



KAZ MINERALS PLC
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30 April 2020

KAZ MINERALS GROUP PRODUCTION REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020

● Highlights

- Copper production¹ of 74.9 kt (Q4 2019: 80.9 kt), 7% above prior year comparative period (Q1 2019: 70.0 kt) and on track to achieve 2020 guidance of 280-300 kt
- Strong gold production² of 55.4 koz (Q4 2019: 55.3 koz) driven by high ore throughput at Bozshakol
- Net debt \$2,796 million (31 December 2019: \$2,759 million) with \$306 million of undrawn facilities and cash of \$1,055 million, following draw down of PXF facility amended on 28 January 2020

● Covid-19 update

- Ensuring the safety, health and wellbeing of employees and contractors is the Group's first priority
- All mines have maintained operations in the year to date and 2020 production guidance is unchanged
- Pre-emptive measures taken to protect sites from the impact of Covid-19 including restricted access, health screening, re-organisation of shifts and increased stocking of critical spares and consumables
- Sales to customers have continued with only minor delays at the China-Kazakhstan border
- Potential risks to our operations include further restrictions on the movement of goods or people, supply chain interruptions or cases of infection occurring on sites
- The Group has provided emergency financial support to vulnerable communities in its countries of operation

● Aktogay

- Q1 copper production¹ of 33.3 kt (Q4 2019: 34.3 kt) as sulphide ore throughput was reduced by the planned mill relining deferred from Q4 2019 and temporarily lower recoveries
- Copper cathode production from oxide ore increased to 6.1 kt (Q4 2019: 4.2 kt) due to seasonal factors and following optimisation works
- On track to achieve full year copper production¹ guidance of 120-130 kt with lower sulphide grades expected over the rest of the year

● Bozshakol

- Copper production² of 29.8 kt (Q4 2019: 31.0 kt) as higher ore throughput of 8,040 kt (Q4 2019: 7,844 kt) was offset by lower average copper grades, well positioned for full year guidance of 110-120 kt
- Gold production² of 42.3 koz (Q4 2019: 41.8 koz) benefited from higher processing volumes and recovery rates, representing good progress against full year guidance of 140-150 koz

● East Region and Bozymchak

- Copper production² of 11.8 kt (Q4 2019: 15.6 kt) due to stockpiling of ore at Nikolayevsky in January
- Gold production² of 12.5 koz (Q4 2019: 12.9 koz), as lower East Region processing volumes were partially offset by strong output from the Bozymchak mine in Kyrgyzstan of 9.5 koz (Q4 2019: 9.4 koz)
- Silver production of 443 koz (Q4 2019: 511 koz) and zinc in concentrate output of 9.0 kt (Q4 2019: 9.4 kt), both in line with expectations
- Full year production guidance is maintained for all metals

Group production summary³

		Q1 2020	Q4 2019	Q1 2019
Copper production¹	kt	74.9	80.9	70.0
Aktogay	kt	33.3	34.3	36.7
Bozshakol	kt	29.8	31.0	23.8
East Region & Bozymchak	kt	11.8	15.6	9.5
Gold production ²	koz	55.4	55.3	43.4
Silver production ²	koz	793	886	626
Zinc in concentrate	kt	9.0	9.4	6.2

¹ Payable metal in concentrate and copper cathode from Aktogay oxide ore.

² Payable metal in concentrate.

³ See appendix for metal production by asset.

Andrew Southam, Chief Executive Officer, said: “Our first priority is to keep our employees and communities safe and I am proud that the Group and our contractors have worked tirelessly to achieve that whilst maintaining operations. We have adapted working practices to extend shifts, restrict access to sites and to monitor the health of staff. The measures we have taken have enabled us to deliver a strong quarter of production, with copper and gold output respectively 7% and 28% higher versus the prior year period, and to maintain our full year guidance.”

