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KAZ MINERALS PLC HALF-YEARLY REPORT FOR THE PERIOD ENDED 30 JUNE 2016

OPERATIONAL HIGHLIGHTS

- Group copper cathode equivalent production increased by 43% in H1 2016 to 52.6 kt (H1 2015: 36.7 kt)
- Bozshakol ramping up with over 60% of ore throughput capacity achieved in August to date
  - On track to achieve commercial production in H2 2016
- Group copper guidance narrowed to 135-145 kt and gold to 95-115 koz
  - Commissioning works in Q2 limited output, full year Bozshakol copper output now expected to be 45-55 kt
  - Strong copper and gold output in H1 from East Region and Bozymchak
  - Silver guidance increased to 2,500-2,750 koz, as Bozshakol achieves payable silver grade during ramp up

FINANCIAL HIGHLIGHTS

- EBITDA $115 million (H1 2015: $88 million)
- Gross EBITDA of $147 million (H1 2015: $94 million)
  - Includes $28 million of capitalised EBITDA from Bozshakol and $4 million from Aktogay oxide
- Operating profit of $68 million (H1 2015: $15 million)
- East Region and Bozymchak net cash cost of 72 USc/lb (H1 2015: 121 USc/lb)
  - Gross cash cost falls 34% to 178 USc/lb (H1 2015: 270 USc/lb)
  - Impact of devaluation of tenge and cost measures
  - Gross cash cost guidance for 2016 reduced to 190-210 USc/lb
- Bozshakol gross cash cost guidance for 2016 reduced to 140-160 USc/lb
- Gross funds of $1,056 million as at 30 June 2016, net debt $2,531 million
  - Financing outlook improved by ramp up at Bozshakol and reduced capital budget at Aktogay

MAJOR GROWTH PROJECTS

- Aktogay sulphide to commence production in H1 2017
  - Capital budget reduced by $100 million to $2.2 billion
  - Oxide project declared commercial from 1 July 2016
- Bozshakol clay plant to be commissioned later in 2016

OUTLOOK

- Copper production growth to continue in second half as Bozshakol ramps up
- Final construction of Aktogay sulphide ahead of commissioning in H1 2017

$ million (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Revenues[1]	**302**	341
Earnings:		
EBITDA (excluding special items)[2]	**115**	88
Profit before tax	**91**	2
Underlying Profit	**76**	2
EPS:		
Basic and diluted ($)	**0.16**	(0.03)
Based on Underlying Profit[3] ($)	**0.17**	0.01
Cash flow from operations	**(63)**	(91)
Free Cash Flow[4]	**(65)**	(55)
Free Cash Flow[4] before interest	**20**	30
Gross cash cost[5] (USc/lb)	**178**	270
Net cash cost[6] (USc/lb)	**72**	121

1 Revenues for the six months ended 30 June 2015 include $22 million of cathode (3.6 kt) that was purchased to compensate for variances in monthly cathode output.
2 EBITDA (excluding special items) is earnings before interest, taxation, the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation, mineral extraction tax and royalties, adjusted for special items and excluding the performance of assets in pre-commercial production.
3 Reconciliation of EPS based on Underlying Profit is found in note 9.
4 Net cash flow from operating activities before capital expenditure and non-current VAT associated with expansionary and new projects, less sustaining capital expenditure.
5 East Region and Bozymchak cash operating costs, excluding mineral extraction tax and royalties and purchased cathode, divided by the volume of own copper cathode sales. East Region's standalone gross cash cost was 270 USc/lb in the first half of 2015.
6 East Region and Bozymchak cash operating costs, excluding mineral extraction tax and royalties and purchased cathode, less by-product revenues, divided by the volume of own copper cathode equivalent sales. East Region's standalone net cash cost was 125 USc/lb in the first half of 2015.

Oleg Novachuk, Chief Executive, said: "We have continued to deliver on our strategy of high growth, low-cost copper in the first half of 2016 with production increasing by 43%, including the first significant contributions from Bozshakol and Aktogay. We have also been able to further reduce our operating costs with 34% lower gross cash costs in the East Region and Bozymchak supporting an improved EBITDA despite weaker commodity prices. Our growth is set to accelerate as Bozshakol continues its ramp up in the second half of the year followed by the commissioning of Aktogay sulphide in the first half of 2017."

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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 four mines and three concentrators in the East Region of Kazakhstan, the Bozymchak copper-gold mine in Kyrgyzstan, the Bozshakol open pit copper mine in the Pavlodar region of Kazakhstan and the oxide phase of the Aktogay project. In 2015, total copper cathode output from the East Region and Bozymchak was 81 kt with by-products of 94 kt of zinc in concentrate, 3,135 koz of silver and 35 koz of gold bar.

The Group's major growth projects at Bozshakol and Aktogay are expected to deliver one of the highest growth rates in the industry and transform KAZ Minerals into a company dominated by world class, open pit copper mines.

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

The Aktogay project in the East of Kazakhstan is the Group's second copper mining asset under construction. Aktogay commenced production of copper cathode from oxide ore in December 2015, and the production of copper in concentrate from sulphide ore is expected to begin in the first half of 2017. The sulphide concentrator will have an annual ore processing capacity of 25 million tonnes when fully ramped up. The deposit has a mine life of more than 50 years with average copper grades of 0.33% (sulphide) and 0.37% (oxide). Aktogay is competitively positioned on the global cost curve and will produce an average of 90 kt of copper cathode equivalent from sulphide ore and 15 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 12,000 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) 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. 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 PLC, 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

Our results for the first half of 2016 position KAZ Minerals as a high growth and low-cost copper producer. Copper output has grown by 43% compared to the first half of 2015 as the Bozshakol and Aktogay oxide projects made material contributions to the Group's output. The East Region and Bozymchak delivered strong results at a gross cash cost of 178 USc/lb and a competitive net cash cost of 72 USc/lb, significantly below the prior year period and firmly in the first quartile of the industry cost curve. Construction work at Aktogay has progressed well and production at the main sulphide concentrator is expected to commence in the first half of 2017. We have also reduced the Aktogay capital budget by $100 million as a result of contracting and procurement efficiencies.

Whilst the Group is successfully executing its strategy to deliver low-cost growth, we face a challenging external environment as the prices of our key products remain at depressed levels. As a first quartile producer with modern, long-life assets, KAZ Minerals is now better positioned to navigate the current downturn in commodity markets and we are taking measures to strengthen the balance sheet, reduce operating costs and scale back capital expenditure where possible.

Major growth projects

The Bozshakol concentrator commenced production of copper concentrate in February 2016 and the first shipment to China was in March. Output in the second quarter was disrupted by a planned shutdown for 17 days in May for bolt tightening and other maintenance required by the mill manufacturers, and in June capacity was restricted by minor commissioning issues requiring repair. Following the commissioning works in the first half which limited output to 10.6 kt of copper in concentrate, copper cathode equivalent production in 2016 is now expected to be 45-55 kt and gold bar equivalent guidance is revised to 50-60 koz. The gross cash cost guidance for Bozshakol in 2016 has been reduced to 140-160 USc/lb following the results for the first half. In July and August, throughput at the concentrator has been rapidly increasing. The plant is now operating at over 60% of capacity and is on course to achieve commercial production in the second half of 2016.

Mining operations at Bozshakol ramped up in the first half of 2016 with over 11 million tonnes of ore extracted, including 4.6 million tonnes of sulphide ore to feed the concentrator and 6.4 million tonnes of clay ore. Clay ore is being stockpiled for processing at the clay plant, which is expected to launch later in 2016. The average grade of sulphide ore extracted was 0.56%, which is significantly higher than the reserve grade of 0.36% and will help us to quickly increase copper in concentrate production and achieve our cash cost targets.

The SX/EW facility at Aktogay started producing copper cathode from oxide ore in December 2015 and has been steadily ramping up production in the first half of 2016, with output of 5.4 kt of copper cathode. In the month of July, the oxide facilities averaged 61 tonnes of cathode per day, although throughput may be lower in the winter months due to reduced temperatures. After considering the performance of the plant in the second quarter of 2016, the oxide project was declared commercial from 1 July 2016. The SX/EW facility is on track to achieve our guidance of around 15 kt of copper cathode in 2016.

Construction has progressed well at Aktogay in the first half of the year with the permanent camp, crusher, conveyor and tailings facilities on track for commissioning in 2017. At the sulphide concentrator, the gearless motor drive and mill lining installations are now close to completion for both the SAG and ball mills and the project is expected to commence production from sulphide ore in the first half of 2017. A review of the project in July 2016 resulted in the expected capital cost of construction being reduced by $100 million to $2,200 million. Aktogay has benefited from the experience gained at Bozshakol and from the use of local contractors following the 2015 tenge devaluation.

The lower budget for Aktogay results in revised capital expenditure guidance for the project in 2016 of $230 million and $350 million in 2017. The final payment of $300 million to the principal construction contractor for work performed in 2016 and 2017 remains deferred to 2018, after the project has been completed.

Operational performance

The Group produced 52.6 kt of copper cathode equivalent in the first half of the year, an increase of 43% compared to the prior year period, with the East Region and Bozymchak contributing 39.4 kt, Bozshakol 7.8 kt and Aktogay 5.4 kt. Following a strong first half the East Region and Bozymchak mines are now expected to produce around 75 kt of copper cathode equivalent in 2016. Copper cathode equivalent production includes the finished metal equivalent of copper in concentrate sold in the period. Bozshakol completed 18 shipments of copper concentrate to smelting customers in China in the first half whilst output from the Aktogay oxide operations and the East Region and Bozymchak mines was principally sold as copper cathode.

Zinc in concentrate production in the first half of the year was 39.6 kt, a reduction of 21% compared to the prior year period mainly driven by a lower zinc grade at Artemyevsky. Output in the second half is expected to be lower due to maintenance work at Orlovsky. The East Region remains on track to achieve its full year production guidance of 70-75 kt of zinc in concentrate.

Gold bar equivalent production in the first half more than doubled to 39.1 koz compared to the first half of 2015, as the Bozymchak concentrator operated at 100% of design capacity throughout the period and as output from Bozshakol ramped up. Group gold bar equivalent production comprises 17.9 koz from Bozymchak, 9.1 koz from Bozshakol and 12.1 koz from the East Region. Gold bar equivalent production includes the finished metal equivalent of gold in concentrate sold from Bozshakol and 5.2 koz of gold in concentrate from Bozymchak that was carried over from 2015 and sold to a third party processor in the first quarter. After strong output from Bozymchak in the first half, the Group now expects gold bar equivalent production from the East Region and Bozymchak to be 5 koz higher than previously guided, at 45-55 koz and Group gold bar equivalent guidance has been narrowed to 95-115 koz.

Silver bar equivalent output of 1,430 koz reduced by 14% compared to the prior year period due to a build-up of work in progress at the Balkhash smelter and lower silver in ore mined in the East Region. Silver production in the East Region and Bozymchak will be lower in the second half but the mines are on course to achieve their full year production guidance of 2,250-2,500 koz. At Bozshakol we have achieved a payable silver in concentrate grade during the ramp up phase, recognising 44 koz of silver bar equivalent production in the first half. Approximately 200 koz of payable silver bar equivalent production is now expected from Bozshakol in the second half of 2016 and Group silver guidance is therefore increased to 2,500-2,750 koz.

Financial performance

The Group sold 45.5 kt of copper cathode and 8.7 kt of copper cathode equivalent in concentrate in the first half. By-product sales volumes were 39.3 kt of zinc in concentrate, 39.1 koz of gold bar equivalent and 1,383 koz of silver bar equivalent. The Group recognised $302 million of revenue, excluding $61 million of sales from pre-commercial production at Bozshakol and Aktogay oxide, a decrease of 11% compared to the first half of 2015 as the higher revenue from Bozymchak only partially offset the effect of lower base metal and silver prices compared to the prior year period.

The East Region and Bozymchak recorded a gross cash cost of 178 USc/lb in the first half, significantly below the first half 2015 cost of 270 USc/lb and below the 2016 full year guidance of 200-220 USc/lb. Following the strong cost performance in the first half, we have lowered our full year guidance for gross cash cost in the East Region and Bozymchak by 10 USc/lb to 190-210 USc/lb. Unit costs are expected to increase in the second half as volumes will be lower due to maintenance at Orlovsky and depletion at Yubileyno-Snegirikhinsky. In addition, supplier contracts renegotiated following the August 2015 devaluation of the tenge were not in effect for the full first six months of the year.

The Group generated $115 million of EBITDA in the first half, or $147 million of Gross EBITDA which includes capitalised EBITDA from Bozshakol and Aktogay. Gross EBITDA represents an increase of $53 million or 56% versus the first half of 2015, as lower commodity prices were more than offset by volume growth from Bozymchak, Bozshakol and Aktogay oxide and lower operating costs in US dollar terms following the devaluation of the tenge in 2015. Operating profit increased to $68 million from $15 million in the first half of 2015. The reported profit before tax was $91 million and underlying profit was $76 million, both of which benefited from $32 million of net foreign exchange gains, of which $23 million arose at Bozymchak on intercompany balances.

Sustaining capital expenditure was limited to $22 million in the first six months of the year and we have reduced the full year guidance for the East Region by $10 million to $60-70 million, as we continue to defer non-essential investments where possible. As a result of the reduction to the Aktogay project budget, expansionary capex in 2016 is now guided to be approximately $525 million, consisting of $270 million at Bozshakol, $230 million at Aktogay, $20 million in the East Region and $5 million at Koksay. The Group generated free cash flow before interest and expansionary capital expenditure in the first half of $20 million.

Financial position

The Group's net debt position as at 30 June 2016 increased to $2,531 million as we continued to invest in the development of our major growth projects. Available liquidity at 30 June was $1,066 million, consisting of $1,056 million of gross funds and $10 million of undrawn facilities.

The CDB loan facilities are now fully drawn with the remaining $250 million available for financing Aktogay drawn down in March and June 2016. No changes have been made to any of the Group's debt facilities during the first half, although lenders have been appraised of progress on the ramp up at Bozshakol and construction progress at Aktogay on a regular basis. Monthly principal repayments under the PXF facility commenced in January 2016, with all repayments to date being met on schedule. The Group has built a strong track record with its lenders by maintaining debt service and taking a proactive approach to its financing in order to avoid any breach of terms of its debt facilities. With the recent encouraging progress in the commissioning of Bozshakol and throughput increasing during July and August, the Group plans to commence discussions with its lenders in the near future with a view to putting in place financing arrangements that are appropriate to the business for 2017 and beyond.

