



KAZ MINERALS PLC

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25 February 2016

KAZ MINERALS PLC AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- **Group EBITDA of \$202 million**
 - East Region and Bozymchak EBITDA of \$240 million
- **Strong cost control in a low commodity price environment**
 - Gross cash cost of 230 US\$/lb, below guidance of 260-280 US\$/lb
 - Net cash costs of 109 US\$/lb, first quartile operations
 - Sustaining capital expenditure limited to \$68 million, below guidance of \$80 - \$100 million
- **Significant liquidity**
 - Available funds of \$1,501 million, includes \$250 million of undrawn facilities at 31 December 2015
 - Net debt \$2,253 million as at 31 December 2015

OPERATIONAL HIGHLIGHTS

- **Achieved production targets for all metals**
 - Underlying copper in concentrate production of 89 kt
 - Copper cathode production of 81 kt, in line with guidance of 80-85 kt
 - All by-products in line or ahead of guidance

MAJOR GROWTH PROJECTS ON TRACK

- **Bozshakol**
 - Mining activity ramping up, 7 million tonnes of ore mined in 2015
 - Copper concentrate production commenced in February 2016
 - Production guidance for 2016: 45-65 kt copper cathode equivalent and 50-70 koz gold bar equivalent
 - \$50 million reduction in project capital budget
- **Aktogay**
 - 3 million tonnes of oxide ore mined in 2015
 - Oxide operations contributed initial copper cathode production in 2015
 - Production guidance for 2016: 15 kt of copper cathode from oxide operations
 - Sulphide operations on schedule for 2017 start up

OUTLOOK

- **Industry leading copper production growth of over 50% per annum to 2018**
 - Group's copper cathode equivalent production to increase to 130-155 kt in 2016
- **Continued focus on cost control**
 - Gross cash cost guidance for 2016:
 - East Region and Bozymchak 200-220 US\$/lb
 - Aktogay oxide 110-130 US\$/lb
 - Bozshakol 150-170 US\$/lb

\$ million (unless otherwise stated)	2015	2014
Revenues ¹	665	846
EBITDA (excluding special items) ¹	202	355
Profit/(loss) before taxation ¹	12	(169)
Underlying (Loss)/Profit ¹	(10)	86
EPS – basic and diluted (\$) ²	(0.03)	(5.28)
EPS – based on Underlying Profit (\$) ^{1,3}	(0.02)	0.19
Free Cash Flow	(145)	(31)
Free Cash Flow before interest ⁴	2	119
Gross cash cost (USc/lb) ^{1,5}	230	257
Net cash cost (USc/lb) ^{1,6}	109	85
Net debt	2,253	962

¹ 2014 reflects continuing operations only.

² Group basic and diluted EPS in 2014 includes the net loss on divestment of the Disposal Assets (\$2.3 billion) and the profit on disposal of Ekibastuz GRES-1 (\$0.2 billion).

³ Reconciliation of EPS based on Underlying Profit is found in note 10(b).

⁴ Net cash flow from operating activities before interest, capital expenditure, non-current VAT and accruals associated with expansionary and new projects, less sustaining capital expenditure on tangible and intangible assets. Free Cash Flow reflects continuing and discontinued operations for the year end 31 December 2014.

⁵ Group cash operating costs excluding mineral extraction tax, divided by the volume of copper cathode equivalent sales. The full year cash operating costs for 2014 include East Region costs only on an allocated basis prior to the Restructuring of the business. The second half of 2014 gross cash cost of 277 USc/lb is considered more representative of the performance of the East Region as a stand-alone business.

⁶ Group cash operating costs excluding mineral extraction tax less by-product revenues, divided by the volume of copper cathode sales. The full year cash operating costs for 2014 include East Region costs only on an allocated basis prior to the Restructuring of the business. The second half of 2014 net cash cost of 107 USc/lb is considered more representative of the performance of the East Region as a stand-alone business.

Oleg Novachuk, Chief Executive, said: “In 2015 we made excellent progress in the delivery of our major growth projects, Bozshakol and Aktogay, and the operating mines in the East Region and Bozymchak hit their production targets at a first quartile net cash cost of 109 USc/lb. Our immediate priorities in 2016 are the ramp up of Bozshakol, the construction of Aktogay and to keep operating costs low across the Group. The delivery of our world class projects will enable us to de-gear the balance sheet and complete our transformation into a low-cost operator of large scale, open pit copper mines in Kazakhstan.”

