b> |
| Deferred tax asset  |                           |            |              |                 |                    | 72            |
| Income taxes receivable   |                           |            |              |                 |                    | 7             |
| Elimination   |                           |            |              |                 |                    | (7,469)       |
| <b>Total assets</b>   |                           |            |              |                 |                    | <b>5,057</b>  |
| <b>Liabilities</b>  |                           |            |              |                 |                    |               |
| Employee benefits and provisions  | 6                         | 66         | 2            | –               | –                  | 74            |
| Inter-segment borrowings  | 1,020                     | 136        | 758          | –               | –                  | 1,914         |
| Operating liabilities <sup>3</sup>  | 291                       | 151        | 420          | 3               | 98                 | 963           |
| <b>Segment liabilities</b>  | <b>1,317</b>              | <b>353</b> | <b>1,180</b> | <b>3</b>        | <b>98</b>          | <b>2,951</b>  |
| Borrowings  |                           |            |              |                 |                    | 3,777         |
| Deferred tax liability  |                           |            |              |                 |                    | 56            |
| Income taxes payable  |                           |            |              |                 |                    | 11            |
| Elimination   |                           |            |              |                 |                    | (2,274)       |
| <b>Total liabilities</b>  |                           |            |              |                 |                    | <b>4,521</b>  |

At 30 June 2016

| \$ million  | East Region and |            | Mining Projects |            | Corporate Services | Total         |
|---|-----------------|------------|-----------------|------------|--------------------|---------------|
|   | Bozshakol       | Bozymchak  | Aktogay         | Koksay     |                    |               |
| <b>Assets</b>   |                 |            |                 |            |                    |               |
| Property, plant and equipment, mining assets and intangible assets <sup>1</sup> | 1,315           | 250        | 1,079           | 240        | 2                  | 2,886         |
| Intragroup investments  | –               | –          | –               | –          | 5,191              | 5,191         |
| Other non-current assets  | 154             | 24         | 81              | 1          | –                  | 260           |
| Operating assets <sup>2</sup>   | 61              | 203        | 25              | –          | 238                | 527           |
| Inter-segment loans   | –               | –          | –               | –          | 1,811              | 1,811         |
| Cash and cash equivalents   | 23              | 41         | 19              | –          | 973                | 1,056         |
| <b>Segment assets</b>   | <b>1,553</b>    | <b>518</b> | <b>1,204</b>    | <b>241</b> | <b>8,215</b>       | <b>11,731</b> |
| Deferred tax asset  |                 |            |                 |            |                    | 66            |
| Income taxes receivable   |                 |            |                 |            |                    | 1             |
| Elimination   |                 |            |                 |            |                    | (7,259)       |
| <b>Total assets</b>   |                 |            |                 |            |                    | <b>4,539</b>  |
| <b>Liabilities</b>  |                 |            |                 |            |                    |               |
| Employee benefits and provisions  | 6               | 22         | 2               | –          | –                  | 30            |
| Inter-segment borrowings  | 1,003           | 151        | 657             | –          | –                  | 1,811         |
| Operating liabilities <sup>3</sup>  | 220             | 145        | 286             | 3          | 87                 | 741           |
| <b>Segment liabilities</b>  | <b>1,229</b>    | <b>318</b> | <b>945</b>      | <b>3</b>   | <b>87</b>          | <b>2,587</b>  |
| Borrowings  |                 |            |                 |            |                    | 3,587         |
| Deferred tax liability  |                 |            |                 |            |                    | 40            |
| Income taxes payable  |                 |            |                 |            |                    | 14            |
| Elimination   |                 |            |                 |            |                    | (2,068)       |
| <b>Total liabilities</b>  |                 |            |                 |            |                    | <b>4,155</b>  |

<sup>1</sup> Property, plant and equipment, mining assets and intangible assets are located in the principal country of operations of each operating segment. The East Region, Bozshakol, Aktogay and Mining Projects segments operate in Kazakhstan. Bozymchak, which is reflected within the East Region and Bozymchak segment operates in Kyrgyzstan.

<sup>2</sup> Operating assets comprise inventories, prepayments and other current assets and trade and other receivables, including intragroup receivables.

<sup>3</sup> Operating liabilities comprise trade and other payables, including intragroup payables, other non-current and current liabilities.

### (iii) Capital expenditure<sup>1</sup>

| \$ million                                 | Six months ended 30 June 2017 |                           |                      |                 |            |
|--|-------------------------------|---------------------------|----------------------|-----------------|------------|
|  | Bozshakol <sup>2</sup>        | East Region and Bozymchak | Aktogay <sup>2</sup> | Mining Projects | Total      |
| Property, plant and equipment <sup>3</sup> | 55                            | 16                        | 12                   | 6               | 89         |
| Mining assets <sup>3</sup>                 | –                             | 18                        | –                    | –               | 18         |
| Intangible assets                          | 1                             | –                         | –                    | –               | 1          |
| <b>Capital expenditure</b>                 | <b>56</b>                     | <b>34</b>                 | <b>12</b>            | <b>6</b>        | <b>108</b> |

| \$ million                                 | Six months ended 30 June 2016 |                           |                      |                 |            |
|--|-------------------------------|---------------------------|----------------------|-----------------|------------|
|  | Bozshakol <sup>2</sup>        | East Region and Bozymchak | Aktogay <sup>2</sup> | Mining Projects | Total      |
| Property, plant and equipment <sup>3</sup> | 100                           | 12                        | 82                   | –               | 194        |
| Mining assets <sup>3</sup>                 | 7                             | 14                        | 2                    | 1               | 24         |
| Intangible assets                          | –                             | –                         | 1                    | –               | 1          |
| <b>Capital expenditure</b>                 | <b>107</b>                    | <b>26</b>                 | <b>85</b>            | <b>1</b>        | <b>219</b> |

<sup>1</sup> The capital expenditure presented by operating segment reflects cash paid and is aligned with the Group's internal capital expenditure reporting.