Health and safety

We are disappointed to report five fatalities as a result of three incidents at our operations in the year to date. We are continuing to make great efforts to improve our health and safety performance and our Total Recordable Injury Frequency Rate in the first half of 2016 has reduced to 1.38 per million man hours worked, compared to 1.59 in the prior year period. We are establishing a new culture and an incentive system at the major growth projects focused on leading indicators, which seeks to reward behaviour likely to prevent incidents before they occur.

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 cyclicality of a commodity business. Given the financing requirements of the major growth projects during their construction and ramp up, the Board does not recommend an interim dividend in respect of the first half of the 2016 financial year. It is the Board's intention that the Group resumes dividend payments in the future.

Outlook

Lower commodity prices have continued to affect the profitability and cash flow generation of the Group in the first half of the year but we remain positive on the medium term outlook for copper. In the first half, KAZ Minerals has continued to deliver its high growth and low-cost strategy with a 43% increase in copper production and significantly reduced costs in the East Region and Bozymchak. Our growth is set to accelerate as we continue to ramp up production at Bozshakol, followed by the commissioning of Aktogay in the first half of 2017.

OPERATING REVIEW

REVIEW OF OPERATIONS

The Group's operations include the four mines and three concentrators in the East Region, the Bozymchak copper-gold mine in Kyrgyzstan and the major growth projects of Bozshakol and Aktogay. Bozshakol produced its first copper in concentrate from sulphide ore in February 2016. Aktogay commenced cathode production from oxide ore in December 2015 with production of copper in concentrate from sulphide ore scheduled to begin in the first half of 2017. Bozshakol and Aktogay are expected to deliver one of the highest growth rates in the industry.

Group finished products

kt (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Copper cathode equivalent[1]	**52.6**	36.7
East Region and Bozymchak	**39.4**	36.7
Aktogay	**5.4**	–
Bozshakol	**7.8**	–
Zinc in concentrate	**39.6**	49.9
Silver bar equivalent[1] (koz)	**1,430**	1,661
Gold bar equivalent[1] (koz)	**39.1**	16.1

[1] Includes finished metals produced and the finished metal equivalent of concentrate sold in the period.

Group copper cathode equivalent production increased by 43% to 52.6 kt against the comparative period as a result of contributions from the major growth projects at Bozshakol and Aktogay. Aktogay produced 5.4 kt of cathodes as the SX/EW facility continues to ramp up. Production at Bozshakol commenced in February 2016, with the first sales of copper concentrate recorded in March. Bozshakol concentrate is reported as copper cathode equivalent when sold, after adjustment for the payable metal content, with a contribution of 7.8 kt in the period. The East Region and Bozymchak operations produced 39.4 kt of copper cathode equivalent, an increase of 2.7 kt or 7% from the prior period following successful optimisation works at Bozymchak in late 2015.

REVIEW OF EAST REGION OPERATIONS

East Region Production Summary

Copper

kt (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Ore output	**1,904**	2,003
Copper grade (%)	**2.27**	2.38
Copper in ore mined	**43.1**	47.6
Copper in concentrate	**38.5**	42.0
Copper cathode production	**35.6**	35.8

Ore output from the East Region totalled 1,904 kt in the first half of 2016, which was 99 kt or 5% below the comparative period, principally due to lower volumes from Yubileyno-Snegirikhinsky as the residual reserves are extracted. The mine is expected to cease operation by the end of 2016. At Orlovsky there was a reduction in ore output as mining continued at deeper horizons.

As expected the average copper grade of 2.27% was below the prior year period, with lower grades at Artemyevsky due to mining in a transitional area between two ore bodies, at Irtyshsky which benefited from the mining of high grade areas in the first half of 2015 and at Yubileyno-Snegirikhinsky as the grades continue to decline as the residual reserves are extracted. The 5% lower ore output and the reduction in grade led to a 9% decrease in copper in ore mined.

Copper in concentrate production

kt	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Orlovsky concentrator	**21.4**	22.2
Nikolayevsky concentrator	**12.7**	14.6
Belousovsky concentrator	**4.4**	5.2
	38.5	42.0

Copper in concentrate output of 38.5 kt was 3.5 kt or 8% below the prior year period, consistent with the reduction in copper in ore mined. The average recovery rate at the concentrators was in line with the prior year period, despite the lower grade material processed.

The copper concentrate produced by the East Region is processed into cathode on a tolling basis at the Balkhash smelter. In the first half of 2016, cathode production was in line with the prior year period when there was a build-up of work in progress at the Balkhash smelter.

In the second half of the year output is expected to fall at Orlovsky as the mine switches to a six-day rota to allow shaft maintenance works which will continue for approximately two years. Output will also reduce at Yubileyno-Snegirikhinsky as the mine approaches the end of its life. The full year guidance for copper cathode equivalent production from the East Region is unchanged at around 70 kt.

Zinc

kt (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Zinc grade (%)	**2.91**	3.25
Zinc in ore mined	**55.4**	65.1
Zinc in concentrate	**39.6**	49.9

The volume of zinc in ore mined was 15% lower than the comparative period. This was the result of grade depletion at Artemyevsky and Yubileyno-Snegirikhinsky as extraction moved to lower by-product content zones, as in the second half of 2015.

Zinc in concentrate production fell by 10.3 kt to 39.6 kt reflecting the lower extraction volumes and a reduction in grade at Artemyevsky. The average zinc recovery rates at the concentrators declined slightly due to the lower zinc grade in ore processed.

Due to scheduled maintenance at Orlovsky, zinc output will be lower in the second half of the year. Full year zinc in concentrate production is expected to be between 70 kt and 75 kt.

Silver

koz (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Silver grade (g/t)	**45.2**	49.4
Silver in ore mined	**2,768**	3,182
Silver in concentrate	**1,459**	1,621
Silver bar	**1,268**	1,629

The East Region mined 2,768 koz of silver in ore in the first half of 2016 which was 414 koz or 13% below the prior year period. The decrease was primarily due to a fall in output and lower silver grades at Orlovsky as mining continues at deeper horizons and at Irtyshsky due to lower grades and higher dilution rates.

Silver in concentrate production of 1,459 koz was 162 koz or 10% below the prior year period due to the lower volume of silver in ore mined. The average silver recovery rate increased following optimisation works at the Nikolayevsky concentrator in 2015 and the processing of higher grade material from the Artemyevsky mine.

Silver bar output of 1,268 koz was 361 koz below the prior year period due to a build-up of work in progress at the Balkhash smelter and lower silver in ore mined.

Silver bar production is expected to be in line with guidance of 2,250 koz to 2,500 koz for the full year.

Gold

koz (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Gold grade (g/t)	**0.58**	0.63
Gold in ore mined	**35.6**	40.8
Gold in concentrate	**11.5**	12.8
Gold bar	**12.1**	11.0

The East Region mined 35.6 koz of gold in ore in the first half of 2016, a decrease of 5.2 koz or 13% when compared to the prior year period. This was due to the reduction in ore mined and lower gold grades at all mines.

Gold in concentrate production of 11.5 koz was 1.3 koz or 10% below the first half of 2015, reflecting the lower gold in ore mined partially offset by a small improvement in concentrator recovery rates.

Gold bar production increased by 1.1 koz to 12.1 koz in the first half of 2016 as a release of work in progress at the Balkhash smelter more than offset the reduction in gold in concentrate output. Gold bar output from the East Region is expected to be in line with guidance of between 18.0 koz and 22.0 koz in 2016 as gold metal extracted will reduce in the second half of the year as the Orlovsky mine moves to a six-day rota.

East Region Financial Summary

$ million (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Sales revenues:	**261**	341
Copper cathode	**184**	229
Zinc in concentrate	**40**	64
Silver bar	**20**	21
Gold bar	**15**	13
Other	**2**	14
Sales volumes:		
Copper cathode (kt)	**39**	39
Zinc in concentrate (kt)	**39**	52
Silver bar (koz)	**1,221**	1,273
Gold bar (koz)	**12**	11
Realised price of copper sales ($/t)	**4,698**	5,936
EBITDA (excluding special items)	**108**	109
Copper gross cash costs (USc/lb)[1]	**177**	270
Copper net cash costs (USc/lb)[1]	**88**	125
Capital expenditure	**22**	23
Sustaining	**18**	23
Expansionary	**4**	–

[1] Excludes the cost of acquiring the third party cathode sold in 2015.

Revenues

The revenues generated by the East Region decreased by 23% to $261 million, reflecting lower pricing for copper and a decrease in zinc sales volumes.

Revenue from copper cathode sales fell by 20% to $184 million as a result of a lower realised copper price. The average LME copper price decreased by 21% to $4,701 per tonne in the first half of 2016, from $5,929 per tonne in the comparative period. Cathode is sold to customers in China or Europe based on the LME price plus a premium to reflect the terms of trade.

Cathode sales volumes in the first half of 2015 included 4 kt of cathode which was purchased externally to compensate for variances in monthly cathode output, mainly because of maintenance at the Balkhash smelter. The sale of the externally purchased cathode contributed revenue of $22 million at a small margin. Excluding externally purchased material, the prior year period copper cathode volumes were lower by 4 kt at 35 kt.

Revenue from by-products fell by a total of $35 million or 31% to $77 million due largely to a 25% reduction in zinc volumes and a fall in zinc prices. The average market price for zinc in the first half of 2016 was 16% below the first half of 2015. Gold revenues were marginally above the prior year period, whilst there was a small reduction in silver revenues due to lower sales volumes.

EBITDA (excluding special items)

EBITDA of $108 million was in line with the comparative period as lower revenues were offset by a reduction in cash operating costs. Cash operating costs of $153 million fell by 27% compared to the first half of 2015 (excluding the $22 million cost of acquiring third party cathode) despite an increase in copper sales volumes.

The reduction in operating costs was largely the result of foreign exchange. A significant portion of the East Region's operating costs are denominated in tenge which, following a move to a free float in August 2015, has traded at an average of 346 KZT/$ in the first half of 2016, compared to an average of 185 KZT/$ in the first half of 2015. Input inflation has so far been muted as management has taken a robust position in the renegotiation of contracts following the devaluation and where possible, has delayed tenge related re-pricing. There has also been a continued focus on cost control and optimisation initiatives, which, combined with a fall in the cost of key input prices such as fuel has reduced costs.

As the repricing of contracts following the tenge devaluation was only completed during the first half of 2016, the full impact will only be seen in the second half of the year.

Cash costs

The cost efficiency of the operations is measured by the gross and net cash cost of own copper cathode sold. The gross cash cost of 177 USc/lb for the first half of 2016 was 34% below the 270 USc/lb recorded in the prior year period. The fall in gross cash cost reflects the reduction in operating costs noted above as well as the increase in own cathode sales volumes.

The fall in net cash costs from 125 USc/lb to 88 USc/lb is due to the reduction in gross cash cost, partially offset by lower by-product credits due largely to lower zinc prices and zinc volumes.

The Group previously gave gross cash cost guidance for the combined East Region and Bozymchak operations of 200-220 USc/lb. As a result of the strong cost performance in the first half, the full year gross cash cost guidance for the East Region and Bozymchak has been lowered to 190-210 USc/lb. It is expected that the timing of some operating costs, in particular summer maintenance works, will be weighted to the second half of the year which will include the full impact of contract repricing from the devaluation. The per unit cost of copper will also be affected by a reduction in volume due to scheduled maintenance at Orlovsky and from Yubileyno-Snegirikhinsky as the mine reaches the end of its life. In addition, sales volumes in the first half of 2016 benefited from the one-off sale of Bozymchak concentrate material relating to 2015 production. In setting the cash cost guidance the tenge is assumed to trade in the mid-300s over the second half of the year.

Capital expenditure

Sustaining

Sustaining capital expenditure totalled $18 million in the first half of the year, consistent with the level in the corresponding period of 2015. Expenditure in the period included mine development works, the purchase of mine equipment, expansion of tailings facilities and improvements to ventilation at the Orlovsky mine. Also within sustaining capital expenditure was $3 million for ongoing modernisation work at the Nikolayevsky concentrator.

Management has sought to defer capital projects where possible and as a result the sustaining capital requirement for 2016 has been reduced by $10 million, to $60 million-$70 million, including optimisation projects of $15 million. Similar to 2015, expenditure is expected to be weighted to the second half of the year due to the timing of works and when scheduled payments under contracts fall due. Optimisation projects include the finalisation of the Nikolayevsky modernisation works and the construction of a railway line between Artemyevsky and the Nikolayevsky concentrator.

Expansionary

Expansionary capital expenditure of $4 million in the period relates to the initial mine development works for the extension of the operational life of the existing Artemyevsky mine. Total expenditure in 2016 is expected to be in the region of $20 million subject to contractor progress in developing a ventilation tunnel. Following further reviews of the project schedule, the majority of the expenditure will occur from 2019. The project is expected to incur around $30 million per year in 2017 and 2018 to progress shaft development.

REVIEW OF BOZYMCHAK OPERATIONS

Bozymchak Production Summary

Copper

kt (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Ore output	**500**	224
Copper grade (%)	**0.86**	0.99
Copper in ore mined	**4.3**	2.2
Copper in concentrate	**4.2**	1.3
Copper cathode equivalent[1]	**3.8**	0.9

[1] Includes finished metals produced and the finished metal equivalent of concentrate sold in the period.

Following the successful completion of optimisation works during the fourth quarter of 2015 when the concentrator was closed for 36 days, the Bozymchak operations have operated at design capacity throughout the first half of 2016. This has resulted in significantly higher copper in concentrate produced, increasing from 1.3 kt in the prior period to 4.2 kt. Ore output has risen to provide the additional feed required by the concentrator. Ore was extracted at an average copper grade of 0.86%, which is above the reserve grade of 0.75% as higher grade sections are mined in the initial years.

Copper cathode equivalent production includes 0.9 kt of copper in concentrate processed in 2015 and sold to a third party processor in the first half of 2016 to avoid a build-up of inventory due to capacity restrictions at the Balkhash smelter. The concentrate contained 0.9 kt of copper, 5.2 koz of gold and 34 koz of silver in concentrate. The metal content in this concentrate has been converted into finished metal equivalent based on the paid metal and reported as copper cathode, gold bar and silver bar equivalent within the production figures for the first half of 2016.

Bozymchak is on track to exceed full year production guidance of 6 kt copper cathode equivalent.