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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, Russia and Kyrgyzstan. It operates the Aktogay and Bozshakol open pit copper mines in the East Region and Pavlodar region of Kazakhstan, three underground mines and associated concentrators in the East Region of Kazakhstan and the Bozymchak copper-gold mine in Kyrgyzstan. In 2019, total copper production was 311 kt with by-products of 201 koz of gold, 3,382 koz of silver and 38 kt of zinc in concentrate. The Group acquired the Baimskaya project in the Chukotka region of Russia in January 2019, one of the world’s most significant undeveloped copper assets, with the potential to become a large scale, low cost, open pit copper mine.

The Group’s new operations at Aktogay and Bozshakol have delivered industry leading production growth and transformed KAZ Minerals into a company dominated by world class, open pit copper mines.

Aktogay is a large scale, open pit mine similar to Bozshakol, with a remaining mine life of around 25 years (including the expansion project) at an average copper grade of 0.35% (oxide) and 0.33% (sulphide). Aktogay commenced production of copper cathode from oxide ore in December 2015 and copper in concentrate from sulphide ore in February 2017. The operating sulphide concentrator has an annual ore processing capacity of 25 million tonnes and the sulphide processing capacity will be doubled to 50 million tonnes with the addition of a second concentrator by the end of 2021. Aktogay is competitively positioned on the global cost curve and will produce an average of 100 kt of copper per year from sulphide ore until 2021, increasing to 170 kt per year from 2022 to 2027, after the second concentrator commences operations. Copper production from oxide ore will be in the region of 20 kt per annum until 2024.

Bozshakol is a first quartile asset on the global cost curve with an annual ore processing capacity of 30 million tonnes and a remaining mine life of c.40 years at an average copper grade of 0.36%. The mine and processing facilities commenced output in 2016 and will produce an average of 100 kt of copper cathode equivalent and 120 koz of gold in concentrate per year over the first 10 years of operations.

The Peschanka deposit within the Baimskaya licence area in Russia has JORC resources of 9.5 Mt of copper at an average grade of 0.43% and 16.5 Moz of gold at an average grade of 0.23 g/t. Average annual production over the first ten years of operations is expected to be 250 kt copper and 400 koz gold, or 330 kt Copper Equivalent Production, with a mine life of approximately 25 years and first quartile operating costs. The project is located in a region identified by the Russian Government as strategically important for economic development and will benefit from the construction of state-funded power and transport infrastructure and the provision of tax incentives. The estimated capital budget for construction is \$5.5 billion. The parameters of the project were estimated on acquisition and will be confirmed on completion of the feasibility study. The Group expects the project to generate a significant NPV uplift and an attractive IRR at analyst consensus copper prices. The development of Baimskaya will enable the Group to continue its high growth trajectory, adding a large scale, long life asset to the Group’s portfolio.

KAZ Minerals is listed on the London Stock Exchange and the Kazakhstan Stock Exchange and employs around 16,000 people, principally in Kazakhstan.

		Q1 2020	Q4 2019	Q1 2019
Ore extraction	Kt	12,556	16,035	11,017
Oxide	Kt	3,635	5,598	3,180
Sulphide	Kt	8,921	10,437	7,837
Oxide				
Oxide ore to leach pads	Kt	3,754	5,480	3,180
Grade	%	0.28	0.29	0.28
Copper cathode	Kt	6.1	4.2	5.7
Sulphide				
Sulphide ore processed	Kt	6,064	6,378	6,440
Average grade processed	%	0.57	0.57	0.57
Recovery rate	%	82.7	87.0	88.8
Copper in concentrate	Kt	28.5	31.6	32.4
Copper production¹	Kt	27.2	30.1	31.0
Total copper production	Kt	33.3	34.3	36.7
Gold production ^{1, 2}	koz	0.6	0.6	0.9
Silver production ¹	koz	118	139	143

¹ Payable metal in concentrate.

² Minimal volume recovered from Aktogay material.