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NOTES TO EDITORS

KAZ Minerals PLC (“KAZ Minerals” or “the Group”) is a high growth copper company focused on large scale, low cost, open pit mining in Kazakhstan. It operates the Bozshakol mine, oxide operations at Aktogay, four mines and three concentrators in the East Region of Kazakhstan and the Bozymchak copper-gold mine in Kyrgyzstan. 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 granule and 35 koz of gold bar.

The Group commenced production from Bozshakol, its first large scale open pit project, in February 2016. The Group has a second major project, Aktogay, with sulphide processing facilities currently under construction. These projects 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 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% and is a first quartile asset on the global cost curve. 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 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 11,000 people, principally in Kazakhstan.

FORWARD-LOOKING STATEMENTS

Certain statements included in these results contain forward-looking information concerning KAZ Minerals' strategy, business, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which KAZ Minerals operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances and relate to events, not all of which are within KAZ Minerals' control or can be predicted by KAZ Minerals.

Although KAZ Minerals believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements.

No part of these results 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 Rules of the UK Listing Authority and applicable law, KAZ Minerals undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

ANNUAL GENERAL MEETING

The 2016 Annual General Meeting will be held at 12.15pm on Thursday 5 May 2016 at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED, United Kingdom.

The 2015 Annual Report and Accounts and details of the business to be conducted at the Annual General Meeting will be mailed to shareholders and posted on the Company's website (www.kazminerals.com) in late March 2016.

CHAIRMAN'S STATEMENT

Delivering growth

2015 has been a difficult year for the mining industry, with declining commodity prices. The LME copper price ended the year 26% lower and the FTSE 350 mining index fell by 48%.

The Group has, despite the challenging markets, performed well. Following the Restructuring in 2014, KAZ Minerals entered the year with a portfolio of cash generative, low cost mines and two major growth projects under construction. The operating mines achieved their production targets and we successfully reduced gross cash costs. We also recorded the first copper production from oxide ore at the Aktogay project and commenced commissioning works at the Bozshakol concentrator in December, with the first shipment of copper concentrate to China due in March 2016. During 2015, KAZ Minerals has made significant progress towards realising its strategic objective to become a low-cost producer focused on large scale, open pit copper mines.

Board changes

There were three changes to the Board during 2015. As announced on 26 February 2015, Lord Renwick of Clifton stepped down from the Board following the Annual General Meeting on 7 May 2015. We are grateful for the immense contribution Robin has made to the Group since his appointment as a non-executive Director in 2005.

John MacKenzie was appointed as a non-executive Director of KAZ Minerals PLC on 1 March 2015. Prior to joining KAZ Minerals, John was the CEO of Copper for Anglo American and he brings extensive operational experience of the copper mining industry to the Board.

On 10 December 2015 the Group announced that Clinton Dines would step down from his position as a non-executive Director after six years of service, with effect from 31 December 2015. Clinton's knowledge of China combined with his experience of the global resources sector has been a great asset to the Group.

Following Clinton's departure, John MacKenzie was appointed to the Audit Committee with effect from 1 January 2016. The Board remains fully compliant with the independence requirements of the UK Corporate Governance Code, with a majority of independent non-executive Directors.

Health and safety

The Board is committed to achieving zero fatalities, so it is with regret that I report that three fatal incidents occurred at our operations during 2015, two of which involved contractors and one a KAZ Minerals employee. In 2014 we had seven fatalities at our continuing operations. The reduction in fatalities in 2015 occurred in a period in which the total number of man-hours worked increased by 78% as we entered high intensity stages of construction at Bozshakol and Aktogay and ramped up production at Bozymchak. In 2016 we will continue our efforts to improve our safety culture. At Bozshakol and Aktogay, new joiners are being trained in international best practice. We will establish a strong safety culture at the growth projects and then transfer these new working methods to drive improvements in our existing operations.

Environment

Copper mining and processing are energy-intensive activities with associated environmental impacts such as the generation of tailings waste, water and energy consumption and the emission of CO₂. The Group seeks to minimise its impacts wherever possible and in 2015 they are considerably lower across many metrics compared to 2014 following the disposal of mining, smelting and power assets in the prior year. In the East Region we made improvements at our concentrators that reduced our energy consumption. The Bozshakol and Aktogay projects utilise modern technology that will improve our energy efficiency per tonne of ore processed and water recycling rates. The tailings waste management at our projects will also be highly efficient.