By-products

koz (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Gold grade (g/t)	**1.53**	1.73
Gold in ore mined	**24.5**	12.5
Gold in concentrate	**23.3**	6.8
Gold bar equivalent[1]	**17.9**	5.1
Silver bar equivalent[1]	**118**	32

[1] Includes finished metals produced and the finished metal equivalent of concentrate sold in the period.

The mine produced 24.5 koz of gold in ore in the first half of 2016, a 96% increase when compared to the prior year period, reflecting the higher ore mined. The gold grade of 1.53 g/t is below the prior year period, but above the average of the mine's ore reserves of 1.21 g/t as higher grade sections are extracted in the initial years of the mine's operation.

Gold bar equivalent production of 17.9 koz was below the gold in concentrate production levels due to a build-up of work in progress. Gold bar equivalent and silver bar equivalent production benefited from the sale of concentrate material produced in 2015 and sold in the first half of 2016, which included 4.7 koz of gold and 31 koz of silver in concentrate.

As a result of the higher output achieved in the first half of 2016, the gold bar equivalent production guidance from Bozymchak has been increased to between 30 koz and 35 koz in 2016.

Bozymchak Financial Summary

$ million (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Sales revenues:	**41**	–
Copper cathode equivalent	**18**	–
Gold bar equivalent	**22**	–
Silver bar equivalent	**1**	–
Gross EBITDA (excluding special items)[1]	**26**	5
EBITDA (excluding special items)	**26**	(1)
Gross cash costs (USc/lb)	**184**	n/a
Net cash costs (USc/lb)	**(94)**	n/a
Capital expenditure	**4**	7
Sustaining	**4**	2
Expansionary	**–**	5

[1] Includes revenues and operating costs prior to 1 July 2015 before the operation was declared commercial.

The Bozymchak operations achieved commercial production from 1 July 2015 and during the first half of 2015 project related revenues and operating costs were capitalised, including capitalised EBITDA of $6 million. Therefore, the second half of 2015 is considered a more appropriate comparison of performance.

During the first half of 2016, Bozymchak recorded revenues of $41 million, a significant increase from the $16 million recorded in the second half of 2015. The optimisation works completed at the end of 2015 have enabled operations to perform at design capacity throughout the period, resulting in a doubling of production volumes. Revenues include $8 million from the sale of copper concentrate (containing 0.9 kt of copper and 5.2 koz of gold in concentrate) carried forward from 2015 as a result of the build-up of work in progress at the Balkhash smelter. Within revenues are $18 million from the sale of 3.8 kt of copper cathode equivalent and $22 million from the sale of 18 koz of gold bar equivalent. Copper cathode and gold bar is sold on the same terms as the East Region operations.

Bozymchak recorded EBITDA of $26 million, an increase of $20 million from the second half of 2015 due to higher revenues from increased volumes. The gross cash cost of copper cathode equivalent sold in the period was 184 USc/lb which compares to 362 USc/lb in the second half of 2015. The significant decrease reflects higher sales volumes, from 1.4 kt of copper cathode equivalent in the second half of 2015 to 3.8 kt. Cash operating costs, similar to the East Region, have benefited from lower input costs for key consumables. In addition, the weakening of the Kyrgyz som to the US dollar, from an average of 68 KGS/$ during the second half of 2015 to 71 KGS/$ in the current period, has also reduced local costs. The cash cost is expected to increase for the full year as the som is now trading at around 69 KGS/$ and the timing of certain works are expected to be weighted to the second half of the year.

Due to the significant gold by-product credit Bozymchak recorded a negative net copper cash cost of 94 USc/lb.

Capital expenditure

Sustaining

Sustaining capital expenditure totalled $4 million in the period, including stripping works at the open pit mine as well as equipment and infrastructure. Sustaining capital for the full year is expected to be around $10 million, in line with guidance.

Expansionary

The expansionary capital has reduced as the project is now complete and operational.

REVIEW OF MINING PROJECTS

Bozshakol

The development of the Bozshakol mine and on-site ore processing facilities in the north of Kazakhstan is one of the Group's major growth projects. Bozshakol will have an annual ore processing capacity of 30 million tonnes when fully ramped up and the deposit has a mine life of 40 years with an average copper grade of 0.36%. The mine and processing facilities will produce 100 kt of copper cathode equivalent and 120 koz of gold in concentrate per year on average over the first 10 years of operations. Bozshakol is a first quartile asset on the global cost curve, with an estimated net cash cost of 70-90 USc/lb (in 2016 terms) on average for the first 10 years after the concentrator has been commissioned.

The first half of 2016 was a significant landmark for the project as the first production of copper in concentrate was achieved from sulphide operations in February and the first sale of material successfully completed in March. The ramp up of the sulphide plant to a design capacity of 25 MT of ore per annum is now ongoing. Commercial levels of production are expected to be achieved in the second half of 2016 and full capacity achieved during 2017. Construction of the clay plant has progressed during the period and is on track for commissioning in the fourth quarter of the year.

Production Summary

Mining

kt (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Ore extraction	**11,016**	–
Average copper grade (%)	**0.56**	–
Copper in ore mined	**61.5**	–
Average gold grade (g/t)	**0.28**	–
Gold in ore mined (koz)	**101**	–
Average silver grade (g/t)	**1.6**	–
Silver in ore mined (koz)	**568**	–

The mining of sulphide ores at Bozshakol began in the second half of 2015. The 11,016 kt of ore extracted in the first half of 2016 consisted of 4,569 kt of sulphide ore and 6,447 kt of clay ore. The clay ore has been stockpiled for processing at the separate 5 MT per annum clay plant ahead of its commissioning later in 2016.

The copper grade of 0.56% of the ore extracted was above the life of mine copper grade as operations in the initial years are focused on the higher grade zones of the deposit. The deposit also contains gold, silver and molybdenum. The gold grade in 2016 averaged 0.28 g/t which is expected to decrease during 2016, but, similar to copper, will remain above the life of mine average during the initial years as higher grade zones are mined.

Processing

kt (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Copper in concentrate	**10.6**	–
Copper cathode equivalent[1]	**7.8**	–
Silver in concentrate (koz)	**64.9**	–
Silver bar equivalent[1] (koz)	**43.9**	–
Gold in concentrate (koz)	**13.0**	–
Gold bar equivalent[1](koz)	**9.1**	–

1 Includes finished metal equivalent of concentrate sold in the period.

Bozshakol started producing copper concentrate in February 2016. No major issues have been encountered during commissioning and the main sections of the plant are now in operation. 100% load tests have been successfully performed on key equipment.

In the first half of 2016 the concentrator produced 10.6 kt of copper in concentrate and 13 koz of gold in concentrate. Throughput increased in the second quarter but was limited by a planned 17 day shutdown in May for bolt tightening and other maintenance procedures required by the mill manufacturer, and minor commissioning issues requiring repair in June. The plant is continuing to ramp up and has achieved over 60% of ore throughput capacity in August to date. Commercial production is expected to be achieved in the second half of 2016. Following commissioning works in the first half of the year the production guidance in 2016 has been narrowed to 45-55 kt of copper cathode equivalent and 50-60 koz of gold bar equivalent.

Bozshakol recorded copper cathode equivalent output of 7.8 kt and gold bar equivalent output of 9.1 koz in the period, calculated as the payable metal equivalent of the concentrate sold in the period. In addition, the successful recovery of silver was achieved at a commercially payable level which has resulted in silver bar equivalent sales of 44 koz in the period and silver bar equivalent output from Bozshakol of 250 koz for 2016 is expected. Sales shipments are operating smoothly, with 18 loads dispatched to China in the period.

Bozshakol Financial Summary

$ million	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Gross EBITDA (excluding special items)	**23**	(6)
EBITDA (excluding special items)	**(5)**	(6)
Expansionary capital expenditure (direct project)	**87**	215
Expansionary capital expenditure (pre commercial)	**20**	–

The project has not yet reached commercial levels of production and therefore all revenues and operating costs continue to be capitalised as capital expenditure. The negative EBITDA represents overhead costs incurred in preparing the operations for commercial production. The sulphide operations are expected to achieve commercial production during the second half of 2016.

Total revenues of $45 million have been recorded and capitalised during the first half of 2016. The first shipment of copper concentrate was dispatched to China-based customers in March, with shipments totalling 7.8 kt of copper cathode equivalent, after adjustment for the copper payable. Copper revenues were $32 million at a realised price of $4,057/t of copper in concentrate. In addition, by-product revenues were $12 million and $1 million from 9 koz and 44 koz of gold and silver in concentrate respectively. The realised price for copper concentrate sales is based on the LME price, minus a deduction applied for TC/RCs.

The gross cash cost for Bozshakol is expressed on a unit of cathode basis, after applying copper recovery and TC/RC terms. In the first half of 2016, a period of initial ramp up and commissioning and with limited sales volumes, the gross cash cost was around 152 USc/lb. During this period costs have benefited from the weak tenge, the mining of higher grade and softer material and a deferral of certain fixed costs prior to the operations approaching design capacity. As a result of performance in the first half of the year the gross cash cost guidance for the full year 2016 has been reduced to 140-160 USc/lb, including the period prior to the achievement of commercial levels of production. The gross cash cost will be dependent on a successful ramp up of ore throughput rates in the second half of 2016.

In the first half of 2016 direct project capital expenditure, excluding capitalised interest on debt facilities, was $87 million. Capital activities during this period included expenditure relating to the completion and pre-commissioning of the sulphide operations, including the pebble crusher, high pressure grinding roller, bagging plant and the molybdenum circuit. The majority of the capital expenditure relates to the clay plant, which is expected to begin commissioning in the fourth quarter of 2016. The project cost includes $21 million relating to the mining and stockpiling of clay ore, to enable access to sulphide ore prior to commissioning the clay plant. Other activity in the period included the final mechanical installation and commissioning of the ball and SAG mill and installations for the grinding, thickener, flotation and regrind circuits.

As at 30 June 2016 around $1,970 million had been spent on the project. The total anticipated cost of the project remains unchanged at $2,150 million, with expenditure of around $270 million expected for the full year 2016, including the final payments to complete the clay plant and for contractual retentions.

An additional amount of $20 million has been incurred and recorded as expansionary capital expenditure relating to the revenues and operating costs incurred and capitalised during the period prior to commercial levels of production, as well as initial working capital. As previously guided the project is forecast to require around $50 million of working capital in 2016, depending on the speed of the ramp up.

Aktogay

The Aktogay project in the East of Kazakhstan is the Group's second large scale, open pit, copper mining asset under construction. The deposit has a mine life of more than 50 years with average copper grades of 0.33% (sulphide) and 0.37% (oxide). Aktogay is competitively positioned on the global cost curve with an estimated net cash cost of 100-120 USc/lb (in 2016 terms) for the first 10 years after the concentrator has been commissioned. The project will produce an average of 90 kt of copper cathode equivalent from sulphide ore and 15 kt of copper cathode from oxide ore per year over the first 10 years of operations.

Significant progress was made at Aktogay in the first half of the year, with the ramp up of the SX/EW plant following first production from oxide operations in December 2015 and the construction of the sulphide concentrator. Following a period of steady output, the oxide operations have achieved commercial levels of production from 1 July 2016. Construction at the main sulphide concentrator is on track for commissioning in the first half of 2017.

Production Summary

kt (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Ore output	**8,679**	251
Copper grade (%)	**0.41**	0.31
Copper in ore mined	**35.7**	0.8
Copper cathode production	**5.4**	–

Following the commencement of mining operations at Aktogay in the second quarter of 2015, 8,679 kt of oxide ore has been extracted to supply the heap leach process in the first half of 2016. The copper grade of 0.41% of the ore extracted was above the life of mine copper grade as operations in the initial years are focused on the higher copper grade zones of the deposit. Mining activity ramped up during early 2016, increasing the rate at which oxide ore is placed on the heap leach pads. At the end of the period, heap leach cells #101 to #106 were loaded with oxide ore and cells #102 to #105 were under irrigation. Each of the nine heap leach cells has a capacity of approximately 1,000 kt of ore per cycle. Each cycle of irrigation lasts around four months.

Mining of sulphide ore, which will be stockpiled in preparation for use at the new concentrator in 2017, is expected to commence in the second half of 2016.

In the first half of 2016, 5.4 kt of copper cathode was produced as the SX/EW processing facility ramped up. Improvements were made at the SX/EW plant during the second quarter increasing the capacity and efficiency of the automated cathode stripping system in the EW facility. The facility is on track to achieve the Group's production guidance of 15 kt in 2016.

Aktogay Financial Summary

$ million	**Six months ended** 30 June 2016	Six months ended 30 June 2015
Gross EBITDA (excluding special items)	**2**	(1)
EBITDA (excluding special items)	**(2)**	(1)
Expansionary capital expenditure (direct project)	**73**	286
Expansionary capital expenditure (pre commercial)	**12**	–

The oxide operations achieved commercial levels of production from 1 July 2016, following a stable level of output during the second quarter of 2016. As a result, going forward all revenues and operating costs will be recognised in the income statement. During the first half of 2016 the project had not achieved commercial levels of production, therefore, as in the comparative period all revenues and operating costs have been capitalised. The negative EBITDA represents administrative and operational readiness costs incurred relating to the sulphide plant.

Following the first production of copper cathode in December 2015, the first sale was recorded in January 2016. Revenues of $16 million from the sale of 3.3 kt of copper cathode at a realised price of $4,734/t have been capitalised during the period.

The gross operating cost for production from the oxide plant is expected to be 110-130 USc/lb over the full year, including the period prior to commercial levels of production. The gross cash cost during the first half of the year, from limited sales volumes during the commissioning period, was around 156 USc/lb. This is expected to reduce in the second half of the year as output increases and processing and efficiency gains from scheduled works and the increased automation of cathode stripping are achieved.

In the first half of 2016 direct project capital expenditure, excluding capitalised interest on debt facilities, was $73 million. This expenditure included final completion and commissioning of the oxide SX/EW plant. In addition, works have continued at the sulphide concentrator where activity has included installation of the primary crusher, ball and SAG mills, overland conveyor and stockpile and reclaim areas. The sulphide plant is on target to begin operations in the first half of 2017. Construction work for the rest of the year will be focused on mechanical completion and commissioning of the concentrator as well as the completion of non-process buildings and the tailings storage facility. Additional local subcontractors are being mobilised to accelerate mechanical, piping, electrical and instrumentation works.

Following a review, the total project cost has been reduced by $100 million to $2,200 million. The project has benefited from the experience gained at Bozshakol and from the use of local contractors following the tenge devaluation.