Ore extraction reduced by 22% to 12,556 kt (Q4 2019: 16,035 kt) due to lower oxide ore extraction, as production focused on the re-irrigation of previously extracted material, and a reduction in the stripping of low grade sulphide ore. Ore extraction was 14% higher than the prior year comparative period (Q1 2019: 11,017 kt).

The average grade of sulphide ore processed of 0.57% was in line with the previous quarter (Q4 2019: 0.57%), with lower grades expected during the remainder of 2020. Processing volumes decreased by 5% compared to the previous quarter, to 6,064 kt (Q4 2019: 6,378 kt), as the scheduled mill relining postponed from Q4 2019 was completed in January 2020. The average copper recovery rate reduced temporarily to 82.7% (Q4 2019: 87.0%) due to a variation in the ore feed blend. Copper production from sulphide ore of 27.2 kt was 10% lower than the previous quarter (Q4 2019: 30.1 kt) and 12% lower than the prior year comparative period (Q1 2019: 31.0 kt) but is on track for full year guidance.

Copper cathode production from the heap leaching of oxide ore increased to 6.1 kt from 4.2 kt in the previous quarter, benefiting from higher seasonal temperatures and a modified configuration at the SX-EW plant allowing a reduction in inventory. Cathode production was 7% higher than the 5.7 kt produced in Q1 2019.

Total copper production of 33.3 kt was 3% lower than the previous quarter (Q4 2019: 34.3 kt) due to the scheduled sulphide mill maintenance and lower recovery rates, and 9% lower than the prior year comparative period, as expected. Aktogay is on track to achieve its full year copper production guidance of 120-130 kt.

		Q1 2020	Q4 2019	Q1 2019
Ore extraction	kt	7,705	9,059	8,894
Sulphide	kt	7,370	6,855	5,833
Clay	kt	335	2,204	3,061
Ore processed	kt	8,040	7,844	6,810
Copper				
Average copper grade processed	%	0.48	0.52	0.44
Copper recovery rate	%	80.1	79.3	83.0
Copper in concentrate	kt	31.2	32.5	25.0
Copper production¹	kt	29.8	31.0	23.8
Gold				
Average gold grade processed	g/t	0.28	0.30	0.25
Gold recovery rate	%	62.0	60.0	59.0
Gold in concentrate	koz	45.2	44.7	32.1
Gold production¹	koz	42.3	41.8	30.0
Silver production¹	koz	232	236	169

¹ Payable metal in concentrate.

Ore extraction reduced by 15% to 7,705 kt compared to the previous quarter (Q4 2019: 9,059 kt) and by 13% compared to Q1 2019 due to a significant reduction in the stripping of clay material, to 335 kt (Q4 2019: 2,204 kt), as expected.

The average grade of ore processed in Q1 reduced to 0.48% (Q4 2019: 0.52%) in line with the mine plan for the quarter. Ore processing volumes increased by 2% to 8,040 kt (Q4 2019: 7,844 kt) as both the sulphide and clay plants had no major maintenance scheduled during the period. Processing volumes were 18% higher than the prior year comparative period (Q1 2019: 6,810 kt) due to the closure of the clay plant during upgrade works in Q1 2019.

Copper production decreased by 4% to 29.8 kt compared to the previous quarter (Q4 2019: 31.0 kt) but was 25% higher than Q1 2019 and is well positioned for full year guidance of 110-120 kt.

Gold production of 42.3 koz (Q4 2019: 41.8 koz) was supported by increased ore throughput and a higher average recovery rate, representing good progress against full year guidance of 140-150 koz. Gold production was 41% higher than the prior year comparative period (Q1 2019: 30.0 koz), due to the higher gold grade processed, increased recovery rates in Q1 2020 and suspension of the clay plant in Q1 2019 during upgrade works.

Silver production of 232 koz was in line with the previous quarter (Q4 2019: 236 koz) and is on track for full year guidance of c.700 koz.

