



## KAZAKHMYS PLC

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Company registered in England and Wales  
Company Number: 5180783

30 October 2008

### **Kazakhmys PLC Production Report for the Third Quarter Ended 30 September 2008 & Interim Management Statement**

- Increase in cathode production from own material to 92 kt in Q3 2008 from 82 kt in Q2 2008
  - Assisted by continued improvement in equipment availability
  - Increase in Q3 brings production for first 9 months of 2008 to 249 kt, in line with the corresponding period of 2007
  - Maintain previous guidance of full year 2008 copper cathode production from own material being at the same level as 2007
- Demand for copper products has remained firm throughout the year in spite of financial market turbulence
- By-product and gold output has generally been positive in the first 9 months of 2008
  - Gold by-product output increased by 13% to 92 koz, benefiting from higher gold content at two new mines
  - In addition, our gold division increased output 17% to 42 koz
  - Zinc in concentrate output increased by 3% to 105 kt
  - Silver production decreased by 18% to 12 moz reflecting lower mined ore output in Zhezkazgan region
- Kazakhmys Power increased power generated by 29% to 7,900 GWh of electricity during first 9 months of 2008
  - Reflecting increased demand for electricity in Kazakhstan and significant growth potential of the power plant
- A review of activities is underway to take account of current market conditions
  - Marginal operations are being assessed for temporary closure during period of price weakness
  - Pre-feasibility studies for the major projects at Aktogay and Boschekul will continue as they require limited capital spend in the near term
  - Discretionary capital expenditure is likely to be reduced until more attractive pricing materialises

Oleg Novachuk, Chief Executive Officer, said “This is a sound set of results, with production increasing over the year. We are therefore on track with our outlook given at the start of the year, in spite of the severe winter weather in the first quarter. Demand from our customers has so far this year been solid and we are positive about the long term outlook for copper in light of potential supply demand dynamics. However, we are clearly in a challenging and volatile environment and we are reviewing our operations and capital expenditure to reflect current market conditions. We are pleased with the performance of our power business, which increased power generated by 29% over the first 9 months of 2008”

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## **NOTES TO EDITORS**

Kazakhmys PLC is a leading international natural resources group, listed in the UK and Kazakhstan, with significant interests in copper, gold, zinc, silver, power generation and petroleum.

It is the largest copper producer in Kazakhstan and one of the top ten worldwide with 20 mines, 10 concentrators and 2 smelters. Kazakhmys copper operations are fully integrated from mining ore through to the production of finished copper cathode and rod. Total copper cathode produced in 2007 from own ore was 341 thousand tonnes. Production is backed by a captive power supply and significant rail infrastructure. Kazakhmys also owns MKM, an upstream copper products fabrication company in Germany, which produces a range of pre- and semi-finished copper and copper alloy products.

Kazakhmys Copper produces significant volumes of other metals, including zinc, silver and gold. In 2007, it produced 45 thousand tonnes of zinc metal and 133 thousand tonnes of zinc concentrate. Kazakhmys is the fourth largest silver producer in the world (19 million ounces produced in 2007). Kazakhmys Gold, which acquired Eurasia Gold Inc in July 2007, includes substantial new development and exploration opportunities. The Group produced 146 thousand ounces of gold in 2007 and has measured and indicated resources of 2.3 million ounces.

Kazakhmys Power owns the recently acquired coal fired Ekibastuz GRES-1 plant, the largest in Kazakhstan with a nameplate capacity of 4,000 MW. In addition, it owns the Maikuben open cast coal mine, supplying around 20% of the power plant's fuel requirements producing over 3.4 million tonnes of coal in 2007.

Kazakhmys Petroleum has acquired the East Akzhar exploration block, with an area of 602km<sup>2</sup>, located on the eastern fringe of the Caspian depression.

The Group is part of the FTSE-100 index of companies listed on the London Stock Exchange and is also listed on the Kazakhstan Stock Exchange (KASE). It had revenues of \$5.3 billion in 2007 with EBITDA of \$2.3 billion. The Group employs some 65,000 people, principally in Kazakhstan. The Group's strategic aim is to diversify and participate in the development of the significant natural resource opportunities in Central Asia.

## Copper Summary

### KAZAKHMYS COPPER PRODUCTION

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
Ore extraction	'000 t	26,706	26,236	9,235	9,215	8,243
Average copper grade	%	1.25	1.21	1.32	1.23	1.21
Average zinc grade <sup>1</sup>	%	3.22	3.77	3.07	3.19	3.96
Copper in concentrate	'000 t	291.1	293.1	105.7	99.8	91.6
own concentrate	'000 t	269.2	263.1	98.8	90.6	80.3
purchased concentrate	'000 t	21.9	30.0	6.9	9.2	11.3
Copper cathodes from:						
own concentrate	'000 t	249.3	249.5	92.2	81.6	86.0
purchased concentrate	'000 t	23.2	27.6	6.1	8.6	0.7
tolling concentrate	'000 t	0.1	1.1	-	-	0.3
Total copper cathodes <sup>2</sup>	'000 t	272.6	278.2	98.3	90.2	86.9
Copper rod	'000 t	32.7	26.9	9.1	10.2	9.0

<sup>1</sup>Complex ores only

<sup>2</sup>Includes copper used to produce copper rod

Ore extraction of 26.7 million tonnes was in line with amounts extracted during the 9 months to 30 September 2007. Ore output continued to grow during Q3 2008 benefiting from the improved situation with the availability of equipment resulting in improved access to ore bodies at a number of mines.