<sup>2</sup> In the first half of 2017, cash capital expenditure for Aktogay and Bozshakol includes \$27 million inflows and \$7 million outflows respectively of net operating cash flows incurred during the period and ahead of commercial production (30 June 2016: \$12 million and \$41 million). Of the \$56 million, \$35 million relates to stockpiled clay ore at Bozshakol (30 June 2016: \$21 million of \$41 million).

<sup>3</sup> Capital expenditure includes non-current advances paid for items of property, plant and equipment and mining assets.

## (b) Segmental information in respect of revenues

| \$ million   | Six months ended 30 June 2017 |                           |            |            |
|--|-------------------------------|---------------------------|------------|------------|
|  | Bozshakol                     | East Region and Bozymchak | Aktogay    | Total      |
| Copper cathodes  | 22                            | 207                       | 72         | 301        |
| Copper in concentrate  | 242                           | 9                         | 80         | 331        |
| Zinc in concentrate  | –                             | 59                        | –          | 59         |
| Gold   | –                             | 31                        | –          | 31         |
| Gold in concentrate  | 74                            | 1                         | –          | 75         |
| Silver   | –                             | 27                        | –          | 27         |
| Silver in concentrate  | 6                             | 1                         | 1          | 8          |
| Other revenue  | –                             | 5                         | –          | 5          |
|  | <b>344</b>                    | <b>340</b>                | <b>153</b> | <b>837</b> |
| Less pre-commercial production revenues capitalised to property, plant and equipment | (21)                          | –                         | (95)       | (116)      |
|  | <b>323</b>                    | <b>340</b>                | <b>58</b>  | <b>721</b> |

| \$ million   | Six months ended 30 June 2016 |                           |                           |       |
|--|-------------------------------|---------------------------|---------------------------|-------|
|  | Bozshakol                     | East Region and Bozymchak | Mining Projects – Aktogay | Total |
| Copper cathodes  | –                             | 199                       | 16                        | 215   |
| Copper in concentrate  | 32                            | 3                         | –                         | 35    |
| Zinc in concentrate  | –                             | 40                        | –                         | 40    |
| Gold   | –                             | 32                        | –                         | 32    |
| Gold in concentrate  | 12                            | 5                         | –                         | 17    |
| Silver   | –                             | 21                        | –                         | 21    |
| Silver in concentrate  | 1                             | –                         | –                         | 1     |
| Other revenue  | –                             | 2                         | –                         | 2     |
|  | 45                            | 302                       | 16                        | 363   |
| Less pre-commercial production revenues capitalised to property, plant and equipment | (45)                          | –                         | (16)                      | (61)  |
|  | –                             | 302                       | –                         | 302   |

Most of the Group's sales agreements are based on provisional pricing with the final pricing usually determined by the average market price of the respective metal in the month following (for copper cathode and zinc concentrate) or the second month following (for copper concentrate) dispatch to the customer. At 30 June 2017 and 30 June 2016, the Group's provisionally priced volumes and their respective average provisional price for its largest products were:

|                                    | Copper          |                 | Copper concentrate |                 | Zinc concentrate |                 | Gold            |                 |
|------------------------------------|-----------------|-----------------|--------------------|-----------------|------------------|-----------------|-----------------|-----------------|
|                                    | At 30 June 2017 | At 30 June 2016 | At 30 June 2017    | At 30 June 2016 | At 30 June 2017  | At 30 June 2016 | At 30 June 2017 | At 30 June 2016 |
| Provisionally priced volumes       | 4 kt            | 2 kt            | 27 kt              | 4 kt            | 6 kt             | 7 kt            | 26 koz          | 13 koz          |
| Weighted average provisional price | 5,602 \$/t      | 4,738 \$/t      | 4,749 \$/t         | 3,831 \$/t      | 1,570 \$/t       | 1,043 \$/t      | 1,194 \$/oz     | 1,283 \$/oz     |

Revenues by destination from sales to third parties are as follows:

| \$ million  | Six months ended 30 June 2017 |                           |            |            |
|---|-------------------------------|---------------------------|------------|------------|
|   | Bozshakol                     | East Region and Bozymchak | Aktogay    | Total      |
| Europe  | 2                             | 65                        | 57         | 124        |
| China   | 342                           | 200                       | 96         | 638        |
| Kazakhstan and Central Asia   | –                             | 75                        | –          | 75         |
|   | <b>344</b>                    | <b>340</b>                | <b>153</b> | <b>837</b> |
| Less pre-commercial production revenues capitalised to property plant and equipment | (21)                          | –                         | (95)       | (116)      |
|   | <b>323</b>                    | <b>340</b>                | <b>58</b>  | <b>721</b> |

| \$ million  | Six months ended 30 June 2016 |                           |                           |       |
|---|-------------------------------|---------------------------|---------------------------|-------|
|   | Bozshakol                     | East Region and Bozymchak | Mining Projects – Aktogay | Total |
| Europe  | –                             | 80                        | 6                         | 86    |
| China   | 45                            | 150                       | 10                        | 205   |
| Kazakhstan and Central Asia   | –                             | 72                        | –                         | 72    |
|   | 45                            | 302                       | 16                        | 363   |
| Less pre-commercial production revenues capitalised to property plant and equipment | (45)                          | –                         | (16)                      | (61)  |
|   | –                             | 302                       | –                         | 302   |