		Q1 2020	Q4 2019	Q1 2019
Ore extraction	kt	1,007	958	947
Ore processed	kt	808	1,016	625
Copper				
Average grade processed	%	1.69	1.78	1.79
Orlovsky concentrator	%	3.15	3.34	3.04
Nikolayevsky concentrator	%	1.35	1.51	-
Belousovsky concentrator	%	-	1.55	1.30
Bozymchak concentrator	%	0.75	0.79	0.82
Average recovery rate	%	91.2	90.9	89.6
East Region	%	91.7	91.2	90.3
Bozymchak	%	87.9	88.4	86.7
Copper in concentrate	kt	12.4	16.4	10.0
Orlovsky concentrator	kt	6.8	7.6	6.8
Nikolayevsky concentrator	kt	3.9	6.5	-
Belousovsky concentrator ²	kt	-	0.6	1.4
Bozymchak concentrator	kt	1.7	1.7	1.8
Copper production¹	kt	11.8	15.6	9.5
East Region	kt	10.2	13.9	7.8
Bozymchak	kt	1.6	1.7	1.7
Gold production¹	koz	12.5	12.9	12.5
Silver production¹	koz	443	511	314
Zinc in concentrate	kt	9.0	9.4	6.2

¹ Payable metal in concentrate.

² Operations ceased in Q4 2019.

Ore extraction volumes of 1,007 kt increased by 5% versus the previous quarter (Q4 2019: 958 kt) and were 6% higher than the prior year comparative period as additional material was extracted at Bozymchak and Artemyevsky, in line with mine plans.

Ore processing volumes reduced to 808 kt from 1,016 kt in Q4 2019 due to ore from the Artemyevsky and Irtysky mines being stockpiled at the Nikolayevsky concentrator in January for processing over the remainder of the year. Processing volumes were 29% higher in Q1 2020 than the prior year comparative period (Q1 2019: 625 kt) when additional stockpiling took place at Nikolayevsky.

The 20% reduction in processing volumes compared to Q4 2019 due to stockpiling was the main driver of the 24% decrease in copper production to 11.8 kt (Q4 2019: 15.6 kt). Average copper grades also reduced to 1.69% (Q4 2019: 1.78%) due to mining of lower grade zones in the East Region mines.

Copper production in Q1 2020 was 24% higher than Q1 2019, when the Nikolayevsky concentrator was idled for a longer period. Following the closure of the Belousovsky concentrator in Q4 2019, ore from both the Artemyevsky and Irtysky mines is transported to the Nikolayevsky concentrator to take advantage of available processing capacity.

Gold production reduced by 3% to 12.5 koz (Q4 2019: 12.9 koz), as lower processing volumes at the East Region were partially offset by continued strong gold output at the Bozymchak mine in Kyrgyzstan of 9.5 koz (Q4 2019: 9.4 koz).

Silver production reduced to 443 koz (Q4 2019: 511 koz) but was higher compared to the prior year period (Q1 2019: 314 koz), in line with changes in processing volumes.

Zinc in concentrate output of 9.0 kt declined by 4% compared to the previous quarter due to the lower processing volumes, whilst average zinc grades processed increased to 2.36% (Q4 2019: 1.84%). Zinc in concentrate production is on track for full year guidance of c.40 kt.

Production of all metals is on track for full year guidance, with higher output of copper, silver and zinc expected in the remaining three quarters of 2020 as operations resumed at Nikolayevsky from the beginning of February.

SALES VOLUMES, COMMODITY PRICES AND NET DEBT

Sales volumes

The following table sets out the sales volumes of the Group's major products compared to production.

		Q1 2020	Q1 2020	Q1 2019	Q1 2019
		Sales	Production	Sales	Production
Copper	kt	69.0	74.9	78.2	70.0
Copper cathode ¹	kt	28.0	30.9	35.2	30.0
Copper in concentrate ²	kt	41.0	44.0	43.0	40.0
Gold ³	koz	54.4	55.4	57.3	43.4
Silver ³	koz	846	793	825	626
Zinc	kt	8.2	9.0	7.2	6.2

¹ Copper cathode from Aktogay oxide ore and toll processed metal.