In addition, Akbastau, Taskura and Abyz mines continued increasing their output following commencement of operations earlier in 2008. This increase was offset by a decrease in output at West Nurkazgan and Kosmurun, where both mines are in preparation for operations moving underground, and at South mine, where repair work is taking place.

Overburden removal works at the Kounrad mine will probably be suspended by the end of 2008 as the grade and costs make this operation uneconomic in the current climate. Other marginal operations are being reviewed for suspension without any permanent loss of labour. This will not impact production forecasts for 2008.

Copper in own concentrate production of 269.2 kt is increased slightly from the 9 months of 2007. This is due to the increase in metal in ore content and the processing of Nurkazgan ores stockpiled in 2007, offset by timing differences in transporting and processing ore between the concentrators and mines.

The purchase of third party concentrate is opportunistic and depends on the content and price of the concentrate as well as technological demands. Lower levels of purchased concentrate are reflected in the decreased output of finished third party material.

Production of copper cathodes from own concentrate in the first 9 months of 2008 was in line with the previous year. During Q3 2008, concentrate accumulated during the previous quarter was processed, which reduced concentrate stockpiles. Some concentrate produced in Q3 2008 was in transit at the end of the period and will be processed during Q4 2008. We remain on track to meet the cathode target for 2008, of copper production from own material being at least in line with 2007.

Copper rod, which is produced to customer order, increased markedly in 2008 reflecting demand from Chinese customers and the continued solid demand for copper-based products.

## By-products Summary

### KAZAKHMYS COPPER BY-PRODUCTS PRODUCTION

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
Zinc in concentrate	'000 t	104.6	101.2	38.2	32.8	30.0
Zinc metal	'000 t	35.2	33.1	10.6	12.2	5.7
Silver own production <sup>1</sup>	'000 oz	12,123	14,830	3,794	4,309	4,726
Silver tolling <sup>2</sup>	'000 oz	0.9	10	-	0.9	3
Gold own production <sup>1</sup>	'000 oz	92.1	81.2	29.4	31.4	29.8
Gold tolling <sup>2</sup>	'000 oz	1.3	22.0	0.4	0.7	2.8

<sup>1</sup> Includes slimes from purchased concentrate

<sup>2</sup> Represents tolled materials provided via third parties

Zinc in concentrate production in Q3 2008 increased significantly compared to Q2 2008 and Q3 2007. This is due to higher zinc grades at the Artemyevsky and Nikolayevsky mines, further assisted by increased ore extraction at the Nikolayevsky mine. Zinc in concentrate production over the 9 month period was 4% higher compared to the same period in 2007. This is due to the increase in the average zinc grade and ore output at the East region, offset by decreased output at the Kosmurun mine, where preparation for underground operations is being undertaken.

Zinc metal output during Q3 2008 decreased from the levels produced in the previous quarter reflecting a continued emphasis on sales of zinc concentrate in the regional market.

Silver output during Q3 2008 decreased from Q2 2008 levels due to timing differences in the processing of material which offset the increased grade and output at the East region. The decrease from 14,830 koz produced during the 9 months of 2007 to 12,123 koz produced during the same period in 2008 is due to a decrease in silver content at the Zhezkazgan mines and a build-up of work in progress.

Production of gold during Q3 2008 was in line with Q3 2007. Increased output from the Abyz and Akbastau mines was offset by a lower contribution from the Kosmurun mine. A gradual decline in the contribution from the Kosmurun mine also resulted in a decrease in gold production compared to Q2 2008.

Gold production for the 9 months of 2008 benefited from production at the new Abyz and Akbastau mines, both of which have a high gold content.

## Kazakhmys Copper Review by Region

### ZHEZKAZGAN COMPLEX

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
Ore extraction	'000 t	17,873	18,602	5,860	6,209	5,786
Average copper grade	%	0.83	0.81	0.88	0.83	0.81
Copper concentrate	'000 t	360.9	368.2	126.1	123.2	121.0
Copper in concentrate	'000 t	129.5	135.7	44.6	45.0	42.6
Copper cathodes from:						
own concentrate	'000 t	131.5	134.8	47.8	37.1	44.6
purchased concentrate	'000 t	1.2	3.7	0.9	0.3	0.1
Total copper cathodes <sup>1</sup>	'000 t	132.7	138.5	48.7	37.4	44.7
Copper rod	'000 t	32.7	26.9	9.1	10.2	9.0

<sup>1</sup> Includes copper used to produce copper rod

Ore extraction in the Zhezkazgan complex slightly decreased compared to Q2 2008. The decrease in ore output, however, did not impact the metal output due to improved grades.

A slight increase in ore output from Q3 2007 is due to the extraction at the new Taskura mine, which started production in April 2008. This was offset by decreased production at the South mine during Q3 2008, which is continuing to undergo repair work to the main shaft lifting equipment, which is likely to finish in late 2008.