### Six months ended 30 June 2017

The Group's concentrate sales and some cathode and zinc sales have been contracted to a single trader, Advaita Trade Private Ltd ('Advaita'). Advaita is part of an independent metals trading group founded in 2014 by former employees of the Group with significant experience in marketing metals the Group produces into Europe and China. Sales from all the Group's segments to Advaita, comprise 69% (\$575 million) of Gross Revenues.

### Six months ended 30 June 2016

Five customers within the East Region and Bozymchak segment, two of which are collectively under common control, represent 52% of total Group revenue (\$157 million) for the six months. The revenue from the two customers under common control of \$63 million represents 21% of the total Group revenue. Revenues from the remaining three major customers of \$94 million represent 31% of Group revenue.

## 5. Special items

Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business.

| \$ million   | Six months<br>ended<br>30 June 2017 | Six months<br>ended<br>30 June 2016 |
|--|-------------------------------------|-------------------------------------|
| Special items within operating profit:                   |                                     |                                     |
| Impairment charges against property, plant and equipment | 1                                   | 3                                   |
| Other reimbursements                                     | (1)                                 | –                                   |
|  | –                                   | 3                                   |
| Special items within profit before taxation:             |                                     |                                     |
| PXF fees   | 10                                  | –                                   |
| <b>Total special items</b>                               | <b>10</b>                           | <b>3</b>                            |

There is no income tax impact on the special items.

## 6. Finance costs

| \$ million  | Six months<br>ended<br>30 June 2017 | Six months<br>ended<br>30 June 2016 |
|---|-------------------------------------|-------------------------------------|
| Interest expense  | 66                                  | 11                                  |
| Total interest expense <sup>1</sup>                                     | 127                                 | 95                                  |
| Less: amounts capitalised to the cost of qualifying assets <sup>2</sup> | (61)                                | (84)                                |
| Interest on employee obligations  | 1                                   | 1                                   |
| Unwinding of discount on provisions                                     | 2                                   | 1                                   |
|   | 69                                  | 13                                  |

<sup>1</sup> Total interest expense includes \$109 million (30 June 2016: \$93 million) of interest incurred on borrowings, \$10 million PXF fees and \$8 million (30 June 2016: \$2 million) relating to the unwinding of the discount on the NFC deferral agreement.

<sup>2</sup> During the first half of 2017, the Group capitalised to the cost of qualifying assets \$9 million (30 June 2016: \$48 million) of borrowing costs incurred on the outstanding debt during the period on the CDB-Bozshakol and Bozymchak facilities at an average rate of interest (net of interest income) of 5.8% (30 June 2016: 5.33%), \$36 million on the CDB-Aktogay US\$ and CNY facilities (30 June 2016: \$36 million) at an average rate of interest of 5.55% and 4.54% respectively (30 June 2016: 4.97% and 4.26%) and \$8 million (30 June 2016: \$nil) on the \$300 million Development Bank of Kazakhstan loan at an average rate of interest of 5.82%. Interest capitalised includes \$8 million of unwinding of interest on the deferred NFC payable (30 June 2016: \$2 million).

## 7. Income taxes

The major components of income tax expense are:

| \$ million  | Six months<br>ended<br>30 June 2017 | Six months<br>ended<br>30 June 2016 |
|---|-------------------------------------|-------------------------------------|
| <b>Current income tax</b>                                   |                                     |                                     |
| Corporate income tax – current period (UK)                  | –                                   | –                                   |
| Corporate income tax – current period (overseas)            | 45                                  | 16                                  |
| Corporate income tax – prior periods                        | 2                                   | –                                   |
|   | <b>47</b>                           | <b>16</b>                           |
| <b>Deferred income tax</b>                                  |                                     |                                     |
| Corporate income tax – current period temporary differences | 9                                   | 4                                   |
| Corporate income tax – prior period temporary differences   | (1)                                 | (2)                                 |
|   | <b>8</b>                            | <b>2</b>                            |
|   | <b>55</b>                           | <b>18</b>                           |

A reconciliation of the income tax expense applicable to the accounting profit before tax at the statutory income tax rate to the income tax expense at the effective income tax rate is as follows:

| \$ million   | Six months<br>ended<br>30 June 2017 | Six months<br>ended<br>30 June 2016 |
|--|-------------------------------------|-------------------------------------|
| Profit before tax  | 240                                 | 91                                  |
| At UK statutory income tax rate of 19.25% (30 June 2016: 20.0%) <sup>1</sup> | 46                                  | 18                                  |
| Current income tax – prior periods   | 2                                   | –                                   |
| Deferred income tax – prior periods  | (1)                                 | (2)                                 |
| Unrecognised tax losses  | 3                                   | –                                   |
| Effect of domestic tax rates applicable to individual Group entities         | –                                   | (4)                                 |
| Effect of changes in future tax rates  | –                                   | 1                                   |
| Non-deductible items:  |                                     |                                     |
| Transfer pricing   | 1                                   | 1                                   |
| Non-deductible expenses  | 4                                   | 4                                   |
| <b>Total income tax expense</b>  | <b>55</b>                           | <b>18</b>                           |

<sup>1</sup> For the period ended 30 June 2017, the UK statutory rate for January to March 2017 was 20.0% and for April to December 2017 is 19.0%, giving a weighted average full year rate of 19.25%.