At the end of the period around $1,395 million had been spent on the project. Aktogay is now expected to require approximately $230 million in 2016 and $350 million in 2017. As previously announced, the final payment of $300 million to the project's principal construction contractor is deferred to 2018. There was no change to the overall amount payable to NFC. At 30 June 2016, the amount payable under this agreement was $179 million and is included within other non-current payables.

In addition to direct project costs, expansionary capital expenditure includes capitalised pre-commercial cash flows and working capital of $12 million.

Koksay

In 2014 the Group acquired a third major growth project, Koksay, which is located in south eastern Kazakhstan. The project is estimated to have a life of over 20 years with average annual production of around 80 kt of copper cathode equivalent along with gold, silver and molybdenum by-products.

The project is expected to incur expenditure of around $5 million in 2016 to continue scoping study works, of which $1 million has been incurred during the period.

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 2015.

The Bozshakol sulphide and Aktogay oxide plants commenced sales during the six months to 30 June 2016 and were in pre-commercial production throughout the period. 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 the condensed consolidated financial statements (note 4(a)(i)) include the metrics Gross Revenues and Gross EBITDA, which incorporate the results of the Bozshakol sulphide and Aktogay oxide plants before capitalisation to provide a measure of their performance for the period.

For the six months to June 2015, Gross Revenues and Gross EBITDA include Bozymchak's pre-commercial production activities. Bozymchak achieved commercial production on 1 July 2015 and from that date its revenues and related costs were recognised in the income statement.

INCOME STATEMENT

A summary of the consolidated income statement is shown below:

$ million (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Gross Revenues	**363**	353
Gross EBITDA (excluding special items)	**147**	94
Revenues	**302**	341
Cash operating costs	**(187)**	(253)
EBITDA (excluding special items)	**115**	88
Special items:		
Less: write-offs and impairment charges	**(3)**	(12)
Less: loss on disposal of assets	**–**	(2)
Less: depreciation, depletion and amortisation	**(19)**	(28)
Add: excess cash component of the disability benefits obligation	**–**	2
Less: MET and royalties	**(25)**	(33)
Operating profit	**68**	15
Net finance income/(costs)	**23**	(13)
Profit before taxation	**91**	2
Income tax expense	**(18)**	(15)
Profit/(loss) attributable to equity holders of the Company	**73**	(13)
Earnings per share attributable to equity shareholders of the Company		
Ordinary EPS – basic and diluted ($)	**0.16**	(0.03)
EPS based on Underlying Profit – basic and diluted ($)	**0.17**	0.01

Gross Revenues and Revenues

Gross Revenues for the first half of 2016 were $363 million compared to $353 million in the prior year period, an increase of 3%, reflecting the impact of higher copper and gold sales volumes at Bozymchak and the commencement of sales from Bozshakol and the Aktogay oxide plant, partly offset by lower copper and zinc prices and reduced silver and zinc sales volumes from the East Region operations.

Gross Revenues for the first half of 2016 include sales from Bozshakol of $45 million and Aktogay of $16 million from pre-commercial production. For the first half of 2015, pre-commercial production revenues of $12 million arose solely from Bozymchak.

Revenues recognised in the income statement decreased by 11% from $341 million to $302 million due to lower copper and zinc prices and lower zinc volumes from the East Region operations, partly offset by $41 million revenues from Bozymchak, which achieved commercial production on 1 July 2015.

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

Operating Profit

Operating profit for the first half of 2016 was $68 million compared to $15 million in 2015, an increase of $43 million reflecting a contribution from Bozymchak of $21 million and the impact of lower depreciation, MET charges and impairments from the East Region operations. Further details are described below.

EBITDA (excluding special items) by operating segment

EBITDA (excluding special items) has been chosen as the key measure in assessing the underlying trading performance of the Group. This performance measure removes the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation, MET, royalties and those items which are non-recurring or variable in nature and which do not impact the underlying trading performance. The Directors believe that the exclusion of MET and royalties provides a more informed measure of the operational profitability given the nature of the taxes as further explained in the 'Taxation' section.

Gross EBITDA (excluding special items) includes the EBITDA earned by the Group's development assets during their pre-commercial production stage, which is capitalised to property, plant and equipment.

A reconciliation of Group EBITDA by operating segment is shown below:

$ million	**Six months ended 30 June 2016**	Six months ended 30 June 2015
East Region	**108**	109
Bozymchak	**26**	5
Bozshakol	**23**	(6)
Mining Projects – Aktogay	**2**	(1)
Corporate services	**(12)**	(13)
Gross EBITDA	**147**	94
Less: Capitalised pre-commercial production EBITDA	**(32)**	(6)
Bozymchak	**–**	(6)
Bozshakol	**(28)**	–
Mining Projects – Aktogay	**(4)**	–
Group EBITDA	**115**	88

Gross EBITDA for the Group rose by 56% from $94 million to $147 million following the increase in sales volumes from Bozymchak and the commencement of sales from Bozshakol and the Aktogay oxide plant. The Gross EBITDA margin for the Group improved from 27% in the first half of 2015 to 40% in the first half of 2016 primarily due to the impact of the tenge devaluation, reducing costs in US dollar terms at the Kazakhstan operations.

On 20 August 2015, the National Bank of Kazakhstan announced that the tenge would trade freely. Following that announcement, the tenge devalued and ended 2015 at 339.47 to the US dollar. In the six months to 30 June 2016, the tenge averaged 346.11 per US dollar compared to 185.25 for the six months to 30 June 2015.

The East Region's EBITDA of $108 million was in line with the $109 million in the first half of 2015 as lower revenues were offset by reduced cash operating costs. Cash operating costs in the first half of 2016 of $153 million were $57 million lower than the first half of 2015 (excluding the cost of purchased cathode sold to fulfil customer obligations), reflecting the significant impact of the tenge devaluation on its cost base which is predominantly in local currency and the continued cost control measures.

Bozymchak's Gross EBITDA of $26 million is higher than the $5 million reported in the first half of 2015 reflecting increased production and sales volumes as the plant achieved its design capacity in December 2015. During the pre-commercial production phase and in the first half of 2015, EBITDA of $6 million was capitalised to property, plant and equipment resulting in a negative EBITDA of $1 million, being the administration and operational readiness costs incurred ahead of commercial production.

At Bozshakol, Gross EBITDA improved from a loss of $6 million to a contribution of $23 million due to the ramp up of production and sales activities.

Aktogay's Gross EBITDA improved to $2 million following the commencement of sales of cathode material from the oxide plant partly offset by higher levels of administration and operational readiness activities which largely relate to the sulphide plant. The Aktogay oxide plant achieved commercial levels of production from 1 July 2016 from when revenues and operating costs will be recognised in the income statement.

Corporate costs of $12 million were consistent with the first half of 2015 as cost saving measures continued.

The increase in Group EBITDA from $88 million to $115 million in the first half of 2016 is attributed to the contribution from the Bozymchak operation.

Please refer to the Operating Review for a detailed analysis of the Group's EBITDA by operating segment.

Special items

Special items within operating profit:

Write-offs and impairment charges

During the first half of 2016, an impairment of $3 million at the East Region operations has been recognised against property, plant and equipment which is not expected to be utilised.

During the first half of 2015, the following impairment charges were recognised:

- Property, plant and equipment – a charge of $8 million which primarily related to the impairment of administrative land and buildings in Kazakhstan, retained in the Restructuring, which were not in use.
- Mining assets – a charge of $4 million against mine development works which were not expected to be utilised.

Loss on disposal of assets

During the first half of 2015, a $2 million loss was recognised on assets that the Group no longer intended to develop and were disposed of.

Other items outside of EBITDA

Depreciation, depletion and amortisation

Depreciation, depletion and amortisation for the first half of 2016 of $19 million is $9 million lower than the $28 million charge in the first half of 2015 as a result of the August 2015 tenge devaluation. This was partially offset by a higher charge at Bozymchak which commenced depreciation of its asset base on achieving commercial production from 1 July 2015.

Excess component of the disability benefits obligation

The non-cash component of the disability benefits obligation was a $2 million credit for the first half of 2015. This arose as the payments made in that period exceeded the income statement cost, excluding interest.

MET and royalties

The MET charge for the East Region of $22 million for the first half of 2016 was below the $33 million charge in 2015, reflecting the impact of lower commodity prices and metal in ore mined across all products.

Bozshakol and Aktogay incurred MET from the second half of 2015 when mining operations commenced. During the first half of 2016, MET incurred on metal in ore mined was $24 million and $9 million at Bozshakol and Aktogay respectively and was capitalised as the operations were in the pre-commercial production phase.

Bozymchak's royalties on invoiced sales in the first half of 2016 were $3 million compared to the $1 million in 2015 which was capitalised to property, plant and equipment. The increase reflects the higher sales volumes at Bozymchak in 2016 partly offset by lower commodity prices.

Net finance income/costs

Net finance income/costs include:

- Net foreign exchange gains of $32 million compared to a $5 million loss in the first half of 2015.
- Interest expense of $11 million, up from $9 million in the first half of 2015.
- Interest on the employee benefits obligation and unwinding of discounts on other provisions of $2 million, consistent with the first half of 2015.
- Interest income on cash deposits and short-term investments of $4 million, marginally higher than the first half of 2015.

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 from 31 December 2015 and the 9% depreciation in the UK pound sterling in June 2016. 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 on intercompany liabilities. Exchange gains of $3 million were recognised on the CDB Aktogay CNY debt following the appreciation of the US dollar. These gains were partially offset by $3 million of exchange losses arising from the marginal appreciation of the tenge on net US dollar financial assets in the Kazakhstan operations. The net exchange loss of $5 million in the first half of 2015 was mainly attributed to exchange losses arising on Bozymchak's US dollar intercompany net debt following the weakening of the Kyrgyz som over that period.

The interest expense in the income statement of $11 million (2015: $9 million) is after the capitalisation of interest to the cost of the mining projects of Bozshakol and Aktogay. The total cost of debt for the period was $95 million compared to $77 million in the first half of 2015. The increase is attributed to a higher average cost of borrowing due to higher LIBOR rates and on an increased level of borrowings as the draw down of the remaining CDB Aktogay USD facility exceeded repayments on the PXF and CDB Bozshakol and Bozymchak debt. Of the total interest expense, $84 million (2015: $68 million) was capitalised to the cost of the projects.

Taxation

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

$ million (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Profit before taxation	**91**	2
Add: MET and royalties	**25**	33
Add: special items	**3**	14
Adjusted profit before taxation	**119**	49
Income tax expense	**18**	15
Add: MET and royalties	**25**	33
Less: taxation effect of special items	**–**	(1)
Adjusted tax expense	**43**	47
Effective tax rate (%)	**20**	750
All-in effective tax rate[1] (%)	**36**	96

1 The all-in effective tax rate 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, special items and other non-recurring items. The all-in effective tax rate is considered to be a more representative tax rate on the recurring profits of the Group.

Effective tax rate

In the first half of 2016, the effective tax rate was 20% as the utilisation of prior period unrecognised tax losses at Bozymchak fully offset a current period tax charge arising on its pre-tax profits of $38 million. The effective tax rate also reflects the impact of non-deductible costs, principally social spending commitments incurred in the Kazakhstan operations.

The effective tax rate in the first half of 2015 of 750% arose as a tax charge of $15 million was realised on a profit before taxation of $2 million. The tax charge reflects non-deductible expenses incurred principally at the East Region and unrecognised tax losses from the Bozymchak operations and the Group's UK financing entity.

All-in effective tax rate

The all-in effective tax rate decreased to 36% from 96% in the first half of 2015 as the adjusted profit before taxation increased by $70 million following the tenge devaluation and the positive contribution from Bozymchak. MET and royalties decreased by $8 million due to lower metal in ore mined and lower commodity prices. The higher rate in the first half of 2015 was negatively impacted by unrecognised tax losses at Bozymchak and by MET representing a greater proportion of the adjusted profit before taxation. As MET is determined independently of the profitability of operations, in periods of lower profitability the all-in effective tax rate increases, 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.

Taxation effect of special items

In the first half of 2016, the taxation impact on special items was insignificant.

For the first half of 2015, the taxation charge of $1 million relates to the reversal of deferred tax assets arising from the sale of mining assets.

UNDERLYING PROFIT

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 30 June 2016**	Six months ended 30 June 2015
Net profit/(loss) attributable to equity holders of the Company	**73**	(13)
Special items:		
Write-offs and impairment charges	**3**	12
Loss on disposal of assets	**–**	2
Taxation effect of special items:		
Deferred tax assets recognised on other special items	**–**	1
Underlying Profit	**76**	2
Weighted average number of shares in issue (million)	**447**	446
Ordinary EPS – basic and diluted ($)	**0.16**	(0.03)
EPS based on Underlying Profit – basic and diluted ($)	**0.17**	0.01

Net and underlying profit in the first half of 2016 saw an improvement from the first half of 2015 due to increased EBITDA and foreign exchange gains at Bozymchak.

Earnings per share

Basic earnings per share of $0.16 increased from the $0.03 loss per share, whilst earnings per share based on Underlying Profit rose to $0.17 from $0.01 when compared to the first half of 2015, reflecting the Group's improved profitability.

Dividends

The Company did not pay any dividends in the first half of 2016 and taking into consideration the increase in the Group's net debt during the construction and ramp up phase of the two major growth projects, the Directors will not declare an interim dividend for 2016. 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

A summary of cash flows is shown below:

$ million	**Six months ended 30 June 2016**	Six months ended 30 June 2015
EBITDA (excluding special items)[1]	**115**	88
Working capital movements[2]	**(34)**	(4)
Interest paid	**(85)**	(85)
MET and royalties paid[2]	**(26)**	(26)
Income tax paid	**(15)**	(13)
Foreign exchange and other movements	**2**	10
Net cash flows from operating activities before other expenditure associated with major projects	**(43)**	(30)
Sustaining capital expenditure	**(22)**	(25)
Free Cash Flow	**(65)**	(55)
Expansionary and new project capital expenditure[3]	**(197)**	(509)
Non-current VAT receivable associated with major projects	**(20)**	(61)
Interest received	**4**	3
Proceeds from disposal of property, plant and equipment	**1**	3
Other movements	**(1)**	–
Cash flow movement in net debt	**(278)**	(619)

1 EBITDA (excluding special items) is defined as profit before interest, taxation, depreciation, depletion, amortisation, the non-cash component of the disability benefits obligation, MET and royalties. Please refer to note 4(a)(i) of the consolidated financial statements.