Operational and financial performance

KAZ Minerals has a strong record of operational delivery and I am pleased this was maintained in 2015. The East Region and Bozymchak reported copper cathode production of 80.7 kt, supported by silver, zinc and gold by-products. The East Region benefited from improvements made at its concentrators, raising recoveries and lowering reagent consumption. At Bozymchak, optimisation work at the concentrator was conducted in the fourth quarter which will enable higher output in 2016.

The East Region and Bozymchak reported a gross cash cost of 230 US\$/lb, compared to 277 US\$/lb in the second half of 2014. The combined net cash cost was 109 US\$/lb, comparable to the second half of 2014 as lower costs offset the impact of reduced by-product pricing. Weak commodity prices led to revenues of \$665 million, \$181 million below 2014. EBITDA before special items was \$202 million.

Major growth projects

2015 was an important year for the Group in the delivery of our major growth projects. Both Bozshakol and Aktogay commenced pre-production mining and on 1 December the Aktogay project started production of copper cathode from oxide ore. The Bozshakol project began commissioning works at its sulphide concentrator in December, with production of the first copper in concentrate from sulphide ore in February 2016. The commencement of copper production from two projects of this scale within a short timeframe is a considerable achievement and demonstrates the skill and determination of the Group's management, employees and contractors.

Over the past few years we have assembled an internationally experienced operations team to manage the ramp up phase at Bozshakol. A timely ramp up to full capacity will deliver cash flow and reduce balance sheet gearing. During this growth phase the Group will place a high priority on maximising the benefits of the project to local communities in Kazakhstan through local sourcing and by training the next generation of employees at these modern facilities.

Delivery of the main sulphide phase of the Aktogay project is our next major construction goal and works are currently proceeding on schedule to commence production in 2017. Both the construction and operations teams at Aktogay are benefiting from our experience at Bozshakol as the projects share many common elements of design.

Financial position

The Group has increased its gearing during the construction of the two major growth projects, although the launch of Bozshakol at the start of 2016 and the commissioning of Aktogay in 2017 will rapidly improve our debt metrics. The delivery of Bozshakol has greatly reduced the Group's project execution risk and will support our financing activities in 2016.

KAZ Minerals' liquidity position in 2016 and 2017 has also benefited from the agreement reached in November 2015 with NFC to defer the payment of \$300 million in respect of Aktogay construction costs to 2018. The deferral of Aktogay payments, with no change to the project cost, demonstrates the strength of our relationship with NFC and continues our track record of securing support from our partners in China for KAZ Minerals' strategically important copper projects.

The Group has also built a strong track record with its lenders, by maintaining debt service and taking a pro-active approach to its financing which has avoided any breach of terms in its debt facilities. Repayment of the CDB Bozshakol and Bozymchak facilities commenced in 2013 with \$395 million of scheduled debt repayments made to date, and the Group's PXF facility has been reduced from \$2.1 billion in 2010 to \$349 million in 2015, including two successful re-financings in 2012 and 2014.

Dividends

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 and then recommend a suitable dividend. This maintains flexibility which is appropriate given the underlying cyclical nature of a commodity business. The Group has a strong record of payments to shareholders with returns of \$2,095 million in ordinary dividends, buy-backs and special dividends since its Listing in 2005. Given the ongoing financing requirements of the major growth projects during their construction and ramp up and the uncertain economic outlook, the Board does not recommend a dividend in respect of the 2015 financial year. It is, however, the Board's intention that the Group resumes dividend payments in the future, following completion of the major growth projects.

Outlook

As we enter 2016, the steps taken in previous years to re-position the business are set to deliver value to our shareholders as we are now a low cost producer with excellent growth prospects. Our long-term financing has enabled us to continue with the execution of our strategy through the downturn, as we develop our strategic assets close to China, the world's largest consumer of copper. The Group's focus is now the ramp up of Bozshakol and the completion of the Aktogay sulphide project. The delivery of these two world class projects will enable us to de-gear the balance sheet and complete our transformation into a low cost operator of large scale, open pit copper mines in Kazakhstan.

CHIEF EXECUTIVE'S REVIEW

Launching our world class projects

In 2015 KAZ Minerals completed its first full year of operations following the Restructuring in 2014. I am pleased to report that significant progress was made during the year on our major growth projects, Bozshakol and Aktogay. In December 2015 we began the commissioning of the Bozshakol concentrator and in February 2016 the project recorded its first production. The ramp up of Bozshakol is now underway and the mine will add 100 kt per annum to production at a first quartile cash cost over the first 10 years. The oxide plant at Aktogay commenced output in December 2015 and we are progressing on schedule and on budget with the construction of the Aktogay sulphide plant.