Overall production during the 9 months of 2008 was 4% below the same period last year due to the low contribution of the South mine in 2008, offset by increased output at the new Taskura mine.

The average copper grade has increased from Q2 2008 levels mainly due to an increase in grade at the Zhomart mine.

In Q3 2008, the copper grade rose to 0.88%, from 0.81% in Q3 2007. This was due to the higher grade ore produced at the new Taskura mine, increased output at the higher grade Zhomart mine and decreased output at the low grade South mine.

The changes in production of copper in concentrate at the Zhezkazgan complex largely reflect the change in quantities of metal extracted.

Copper cathode production from own concentrate during Q3 2008 was 29% higher than in the previous quarter as a result of processing the concentrate accumulated during Q2 2008 when the smelter was undergoing maintenance.

Cathode production from own concentrate during first 9 months of 2008 was lower compared to the same period last year, reflecting the decrease in metal extraction.

## Kazakhmys Copper Review by Region

### BALKHASH COMPLEX

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
Ore extraction	'000 t	2,354	1,708	930	820	616
Average copper grade	%	0.99	1.05	1.05	0.96	0.86
Copper concentrate <sup>1</sup>	'000 t	203.1	140.3	96.0	69.2	47.8
Copper in concentrate	'000 t	28.9	23.7	13.3	9.5	7.8
Copper cathodes from:						
own concentrate	'000 t	117.8	114.7	44.4	44.5	41.2
purchased concentrate	'000 t	22.0	23.9	5.2	8.3	0.7
tolling <sup>2</sup>	'000 t	0.1	1.1	-	-	0.3
Total copper cathodes <sup>1</sup>	'000 t	139.9	139.7	49.6	52.8	42.2

<sup>1</sup>Excludes concentrate processed by third parties

<sup>2</sup>Represents tolled materials provided via third parties

Ore output at the Balkhash complex during Q3 2008 benefited from improved equipment availability.

The general increase in ore extraction during 2008 was due to greater output from the Kounrad mine, which was undergoing overburden removal accompanied by modest ore output.

The average copper grade increased from 0.96% in Q2 2008 and 0.85% in Q3 2007 to 1.05% in Q3 2008 due to higher grades obtained at the Sayak mine following improved access to the ore body.

The lower average copper grade reported for 9 months of 2008 reflects the impact of output from the low grade Kounrad mine, where, as mentioned above, output will probably be suspended by the year end.

Output of copper in concentrate increased compared to all previous periods, partially reflecting increased ore output and higher grades. Copper only metal ore from the Akbastau mine in the Karaganda region, continues to be processed at the Balkhash complex. This is to utilise the concentrator's spare capacity and to achieve higher recovery rates from these copper only ores. Complex ores from the Akbastau mine continue to be processed at the Karagaily concentrator, in the Karaganda region.

Following commissioning of the Nurkazgan concentrator, in the Karaganda region, Nurkazgan ore from Karaganda region is no longer transported to the Balkhash complex but instead is being processed locally at the Nurkazgan concentrator.

Copper cathode production in most periods of 2008 is in line with previous periods and does not yet reflect the rise in concentrate production. This is due to an increase of work in progress and timing differences in transportation of concentrate from other regions. This should be reversed during the next six months as work in progress is processed.

The sulphuric acid plant continues ramping up production. During its first four months of operations it produced 196 thousand tonnes of sulphuric acid. This compares to its full operating capacity of 1.5 million tonnes per annum.

## Kazakhmys Copper Review by Region

### EAST REGION

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
Ore extraction	'000 t	3,576	3,134	1,322	1,206	961
Average copper grade	%	2.82	2.74	2.76	2.75	3.07
Copper concentrate <sup>1</sup>	'000 t	427.7	358.8	150.5	142.6	127.4
Copper in concentrate	'000 t	81.2	68.1	28.9	27.2	24.4

<sup>1</sup>Excludes concentrate processed by third parties

Ore extraction in the East region has improved over all periods in 2008 assisted by an improved equipment availability. This has particularly been seen at the Nikolayevsky mine in Q3, and across the first nine months of 2008 at the Orlovsky mine and the Artemyevsky mine.

The general increase in the copper grade in 2008 reflects the increase in ore output at the relatively high grade Orlovsky mine during the 9 months of 30 September 2008, as well as by increased ore output and grades at the Nikolayevsky mine during Q3 2008.

Production of copper in concentrate in the East region increased compared to Q2 2008 reflecting the increase in ore output and grades, and the processing of complex ores from Kosmurun mine, in the Karaganda region, at the Nikolayevsky concentrator from October 2007.



## Kazakhmys Copper Review by Region

### KARAGANDA REGION

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
Ore extraction	'000 t	2,903	2,792	1,123	980	880
Average copper grade	%	2.13	2.27	2.12	2.10	2.07
Copper concentrate	'000 t	178.4	192.7	70.4	60.4	34.0
Copper in concentrate	'000 t	24.4	29.1	10.0	7.4	4.5

Ore extraction in the Karaganda region in Q3 2008 increased in all mines compared to Q2 2008 and in particular at the Akbastau mine, which continued ramping up.