Corporate income tax is calculated at 19.25% (30 June 2016: 20.0%) of the assessable profit for the period for the Company and its UK subsidiaries, 20.0% for the operating subsidiaries in Kazakhstan (30 June 2016: 20.0%) and 10.0% for the Group's Kyrgyzstan based subsidiary (30 June 2016: 10.0%).

## 8. Earnings per share

The following reflects the income and share data used in the EPS computations:

| \$ million (unless otherwise stated)   | Six months<br>ended<br>30 June 2017 | Six months<br>ended<br>30 June 2016 |
|--|-------------------------------------|-------------------------------------|
| Net profit attributable to equity holders of the Company   | 185                                 | 73                                  |
| Total special items – note 5   | 10                                  | 3                                   |
| <b>Underlying Profit</b>   | <b>195</b>                          | <b>76</b>                           |
| Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation | 446,540,123                         | 446,517,038                         |
| Ordinary EPS – basic and diluted (\$)  | 0.41                                | 0.16                                |
| EPS based on Underlying Profit – basic and diluted (\$)  | 0.44                                | 0.17                                |

### (a) Basic and diluted EPS

Basic EPS is calculated by dividing profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares of 20 pence each outstanding during the period. Purchases of the Company's shares by the Employee Benefit Trust and by the Company under any share buy-back programmes are held in treasury and treated as own shares.

### (b) EPS based on Underlying Profit

The Group's Underlying Profit is the net profit for the six months excluding special items and their resultant tax and non-controlling interest effects, as shown in the table above. EPS based on Underlying Profit is calculated by dividing Underlying Profit attributable to equity holders of the Company by the weighted average number of ordinary shares

of 20 pence each outstanding during the period. EPS based on Underlying Profit is a non-IFRS measure that the Directors believe provides a consistent measure for comparing the underlying trading performance of the Group.

## 9. Other non-current assets

| \$ million                                      | At<br>30 June<br>2017 | At<br>31 December<br>2016 | At<br>30 June<br>2016 |
|---|-----------------------|---------------------------|-----------------------|
| Advances paid for property, plant and equipment | 8                     | 18                        | 38                    |
| Non-current VAT receivable <sup>1</sup>         | 108                   | 264                       | 181                   |
| Non-current inventories <sup>2</sup>            | 126                   | 82                        | 44                    |
| Long-term bank deposits <sup>3</sup>            | 2                     | 2                         | 2                     |
| Gross value of other non-current assets         | 244                   | 366                       | 265                   |
| Provision for impairment                        | (2)                   | (2)                       | (5)                   |
|   | <b>242</b>            | <b>364</b>                | <b>260</b>            |

<sup>1</sup> Comprises VAT incurred during the construction phases of the Bozshakol, Aktogay and Bozymchak projects which at each period end was subject to audit and other administrative procedures prior to refund.

<sup>2</sup> Non-current inventories comprise ore stockpiles that are expected to be processed in the medium term i.e. in excess of 12 months from the balance sheet date and relate mainly to clay ore at Bozshakol.

<sup>3</sup> Long-term bank deposits include long-term deposits placed in escrow accounts with financial institutions in Kazakhstan as required by the Group's site restoration obligations.

## 10. Share capital and reserves

### (a) Allotted share capital

At 30 June 2016, 31 December 2016 and 30 June 2017, allotted and called up share capital (ordinary shares of 20 pence each) amounted to 458,379,033 or \$171 million (£92 million).

### (b) Own shares purchased under the Group's share-based payment plans

The provision of shares to the Group's share-based payment plans is facilitated by an Employee Benefit Trust (the 'Trust'). The cost of shares purchased by the Trust is charged against retained earnings as treasury shares. The Trust has waived the right to receive dividends on these shares. In the six months ended 30 June 2017, 223,429 shares (30 June 2016: 160,807) were transferred out of the Trust in settlement of share awards granted to employees that were exercised during the period.

At 30 June 2017, the Group, through the Trust, owned 19,727 KAZ Minerals PLC shares (31 December 2016: 243,156, 30 June 2016: 50,598) with a market value of \$0.1 million (31 December 2016: \$1.1 million, 30 June 2016: \$0.1 million) and a cost of \$0.1 million (31 December 2016: \$4.6 million, 30 June 2016: \$1.0 million).