The Group's operating mines in the East Region and Bozymchak hit their production targets for the year at a net cash cost of 109 US\$/lb, placing them in the first quartile of the cash cost curve. This net cash cost was achieved despite weaker by-product prices as management delivered operational efficiencies and cost savings. Operating costs in dollar terms also benefited from the devaluation of the tenge which occurred from 20 August 2015. Capital expenditure was tightly controlled, with \$68 million of sustaining capital expenditure during the year compared to our guidance of \$80–100 million, as spend was optimised or deferred where possible.

Health and safety

I am disappointed to report three fatalities at our operations during 2015. Ensuring the safety and well-being of our employees is our highest operational priority.

Two of the fatalities were in the East Region and one occurred at the Aktogay project. In 2014 we had seven fatalities in the continuing operations. There has been a reduction in the number of injuries suffered in a year in which man-hours worked increased by 78% as we entered a period of intense construction at our major projects, bringing a greater exposure to working at height, heavy lifting and electrical hazards.

We made significant efforts in improving our health and safety performance during the year, seeking to address key fatality risks as a matter of urgency. Reviews of our working procedures for underground mining, energy isolation and working at height have been coordinated by the Group Health and Safety team, working directly with site managers to establish new standards. We will continue to implement improvements as we seek to create a culture of best practice at our new projects to serve as a template for our other operations.

Review of operations

East Region and Bozymchak

The mines in the East Region and Bozymchak delivered a strong operational performance in 2015, achieving the guided range for copper cathode output with production of 80.7 kt (2014: 83.5 kt). Underlying copper in concentrate output was 89.4 kt, in line with 2014 as optimisation works in the East Region delivered improved concentrator recovery rates and output from Bozymchak ramped up.

Zinc in concentrate production of 94.3 kt was at the upper end of expectations for the year. The Group exceeded its silver granule production guidance by 25% with total production of 3,135 koz, supported by the mining of higher grade sections, improved silver recovery rates and a release of work in progress. Group gold bar production of 34.6 koz was in line with guidance issued at the half year. The Bozymchak mine accounted for 12.5 koz of gold bar production from 17.8 koz of gold in concentrate production, as some unprocessed metal in concentrate is carried over into 2016 due to the timing of shipments dispatched in December. New equipment was installed at Bozymchak in the fourth quarter of 2015 to optimise production, which will increase copper and gold output from the mine in 2016.

Bozshakol construction

On 11 December 2015 we announced that commissioning works at the Bozshakol sulphide concentrator had commenced with production of copper concentrate following in February 2016. This major milestone was achieved despite a number of challenges faced during the year, including a fire in the main concentrator building which damaged equipment in the grinding area. There were no resulting injuries and the project team was able to recover from this event quickly, using replacement parts transferred from Aktogay. The ramp up of production at Bozshakol in 2016 will include the completion and commissioning of the separate 5 MT per annum clay plant. A review of the remaining works has led to a reduction in the project budget of \$50 million, with the final \$270 million of the \$2,150 million project to be incurred in 2016.

Bozshakol operations

Pre-production mining operations began at Bozshakol in May 2015 to expose sulphide sections ahead of the commissioning of the main concentrator, with 6,567 kt of clay ore and 532 kt of sulphide ore removed and stockpiled by the end of the year.

The sulphide concentrator commenced processing material in February 2016, with the first shipment of copper concentrate expected to be dispatched to Chinese smelters in March 2016.

Aktogay construction

Construction of the oxide section of the Aktogay project was completed in December 2015. The construction of the sulphide plant has also progressed well during the year, with the foundations for the primary crusher and conveyor now complete. The external cladding of the sulphide concentrator building was installed ahead of the onset of cold weather so that construction could continue inside the building throughout the winter. The assembly of the mills and the installation of flotation cells are now ongoing. Parts and equipment have been delivered to replace the items that were sent to Bozshakol to assist with fire repairs and the sulphide section of the project remains on track to commence production in 2017. Capital expenditure of \$280 million is expected in 2016 following the agreement with NFC to defer \$300 million of construction costs to 2018.

Aktogay operations

Pre-production mining operations commenced at Aktogay in June 2015. By the year end, 3,003 kt of oxide ore had been mined and placed on pads. Leach irrigation began on 26 September 2015 and on 1 December 2015 the project produced its first copper cathode in the SX/EW processing facility. The cathode from the oxide operations is of high purity.