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

3 Capital expenditure includes the capitalisation of $12 million and $41 million of net operating cash outflows from the Aktogay and Bozshakol projects (30 June 2015: $2 million from the Bozymchak project) in the period ahead of commercial production. Of the $41 million, $21 million relates to stockpiled clay ore at Bozshakol.

Summary

The lower Free Cash Flow in the first half of 2016 reflects the working capital requirements in the East Region partly offset by higher EBITDA and lower sustaining capital expenditure as interest, MET, royalties and income tax payments remained at a similar level to the first half of 2015. Cash flows used in operating activities of $63 million shown in the consolidated statement of cash flows reconciles to Free Cash Flow by excluding payments made on VAT associated with the major projects of $20 million and by including sustaining capital expenditure of $22 million.

Working capital

Working capital requirements in the table above of $34 million exclude Bozshakol and Aktogay pre-commercial production amounts which are included within expansionary and new project capital expenditure. The Group's operating assets' working capital outflow during the first half of 2016 arose mainly due to the following factors:

- Inventory levels have risen by $7 million following an increase in copper and gold work in progress at the East Region and Bozymchak. There was also a build-up of silver and zinc finished goods and raw material spares at the East Region.
- Trade and other receivables increased by $4 million due to the timing of cash receipts and lower revenues.
- Prepayments and other current assets increased by $11 million primarily from a build-up of VAT receivable and advances paid for processing services in the East Region. The East Region received a $15 million VAT refund in July 2016.
- A $12 million reduction in trade and other payables mainly relates to the release of payments received in advance for inventory delivered to customers.

Working capital movements at Bozshakol and Aktogay incurred during pre-commercial production (financed in part by the project budget) are reflected within expansionary capital expenditure in the cash flow above and are not included within Free Cash Flow. The pre-commercial movements include 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 2015, inventory levels increased by $20 million following a build-up of work in progress at the Balkhash smelter due to maintenance works in the second quarter of 2015 and an increase in goods in transit. Trade and other receivables reduced by $76 million mainly due to the winding down of trading relationships with the Disposal Assets and a beneficial change in the mix of sales terms. Prepayments increased by $16 million from a build-up of VAT receivable in the East Region. Trade and other payables were $44 million lower following the settlement of payables to the Disposal Assets in respect of sales arrangements which ended in late 2014.

Interest cash flows

Interest paid during the first half of 2016 of $85 million was in line with the first half of 2015. The similar level of payments between the periods reflects timing of settlements with interest payable $24 million higher at 30 June 2016 compared to 30 June 2015.

Income tax, MET and royalties

Income tax payments for the first half of 2016 of $15 million were broadly in line with the income statement charge. At 30 June 2016, the Group was in a net tax payable position of $13 million, after foreign exchange movements, consistent with the balance at 31 December 2015.

MET and royalty payments of $26 million relating to the East Region and Bozymchak operations are included in operating cash flow. The MET paid on ore mined at Bozshakol and Aktogay of $23 million and $5 million respectively is reflected within expansionary capital expenditure. At 30 June 2016, the MET and royalties payable was $32 million compared to $17 million at 31 December 2015, attributed largely to increased mining activity at Bozshakol and Aktogay.

Capital expenditure

Sustaining capital expenditure of $22 million was slightly below the $25 million in the first half of 2015. The East Region's sustaining capital expenditure was $18 million with $4 million relating to Bozymchak. Expansionary and new project expenditure of $197 million was below the $509 million invested in the first half of 2015 and includes $53 million of operating cash outflows at the major projects. Total capital expenditure incurred in the first half of 2016 was $219 million, $315 million lower than the $534 million spent in the first half of 2015. Please refer to the Operating Review for an analysis of the Group's capital expenditure by operating segment.

Free Cash Flow

The Group's Free Cash Flow before interest payments on borrowings was $20 million compared to $30 million in the first half of 2015 with the decrease attributed to higher working capital requirements in the East Region and Bozymchak operations partly offset by increased EBITDA from Bozymchak. When interest payments are taken into account, Free Cash Flow was an outflow of $65 million compared to $55 million in the corresponding prior period.

Other investing cash flows

In 2016, other investing cash flows relates to interest received on cash and cash equivalents and deposits of $4 million (2015: $3 million) and proceeds from disposal of property, plant and equipment of $1 million (2015: $3 million).

BALANCE SHEET

The Group's attributable profit for the period of $73 million and the non-cash effects of net foreign currency translation losses of $12 million recognised within equity, led to a $61 million increase in equity attributable to owners of the Company to $381 million at 30 June 2016. The non-cash foreign currency gain arose from movements in the tenge and som against the US dollar on the Kazakhstan and Kyrgyz entities' foreign currency denominated net assets.

Net debt

Net debt consists of cash and cash equivalents, current investments (at 31 December 2015) and borrowings as reflected in the table below:

$ million	**At 30 June 2016**	At 31 December 2015
Cash and cash equivalents	**1,056**	851
Current investments	**–**	400
Borrowings	**(3,587)**	(3,504)
Net debt	**(2,531)**	(2,253)

Cash and cash equivalents at 30 June 2016 totalled $1,056 million and were lower than the $1,251 million at 31 December 2015, as the draw downs of the Group's CDB Aktogay debt facility were more than offset by the continued development of the major growth projects, interest payments and debt repayments. Current investments at 31 December 2015 were bank term deposits. At 30 June 2016, all of the Group's gross liquid funds were cash and cash equivalents.

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 2016, $1,017 million of cash and short-term deposits were held in the UK and the Netherlands and $39 million in Kazakhstan.

As at 30 June 2016, gross debt was $3,587 million, an increase of $83 million from the position as at 31 December 2015 reflecting the $166 million principal repayments under the Group's borrowings being offset by the $250 million drawn down under the CDB Aktogay finance facility. The principal repayments during the period consisted of $92 million under the CDB Bozshakol/Bozymchak finance facility, $6 million under the CDB Aktogay CNY finance facility, $58 million under the PXF and $10 million under the CAT facility, which is expected to be re-drawn in the second half of 2016.

Gross borrowings at 30 June 2016 consisted of $1,791 million under the CDB Bozshakol/Bozymchak facilities, $1,467 million under the CDB Aktogay finance facility, $289 million under the PXF and $40 million under the CAT facility.

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

Other significant matters

NFC contract agreement

In November 2015, the Group signed an agreement with its principal construction contractor, NFC, to defer payment of $300 million relating to the Aktogay project such that the amounts will be due for settlement in the first half of 2018. There was no change to the overall amount payable to NFC. At 30 June 2016, the amount payable under this agreement was $179 million and is included within other non-current payables.

Going concern

At current market commodity prices and on the basis that the debt facilities are maintained with an unchanged repayment profile, the Board considers the Group has adequate liquidity over the going concern period. However, in the event of a reasonably possible delay in the expected ramp up at Bozshakol the Group would likely be required to take certain mitigating actions, including raising additional liquidity, as described below.

The Group's PXF facility and CAT facility are subject to financial covenants, in particular the net debt to EBITDA covenant which is next due to be tested as at 31 December 2016. It is expected this covenant will be breached when tested at that time. At current copper prices it is expected this ratio will improve as Bozshakol and Aktogay operations ramp up. Following an improvement in the ramp up of Bozshakol in July and August 2016, the Group intends to make a formal approach to the banks during the third quarter of 2016 with a view to agreeing a refinancing with suitable amendments to the financial covenants that will allow the facilities to continue without triggering a technical default. Based on discussions with its lenders during 2016, the Board is confident that the banks will view favourably amendments to the financial covenants and a refinancing of the facilities provided the Group's debt service obligations continue to be maintained, which forecasts indicate is likely to be the case. This conclusion is supported by the short term nature of the breach as well as the quality of the Group's assets, in particular the Bozshakol and Aktogay mines which have long operational lives and provide large scale output at first quartile cash costs. The Board's analysis therefore assumes that the debt facilities continue throughout the going concern assessment period.

However, if a waiver or temporary suspension of the net debt to EBITDA covenant is not accompanied with a refinancing, in the event of a sustained fall in commodity prices below current levels, other mitigating actions would be required to secure liquidity over the going concern period, which could include obtaining new facilities to provide additional financing and/or the postponement of certain capital expenditure, both of which the Board believes could be achieved. Accordingly, the Board is satisfied that it is appropriate to adopt the going concern basis of accounting in the preparation of these consolidated financial statements.

PRINCIPAL 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 2015 Annual Report and Accounts, which is available at www.kazminerals.com.

In the view of the Board, the principal risks set out in the 2015 Annual Report and Accounts reflect the significant risks and uncertainties for the Group for the remaining six months of 2016, 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 on page 3.

Operational risks

Health and safety

Mining is a hazardous industry with inherent risks and the failure to adopt and embed health and safety management systems could result in harm to the Group's employees, contractors or local communities as well as fines and penalties and damage to its reputation.

Business interruption

The Group's mining and processing operations are resource intensive, and could be subject to a number of risks, including, but not limited to: geological and technological challenges; weather and other natural phenomena such as floods and earthquakes; fires and explosions; failures to critical machinery with long lead times for replacement; delays in supplies or services; and loss or interruption to key inputs such as electricity and water. Any of these factors could result in prolonged shutdowns or periods of reduced production from the Group's mines and concentrators.

Political risk

The Group's mining operations and development projects are all based in Kazakhstan, except the Bozymchak mine, which is located in Kyrgyzstan. The Group's operational and financial performance is impacted by the social, political, economic, legal and fiscal conditions prevailing in both countries.

New projects

The development of new projects involves many risks including geological, engineering, procurement, staffing, financing and regulatory risks. If the Group fails to adopt an appropriate procurement and project management strategy it may experience delays to project schedules and an increase in development costs. Regulatory risks include failures to obtain and maintain applicable permits, licences or approvals from the relevant authorities to perform certain development work. These risks increase during the ramp up of the Bozshakol and Aktogay oxide projects as equipment is commissioned and operating practices established. The speed of ramp up is dependent on the successful start-up and operation of equipment and the performance of suppliers and the workforce.

Employees

The Group's future development will be partly dependent on its ability to attract and retain highly skilled and qualified personnel. KAZ Minerals competes against local and international mining and industrial companies to attract skilled personnel into the business. The remote location of some of the Group's operations also makes the attraction and retention of skilled staff at these sites more challenging. The hiring and training of skilled personnel is important for the successful operation of the Bozshakol and Aktogay projects.

Suppliers and contractors

The Group relies on services and materials provided by external suppliers and contractors. Smelting, electricity supply, shaft sinking and auxiliary construction may be provided by the Disposal Assets, owned by Cuprum Holding, a related party. As these suppliers are not owned by KAZ Minerals, there can be no guarantee that these services or other services sourced externally will be provided to the standards required by the Group and will not be subject to delay, interruption or periods of non-availability.

In periods of increased demand, supplies may not always be readily available which can result in an increase in lead times and cost inflation for raw materials and items such as mining and processing equipment. The Group is reliant on the services of specialist contractors for the development and commissioning of the major growth projects. KAZ Minerals also requires transportation and logistics providers to move production materials and finished goods.

Labour and community relations

Many of the Group's employees are represented by labour unions under various collective labour agreements. Negotiation of wages may become more difficult in times of higher commodity prices or higher domestic inflation as labour unions may seek wage increases and additional forms of compensation. The devaluation in the tenge has increased the uncertainty over future wage negotiation. The Group's employees may seek wage increases outside the collective labour agreements and labour agreements may not prevent a strike or work stoppage. Labour unions may resist measures to raise labour efficiency.

The Group currently operates in areas of Kazakhstan and Kyrgyzstan where it is a major employer and may also provide targeted support to the local community. Community expectations are typically complex with the potential for different and varying views by stakeholders that may be difficult to resolve. Industrial accidents, health and safety and environmental incidents may negatively affect the Group's community relationships.

Reserves and resources

KAZ Minerals' ore reserves for operating mines and development projects are largely based on the estimation method for reserves and resources established by the former Soviet Union. There are numerous uncertainties inherent in estimating ore reserves and geological, technical and economic assumptions that were valid at the time of estimation may change significantly when new information becomes available.

Compliance risks

Subsoil use rights

In Kazakhstan and Kyrgyzstan all subsoil reserves belong to the State. Subsoil use rights are not granted in perpetuity and any renewal must be agreed before the expiration of the relevant contract or licence. Rights may be terminated if the Group does not satisfy its licensing or contractual obligations, which may include financial commitments to State authorities and the satisfaction of mining, development, environmental, social, and health and safety requirements. In recent years, legislation relating to subsoil use rights has increased licence obligations, technical documentation, work programmes and the level of goods and services sourced from Kazakhstan. The authorities have also increased their monitoring of compliance with legislation and subsoil use contract requirements.

Environmental compliance

The Group operates in an industry that is subject to numerous environmental laws and regulations. As regulatory standards and requirements continually develop, the Group may be exposed to increased compliance costs and environmental emissions charges. Policies and measures at a national and international level to tackle climate change will increasingly affect the business, thereby presenting greater environmental and regulatory risks.

Financial risks

Commodity prices

The Group's policy is to sell its products under contract at prices determined by reference to prevailing market prices on international global metal exchanges. The Group's financial results are strongly influenced by commodity prices, in particular copper and the major by-products, gold, silver and zinc. The prices for these metals are dependent on a number of factors, including world supply and demand and investor sentiment. In particular, KAZ Minerals is exposed to demand from China, a major consumer of the metals which the Group produces. Due to these factors, commodity prices may be subject to significant fluctuations, which could have a positive or negative impact on the Group's financial results.

Foreign exchange and inflation risk

The Group is exposed to currency risk when transactions are not conducted in US dollars. The Group's operations are primarily located in Kazakhstan, with the Bozymchak operations located in Kyrgyzstan. Prior to August 2015, the Kazakhstan tenge was a managed currency with relatively low volatility. In August 2015 the tenge was floated, triggering a significant devaluation and significantly increased volatility. The Kazakhstan tenge depreciated from a rate of 182 KZT/$ at the start of 2015 to an average rate of 346 KZT/$ during the first half of 2016. The lower tenge reduces the Group's operating cost in US dollar terms but also increases the risk of higher inflation rates in the future.