² Payable metal in concentrate, excluding material sent for toll processing.

³ Payable metal in concentrate and toll processed metal.

Total copper sales volumes of 69.0 kt were below production of 74.9 kt due to the timing of shipments, leading to a temporary increase in inventory. Copper cathode sales decreased by 20% to 28.0 kt (Q1 2019: 35.2 kt) and copper in concentrate sales reduced by 5% to 41.0 kt (Q1 2019: 43.0 kt), as the prior year comparative period benefited from the sale of material from inventory. Shipments to customers have continued, with minor delays occurring as a result of additional Covid-19 related restrictions at the China-Kazakhstan border. Gold sales volumes of 54.4 koz were broadly in line with production of 55.4 koz.

Provisionally priced copper in concentrate

At 31 March 2020, the Group's provisionally priced copper cathode volumes were 7 kt at an average provisional price of \$5,531/t and provisionally priced copper in concentrate volumes were 27 kt at an average provisional price of \$5,196/t. The copper in concentrate provisional prices are below LME quoted prices due to the deduction of treatment and refining charges. For further details on the Group's provisional pricing arrangements please refer to Note 4(b) of the 2019 Annual Report and Accounts.

Commodity hedging

The Group's policy is generally not to hedge commodity prices. At 31 March 2020, there were no commodity price hedges in place.

Net debt

Net debt increased to \$2,796 million at 31 March 2020 from \$2,759 million at 31 December 2019, as operating cash flows were offset by planned capital expenditure, mainly on the Aktogay expansion project. There were also semi-annual interest payments on the Group's CDB debt facilities and monthly interest payments on the PXF totalling \$83 million. MET and royalties and income tax payments in the first quarter were \$45 million.

On 28 January 2020, the Group completed an amendment and extension of the PXF which included an increase in facility commitments to \$1.0 billion from \$300 million outstanding under the previous facility. The additional \$700 million was fully drawn in the quarter. Total cash and cash equivalents and current investments at 31 March 2020 amounted to \$1,055 million, with gross debt of \$3,851 million. At 31 March 2020, \$306 million remained undrawn against the DBK Aktogay II (\$280 million) and CAT (\$26 million) facilities which are intended to be drawn as the Aktogay expansion project progresses and additional equipment deliveries are received from Caterpillar.

APPENDIX – METAL PRODUCTION

		Q1 2020	Q4 2019	Q1 2019
Copper production¹	kt	74.9	80.9	70.0
Aktogay	kt	33.3	34.3	36.7
Bozshakol	kt	29.8	31.0	23.8
East Region	kt	10.2	13.9	7.8
Bozymchak	kt	1.6	1.7	1.7
Gold production²	koz	55.4	55.3	43.4
Aktogay	koz	0.6	0.6	0.9
Bozshakol	koz	42.3	41.8	30.0
East Region	koz	3.0	3.5	1.9
Bozymchak	koz	9.5	9.4	10.6
Silver production²	koz	793	886	626
Aktogay	koz	118	139	143
Bozshakol	koz	232	236	169
East Region	koz	379	451	248
Bozymchak	koz	64	60	66
Zinc in concentrate	kt	9.0	9.4	6.2
East Region	kt	9.0	9.4	6.2
Molybdenum in concentrate	t	97	158	27
Aktogay	t	55	128	-
Bozshakol	t	42	30	27

¹ Payable metal in concentrate and copper cathode from Aktogay oxide ore.

² Payable metal in concentrate.