Production outlook

East Region and Bozymchak copper production will benefit from a full year of contribution from the ramped up Bozymchak project in 2016; however, this will be offset by the expected closure of the Yubileyno-Snegirikhinsky mine during the year and ventilation shaft maintenance works at Orlovsky in the second half. The Group therefore expects to produce 70-75 kt of copper cathode from its East Region and Bozymchak mines. Zinc production will decline to 70-75 kt of zinc in concentrate as mining at Artemyevsky moves through a low zinc grade zone ahead of its mine extension project and as output from Orlovsky is reduced due to mine maintenance. Silver granule production is expected to reduce to 2,250-2,500 koz due to lower grades at Irtyshsky and the maintenance works at Orlovsky. East Region and Bozymchak gold bar production is expected to increase to 40-50 koz as the optimisation works at Bozymchak raise overall throughput.

The Bozshakol mine is expected to produce 45-65 kt of copper cathode equivalent and 50-70 koz of gold bar equivalent, dependent on the speed of ramp up. We expect to declare the project commercial during 2016 which is considered to be operating at in excess of 60% of design capacity for three consecutive months.

At Aktogay the oxide operations are expected to ramp up quickly to capacity, producing 15 kt of copper cathode in 2016.

The total aggregate Group copper cathode equivalent production in 2016 is therefore expected to be between 130 and 155 kt and Group gold bar equivalent production is expected to be between 90 and 120 koz.

Financial performance

Revenues declined in 2015 to \$665 million (2014: \$846 million) largely as a result of lower metal prices in 2015.

Sales from own production were 78.6 kt, below production levels due to a build-up of finished goods inventory at the end of the year and the exclusion of 0.9 kt of sales volumes from Bozymchak, which occurred during the pre-commercial production phase in the first half of the year.

The Group's cash costs were reduced in 2015 following management actions taken in the East Region operations and the devaluation of the tenge from 20 August, which further contributed to lowering the cash costs in dollar terms during the final four months of the year. Net cash costs benefited in 2015 from the contribution of Bozymchak, which has a high gold by-product credit and achieved full year net cash costs of 40 US\$/lb. By-product credits fell as a result of lower zinc, silver and gold prices and a reduction in zinc and silver production compared to the prior year.

Gross cash costs for the East Region and Bozymchak in 2015 were 230 US\$/lb, a 17% reduction compared to the gross cash cost of 277 US\$/lb in the second half of 2014, during which period the East Region began to operate as a stand-alone business. Net cash costs for the East Region and Bozymchak operations were 109 US\$/lb, in line with the 107 US\$/lb reported for the second half of 2014. In 2016, per unit gross cash costs in the East Region and Bozymchak are expected to face upward pressure due to a full year contribution from Bozymchak (which has

higher gross cash costs), reduced production volumes and local inflation. However, the full year effect of a weaker tenge in 2016 is expected to result in a gross cash cost for the East Region and Bozymchak of between 200 and 220 US\$/lb.

Following the movements in the exchange rate of the tenge against the US dollar we have reviewed the unit cost guidance for our major growth projects. The guidance provided is a 10 year average (in 2016 terms) and the benefit from the weaker tenge is partially offset by lower by-product pricing and future inflationary pressures. Bozshakol is now expected to achieve net cash costs of 70-90 US\$/lb and Aktogay 100-120 US\$/lb.

EBITDA (excluding special items) of \$202 million declined compared to \$355 million from continuing operations in the prior year as the lower costs in 2015 were not sufficient to offset the impact of reduced metals prices.

Sustaining capital expenditure was limited to \$68 million as some investments were carried forward into 2016. Despite the lower revenues, the reduction in costs and management of sustaining capital expenditure led to a Free Cash Flow before interest of \$2 million in 2015.

Sustaining capital expenditure in 2016 is budgeted to be between \$80 and \$90 million for the East Region and Bozymchak.

Expansionary capital expenditure of \$20 million is planned for 2016 at the Artemyevsky mine in the East Region to continue the development of a new section of the mine.

Financial position

As at 31 December 2015, the Group had significant committed liquidity, including \$1,251 million of gross funds and \$250 million of undrawn debt facilities. The Group's net debt position was \$2,253 million at the year end. The recent commencement of production at Bozshakol has expanded the financing options available to the Group.