## 11. Borrowings

|  | Maturity | Average<br>interest<br>rate during<br>the period | Currency of<br>denomination | Current<br>\$ million | Non-current<br>\$ million | Total<br>\$ million |
|--|----------|--|-----------------------------|-----------------------|---------------------------|---------------------|
| <b>30 June 2017</b>  |          |  |                             |                       |                           |                     |
| CDB-Bozshakol and Bozymchak – US\$ LIBOR + 4.50%           | 2025     | 5.80%  | US dollar                   | 179                   | 1,434                     | 1,613               |
| CDB-Aktogay facility – PBoC 5 year                         | 2028     | 4.54%  | CNY                         | 12                    | 117                       | 129                 |
| CDB-Aktogay facility – US\$ LIBOR + 4.20%                  | 2029     | 5.55%  | US dollar                   | 54                    | 1,272                     | 1,326               |
| Pre-export finance facility – US\$ LIBOR + 3.00% - 4.50%   | 2021     | 5.38%  | US dollar                   | –                     | 300                       | 300                 |
| Development Bank of Kazakhstan – US\$ LIBOR + 4.50%        | 2025     | 5.82%  | US dollar                   | 21                    | 276                       | 297                 |
|  |          |  |                             | <b>266</b>            | <b>3,399</b>              | <b>3,665</b>        |
| <b>31 December 2016</b>                                    |          |  |                             |                       |                           |                     |
| CDB-Bozshakol and Bozymchak – US\$ LIBOR + 4.50%           | 2025     | 5.40%  | US dollar                   | 183                   | 1,520                     | 1,703               |
| CDB-Aktogay facility – PBoC 5 year                         | 2028     | 4.33%  | CNY                         | 11                    | 120                       | 131                 |
| CDB-Aktogay facility – US\$ LIBOR + 4.20%                  | 2029     | 5.12%  | US dollar                   | –                     | 1,325                     | 1,325               |
| Pre-export finance facility – US\$ LIBOR + 3.00% - 4.50%   | 2018     | 4.97%  | US dollar                   | 137                   | 144                       | 281                 |
| Caterpillar revolving credit facility – US\$ LIBOR + 4.25% | 2019     | 4.92%  | US dollar                   | –                     | 40                        | 40                  |
| Development Bank of Kazakhstan – US\$ LIBOR + 4.50%        | 2025     | 5.79%  | US dollar                   | –                     | 297                       | 297                 |
|  |          |  |                             | <b>331</b>            | <b>3,446</b>              | <b>3,777</b>        |
| <b>30 June 2016</b>  |          |  |                             |                       |                           |                     |
| CDB-Bozshakol and Bozymchak – US\$ LIBOR + 4.50%           | 2025     | 5.33%  | US dollar                   | 182                   | 1,609                     | 1,791               |
| CDB-Aktogay facility – PBoC 5 year                         | 2028     | 4.26%  | CNY                         | 12                    | 131                       | 143                 |
| CDB-Aktogay facility – US\$ LIBOR + 4.20%                  | 2029     | 4.97%  | US dollar                   | –                     | 1,324                     | 1,324               |
| Pre-export finance facility – US\$ LIBOR + 3.00% - 4.50%   | 2018     | 4.94%  | US dollar                   | 116                   | 173                       | 289                 |
| Caterpillar revolving credit facility – US\$ LIBOR + 4.25% | 2019     | 4.82%  | US dollar                   | –                     | 40                        | 40                  |
|  |          |  |                             | <b>310</b>            | <b>3,277</b>              | <b>3,587</b>        |

The fair value of the Group's borrowings at 30 June 2017 was estimated at \$3,731 million (31 December 2016: \$3,842 million; 30 June 2016: \$3,848 million) and are classified as level 3 fair values in the fair value hierarchy.

### **CDB-Bozshakol and Bozymchak facilities**

As at 30 June 2017, \$1.6 billion (31 December 2016: \$1.7 billion; 30 June 2016: \$1.8 billion) was drawn under the facility agreements. The facilities accrue interest at US\$ LIBOR plus 4.50% and arrangement fees with an amortised cost at 30 June 2017 of \$17 million (31 December 2016: \$20 million; 30 June 2016: \$22 million) have been netted off against these borrowings in accordance with IAS 39. During the six month period, \$91 million of the borrowing was repaid, with \$179 million due to be paid within 12 months of the balance sheet date. The facility is repayable in half-yearly instalments in January and July with final maturity in 2025. KAZ Minerals PLC acts as guarantor of the facilities.

### **CDB-Aktogay finance facility**

The CDB-Aktogay finance facility consists of a CNY 1.0 billion facility and a \$1.3 billion US dollar facility. The funds mature 15 years from the date of the first draw down. KAZ Minerals PLC acts as guarantor of the loans.

The CNY 1.0 billion facility was fully drawn by 30 June 2015 with CNY880 million outstanding at 30 June 2017. The US dollar equivalent at that date was \$129 million (31 December 2016: \$131 million; 30 June 2016: \$143 million). The facility accrues interest at the applicable benchmark lending rate published by the People's Bank of China. The facility is repayable in semi-annual instalments in March and September. In order to protect the Group from currency risks arising on the CNY denominated debt, the Group has entered into CNY/US\$ cross currency swaps for a portion of the exposure. This derivative instrument provides a hedge against movements in the CNY exchange rate against the US dollar and also swaps the interest basis from a CNY interest rate into a US\$ LIBOR interest basis. The fair value of the swaps at 30 June 2017, included within payables, is \$13 million (31 December 2016: \$21 million; 30 June 2016: \$10 million).

The US dollar facility accrues interest at US\$ LIBOR plus 4.20%. The \$1.3 billion facility was fully drawn by 30 June 2016. Arrangement fees with an amortised cost of \$14 million (31 December 2016: \$15 million; 30 June 2016: \$16 million) have been netted off against these borrowings in accordance with IAS 39. During the six month period, \$6 million was repaid on the CNY facility, with \$12 million due to be paid within 12 months of the balance sheet date.