Exposure to China

In addition to the impact of Chinese demand on the pricing of KAZ Minerals' major products, as noted under the 'Commodity prices' risk above, the Group makes significant physical sales to a limited number of customers in China. Sales to China will increase further with the ramp up in output of copper concentrate from Bozshakol in 2016 and from Aktogay from 2017. In addition, the Group uses contractors, services and materials from China. China is also an important source of financing to the Group with long-term debt facilities secured of $3.3 billion at 30 June 2016, primarily for the development of Bozshakol and Aktogay.

Acquisitions and divestments

In the course of delivering its strategy, the Group may acquire or dispose of assets or businesses. Corporate transactions may, however, fail to achieve the expected benefit or value to the Group. All business combinations or acquisitions entail a number of risks including, the cost of effectively integrating acquisitions to realise synergies, significant write-offs or restructuring charges, unanticipated costs and liabilities and loss of key personnel. 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 risk

The Group's cash flows are subject to various risks, including commodity prices and operational risks as set out above. Over the next 12 months a sustained fall in commodity prices below current levels combined with delays in the ramp up of the major growth projects would require mitigating actions to increase liquidity which could include obtaining additional external financing and the postponement of certain capital expenditure, both of which the Board believe could be achieved.

At 30 June 2016 the Group had net debt of $2,531 million, available cash of $1,056 million and undrawn uncommitted facilities of $10 million. The debt financing of the Bozshakol and Aktogay projects and lower commodity prices has resulted in an elevated net debt level, which is expected to increase further in the second half of 2016.

The Group's PXF facility is subject to financial covenants. It is forecast the facilities' net debt to EBITDA covenant will be breached when tested for the period ended 31 December 2016. Based on discussions with members of the banking group to date, the Board believes that it will reach agreement on amending its facilities such that no covenant breach occurs for the period ended 31 December 2016.

Taxation

As the tax legislation in Kazakhstan and Kyrgyzstan has been in force for a relatively short period of time, the tax risks in these countries are substantially greater than typically found in countries with more established tax systems. The reduction in commodity prices has adversely impacted government finances in Kazakhstan and Kyrgyzstan. The Kazakhstan government is in the process of conducting a review of the existing tax code and tax administration. Tax regimes may therefore be subject to change and are also subject to different and changing interpretations, as well as inconsistent enforcement. The timing and mechanism by which tax payments are made to and balances are recovered from the tax authorities may be subject to change. Tax regulation and compliance is subject to review and investigation by the authorities who may impose severe fines, penalties and interest charges.

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 2015 Annual Report and Accounts.

The Directors of KAZ Minerals PLC are listed on the Company's website at www.kazminerals.com.

OLEG NOVACHUK
CHIEF EXECUTIVE
17 August 2016

INDEPENDENT REVIEW REPORT TO KAZ MINERALS PLC

Introduction

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 2016 which comprises consolidated income statement, consolidated statement of other comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes 1 to 15. 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.

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 Disclosure and Transparency Rules (the 'DTR') of the UK's Financial Conduct Authority (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.

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 3, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and as issued by the International Accounting Standards Board ('IASB'). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 ('IAS 34'), Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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. 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.

Conclusion

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 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Jimmy Daboo

For and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL
17 August 2016

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Six months ended 30 June 2016

$ million (unless otherwise stated)	Notes	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Revenues	4(b)	**302**	341
Cost of sales		**(170)**	(228)
Gross profit		**132**	113
Selling and distribution expenses		**(13)**	(14)
Administrative expenses		**(51)**	(71)
Net operating income		**3**	2
Impairment losses	5	**(3)**	(15)
Operating profit		**68**	15
Analysed as:			
Operating profit (excluding special items)		**71**	29
Special items	6	**(3)**	(14)
Finance income	7	**69**	13
Finance costs	7	**(46)**	(26)
Profit before taxation		**91**	2
Analysed as:			
Profit before taxation (excluding special items)		**94**	16
Special items	6	**(3)**	(14)
Income tax expense	8	**(18)**	(15)
Profit/(loss) for the period		**73**	(13)
Attributable to:			
Equity holders of the Company		**73**	(13)
Non-controlling interests		**–**	–
		73	(13)
Earnings per share attributable to equity shareholders of the Company			
Ordinary EPS – basic and diluted ($)	9	**0.16**	(0.03)
EPS based on Underlying Profit – basic and diluted ($)	9	**0.17**	0.01

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)

Six months ended 30 June 2016

$ million	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Profit/(loss) for the period	**73**	(13)
Other comprehensive expense for the period after tax:		
Items that will never be reclassified to the income statement:		
Actuarial gains on employee benefits, net of tax	**–**	1
Items that are or may be reclassified subsequently to the income statement:		
Exchange differences on retranslation of foreign operations	**(12)**	(58)
Other comprehensive expense for the period	**(12)**	(57)
Total comprehensive income/(expense) for the period	**61**	(70)
Attributable to:		
Equity holders of the Company	**61**	(70)
Non-controlling interests	**–**	–
	61	(70)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30 June 2016

$ million	Notes	At 30 June 2016	At 31 December 2015	At 30 June 2015
Assets				
Non-current assets				
Intangible assets		**7**	7	10
Property, plant and equipment		**2,490**	2,019	2,825
Mining assets		**389**	374	475
Other non-current assets		**260**	256	414
Deferred tax asset		**66**	59	54
		3,212	2,715	3,778
Current assets				
Inventories		**157**	113	164
Prepayments and other current assets		**61**	55	62
Income taxes receivable		**1**	1	1
Trade and other receivables		**52**	23	63
Investments	13(c)	**–**	400	400
Cash and cash equivalents	13(b)	**1,056**	851	1,060
		1,327	1,443	1,750
Total assets		**4,539**	4,158	5,528
Equity and liabilities				
Equity				
Share capital	10(a)	**171**	171	171
Share premium		**2,650**	2,650	2,650
Capital reserves		**(2,084)**	(2,072)	(357)
Retained earnings		**(356)**	(430)	(432)
Attributable to equity holders of the Company		**381**	319	2,032
Non-controlling interests		**3**	3	3
Total equity		**384**	322	2,035
Non-current liabilities				
Borrowings	11	**3,277**	3,201	2,805
Deferred tax liability		**40**	31	28
Employee benefits		**14**	13	20
Other non-current liabilities	12	**188**	10	12
Provisions		**14**	8	11
		3,533	3,263	2,876
Current liabilities				
Trade and other payables		**294**	254	351
Borrowings	11	**310**	303	244
Income taxes payable		**14**	12	19
Employee benefits		**2**	2	3
Other current liabilities		**2**	2	–
		622	573	617
Total liabilities		**4,155**	3,836	3,493
Total equity and liabilities		**4,539**	4,158	5,528

These condensed consolidated financial statements were approved by the Board of Directors on 17 August 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Six months ended 30 June 2016

$ million	Notes	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Cash flows from operations			
Cash flows from operations before interest and income taxes	13(a)	**37**	7
Interest paid		**(85)**	(85)
Income taxes paid		**(15)**	(13)
Net cash flows used in operating activities		**(63)**	(91)
Cash flows from investing activities			
Interest received		**4**	3
Proceeds from disposal of property, plant and equipment		**1**	3
Purchase of intangible assets		**(1)**	(1)
Purchase of property, plant and equipment		**(194)**	(511)
Investments in mining assets		**(24)**	(22)
Licence payments for subsoil contracts		**(1)**	–
Movement in short-term bank deposits	13(c)	**400**	–
Net cash flows from/(used) in investing activities		**185**	(528)
Cash flows from financing activities			
Proceeds from borrowings		**250**	48
Repayment of borrowings		**(166)**	(94)
Net cash flows from/(used in) financing activities		**84**	(46)
Net increase/(decrease) in cash and cash equivalents	13(c)	**206**	(665)
Cash and cash equivalents at the beginning of the period		**851**	1,730
Effect of exchange rate changes on cash and cash equivalents	13(c)	**(1)**	(5)
Cash and cash equivalents at the end of the period	13(b)	**1,056**	1,060

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 June 2016

	Attributable to equity holders of the Company						
$ million	Share capital	Share premium	Capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
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**
At 30 June 2016	**171**	**2,650**	**(2,084)**	**(356)**	**381**	**3**	**384**
At 1 January 2015	171	2,650	(299)	(421)	2,101	3	2,104
Loss for the period	–	–	–	(13)	(13)	–	(13)
Actuarial gains on employee benefits, net of tax	–	–	–	1	1	–	1
Exchange differences on retranslation of foreign operations	–	–	(58)	–	(58)	–	(58)
Total comprehensive expense for the period	–	–	(58)	(12)	(70)	–	(70)
Share-based payments	–	–	–	1	1	–	1
At 30 June 2015	171	2,650	(357)	(432)	2,032	3	2,035

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Six months ended 30 June 2016

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 consolidated divisions as set out below.

The Group operates in the natural resources industry through four divisions, the principal activities of which during the first half of 2016 were:

Operating division	Principal activity	Primary country of operations
East Region	Mining and processing of copper and other metals	Kazakhstan
Bozymchak	Mining and processing of copper and gold	Kyrgyzstan
Bozshakol	Mining and processing of copper and other metals	Kazakhstan
Mining Projects	Development of copper deposits	Kazakhstan

These condensed consolidated financial statements for the six months ended 30 June 2016 were authorised for issue in accordance with a resolution of the Board on 17 August 2016. The information for the year ended 31 December 2015 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 2015, 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 2016 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 2015.

(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, as those applied to the Group's consolidated financial statements for the year ended 31 December 2015.

Consistent with the 2015 year end, the Directors reviewed the carrying value of the Group's cash generating units ('CGU's') to determine whether an indicator of impairment existed at 30 June 2016. A 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's business activities, together with the factors likely to impact its future growth and operating performance, are set out in the Operating Review. The financial performance and position of the Group, its cash flows and available debt facilities are described in the Financial Review.

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 and future capital commitments.

At 30 June 2016, the Group's net debt was $2,531 million with total debt of $3,587 million and gross liquid funds of $1,056 million and total undrawn committed facilities of $10 million.

At 30 June 2016, the gross debt of $3,587 million consisted of:

- $1,791 million of the CDB-Bozshakol and Bozymchak facilities which amortises over the period to 2025;
- $1,467 million of the $1.5 billion loan facility with CDB, which amortises over the period to 2029;
- $289 million for the amended PXF facility, whose principal repayments amortise over a three-year period until final maturity in December 2018; and
- $40 million under the revolving credit facility provided by Caterpillar Financial Services (UK) Limited ('CAT').

These 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 2017, the outlook for commodity prices and the current status of production ramp up at Bozshakol and construction at Aktogay.

At current market commodity prices and on the basis that the debt facilities are maintained with an unchanged repayment profile, the Board considers the Group has adequate liquidity over the going concern period. However, in the event of a reasonably possible delay in the expected ramp up at Bozshakol the Group would likely be required to take certain mitigating actions, including raising additional liquidity, as described below.

The Group's PXF facility and CAT facility are subject to financial covenants, in particular the net debt to EBITDA covenant which is next due to be tested as at 31 December 2016. It is expected this covenant will be breached when tested at that time. At current copper prices it is expected this ratio will improve as Bozshakol and Aktogay operations ramp up. Following an improvement in the ramp up of Bozshakol in July and August 2016, the Group intends to make a formal approach to the banks during the third quarter of 2016 with a view to agreeing a refinancing with suitable amendments to the financial covenants that will allow the facilities to continue without triggering a technical default. Based on discussions with its lenders during 2016, the Board is confident that the banks will view favourably amendments to the financial covenants and a refinancing of the facilities provided the Group's debt service obligations continue to be maintained, which forecasts indicate is likely to be the case. This conclusion is supported by the short term nature of the breach as well as the quality of the Group's assets, in particular the Bozshakol and Aktogay mines which have long operational lives and provide large scale output at first quartile cash costs. The Board's analysis therefore assumes that the debt facilities continue throughout the going concern assessment period.

However, if a waiver or temporary suspension of the net debt to EBITDA covenant is not accompanied with a refinancing, in the event of a sustained fall in commodity prices below current levels, other mitigating actions would be required to secure liquidity over the going concern period, which could include obtaining new facilities to provide additional financing and/or the postponement of certain capital expenditure, both of which the Board believes could be achieved. Accordingly, the Board is satisfied that 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 have 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 2015.

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 as at 30 June 2016, as adopted by the European Union up to 30 June 2016.

(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 2016		31 December 2015		30 June 2015	
	Spot	**Average**	Spot	Average	Spot	Average
Kazakhstan tenge	**338.87**	**346.11**	339.47	221.73	186.20	185.25
Kyrgyzstan som	**67.49**	**71.29**	75.90	64.44	62.08	60.63
UK pounds sterling	**0.75**	**0.70**	0.68	0.65	0.64	0.66

(c) Free float of the tenge

On 20 August 2015, the National Bank of Kazakhstan announced that the tenge would trade freely. Following this announcement, the tenge devalued and ended 2015 at 339.47 to the US dollar. In the six months to 30 June 2016, the tenge averaged 346.11 per US dollar compared to 185.25 for the six months to 30 June 2015. The currency's free float has resulted in increased exposure to exchange gains and losses arising mostly on US dollar denominated monetary assets and liabilities held by the Group's Kazakhstan and Kyrgyzstan based subsidiaries whose functional currencies are the tenge and som respectively.

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. For management and operational purposes, the Group is organised into four separate 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'*.

The Group's operating segments are:

East Region

The East Region is managed as one operating segment and includes the entity Vostoktsvetmet LLC ('VCM'), based in Kazakhstan and the associated international sales and marketing activities managed out of the UK. VCM's principal activity is the mining and processing of copper and other metals which are produced as by-products.

Bozymchak

The Bozymchak gold-copper mine and concentrator located in Kyrgyzstan and the associated international sales and marketing activities managed out of the UK. The Bozymchak operation achieved commercial production on 1 July 2015 with its revenues and costs being recorded in the income statement from that date.

Bozshakol

The Bozshakol open pit and concentrator located in the Ekibastuz region of Kazakhstan and the associated international sales and marketing activities managed out of the UK. This operation, which sells copper concentrate with gold content as a by-product, was commissioned in February 2016 and is now managed separately from the Mining Projects. The operation is expected to achieve commercial levels of production in the second half of 2016. Until then, revenues and production costs will be recognised against property, plant and equipment. For the period ended 30 June 2015, Bozshakol was included in the Mining Projects segment.

Mining Projects

The Group's project companies, whose responsibility is the development of the Group's major growth projects includes Aktogay and Koksay. Once the respective concentrators are commissioned, the projects will be separated into individual operating segments.