The increase in production compared to Q3 2007 and 9 months of 2007 was due to the output from the Akbastau and Abyz mines, which opened at the beginning of 2008. This was offset by the decreased production at the West Nurkazgan and Kosmurun mines. Both mines are preparing for operations moving underground, with West Nurkazgan scheduled to start in early 2009 and Kosmurun in 2012.

The average copper grade achieved in Q3 2008 was higher than in Q3 2007 and Q2 2008 reflecting increased output at the Akbastau mine. The reduction in the average copper grade from 9 months of 2007 to 9 months of 2008 was caused by the decreased ore output and grades at the West Nurkazgan and Kosmurun mines, offsetting the rise at Akbastau.

The production of copper in concentrate has been affected by transfers of material between regions.

The increased production of copper in concentrate for Q3 2008 from Q2 2008 is due to stockpiled Nurkazgan ore being processed at the new Nurkazgan concentrator in the Karaganda region.

In October 2007, the processing of complex ore from the Kosmurun mine was transferred from the Karagaily concentrator, in the Karaganda region, to the Nikolayevsky concentrator in the East region. This is expected to continue until early 2009 following the end of open pit operations.

From Q2 2008, the processing of copper only ores from the Akbastau mine is being undertaken at the Balkhash complex. However, complex copper-zinc ores are still processed at the Karagaily concentrator.



## Other divisions review

### KAZAKHMYS GOLD PRODUCTION

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
Ore extraction	t	1,630	1,582	773	665	728
Gold ore grade	g/t	1.50	1.48	1.50	1.49	1.56
Gold in ore to pads	'000 oz	70.1	77.0	32.9	28.6	36.7
Gold precipitation	'000 oz	42.0	36.3	20.1	15.0	16.8
Gold doré production	'000 oz	41.9	35.8	19.8	14.2	17.0
Silver production	'000 oz	31	33	11	12	9

Ore extraction during Q3 2008 was slightly above previous periods due to increased output from the Zhaima and Mizek mines. Zhaima mine is scheduled to finish ore extraction by the end of 2008 as the ore body expires. Processing of the extracted ore will continue into 2009.

The average gold grade achieved in Q3 2008 was in line with the previous quarter and lower than in Q3 2007, due to minor changes in geological conditions.

The gold doré production increased significantly compared to Q2 2008 due to seasonal factors and was slightly ahead of Q3 2007 due to the launch of a new de-coppering solutions workshop at the Mizek mine.

### KAZAKHMYS PETROLEUM

The main focus of the exploration activity is the Eastern Akzhar section, where the 3D seismic survey is on track. The processing of the field data was completed at the end of August 2008 and is now being followed by the interpretation of data which is scheduled to be finalised in early 2009.

Whilst the 3D seismic data is being analysed, drilling of a duplicate for an earlier well started at the end of July 2008. At the end of Q3 2008, 3,000 metres out of a projected 5,200 metres had been drilled. The copy well is scheduled to be complete early 2009.

## Other divisions review (continued)

### KAZAKHMYS POWER PRODUCTION

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
Coal extraction	'000 t	2,578	2,425	807	849	875
Coal extraction attributable to Kazakhmys*	'000 t	1,184	<i>n/a</i>	807	377	<i>n/a</i>
Net power generated	GWh	7,965	6,181	2,459	2,636	2,250
Net power generated attributable to Kazakhmys*	GWh	3,404	<i>n/a</i>	2,459	948	<i>n/a</i>
Net dependable capacity	MW	1,951	1,825	1,782	1,882	1,623

\* Period from acquisition on 29<sup>th</sup> May 2008

The increase in coal extraction for the 9 months of 2008 by 153kt to 2,578kt, from the volume extracted in the comparative period of 2007, was due to an increase in demand within Kazakhstan.

The amount of net power generated during Q3 2008 was 7% lower than in Q2 2008. This is due to planned maintenance on the National high-voltage power grid. During this period, the transmission of electricity to the southern part of Kazakhstan was limited and plant maintenance was undertaken in readiness for the winter period. In addition, reduced water availability in the hot weather limited generating time.

The significant increase in generated electricity over the 9 months of 2008 by 29% from 2007, was driven by growing demand from the market within Kazakhstan, which was also reflected in an increased number of supply contracts.

Net dependable capacity<sup>1</sup> increased from 1,825 MW to 1,951 MW following completion of the maintenance works on four units which increased overall capacity by 85 MW. The major overhaul on Unit number 6 is expected to be completed during Q4, thereby increasing gross capacity for this unit from 430 MW to 480 MW.

Work started within the investment programme on two major projects: rehabilitation of one of the three non-operational units (unit number 8) and installation of electrostatic precipitators.

As was announced on 23 September 2008, Kazakhmys Power signed a \$94 million agreement for the delivery and installation of electrostatic precipitators at the power plant as a first step in the modernisation programme. The first electric precipitator is projected be installed at the end of 2009, and by 2013 it is planned to have electric precipitators at six power units. These electrostatic precipitators are expected to capture 99.85% of ash emissions, and it is estimated that they will reduce dust emissions by a factor of four and allow increased generation with substantially lower emissions.