### **Pre-export finance facility ('PXF')**

In June 2017, the Group completed an amendment and extension of the PXF. The new facility extends the maturity profile of the facility by 2.5 years from December 2018 until June 2021. Under the revised repayment profile, principal repayments will commence in July 2018 and then continue in equal monthly instalments over a three-year period until final maturity in June 2021.

The facility amount is \$600 million of which \$300 million was drawn at 30 June 2017 with the remaining available for draw down to 31 December 2017. The interest basis of the facility is substantially the same as the previous facility with a variable margin of between 3.0% and 4.5% above US\$ LIBOR, dependent on the ratio of net debt to EBITDA which will be tested semi-annually. KAZ Minerals PLC, Vostoksvetmet LLC and KAZ Minerals Sales Limited act as guarantors of the facility.

At 30 June 2017, \$300 million (31 December 2016: \$281 million; 30 June 2016: \$289 million) was drawn under the facility. \$59 million was repaid under the previous facility in the first half of 2017 (30 June 2016: \$58 million) with \$76 million drawn under the new facility. \$300 million of the new facility remains available for drawing until 31 December 2017.

### **Development Bank of Kazakhstan ('DBK')**

On 14 December 2016, the Group entered into a \$300 million credit facility with the DBK which was fully drawn by the end of that year. The facility extends for a term of eight and a half years and bears an interest rate of US\$ LIBOR plus 4.5%. The facility is repayable in instalments with the first repayment due in June 2018, followed by semi-annual repayments in May and November of each year from 2019 until 2024 and a final repayment in June 2025. The facility was drawn by KAZ Minerals Aktogay LLC, KAZ Minerals PLC acts as guarantor of the facility.

At 30 June 2017, \$297 million was drawn under the facility (31 December 2016: \$297 million). Arrangement fees with an amortised cost of \$3 million (31 December 2016: \$3 million) have been netted off against these borrowings in accordance with IAS 39.

### **Revolving credit facility**

On 14 August 2015, the Group entered into a \$50 million revolving credit facility provided by Caterpillar Financial Services (UK) Limited ('CAT'), a subsidiary of Caterpillar Inc. The CAT facility is available for three years from the date of signing, and is repayable in four equal quarterly instalments ending in 2019. An interest rate of US\$ LIBOR

plus 4.25% is payable on amounts outstanding under the facility. During June 2017, the facility was repaid in full and \$40 million remains available for drawing until August 2018. When drawn, certain Caterpillar equipment used at the Bozshakol and Aktogay operations is pledged as collateral against the facility. KAZ Minerals PLC acts as guarantor of the facility.

### Undrawn project and general and corporate purpose facilities

| \$ million                  | At<br>30 June<br>2017 | At<br>31 December<br>2016 |
|-----------------------------|-----------------------|---------------------------|
| Pre-export finance facility | 300                   | –                         |
| Revolving credit facility   | 40                    | –                         |

## 12. Other liabilities

| \$ million            | At<br>30 June<br>2017 | At<br>31 December<br>2016 | At<br>30 June<br>2016 |
|-----------------------|-----------------------|---------------------------|-----------------------|
| Payables to NFC       | 291                   | 284                       | 179                   |
| Payments for licences | 10                    | 10                        | 11                    |
|                       | 301                   | 294                       | 190                   |
| Current               | 244                   | 2                         | 2                     |
| Non-current           | 57                    | 292                       | 188                   |
|                       | 301                   | 294                       | 190                   |

Payables to NFC include the cost of works and services on the construction of the Aktogay concentrator under the agreement signed with NFC to extend the payment terms of \$300 million to 2018. \$250 million becomes payable shortly after 31 December 2017 and \$50 million shortly after 30 June 2018. The extended credit terms have been discounted using a rate of US\$ LIBOR plus 4.20% on the estimated cost of services performed. The unwinding of the interest is charged to property, plant and equipment as a borrowing cost until the date that the project has reached commercial production, after which any interest will be charged to the income statement within finance costs.

## 13. Consolidated cash flow analysis

### (a) Reconciliation of profit before taxation to net cash inflow from operating activities

| \$ million   | Six months<br>ended<br>30 June 2017 | Six months<br>ended<br>30 June 2016 |
|--|-------------------------------------|-------------------------------------|
| Profit before taxation   | 240                                 | 91                                  |
| Interest income  | (7)                                 | (4)                                 |
| Interest expense   | 69                                  | 11                                  |
| Share-based payments   | 3                                   | 1                                   |
| Amortisation, depreciation and depletion                                     | 83                                  | 24                                  |
| Impairment losses  | 1                                   | 3                                   |
| Unrealised foreign exchange gain   | (8)                                 | (30)                                |
| Other reimbursements   | (1)                                 | –                                   |
| <b>Operating cash flows before changes in working capital and provisions</b> | <b>380</b>                          | <b>96</b>                           |
| Decrease/(increase) in non-current VAT receivable                            | 159                                 | (20)                                |
| Increase in inventories  | (12)                                | (13)                                |
| Increase in prepayments and other current assets                             | (20)                                | (11)                                |
| Increase in trade and other receivables                                      | (22)                                | (4)                                 |
| Increase in employee benefits  | –                                   | 2                                   |
| Increase/(decrease) in trade and other payables                              | 13                                  | (13)                                |
| <b>Cash flows from operations before interest and income taxes</b>           | <b>498</b>                          | <b>37</b>                           |