The Aktogay project oxide plant achieved commercial production from 1 July 2016 having achieved consistent production of at least 60% above its design capacity for a period of more than 90 days. Revenues and production costs were recognised in the income statement with the commencement of depreciation of its assets from that date. Given the relative size and contribution of the Aktogay oxide operations, it will continue to be reflected within Mining Projects until the main sulphide plant is commissioned.

The Mining Projects segment for the period ended 30 June 2015 also included Bozshakol prior to its commissioning in the first half 30 June 2016.

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, the non-cash component of the disability benefits obligation, 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 6).

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

Segmental information is also provided in respect of revenues, by product and by destination in note 4(b).

(a) Operating segments

(i) Income statement information

$ million	East Region	Bozymchak	Bozshakol	Mining Projects - Aktogay	Corporate Services	Total
						Six months ended 30 June 2016
Revenues						
Gross Revenues	**261**	**41**	**45**	**16**	**–**	**363**
Pre-commercial production revenues capitalised to property, plant and equipment[1]	**–**	**–**	**(45)**	**(16)**	**–**	**(61)**
Revenues – income statement	**261**	**41**	**–**	**–**	**–**	**302**
Gross EBITDA (excluding special items)	**108**	**26**	**23**	**2**	**(12)**	**147**
Pre-commercial production EBITDA capitalised to property, plant and equipment[1,2]	**–**	**–**	**(28)**	**(4)**	**–**	**(32)**
EBITDA (excluding special items)	**108**	**26**	**(5)**	**(2)**	**(12)**	**115**
Special items – note 6:						
Less: impairment charges	**(3)**	**–**	**–**	**–**	**–**	**(3)**
EBITDA	**105**	**26**	**(5)**	**(2)**	**(12)**	**112**
Less: depreciation, depletion and amortisation[3]	**(15)**	**(4)**	**–**	**–**	**–**	**(19)**
Less: mineral extraction tax and royalties[2,3]	**(22)**	**(3)**	**–**	**–**	**–**	**(25)**
Operating profit/(loss)	**68**	**19**	**(5)**	**(2)**	**(12)**	**68**
Net finance income						**23**
Income tax expense						**(18)**
Profit for the period						**73**

$ million	East Region	Bozymchak	Mining Projects		Corporate Services	Total
			Bozshakol	Aktogay		Six months ended 30 June 2015
Revenues						
Gross Revenues	341	12	–	–	–	353
Pre-commercial production revenues capitalised to property, plant and equipment[1]	–	(12)	–	–	–	(12)
Revenues – income statement	341	–	–	–	–	341
Gross EBITDA (excluding special items)	109	5	(6)	(1)	(13)	94
Pre-commercial production EBITDA capitalised to property, plant and equipment[1,2]	–	(6)	–	–	–	(6)
EBITDA (excluding special items)	109	(1)	(6)	(1)	(13)	88
Special items – note 6:						
Less: impairment charges	(12)	–	–	–	–	(12)
Less: loss on disposal of assets	–	–	–	–	(2)	(2)
EBITDA	97	(1)	(6)	(1)	(15)	74
Add: excess cash component of the disability benefits obligation[4]	2	–	–	–	–	2
Less: depreciation, depletion and amortisation[3]	(26)	(1)	–	–	(1)	(28)
Less: mineral extraction tax and royalties[2,3]	(33)	–	–	–	–	(33)
Operating profit/(loss)	40	(2)	(6)	(1)	(16)	15
Net finance costs						(13)
Income tax expense						(15)
Loss for the period						(13)

1 During the pre-commercial production stage of the mining projects, revenues and operating costs are capitalised to property, plant and equipment.

2 MET and royalties have been excluded from the key financial indicator of EBITDA. 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 and Aktogay (oxide) during the pre-commercial production stage of $9 million and $9 million respectively has been capitalised to property, plant and equipment. MET incurred on stockpiled clay ore at Bozshakol and reflected as other non-current assets was $15 million.

3 Depreciation, depletion and amortisation and mineral extraction tax and royalties excludes the costs associated with inventories on the balance sheet.

4 The non-cash component of the Group's disability benefits obligation was excluded from EBITDA, a key financial indicator, as EBITDA is a proxy for cash earnings from current trading performance. The non-cash component of the disability benefits obligation is determined as the actuarial remeasurement charge recognised in the income statement less the actual cash payments disbursed during the period in respect of the disability benefits obligation.

(ii) Balance sheet information

$ million	East Region	Bozymchak	Bozshakol	Mining Projects Aktogay	Mining Projects Koksay	Corporate Services	Balance sheet
							At 30 June 2016
Assets							
Property, plant and equipment, mining assets and intangible assets[1]	**194**	**56**	**1,315**	**1,079**	**240**	**2**	**2,886**
Intragroup investments	**–**	**–**	**–**	**–**	**–**	**5,191**	**5,191**
Other non-current assets[2]	**4**	**20**	**154**	**81**	**1**	**–**	**260**
Operating assets[3]	**148**	**55**	**61**	**25**	**–**	**238**	**527**
Inter-segment loans	**–**	**–**	**–**	**–**	**–**	**1,811**	**1,811**
Cash and cash equivalents	**35**	**6**	**23**	**19**	**–**	**973**	**1,056**
Segment assets	**381**	**137**	**1,553**	**1,204**	**241**	**8,215**	**11,731**
Deferred tax asset							**66**
Income taxes receivable							**1**
Elimination							**(7,259)**
Total assets							**4,539**
Liabilities							
Employee benefits and provisions	**19**	**3**	**6**	**2**	**–**	**–**	**30**
Inter-segment borrowings	**16**	**135**	**1,003**	**657**	**–**	**–**	**1,811**
Operating liabilities[4]	**66**	**79**	**220**	**286**	**3**	**87**	**741**
Segment liabilities	**101**	**217**	**1,229**	**945**	**3**	**87**	**2,582**
Borrowings							**3,587**
Deferred tax liability							**40**
Income taxes payable							**14**
Elimination							**(2,068)**
Total liabilities							**4,155**

$ million	East Region	Bozymchak	Bozshakol	Mining Projects Aktogay	Mining Projects Koksay	Corporate Services	Balance sheet
							At 31 December 2015
Assets							
Property, plant and equipment, mining assets and intangible assets[1]	190	47	1,166	756	239	2	2,400
Intragroup investments	–	–	–	–	–	6,855	6,855
Other non-current assets[2]	6	17	158	74	1	–	256
Operating assets[3]	127	31	18	20	–	149	345
Inter-segment loans	–	–	–	–	–	1,579	1,579
Current investments	–	–	–	–	–	400	400
Cash and cash equivalents	22	4	6	31	–	788	851
Segment assets	345	99	1,348	881	240	9,773	12,686
Deferred tax asset							59
Income taxes receivable							1
Elimination							(8,588)
Total assets							4,158
Liabilities							
Employee benefits and provisions	17	2	3	1	–	–	23
Inter-segment borrowings	16	135	860	568	–	–	1,579
Operating liabilities[4]	52	74	157	49	4	84	420
Segment liabilities	85	211	1,020	618	4	84	2,022
Borrowings							3,504
Deferred tax liability							31
Income taxes payable							12
Elimination							(1,733)
Total liabilities							3,836

$ million	East Region	Bozymchak	Mining Projects Bozshakol	Mining Projects Aktogay	Mining Projects Koksay	Corporate Services	At 30 June 2015 Balance sheet
Assets							
Property, plant and equipment, mining assets and intangible assets[1]	327	60	1,712	977	231	3	3,310
Intragroup investments	–	–	–	–	–	3,150	3,150
Other non-current assets[2]	5	21	199	189	–	–	414
Operating assets[3]	200	29	6	45	13	237	530
Inter-segment loans	–	–	–	–	–	2,339	2,339
Current investments	–	–	–	–	–	400	400
Cash and cash equivalents	17	4	30	69	1	939	1,060
Segment assets	549	114	1,947	1,280	245	7,068	11,203
Deferred tax asset							54
Income taxes receivable							1
Elimination							(5,730)
Total assets							5,528
Liabilities							
Employee benefits and provisions	28	2	3	1	–	–	34
Inter-segment borrowings	15	134	1,396	794	–	–	2,339
Operating liabilities[4]	111	60	263	107	3	60	604
Segment liabilities	154	196	1,662	902	3	60	2,977
Borrowings							3,049
Deferred tax liability							28
Income taxes payable							19
Elimination							(2,580)
Total liabilities							3,493

1 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 and Mining Projects operate in Kazakhstan. Bozymchak operates in Kyrgyzstan.
2 Other non-current assets include other non-current investments, non-current VAT receivable, advances paid for property, plant and equipment and long term inventory.
3 Operating assets comprise inventories, prepayments and other current assets and trade and other receivables, including intragroup receivables.
4 Operating liabilities comprise trade and other payables, including intragroup payables, other non-current payables and other current payables.

(iii) Capital expenditure[1]

$ million	**East Region**	**Bozymchak**	**Bozshakol[2]**	**Mining Projects Aktogay[2]**	**Mining Projects Koksay**	**Six months ended 30 June 2016 Total**
Property, plant and equipment[3]	**8**	**4**	**100**	**82**	**–**	**194**
Mining assets[3]	**14**	**–**	**7**	**2**	**1**	**24**
Intangible assets	**–**	**–**	**–**	**1**	**–**	**1**
Capital expenditure	**22**	**4**	**107**	**85**	**1**	**219**

$ million	East Region	Bozymchak[2]	Mining Projects Bozshakol	Mining Projects Aktogay	Mining Projects Koksay	Six months ended 30 June 2015 Total
Property, plant and equipment[3]	14	5	209	283	–	511
Mining assets[3]	8	2	6	3	3	22
Intangible assets	1	–	–	–	–	1
Capital expenditure	23	7	215	286	3	534

1 The capital expenditure presented by operating segment reflects cash paid and is aligned with the Group's internal capital expenditure reporting. The comparative information, previously reflected on an accruals basis, has been restated.
2 Cash capital expenditure for Aktogay and Bozshakol includes $12 million and $41 million respectively of net operating cash flows incurred during the period and ahead of commercial production. Of the $41 million, $21 million relates to stockpiled clay ore at Bozshakol. For the period ended 30 June 2015 cash capital expenditure for Bozymchak includes $2 million of net operating cash flows generated in the period before the project reached commercial production.
3 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	East Region	Bozymchak	Bozshakol	Mining Projects - Aktogay	Total
					Six months ended 30 June 2016
Copper cathodes	**184**	**15**	**–**	**16**	**215**
Copper in concentrate	**–**	**3**	**32**	**–**	**35**
Zinc in concentrate	**40**	**–**	**–**	**–**	**40**
Gold	**15**	**17**	**–**	**–**	**32**
Gold in concentrate	**–**	**5**	**12**	**–**	**17**
Silver	**20**	**1**	**–**	**–**	**21**
Silver in concentrate	**–**	**–**	**1**	**–**	**1**
Other revenue	**2**	**–**	**–**	**–**	**2**
	261	**41**	**45**	**16**	**363**
Less pre-commercial production revenues capitalised to property, plant and equipment	**–**	**–**	**(45)**	**(16)**	**(61)**
	261	**41**	**–**	**–**	**302**

$ million	East Region operations	Bozymchak	Mining Projects Bozshakol	Mining Projects Aktogay	Total
					Six months ended 30 June 2015
Copper cathodes	229	6	–	–	235
Zinc in concentrate	64	–	–	–	64
Gold	13	6	–	–	19
Silver	21	–	–	–	21
Other by-products	11	–	–	–	11
Other revenue	3	–	–	–	3
	341	12	–	–	353
Less pre-commercial production revenues capitalised to property, plant and equipment	–	(12)	–	–	(12)
	341	–	–	–	341

Revenues by destination to third parties are as follows:

$ million	East Region operations	Bozymchak	Bozshakol	Mining Projects - Aktogay	Total
					Six months ended 30 June 2016
Europe	**74**	**6**	**–**	**6**	**86**
China	**137**	**13**	**45**	**10**	**205**
Kazakhstan and Central Asia	**50**	**22**	**–**	**–**	**72**
	261	**41**	**45**	**16**	**363**
Less pre-commercial production revenues capitalised to property, plant and equipment	**–**	**–**	**(45)**	**(16)**	**(61)**
	261	**41**	**–**	**–**	**302**

$ million	East Region operations	Bozymchak	Mining Projects Bozshakol	Mining Projects Aktogay	Total
					Six months ended 30 June 2015
Europe	77	4	–	–	81
China	181	8	–	–	189
Kazakhstan	83	–	–	–	83
	341	12	–	–	353
Less pre-commercial production revenues capitalised to property, plant and equipment	–	(12)	–	–	(12)
	341	–	–	–	341

Six months ended 30 June 2016

Five customers within the East Region operations 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.

Six months ended 30 June 2015

Five customers within the East Region operations segment, two of which are collectively under common control, represent 50% of total Group revenue ($173 million) for the six months. The revenue from the two customers under common control of $49 million represents 14% of the total Group revenue. Revenues from the remaining three major customers of $124 million represent 36% of Group revenue.

5. Impairment losses

$ million	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Impairment charges against property, plant and equipment[1]	**3**	8
Impairment charges against mining assets[1]	**–**	4
Provisions raised against inventories	**–**	1
Provisions raised against trade and other receivables	**–**	2
	3	15

[1] These impairments are considered to be special items for the purposes of determining the Group's key financial indicator of EBITDA (excluding special items) and Underlying Profit (see note 6).

Six months ended 30 June 2016

During the first half of 2016, an impairment of $3 million has been recognised against property, plant and equipment for equipment which is no longer expected to be utilised.

Six months ended 30 June 2015

During the first half of 2015, an impairment of $8 million was recognised against administrative land and buildings in Kazakhstan, retained in the Restructuring, which were no longer in use.

In addition, a charge of $4 million was recognised against mine development works which were not expected to be utilised.