Outlook

Having commenced production from both of our major growth projects, our immediate priorities in 2016 are to expedite the ramp up of Bozshakol, to progress the construction of Aktogay and to keep operating costs low across the Group. We are confident in the medium-term outlook for copper due to both industry supply challenges and future demand growth, with copper an essential part of a greener economy. KAZ Minerals is positioned to deliver the highest production growth in the sector from its portfolio of first and second quartile assets.

OPERATING REVIEW

REVIEW OF OPERATIONS

The Group's operations include the four mines and three concentrators in the East Region, the mine and concentrator at Bozymchak and the growth projects at Bozshakol, Aktogay and Koksay. The Group disposed of the mining, processing and power operations based in the Zhezkazgan and Central Regions upon completion of the Restructuring on 31 October 2014. The Disposal Assets are classified as a discontinued operation for the prior year in the Group's financial statements. Details of the performance of the Disposal Assets in the prior year can be found in the 2014 Annual Report and Accounts.

Group finished products

kt (unless otherwise stated)	2015	2014
Copper cathode output	81.1	83.5
East Region and Bozymchak	80.7	83.5
Aktogay	0.4	—
Zinc in concentrate	94.3	121.4
Silver granule (koz)	3,135	3,435
Gold bar (koz)	34.6	34.6

The East Region and Bozymchak operations produced 80.7 kt of copper cathode for the year which was in line with guidance. Group copper cathode output of 81.1 kt included the first contribution of 0.4 kt from Aktogay oxide. By-product production was in line or ahead of guidance for all metals. At Bozshakol commissioning works at the main sulphide concentrator began in December 2015 with the first production of copper concentrate in February 2016.

REVIEW OF EAST REGION OPERATIONS

East Region Production Summary

Copper

kt (unless otherwise stated)	2015	2014
Ore output	3,986	4,202
Copper grade (%)	2.42	2.48
Copper in ore mined	96.3	104.4
Copper in concentrate	86.3	89.2
Copper cathode production	78.5	83.5

Ore output from the East Region totalled 3,986 kt in 2015, which was 216 kt or 5% below the volume extracted in the prior year. The decline in output was primarily due to the mining of deeper ore horizons at Orlovsky and as extraction moved to a transitional area between the two ore bodies at Artemyevsky. Ore output from Yubileyno-Snegirikhinsky was also below the prior year as the residual reserves are extracted. This mine is expected to cease operation in the second half of 2016.

The average copper grade of 2.42% was below the prior year with lower grades at Artemyevsky due to mining in the transitional area and at Yubileyno-Snegirikhinsky as the residual reserves are extracted. A reduction in ore output from Orlovsky, which produces the highest copper grade ore in the East Region, also contributed to the fall in average grade.

The 5% lower ore volume extracted and the reduction in grade led to copper in ore extracted of 96.3 kt, 8% below the prior year.

Copper in concentrate production

kt	2015	2014
Orlovsky concentrator	47.2	50.7
Nikolayevsky concentrator	29.0	27.8
Belousovsky concentrator	10.1	9.0
Third party processing	—	1.7
	86.3	89.2

Copper in concentrate output of 86.3 kt was 2.9 kt or 3% below the prior year with a decrease in output from the Orlovsky concentrator as a result of the reduction in copper mined. Recovery rates were improved at all three East Region concentrators, partially offsetting the reduction in copper in ore mined. The Nikolayevsky concentrator's

throughput increased following modernisation works and output rose by 1.2 kt in 2015, enabling all the ore produced from Artemyevsky and Yubileyno-Snegirikhinsky to be processed internally. In the first half of 2014 some material from Artemyevsky was processed by a third party. Copper output from the Belousovsky concentrator rose by 1.1 kt as the facility benefited from the additional copper output from the Irtysky mine where higher grade sections were mined.

The copper concentrate produced by the East Region is processed into cathode on a tolling basis at the Balkhash smelter. Copper cathode production decreased by 5.0 kt to 78.5 kt due to the 2.9 kt reduction in copper in concentrate production and as maintenance works in the first half of 2015 limited the Balkhash smelter's processing capacity, resulting in a build-up of work in progress which was not fully released in the second half of the year.

Copper cathode production for the East Region is anticipated to reduce to around 70 kt in 2016 as output declines from Orlovsky with the mining of lower grade zones and as maintenance works at the mine restricts output in the second half of the year. Copper output from Yubileyno-Snegirikhinsky is also expected to fall with operations at the mine planned to cease in the second half of 2016.