### (b) Cash and cash equivalents

| \$ million                                       | At<br>30 June<br>2017 | At<br>31 December<br>2016 | At<br>30 June<br>2016 |
|--|-----------------------|---------------------------|-----------------------|
| Cash deposits with short-term initial maturities | 1,086                 | 820                       | 338                   |
| Cash at bank                                     | 137                   | 288                       | 718                   |
| <b>Cash and cash equivalents</b>                 | <b>1,223</b>          | <b>1,108</b>              | <b>1,056</b>          |

At 30 June 2017, cash and cash equivalents includes approximately \$146 million of cash drawn down under the CDB-Aktogay financing facility (31 December 2016: \$170 million; 30 June 2016: \$336 million).

## (c) Movement in net debt

| \$ million                | At<br>1 January<br>2017 | Cash flow  | Other<br>movements <sup>1</sup> | At<br>30 June<br>2017 |
|---------------------------|-------------------------|------------|---------------------------------|-----------------------|
| Cash and cash equivalents | 1,108                   | 115        | –                               | 1,223                 |
| Borrowings                | (3,777)                 | 120        | (8)                             | (3,665)               |
| <b>Net debt</b>           | <b>(2,669)</b>          | <b>235</b> | <b>(8)</b>                      | <b>(2,442)</b>        |

| \$ million                       | At<br>1 January<br>2016 | Cash flow    | Other<br>movements <sup>1</sup> | At<br>30 June<br>2016 |
|----------------------------------|-------------------------|--------------|---------------------------------|-----------------------|
| Cash and cash equivalents        | 851                     | 206          | (1)                             | 1,056                 |
| Current investments <sup>2</sup> | 400                     | (400)        | –                               | –                     |
| Borrowings                       | (3,504)                 | (84)         | 1                               | (3,587)               |
| <b>Net debt</b>                  | <b>(2,253)</b>          | <b>(278)</b> | <b>–</b>                        | <b>(2,531)</b>        |

<sup>1</sup> Other movements comprise net foreign exchange movements, non-cash amortisation of fees on borrowings and other non-cash reconciling items. For the period ended 30 June 2017, the \$8 million (30 June 2016: \$1 million) other movement on borrowings consists of \$5 million (30 June 2016: \$4 million) amortisation of fees on the Group's financing facilities and a foreign currency loss of \$3 million (30 June 2016: gain \$3 million) on the CDB Aktogay RMB facility. For the period ended 30 June 2016 the \$1 million non-cash movement on cash and cash equivalents represents the foreign currency losses on KZT cash balances held by Kazakhstan entities.

<sup>2</sup> Current investments at 1 January 2016 were bank term deposits. From 30 June 2016, all of the Group's gross liquid funds were cash and cash equivalents.

## 14. Related party disclosures

### (a) Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties, including Cuprum Holding, are disclosed below.

The following table provides the total value of transactions which have been entered into with the Group's related parties and the associated receivables and payables for the relevant financial period:

| \$ million                                    | Sales to<br>related<br>parties | Purchases<br>from related<br>parties | Amounts<br>owed by<br>related<br>parties <sup>1</sup> | Amounts<br>owed to<br>related<br>parties |
|---|--------------------------------|--------------------------------------|---|--|
| <b>Cuprum Holding and the Disposal Assets</b> |                                |                                      |   |  |
| <b>30 June 2017</b>                           | <b>2</b>                       | <b>47</b>                            | <b>7</b>  | <b>3</b>                                 |
| 30 June 2016                                  | 3                              | 55                                   | 7   | 3  |

<sup>1</sup> No provision is held against the amounts owed by related parties at 30 June 2017 and 2016. The bad debt expense in relation to related parties was \$nil for the period (30 June 2016: \$nil).

### Cuprum Holding and the Disposal Assets

The majority of the related party transactions and balances are with companies which are part of the Cuprum Holding Group (a company owned by Vladimir Kim, a Director of the Company, and Eduard Ogay, a former Director of the Company) and provided under two Framework Service Agreements. These include the provision of smelting and refining of the Group's copper concentrate, electricity supply and certain maintenance functions.

### (b) Terms and conditions of transactions with related parties

Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction.

## 15. Commitments and contingencies

### (a) Legal claims

In the ordinary course of business, the Group is subject to legal actions and complaints. The Directors believe that the ultimate liability, if any, arising from such actions or complaints will not have a materially adverse effect on the financial condition or results of operations of the Group. As of 30 June 2017, the Group was not involved in any significant legal proceedings, including arbitration, which may crystallise a financial loss for the Group.

### (b) Capital expenditure commitments

The Group has capital expenditure commitments for the purchase of property, plant and equipment as well as commitments under its mining subsoil agreements. Committed expenditure under the subsoil agreements typically relates to investments in community-related projects, and includes investments in social sphere assets, infrastructure and public utilities. The total commitments for property, plant and equipment as at 30 June 2017 amounted to \$77 million (31 December 2016: \$109 million, 30 June 2016: \$289 million).