6. 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 ended 30 June 2016**	Six months ended 30 June 2015
Special items within operating profit:		
Impairment charges – note 5	**3**	12
Impairment charges against property, plant and equipment	**3**	8
Impairment charges against mining assets	**–**	4
Loss on disposal of assets	**–**	2
	3	14
Taxation related special items:		
Deferred tax assets on other special items	**–**	1
Total special items	**3**	15

7. Finance income and finance costs

$ million	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Finance income		
Interest income	**4**	3
Foreign exchange gains	**65**	10
	69	13
Finance costs		
Interest expense	**(11)**	(9)
Total interest expense	**(95)**	(77)
Less: amounts capitalised to the cost of qualifying assets[1]	**84**	68
Interest on employee obligations	**(1)**	(1)
Unwinding of discount on provisions	**(1)**	(1)
Finance costs before foreign exchange losses	**(13)**	(11)
Foreign exchange losses	**(33)**	(15)
	(46)	(26)

[1] During the first half of 2016, the Group capitalised to the cost of qualifying assets $48 million (30 June 2015: $49 million) of borrowing costs incurred on the outstanding debt during the period on the CDB Bozshakol financing facilities at an average rate of net interest of 5.33% (30 June 2015: 4.98%). In addition, $36 million (30 June 2015: $19 million) was capitalised in respect of the CDB-Aktogay US$ and RMB facilities at a weighted average rate of interest of 4.89% (30 June 2015: 4.63%).

8. Income tax expense

Major components of income tax expense for the periods presented are:

$ million	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Current income tax		
Corporate income tax – current period (UK)	**–**	–
Corporate income tax – current period (overseas)	**16**	13
Corporate income tax – prior periods	**–**	2
	16	15
Deferred income tax		
Corporate income tax – current period temporary differences	**4**	(1)
Corporate income tax – prior period temporary differences	**(2)**	1
	2	–
	18	15

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 Group's effective income tax rate is as follows:

$ million	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Profit before tax	**91**	2
At UK statutory income tax rate of 20.0% (30 June 2015: 20.25%)[1]	**18**	–
Current income tax – prior periods	**–**	2
Deferred income tax – prior periods	**(2)**	1
Unrecognised tax losses	**–**	4
Effect of domestic tax rates applicable to individual Group entities	**(4)**	2
Effect of changes in future tax rates	**1**	–
Non-deductible items:		
Transfer pricing	**1**	–
Non-deductible expenses	**4**	6
Total income tax expense	**18**	15

[1] For the period ended 30 June 2015, the UK statutory rate for January to March 2015 was 21.0% and for April to December 2015 is 20.0%, giving a weighted average full year rate of 20.25%.

Corporate income tax is calculated at 20.0% (30 June 2015: 20.25%) of the assessable profit for the period for the Company and its UK subsidiaries, 20.0% for the operating subsidiaries in Kazakhstan (30 June 2015: 20.0%) and 10.0% for the Group's Kyrgyzstan based subsidiary (30 June 2015: 10.0%).

9. Earnings per share

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

$ million (unless otherwise stated)	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Net profit/(loss) attributable to equity holders of the Company	**73**	(13)
Special items pre taxation – note 6	**3**	14
Special items taxation effect – note 6	**–**	1
Underlying Profit	**76**	2
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	**446,517,038**	446,172,089
Ordinary EPS – basic and diluted ($)	**0.16**	(0.03)
EPS based on Underlying Profit – basic and diluted ($)	**0.17**	0.01

(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 both 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. The Directors believe EPS based on Underlying Profit provides a more consistent measure for comparing the underlying trading performance of the Group.

10. Share capital and reserves

(a) Allotted share capital

At 30 June 2015, 31 December 2015 and 30 June 2016 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 ('EBT'). The cost of shares purchased by the EBT is charged against retained earnings. The EBT has waived the right to receive dividends on these shares. In the six months ended 30 June 2016, 160,807 shares (30 June 2015: 172,983) were transferred out of the EBT in settlement of share awards granted to employees that were exercised during the period.

At 30 June 2016, the Group, through the EBT, owned 50,598 KAZ Minerals PLC shares (30 June 2015: 369,252, 31 December 2015: 211,405) with a market value of $0.1 million (30 June 2015: $1.1 million, 31 December 2015: $0.3 million) and a cost of $1.0 million (30 June 2015: $7.0 million, 31 December 2015: $4.0 million).

11. Borrowings

	Maturity	Average interest rate during the period	Currency of denomination	Current $ million	Non-current $ million	Total $ million
30 June 2016						
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**
				310	**3,277**	**3,587**
31 December 2015						
CDB-Bozshakol and Bozymchak – US$ LIBOR + 4.50%	2025	4.97%	US dollar	183	1,698	1,881
CDB-Aktogay facility – PBoC 5 year	2028	3.93%	CNY	13	140	153
CDB-Aktogay facility – US$ LIBOR + 4.20%	2029	4.64%	US dollar	–	1,075	1,075
Pre-export finance facility – US$ LIBOR + 3.00% - 4.50%	2018	3.69%	US dollar	107	238	345
Caterpillar revolving credit facility – US$ LIBOR + 4.25%	2019	4.70%	US dollar	–	50	50
				303	3,201	3,504
30 June 2015						
CDB - Bozshakol and Bozymchak – US$ LIBOR + 4.50%	2025	4.98%	US dollar	182	1,783	1,965
CDB - Aktogay facility – PBoC 5 year	2028	4.47%	CNY	6	154	160
CDB - Aktogay facility – US$ LIBOR + 4.20%	2029	4.67%	US dollar	–	579	579
Pre-export finance facility – US$ LIBOR + 3.00% - 4.50%	2018	3.18%	US dollar	56	289	345
				244	2,805	3,049

CDB-Bozshakol and Bozymchak facilities

On 29 December 2014, the Group signed an amendment to the $2.7 billion China Development Bank (CDB)/Samruk-Kazyna finance facilities, which resulted in the facilities becoming bilateral with the CDB and a lowering of the interest rate from US$ LIBOR plus 4.80% to US$ LIBOR plus 4.50%. An arrangement fee of 0.5% was agreed of which 60% was paid in December 2014 and 40% was paid in January 2016. The amount outstanding on the previous facility at the time of the amendment was $2.1 billion. The restructuring of the facilities with Samruk-Kazyna and the CDB completed in March 2015. All other material terms of the facilities were unchanged.

As at 30 June 2016, $1.8 billion (31 December 2015: $1.9 billion; 30 June 2015: $2.0 billion) was drawn under the facility agreements. Arrangement fees with an amortised cost as at 30 June 2016 of $22 million (31 December 2015: $24 million; 30 June 2015: $27 million), have been netted off against these borrowings in accordance with IAS 39.

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 at 30 June 2015. At 30 June 2016, the drawn down US dollar equivalent amounts were $143 million (31 December 2015: $153 million; 30 June 2015: $160 million). The facility accrues interest at the applicable benchmark lending rate published by the People's Bank of China. During 2016, the Group made the first principal payment of $6 million. In order to protect the Group from currency risks arising on the CNY denominated debt, the Group has entered into CNY/US$ cross currency swaps. This derivative instrument provides a hedge against any movement 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 swap at 30 June 2016, included within payables, is $10 million (31 December 2015: $10 million; 30 June 2015: $2 million).

The US dollar facility accrues interest at US$ LIBOR plus 4.20%. At 30 June 2016, the $1.3 billion facility was fully drawn (31 December 2015: $1.1 billion; 30 June 2015: $579 million). Arrangement fees with an amortised cost of $16 million (31 December 2015: $15 million; 30 June 2015: $11 million), have been netted off against these borrowings in accordance with IAS 39.

Pre-export finance facility (‘PXF’)

The $349 million facility is repayable in equal monthly instalments over a three year period commencing from January 2016 until final maturity on 31 December 2018. The margin payable on the facility is variable, ranging from 3.00% to 4.50% above US$ LIBOR, dependent on the ratio of net debt to EBITDA which will be tested semi-annually. KAZ Minerals PLC, Vostoktsvetmet LLC and KAZ Minerals Sales Limited act as guarantors of the loan. The facility’s net debt to EBITDA ratio covenant becomes effective from 1 July 2016.

At 30 June 2016, $289 million (31 December 2015: $345 million; 30 June 2015: $345 million) was drawn under the facility. Arrangement fees with an amortised cost as at 30 June 2016 of $2 million (31 December 2015: $4 million; 30 June 2015: $4 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 $50 million revolving credit facility provided by Caterpillar Financial Services (UK) Limited, a subsidiary of Caterpillar Inc. The CAT Facility is available for three years from the date of signing, following which the facility is repayable in four equal quarterly instalments. An interest rate of US$ LIBOR plus 4.25% is payable on amounts outstanding under the CAT Facility. The financial covenants on the CAT Facility are identical to those applicable to the Group's existing PXF. At 30 June 2016, $40 million (31 December 2015: $50 million) was drawn with the $10 million available to be drawn.

12. Other non-current liabilities

Other non-current liabilities include future licence payments for mining assets of $9 million (31 December 2015: $10 million; 30 June 2015: $12 million) reflected at amortised cost and the discounted cost of works and services of $179 million incurred to 30 June 2016 on the construction of the Aktogay concentrator under the amended agreement signed with NFC to extend the payment terms of $300 million to 2018. In terms of the agreement $250 million falls due on 31 December 2017 and $50 million falls due on 30 June 2018. The extended credit terms have been discounted, where considered material, using a rate of US$ LIBOR plus 4.20% on the estimated cost of services performed. The unwinding of the interest will be 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. To 30 June 2016, $2 million of interest was charged to property, plant and equipment.

13. Consolidated cash flow analysis

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

$ million	**Six months ended 30 June 2016**	Six months ended 30 June 2015
Profit before taxation	**91**	2
Interest income	**(4)**	(3)
Interest expense	**11**	9
Share-based payments	**1**	1
Amortisation, depreciation and depletion	**24**	28
Impairment losses	**3**	15
Unrealised foreign exchange (gain)/loss	**(30)**	12
Loss on disposal of assets	**–**	2
Operating cash flows before changes in working capital and provisions	**96**	66
Increase in non-current VAT receivable	**(20)**	(61)
Increase in inventories	**(13)**	(20)
Increase in prepayments and other current assets	**(11)**	(16)
(Increase)/decrease in trade and other receivables	**(4)**	76
Increase/(decrease) in employee benefits	**2**	(1)
Increase in provisions	**–**	1
Decrease in trade and other payables	**(13)**	(38)
Cash flows from operations before interest and income taxes	**37**	7

(b) Cash and cash equivalents

$ million	**At 30 June 2016**	At 31 December 2015	At 30 June 2015
Cash deposits with initial maturities of up to six months	**338**	550	602
Cash at bank	**718**	301	458
Cash and cash equivalents	**1,056**	851	1,060

(c) Movement in net debt

$ million	At 1 January 2016	Cash flow	Other movements[1]	At 30 June 2016
Cash and cash equivalents[2,3]	851	206	(1)	**1,056**
Current investments[2,3]	400	(400)	–	**–**
Borrowings	(3,504)	(84)	1	**(3,587)**
Net debt	(2,253)	(278)	–	**(2,531)**

$ million	At 1 January 2015	Cash flow	Other movements[1]	At 30 June 2015
Cash and cash equivalents[2]	1,730	(665)	(5)	1,060
Current investments[2]	400	–	–	400
Borrowings	(3,092)	46	(3)	(3,049)
Net debt	(962)	(619)	(8)	(1,589)

1 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 2016, the $1 million (30 June 2015: $3 million) other movement on borrowings consists of $4 million (30 June 2015: $4 million) amortisation of fees on the Group's financing facilities and a foreign currency gain of $3 million (30 June 2015: gain $1 million) on the CDB Aktogay RMB facility. The $1 million non-cash movement on cash and cash equivalents (30 June 2015: $5 million) represents the foreign currency losses on KZT cash balances held by Kazakhstan entities.

2 At 30 June 2016, cash and cash equivalents include approximately $336 million of cash drawn down under the CDB-Aktogay financing facility (31 December 2015: $224 million; 30 June 2015: nil).

3 Current investments at 31 December 2015 were bank term deposits. At 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.

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 related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Cuprum Holding and the Disposal Assets				
30 June 2016	**3**	**55**	**7**	**3**
30 June 2015[1]	14	111	16	11

1 Purchases from related parties include $28 million of cathode produced by Kazakhmys LLC (part of 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

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 2016 amounted to $289 million (at 31 December 2015: $634 million and at 30 June 2015: $970 million).

GLOSSARY

Board or Board of Directors
the Board of Directors of the Company

cash operating costs
all costs included within profit/(loss) before finance items and taxation, net of other operating income, excluding mineral extraction tax and royalties, depreciation, depletion, amortisation, the non-cash component of the disability benefits obligation and special items

CAT
Caterpillar Financial Services (UK) Limited

CDB or China Development Bank
the China Development Bank Corporation

CNY
Chinese yuan, basic unit of the renminbi

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

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 include 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, the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation, mineral extraction tax and royalties and adjusted for special items

EPS
earnings per share

EPS based on Underlying Profit
profit 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
mining cash operating costs excluding purchased cathode, divided by the volume of own copper cathode equivalent sales

Gross EBITDA
earnings before interest, taxation, the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation, mineral extraction tax and royalties adjusted for special items and including the performance of assets in pre commercial production

the Group
KAZ Minerals PLC and its subsidiary companies

IAS
International Accounting Standards

IASB
International Accounting Standards Board

IFRIC
International Financial Reporting Interpretations Committee

IFRS or IFRSs
International Financial Reporting Standards

KAZ Minerals or the Company
KAZ Minerals PLC

Kazakhmys Corporation LLC or Kazakhmys LLC
Kazakhmys Corporation LLC, the Group’s principal operating subsidiary in Kazakhstan prior to the Restructuring

Kazakhstan
the Republic of Kazakhstan

koz
thousand ounces

kt
thousand metric tonnes

Kyrgyzstan
the Kyrgyz Republic

lb
pound, unit of weight

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, Aktogay and Koksay

MET
mineral extraction tax

MT
million metric tonnes

net cash cost
mining cash operating costs, excluding purchased cathode, less by-product revenues, divided by the volume of own copper cathode equivalent sales

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 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

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 on 15 August 2014 and completed on 31 October 2014

RMB
renminbi, the official currency of the People’s Republic of China

$/t
US dollars per metric tonne

Samruk-Kazyna
Joint Stock Company “National Welfare Fund “Samruk-Kazyna”, an entity owned and controlled by the Government of Kazakhstan

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 6 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 paid for smelting and refining services

tenge or KZT
the official currency of the Republic of Kazakhstan

Total Recordable Injury Frequency Rate
the number of Recordable Injuries occurring per million hours worked

UK
United Kingdom

Underlying Profit
profit 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 resultant tax and non-controlling interest effects. Underlying Profit is set out in note 9 to the condensed consolidated half-yearly financial statements

US
United States of America

USc/lb
US cents per pound