TOLL PROCESSING & FINISHED METALS

		Q1 2020	Q4 2019	Q1 2019
Copper cathodes	kt	30.9	30.8	30.0
Aktogay sulphide (toll processed)	kt	10.0	7.5	9.7
Aktogay oxide	kt	6.1	4.2	5.7
Bozshakol (toll processed)	kt	5.7	1.8	2.9
East Region (toll processed)	kt	7.5	15.3	10.0
Bozymchak (toll processed)	kt	1.6	2.0	1.7
Gold bar produced (toll processed)	koz	18.3	22.7	17.1
Silver bar produced (toll processed)	koz	379	772	627

		Q1 2020	Q4 2019	Q1 2019
Ore extraction	kt	1,007	958	947
Orlovsky	kt	237	249	246
Artemyevsky	kt	309	299	285
Irtyshtsky	kt	131	145	151
Bozymchak	kt	330	265	265
Ore processed	kt	808	1,016	625
Orlovsky concentrator	kt	236	250	246
Nikolayevsky concentrator	kt	319	474	-
Belousovsky concentrator ²	kt	-	43	126
Bozymchak concentrator	kt	253	249	253
Gold				
Average grade processed	g/t	0.83	0.64	0.97
East Region	g/t	0.51	0.36	0.53
Bozymchak	g/t	1.52	1.49	1.62
Average recovery rate	%	62.0	65.9	68.1
East Region	%	35.2	42.4	31.1
Bozymchak	%	81.7	83.3	86.0
Gold in concentrate	koz	13.3	13.7	13.3
East Region	koz	3.2	3.7	2.0
Bozymchak	koz	10.1	10.0	11.3
Gold production¹	koz	12.5	12.9	12.5
East Region	koz	3.0	3.5	1.9
Bozymchak	koz	9.5	9.4	10.6
Silver				
Average grade processed	g/t	31.9	26.8	28.0
East Region	g/t	41.8	32.4	39.1
Bozymchak	g/t	10.3	9.7	11.8
Average recovery rate	%	58.6	64.0	61.2
East Region	%	55.8	62.0	58.2
Bozymchak	%	83.6	83.9	76.0
Silver in concentrate	koz	487	561	345
East Region	koz	417	496	272
Bozymchak	koz	70	65	73
Silver production¹	koz	443	511	314
East Region	koz	379	451	248
Bozymchak	koz	64	60	66
Zinc				
Average grade processed	%	2.36	1.84	2.47
Orlovsky concentrator	%	3.32	1.87	2.23
Nikolayevsky concentrator	%	1.64	1.67	-
Belousovsky concentrator ²	%	-	3.55	2.93
Average recovery rate	%	68.7	66.6	67.0
Orlovsky concentrator	%	69.5	54.4	64.6
Nikolayevsky concentrator	%	67.8	73.0	-
Belousovsky concentrator ²	%	-	70.6	70.5
Zinc in concentrate	kt	9.0	9.4	6.2
Orlovsky concentrator	kt	5.5	2.5	3.5
Nikolayevsky concentrator	kt	3.5	5.8	-
Belousovsky concentrator ²	kt	-	1.1	2.6

¹ Payable metal in concentrate.

² Operations ceased in Q4 2019.

DEFINITIONS

CAT or Caterpillar

Caterpillar Financial Services (UK) Limited, a subsidiary of Caterpillar Financial Services Corporation and Caterpillar Inc.

CAT facility

credit facility agreement with CAT

CDB or China Development Bank

China Development Bank Corporation

DBK

Development Bank of Kazakhstan

DBK Aktogay II facility

credit facility agreement with DBK relating to the Aktogay expansion project

gross liquid funds

the aggregate amount of cash and cash equivalents and current investments less restricted cash

the Group

KAZ Minerals PLC and its subsidiary companies

koz

thousand ounces

kt

thousand metric tonnes

LME

London Metal Exchange

MET

mineral extraction tax

Mt

million metric tonnes

net debt

the excess of current and non-current borrowings over gross liquid funds

ounce or oz

a troy ounce, which equates to 31.1035 grammes

PXF

pre-export finance debt facility

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