## **GLOSSARY**

### **Board or Board of Directors**

the Board of Directors of the Company

### **capital employed**

the aggregate of equity attributable to owners of the Company, non-controlling interests and borrowings

### **cash operating costs**

all costs included within profit/(loss) before finance items and taxation, net of other operating income, excluding mineral extraction tax, royalties, depreciation, depletion, amortisation and special items

### **CAT facility**

revolving credit facility provided by Caterpillar Financial Services (UK) Limited

### **CDB or China Development Bank**

the China Development Bank Corporation

### **CIT**

corporate income tax

### **CNY**

Chinese yuan, basic unit of renminbi

### **Company or KAZ Minerals**

KAZ Minerals PLC

### **Cuprum Holding**

Cuprum Netherlands Holding B.V. (now named Kazakhmys Holding Group B.V.), the entity to which the Disposal Assets were transferred

### **DBK**

Development Bank of Kazakhstan

### **Directors**

the Directors of the Company

### **Disposal Assets**

the Disposal Assets comprised the mining, processing, auxiliary, transportation, and heat and power assets of the Group in the Zhezkazgan and Central Regions. The Disposal Assets included 12 copper mines, mine development opportunities, four concentrators, two smelters, two coal mines, and three captive heat and power stations all of which were disposed of as a result of the Restructuring

### **dollar or \$ or US\$**

United States dollars, the currency of the United States of America

### **EBITDA**

earnings before interest, taxation, depreciation, depletion, amortisation, mineral extraction tax and royalties

### **EPS**

earnings per share

### **EPS based on Underlying Profit/Loss**

Profit/loss for the year after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business, and their resulting taxation and non-controlling interest impact, divided by the weighted average number of ordinary shares in issue during the period

### **Free Cash Flow**

net cash flow from operating activities before capital expenditure and non-current VAT associated with expansionary and new projects less sustaining capital expenditure

### **g/t**

grammes per metric tonne

**gross cash cost**

cash operating costs, including pre-commercial production costs, excluding purchased cathode, divided by the volume of own copper cathode equivalent sales

**Gross EBITDA**

earnings, including pre-commercial earnings, before interest, taxation, depreciation, depletion, amortisation, mineral extraction tax and royalties

**Gross Revenues**

sales proceeds from all volumes sold, including pre-commercial production volume

**the Group**

KAZ Minerals PLC and its subsidiary companies

**IAS**

International Accounting Standard

**IASB**

International Accounting Standards Board

**IFRIC**

International Financial Reporting Interpretations Committee

**IFRS**

International Financial Reporting Standard

**Kazakhstan**

the Republic of Kazakhstan

**koz**

thousand ounces

**kt**

thousand metric tonnes

**Kyrgyzstan**

the Kyrgyz Republic

**lb**

pound, unit of weight

**LBMA**

London Bullion Market Association

**LIBOR**

London Interbank Offered Rate

**Listing**

the listing of the Company's ordinary shares on the London Stock Exchange on 12 October 2005

**LME**

London Metal Exchange

**major growth projects**

Bozshakol and Aktogay

**MET**

mineral extraction tax

**Mt**

million metric tonnes

**net cash cost**

cash operating costs, including pre-commercial production costs, excluding purchased cathode, less by-product Gross Revenues, divided by the volume of own copper cathode equivalent sales

**net debt**

The carrying value of the Group's current and non-current borrowings less the carrying value of its cash and cash equivalents as reflected on its consolidated balance sheet and note 13(c)

**Non Ferrous China or NFC**

China Non Ferrous Metal Industry's Foreign Engineering and Construction Co., Ltd

**ounce or oz**

a troy ounce, which equates to 31.1035 grammes

**PXF**

pre-export finance debt facility

**Recordable Case**

a Recordable Injury case or a Recordable Disease case

**Recordable Disease**

a new disease in the categories of occupational respiratory disorders, occupational hearing loss, musculoskeletal disorders, occupational cancers and other occupational medical disorders. pre-export finance debt facility

**Recordable Injury**

a new occupational injury of sufficient severity that it requires medical treatment beyond first aid or results in the worker's inability to perform his or her routine function on the next calendar day

**\$/t or \$/tonne**

US dollars per metric tonne

**Restructuring**

the transfer, subject to certain consents and approvals, of the Disposal Assets to Cuprum Netherlands Holding B.V. which was approved by shareholders at the General Meeting held on 15 August 2014 and completed on 31 October 2014

**RMB**

Renminbi, the official currency of the People's Republic of China

**som or KGS**

the official currency of Kyrgyzstan

**special items**

those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business. Special items are set out in note 5 to the condensed consolidated half-yearly financial statements

**SX/EW**

solvent extraction and electrowinning, a two-stage metallurgy process used for the extraction of copper

**t**

metric tonnes

**TC/RCs**

treatment charges and refining charges for smelting and refining services

**tenge or KZT**

the official currency of the Republic of Kazakhstan

**Total Recordable Case Frequency Rate**

the number of Recordable Cases occurring per million hours worked

**TRI**

Total Recordable Injuries

**Total Recordable Injury Frequency Rate or TRIFR**

the number of Recordable Injuries occurring per million hours worked

**UK**

United Kingdom

**Underlying Profit/Loss**

profit/loss for the period after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resultant tax and non-controlling interest effects. Underlying Profit is set out in note 8 to the condensed consolidated half-yearly financial statements

**US**

United States of America

**USc/lb**

US cents per pound