<sup>1</sup> The net dependable capacity is the real productive capacity of GRES-1. It is calculated by taking the maximum design capacity of the generation units and then factoring in the physical condition of the units (e.g. wear and tear), production outages for repairs and internal consumption of electricity

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### MATERIAL EVENTS AND TRANSACTIONS

#### **Acquisition of ENRC PLC shares**

On 24 July 2008 the Company issued 80,286,050 ordinary shares of 20 pence each to the Government in exchange for 98,607,884 shares in ENRC, which were received on 28 July 2008. The share price of the Company as at the date of the share issue was £13.17 per share, and the market value of the shares issued was \$2,110 million. Following this transaction, the Group's interest in ENRC increased from 14.6% as at 31 December 2007 to 22.2% and the allotted and called up share capital of the Company increased from 454,954,288 ordinary shares of 20 pence each to 535,240,338.

On 8 August 2008 the Group purchased 35,733,717 shares in ENRC thereby taking the Group's total shareholding in ENRC to 322,177,851 shares or 25.0% of the issued share capital of ENRC.

Subsequent to the period end, in October 2008, the Group purchased a further 12,647,009 shares in ENRC thereby increasing the Group's total shareholding in ENRC to 334,824,860 shares or 26.0% of the issued share capital of ENRC. This took advantage of the dislocation in financial markets which has reduced equity prices in mining shares to levels which do not reflect long term value.

#### **Credit facility**

On 26 August 2008, the Group signed a \$200 million unsecured revolving credit facility with a syndicate of banks to be used for general working capital purposes. This facility remains undrawn.

#### **Interim dividends**

On 27 August 2008 the Directors declared an interim dividend in respect of the year ended 31 December 2008 of 14.0 US cents per ordinary share. The interim dividend was paid on 24 October 2008 to shareholders on the register as at 3 October 2008.

#### **Potential strategic partnership in Power division**

On 7 October 2008, the Group announced that it had signed a memorandum of understanding with Samruk-Energy JSC ("Samruk-Energy") in which Kazakhmys and Samruk-Energy agreed to consider entering into a strategic partnership and joint ownership of the Kazakhmys Power division. Such a partnership would be expected to bring benefits of access to additional coal resources and greater integration with Kazakhstan's energy development and transmission programmes.

The memorandum of understanding will allow Samruk-Energy to carry out due diligence on the assets within the Kazakhmys Power Division and, should the partnership proceed, it will be subject to regulatory and shareholder approval.

#### **Taxation**

New tax legislation, which is likely to become effective from 1 January 2009, is passing through the final legislative processes in Kazakhstan. As reported at the time of the interim results in September 2008, the new legislation is likely to result in the imposition of a mineral extraction tax based on the metal content of extracted ore volumes offset by a reduction in corporate income tax. The impact on the Group's financial performance arising from the new tax legislation will be published in due course after finalisation of the legislation.

## FINANCIAL PERFORMANCE

### Sales volumes

The following table sets out the sales volumes of the major products produced by Kazakhmys Copper:

		9m 2008	9m 2007
Copper cathodes	'000 t	238.3	273.5
Copper rod	'000 t	31.0	24.9
<b>Total copper products</b>	<b>'000 t</b>	<b>269.3</b>	<b>298.4</b>
Zinc metal	'000 t	37.2	30.6
Zinc in concentrate	'000 t	66.2	75.3
Silver	'000 oz	12,250	14,146
Gold	'000 oz	95.0	83.3

In the first 9 months of 2008, the volume of copper product finished goods and goods in transit has increased only slightly, so that sales volumes largely reflect the cathode and rod production in the period. At the end of 2006, delays in shipments resulted in a large volume of cathodes being in transit over the 2006 year end and recognised in Q1 2007. We have continued to make some small trial sales of copper concentrate to China, as mentioned in our H1 2008 report.

Zinc metal sales during the 9 months of 2008 have benefited from a reduction in stock and finished goods of approximately 2kt as over 10kt of zinc finished goods and goods in transit were carried forward from 2007 into 2008. Over the same period in 2007, zinc stocks were increased by 2.5kt so that sales were slightly below production.

Gold sales in both periods were impacted by reductions in finished goods held as stock was sold down. Silver sales in the 9 months of 2008 reflect the production volumes whilst for the 9 months of 2007, sales volumes were 684 koz lower due to goods being in transit over the quarter end.

### Commodity Prices

The following table sets out the average realised prices for the major commodities and the average LME/LBMA prices:

		Average realised price		Average LME/LBMA price	
		9m 2008	9m 2007	9m 2008	9m 2007
Copper	\$/tonne	8,050	7,142	7,966	7,096
Zinc	\$/tonne	2,043	3,444	2,099	3,449
Silver	\$/tr.oz	16.5	13.0	16.6	13.0
Gold	\$/tr.oz	910	659	892	666

Realised prices differ from average prices during the same period, principally because of the timing of sales over the period not occurring evenly. Premiums or discounts to metal exchange prices also impact the realised average prices.

### FINANCIAL POSITION

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Except as described in this statement, there has been no significant change in the financial position of the Group since 30 June 2008.

#### **Net debt**

The net debt position of the Group, which consists of cash and cash equivalents, current investments and borrowings, amounted to \$1,676 million at 30 September 2008, compared to \$901 million at 30 June 2008.