Zinc

kt (unless otherwise stated)	2015	2014
Zinc grade (%)	3.23	4.07
Zinc in ore mined	128.9	171.1
Zinc in concentrate	94.3	121.4

The volume of zinc in ore mined decreased by 42.2 kt or 25% to 128.9 kt in 2015. This was mainly due to the reduction in zinc grades at both the Orlovsky and Artemyevsky mines where operations were conducted at lower by-product content zones.

Zinc in concentrate production was at the top end of the guidance for 2015 but compared to the prior year fell by 27.1 kt or 22% to 94.3 kt. The decline in output reflected the lower volume of zinc mined in 2015, partially offset by the stockpiling of ore in 2014 when modernisation works restricted output from the Nikolayevsky concentrator.

Zinc in concentrate production is expected to reduce to between 70 kt to 75 kt in 2016 as the Artemyevsky mine continues to move through the transitional ore zone which contains lower by-product grades.

Silver

koz (unless otherwise stated)	2015	2014
Silver grade (g/t)	47.0	59.1
Silver in ore mined	6,024	7,979
Silver in concentrate	3,110	3,836
Silver granule	3,052	3,435

The East Region mined 6,024 koz of silver in ore in 2015 which was 1,955 koz or 25% below the prior year. The decrease was primarily due to lower silver grades at Artemyevsky as mining operations moved through a transitional zone. Silver output at Orlovsky was also lower due to the reduction in ore extraction and silver grades with the mining of deeper ore sections.

Silver in concentrate production of 3,110 koz was 726 koz or 19% below the prior year due to the lower volume of silver in ore mined, partially offset by the stockpiling of ore while modernisation works restricted output from the Nikolayevsky concentrator in the prior year.

Silver granule output of 3,052 koz was 383 koz below the prior year due to the fall in silver in concentrate production, partially offset by the release of work in progress at the Balkhash smelter. Silver granule production is expected to decline to between 2,250 koz and 2,500 koz in 2016 with lower output from Orlovsky and as output in 2015 benefited from a release of work in progress.

Gold

koz (unless otherwise stated)	2015	2014
Gold grade (g/t)	0.63	0.82
Gold in ore mined	81.1	110.3
Gold in concentrate	24.3	35.5
Gold bar	22.1	34.6

The East Region mined 81.1 koz of gold in ore in 2015, a decrease of 29.2 koz or 26% when compared to the prior year. This was mainly due to the reduction in ore output and gold grades at Orlovsky and the decline in grades at Artyemyevsky.

The gold in concentrate production of 24.3 koz was 11.2 koz or 32% below the prior year, reflecting the change in gold in ore mined and lower concentrator recovery rates which were negatively affected by the reduction in grade of material processed.

Gold bar production reduced by 12.5 koz to 22.1 koz in 2015 with a 11.2 koz decline in gold in concentrate output and a build-up of work in progress at the Balkhash smelter. Gold bar output from the East Region is expected to be between 18.0 koz and 22.0 koz in 2016.

East Region Financial Summary

\$ million (unless otherwise stated)	2015	2014
Sales revenues:	649	846
Copper cathode	452	550
Zinc in concentrate	102	144
Silver granule	46	78
Gold bar	26	44
Other	23	30
Sales volumes:		
Copper cathode (kt)	82	78
Zinc in concentrate (kt)	96	122
Silver granule (koz)	2,965	4,224
Gold bar (koz)	22	36
Realised price of copper sales (\$/t)	5,519	7,040
EBITDA (excluding special items)	235	403
Gross cash costs (US\$/lb) ¹	227	257
Net cash costs (US\$/lb) ¹	111	85
Capital expenditure	65	55
Sustaining	64	53
Expansionary	1	2

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 \$649 million, reflecting the weak price environment for all its commodities during the year.

Revenue from copper cathode sales fell by 18% to \$452 million as a result of a lower realised copper price. The average LME copper price decreased by 20% to \$5,495 per tonne in 2015, from \$6,862 per tonne in 2014. 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 of 82 kt includes 5 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 \$28 million at a small margin. Excluding externally purchased material, copper cathode volumes were in line with the prior year.