The primary reason for the increase in net debt was due to the purchase of an additional 35,733,717 shares in ENRC on 8 August 2008.

#### **Financing**

The Group's pre-export finance facility of \$2.1 billion, signed on 29 February 2008, has been fully drawn and amortises over a 48 month period commencing in equal instalments from March 2009. MKM has a €230 million facility, signed in May 2006, which was drawn by €129 million as at 30 September 2008; this facility amortises over a 12 month period commencing from June 2009 based on the level of drawdown as at 31 May 2009. In addition to the Group's cash balances, which stood at \$467 million, as at 30 September 2008, the Group has a committed revolving credit facility of \$200 million until August 2009, with an option for a one year extension, which is undrawn.

#### **Review of activities**

The Group is carrying out a general review of its activities in light of the recent sharp decline in commodity prices and uncertainty in the global economic conditions. Discretionary capital spending is being reviewed and some marginal cost operations are likely to be suspended during this period of price weakness. Pre-feasibility studies for the major projects at Aktogay and Boschekul will continue as they require limited capital spend in the near term.

The Group is closely monitoring its cashflow projections in order to efficiently manage its cost base and capital requirements, thereby ensuring the cash generation of the Group is maximised and profit margins are protected.

#### **Foreign exchange rates**

The Kazakhstan tenge ("KZT") to US dollar exchange rate at 30 September 2008 stood at KZT119.81, compared to 120.75 at 30 June 2008, an appreciation of 0.8%. The average rate for the three month period ended 30 September 2008 was similar to the average rate for the first half of the year.

Any weakening of the KZT against the US dollar gives rise to foreign currency translation losses which on consolidation are charged directly to equity. A downward movement in the KZT has a beneficial impact on the profitability of the Kazakh mining businesses in US dollar terms resulting from conversion of local currency costs.

## COPPER MINING

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
<b>Zhezkazgan complex</b>						
North	ore ('000 t)	2,712	1,897	1,050	1,104	552
	grade (%)	0.76	0.64	0.77	0.79	0.58
East	ore ('000 t)	4,010	4,187	1,330	1,358	1,433
	grade (%)	0.80	0.82	0.76	0.83	0.82
South	ore ('000 t)	2,212	4,253	616	628	1,117
	grade (%)	0.65	0.70	0.61	0.67	0.74
West	ore ('000 t)	1,724	1,565	597	640	519
	grade (%)	0.53	0.36	0.58	0.55	0.33
Stepnoy	ore ('000 t)	2,223	2,102	742	765	655
	grade (%)	0.82	0.78	0.86	0.77	0.73
Annensky	ore ('000 t)	2,508	2,487	701	859	838
	grade (%)	0.88	1.05	0.97	0.90	1.06
Zhomart	ore ('000 t)	2,484	2,111	824	855	672
	grade (%)	1.30	1.29	1.58	1.22	1.26
Complex total	ore ('000 t)	17,873	18,602	5,860	6,209	5,786
Complex average	grade (%)	0.83	0.81	0.88	0.83	0.81
<b>Balkhash complex</b>						
		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
Kounrad	ore ('000 t)	829	362	335	349	184
	grade (%)	0.28	0.28	0.28	0.28	0.25
Sayak I, III	ore ('000 t)	1,293	1,035	510	384	333
	grade (%)	1.13	1.01	1.22	1.13	0.95
Shatyrkul	ore ('000 t)	232	311	85	87	99
	grade (%)	2.72	2.05	3.03	2.91	1.69
Complex total	ore ('000 t)	2,354	1,708	930	820	616
Complex average	grade (%)	0.99	1.05	1.05	0.96	0.86
<b>East region</b>						
		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
Nikolayevsky	ore ('000 t)	377	421	185	110	146
	grade (%)	1.62	1.70	1.50	1.41	1.66
Artemyevsky	ore ('000 t)	1,138	1,082	402	403	281
	grade (%)	1.69	1.63	1.69	1.70	1.41
Irtyshtsky	ore ('000 t)	363	295	126	119	92
	grade (%)	1.39	1.37	1.44	1.35	1.47

Belousovsky	ore ('000 t)	177	109	55	61	36
	grade (%)	0.96	0.87	1.04	0.94	0.93
Orlovsky	ore ('000 t)	1,146	904	400	386	286
	grade (%)	4.91	5.05	4.90	4.78	6.00
Yubileyno-Snegirikhinsky	ore ('000 t)	375	323	154	127	120
	grade (%)	3.29	3.24	3.19	3.22	3.51
Region total	ore ('000 t)	3,576	3,134	1,322	1,206	961
Region average	grade (%)	2.82	2.74	2.76	2.75	3.07

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
<b>Karaganda region</b>						
Nurkazgan (West, North)	ore ('000 t)	519	1,579	170	127	473
	grade (%)	0.68	1.15	0.42	0.53	1.12
Akbastau	ore ('000 t)	1,723	40	706	636	40
	grade (%)	2.55	3.91	2.48	2.35	3.91
Kosmurun	ore ('000 t)	299	1,173	120	106	366
	grade (%)	2.73	3.71	2.94	2.61	3.08
Abyz	ore ('000 t)	362		127	111	-
	grade (%)	1.72		1.63	1.92	-
Region total	ore ('000 t)	2,903	2,792	1,123	980	880
Region average	grade (%)	2.13	2.27	2.12	2.10	2.07
<b>Total</b>	<b>ore ('000 t)</b>	<b>26,706</b>	<b>26,236</b>	<b>9,235</b>	<b>9,215</b>	<b>8,243</b>
<b>Average</b>	<b>grade (%)</b>	<b>1.25</b>	<b>1.21</b>	<b>1.32</b>	<b>1.23</b>	<b>1.21</b>

## COPPER PROCESSING

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
<b>Zhezkazgan complex</b>						
Copper concentrate	'000 t	360.9	368.2	126.1	123.2	121.0
Copper in concentrate	'000 t	129.5	135.7	44.6	45.0	42.6
<b>Balkhash complex</b>						
Copper concentrate	'000 t	203.1	140.3	96.0	69.2	47.8
Copper in concentrate	'000 t	28.9	23.7	13.3	9.5	7.8
<b>East region</b>						
Copper concentrate	'000 t	427.7	358.8	150.5	142.6	127.4
Copper in concentrate	'000 t	81.2	68.1	28.9	27.2	24.4
<b>Karaganda region</b>						
Copper concentrate	'000 t	178.4	192.7	70.4	60.4	34.0
Copper in concentrate	'000 t	24.4	29.1	10.0	7.4	4.5
<b>Total own processed</b>						
Copper concentrate	'000 t	1,170.1	1,060.0	443.0	395.4	330.2



Copper in concentrate	'000 t	264.0	256.6	96.8	89.1	79.3
Own ore processed by third parties						
Copper concentrate	'000 t	18.9	24.8	7.4	4.5	4.1
Copper in concentrate	'000 t	5.2	6.5	2.0	1.5	1.0
Total own						
Copper concentrate	'000 t	1,189.0	1,084.8	450.4	399.9	334.3
Copper in concentrate	'000 t	269.2	263.1	98.8	90.6	80.3
Purchased concentrate						
Copper concentrate	'000 t	78.7	111.2	24.8	29.6	38.8
Copper in concentrate	'000 t	21.9	30.0	6.9	9.2	11.3
<b>Total copper in concentrate</b>	<b>'000 t</b>	<b>291.1</b>	<b>293.1</b>	<b>105.7</b>	<b>99.8</b>	<b>91.6</b>

## COPPER SMELTER / REFINERY - COPPER CATHODES PRODUCTION

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
<b>Zhezkazgan smelter</b>						
Own concentrate	'000 t	131.5	134.8	47.8	37.1	44.6
Purchased concentrate	'000 t	1.2	3.7	0.9	0.3	0.1
Total	'000 t	132.7	138.5	48.7	37.4	44.7
<b>Balkhash smelter</b>						
Own concentrate	'000 t	117.8	114.7	44.4	44.5	41.2
Purchased concentrate	'000 t	22.0	23.9	5.2	8.3	0.7
Sub - total	'000 t	139.8	138.6	49.6	52.8	41.9
Tolling	'000 t	0.1	1.1	-	-	0.3
Total including tolling	'000 t	139.9	139.7	49.6	52.8	42.2
<b>Grand total</b>	<b>'000 t</b>	<b>272.6</b>	<b>278.2</b>	<b>98.3</b>	<b>90.2</b>	<b>86.9</b>

## BY-PRODUCTS MINING, PROCESSING AND SMELTER / REFINERY

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
<b>ZINC</b>						
<b>East region</b>						
Nikolayevsky	grade (%)	3.68	3.16	4.10	3.53	3.37
Artemyevsky	grade (%)	5.30	5.27	5.90	4.69	4.78
Irtysky	grade (%)	3.62	3.24	4.03	3.53	3.60
Belousovsky	grade (%)	1.92	2.97	1.79	2.03	3.24
Orlovsky	grade (%)	4.55	4.45	4.00	4.65	4.93
Yubileyno-Snegirikhinsky	grade (%)	3.57	3.18	3.04	4.10	3.09
Region average	grade (%)	4.37	4.26	4.39	4.26	4.23
<b>Karaganda region</b>						
Kosmurun	grade (%)	3.93	2.50	3.64	3.72	3.38
Akbastau	grade (%)	0.67	2.84	0.39	1.02	2.84
Abyz	grade (%)	3.49		3.67	3.39	-
Region average	grade (%)	1.51	2.51	1.23	1.45	3.32
<b>Overall average</b>	<b>grade (%)</b>	<b>3.22</b>	<b>3.77</b>	<b>3.07</b>	<b>3.19</b>	<b>3.96</b>
<b>Zinc in concentrate</b>	<b>('000 t)</b>	<b>104.6</b>	<b>101.2</b>	<b>38.2</b>	<b>32.8</b>	<b>30.0</b>
<b>Zinc metal</b>	<b>('000 t)</b>	<b>35.2</b>	<b>33.1</b>	<b>10.6</b>	<b>12.2</b>	<b>5.7</b>

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
<b>SILVER</b>						
<b>Zhezkazgan complex</b>						
North	grade (g/t)	9.94	8.12	8.57	10.51	6.81
East	grade (g/t)	18.62	17.02	17.73	18.99	16.96
South	grade (g/t)	13.01	17.41	13.86	11.47	17.16
West	grade (g/t)	14.49	10.92	16.82	13.44	10.92
Stepnoy	grade (g/t)	8.93	11.52	8.74	8.23	10.44
Annensky	grade (g/t)	16.77	23.68	21.35	17.34	19.91
Zhomart	grade (g/t)	7.58	8.63	8.38	7.98	7.66
Region average	grade (g/t)	13.21	15.0	13.57	13.08	14.09
<b>Balkhash complex</b>						
Kounrad	grade (g/t)	0.73	0.95	0.47	0.85	1.10
Sayak I, III	grade (g/t)	5.22	5.24	5.35	5.06	4.81
Shatyrkul	grade (g/t)	2.09	1.74	2.23	2.02	1.40
Region average	grade (g/t)	3.33	3.69	3.31	2.94	3.15
<b>East region</b>						
Nikolayevsky	grade (g/t)	36.69	35.49	37.98	25.97	46.06
Artemyevsky	grade (g/t)	103.09	103.78	124.89	81.04	88.69
Irtysky	grade (g/t)	54.68	53.96	57.11	55.39	55.86
Belousovsky	grade (g/t)	35.77	47.86	28.08	37.96	57.59
Orlovsky	grade (g/t)	61.74	55.79	55.82	69.09	58.79
Yubileyno-Snegirikhinsky	grade (g/t)	43.15	46.22	31.94	36.34	51.92
Region average	grade (g/t)	68.31	68.21	70.51	62.79	64.39
<b>Karaganda region</b>						
Nurkazgan	grade (g/t)	2.17	2.76	2.03	2.11	3.04
Akbastau	grade (g/t)	24.03	33.43	20.95	19.56	33.43
Kosmurun	grade (g/t)	43.55	32.10	31.14	38.72	40.77
Abyz	grade (g/t)	46.45		52.95	44.62	-
Region average	grade (g/t)	24.94	15.53	22.78	22.20	20.13
<b>Overall average</b>	<b>grade (g/t)</b>	<b>20.99</b>	<b>20.68</b>	<b>21.81</b>	<b>19.66</b>	<b>19.79</b>
<b>Silver in concentrate</b>	<b>('000 oz)</b>	<b>13,404</b>	<b>15,501</b>	<b>4,617</b>	<b>4,672</b>	<b>4,373</b>
own concentrate	('000 oz)	11,189	12,954	3,962	3,681	3,257
purchased concentrate	('000 oz)	2,215	2,547	655	991	1,116
<b>Silver metal<sup>1</sup></b>	<b>('000 oz)</b>	<b>12,123</b>	<b>14,830</b>	<b>3,794</b>	<b>4,309</b>	<b>4,726</b>

		9m 2008	9m 2007	Q3 2008	Q2 2008	Q3 2007
<b>GOLD</b>						
<b>Balkhash complex</b>						
Sayak I, III	grade (g/t)	0.38	0.28	0.42	0.42	0.29
Shatyrkul	grade (g/t)	0.48	0.29	0.51	0.58	0.28
Region average	grade (g/t)	0.40	0.28	0.43	0.45	0.29
<b>East region</b>						
Nikolayevsky	grade (g/t)	0.39	0.72	0.40	0.30	0.94
Artemyevsky	grade (g/t)	1.18	1.43	1.44	0.91	1.25
Irtysky	grade (g/t)	0.36	0.37	0.38	0.30	0.40
Belousovsky	grade (g/t)	0.38	0.46	0.32	0.36	0.43
Orlovsky	grade (g/t)	1.02	0.57	0.90	1.17	0.57
Yubileyno-Snegirikhinsky	grade (g/t)	0.58	0.70	0.39	0.64	0.84
Region average	grade (g/t)	0.86	0.88	0.86	0.82	0.84
<b>Karaganda region</b>						
Nurkazgan	grade (g/t)	0.29	0.32	0.29	0.27	0.34
Akbastau	grade (g/t)	0.82	1.80	0.72	0.77	1.80
Kosmurun	grade (g/t)	2.09	1.94	0.93	2.95	2.65
Abyz	grade (g/t)	4.14		5.18	3.81	-
Region average	grade (g/t)	1.27	1.02	1.18	1.29	1.37
<b>Overall average</b>						
<b>Overall average</b>	<b>grade (g/t)</b>	<b>0.92</b>	<b>0.82</b>	<b>0.90</b>	<b>0.92</b>	<b>0.94</b>
Gold in concentrate	('000 oz)	94.4	86.2	34.6	38.0	27.8
own concentrate	('000 oz)	73.3	67.9	27.7	26.5	17.1
purchased concentrate	('000 oz)	21.1	18.3	6.9	11.5	10.7
<b>Gold output<sup>1</sup></b>	<b>('000 oz)</b>	<b>92.1</b>	<b>81.2</b>	<b>29.4</b>	<b>31.4</b>	<b>29.8</b>

<sup>1</sup> Includes slimes from purchased concentrate