Revenue from by-products fell by a total of \$99 million or 33% to \$197 million due to lower realised prices and sales volumes. The average 2015 market prices of zinc, silver and gold fell by 11%, 18% and 8% respectively compared to 2014. Zinc concentrate sales of 96 kt were 21% below the prior year, largely due to lower production and grades. Silver sales volumes reduced by 30% to 2,965 koz also due to lower production and as a result of a significant release of inventory in 2014. Gold bar sales volumes declined by 39% or 14 koz to 22 koz, as a result of lower production and grades. Other revenue includes income from the sale of sulphuric acid which is produced as a by-product from the toll smelting of copper in concentrate at the Balkhash smelter. Going forward the East Region will supply a significant portion of the sulphuric acid it produces to the heap leach operations at Aktogay.

EBITDA (excluding special items)

EBITDA of \$235 million was \$168 million below the prior year due to the lower revenues, partially offset by a reduction in cash operating costs. Cash operating costs of \$386 million (excluding the cost of acquiring third party cathode) fell by 13% compared to 2014.

The East Region's cash operating costs in the first half of 2014 do not fully reflect the cost of services which were provided centrally by Kazakhmys Mining, or the terms agreed with Cuprum Holding for smelting and maintenance services, as the region's operations were managed as part of Kazakhmys Mining up to their economic separation from the Disposal Assets in August 2014. The East Region's cash operating costs in the second half of 2014 of \$237 million are therefore considered to be more representative of the operations as a stand-alone business than those for the whole of 2014. Cash operating costs of \$386 million for the full year 2015, excluding the cost of acquiring the third party cathode sold of \$28 million, represent a 19% reduction when compared to the run rate of costs in the second half of 2014.

A significant portion of the East Region's operating costs are denominated in tenge which devalued sharply against the US dollar after the tenge moved to a free float in August 2015. The tenge traded at an average of 222 KZT/\$ in 2015, finishing the year at 339 KZT/\$, compared to an average of 179 KZT/\$ in 2014.

Operating costs benefited from a continued focus on cost control, optimisation initiatives taken by management and a fall in the cost of key consumables used in mining and processing activities. The prices for key inputs, such as rubber, steel and cement which is used for backfilling works, have decreased. Lower fuel prices have reduced transportation and energy costs. Refinements were made at the operations, particularly at the concentrators, to optimise the usage of grinding media and consumables such as reagents. The cost of repair works also declined when compared to the prior year. Following completion of the Restructuring in October 2014, a review of suppliers was undertaken to increase competition, re-tender contracts and to ensure the Group benefited from falling commodity prices. These measures more than offset external cost pressures, including the 9% increase in electricity tariffs from 1 January 2015.

Administration costs were lower than in 2014 or the run rate in the second half of 2014 as the benefits of favourable exchange were largely offset by additional costs incurred for the stand-alone business, including internal transportation and energy support services. There was also an increase in social responsibility costs as KAZ Minerals provided support to the local communities in which it operates.

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 for the year of 227 US\$/lb was 12% below the 257 US\$/lb recorded in 2014. However, as noted above, during the first half of 2014 the East Region was not operating as a stand-alone business. The gross cash cost for 2015 was 18% below the 277 US\$/lb recorded in the second half of 2014, a more representative period of the East Region operations as a stand-alone business.

The fall in gross cash costs reflected the cost measures noted above and the weakening of the tenge from August 2015, which more than offset the marginal reduction in own cathode sales.

Whilst the gross cash cost was lower than the prior year, the net cash cost increased by 31% to 111 US\$/lb. This was the result of a significant reduction in by-product credits due to lower realised prices.

The East Region gross cash cost of copper sold is expected to be between 200 US\$/lb and 220 US\$/lb in 2016. In forecasting a reduction in gross cash costs, the tenge is assumed to trade in the mid-300s during 2016 with the weaker tenge leading to higher inflationary pressures on local costs including salaries and goods and services. The slightly lower copper production forecast from the East Region will also put some upward pressure on unit cash costs.

Capital expenditure

Sustaining

Sustaining capital expenditure totalled \$64 million in 2015, which was \$11 million above the level in the prior year but below the guided level at the start of the year of \$70 million to \$90 million. As a result of the downturn in commodity prices management has sought to defer expenditure where possible.

Included within sustaining capital expenditure was \$11 million for modernisation work at the Nikolayevsky concentrator. The final stages of the works includes the upgrade of the thickening and filtration sections and are expected to complete in the first half of 2016. The modernisation work has already enabled the concentrator to increase its processing capacity and improve recovery rates. At Artemyevsky, design works are being prepared and land has been purchased for a railway line which will reduce ore transportation costs between Artemyevsky and the Nikolayevsky concentrator. The construction of the line will commence during 2016.

The largest component of sustaining capital in the year related to mine development works at the Orlovsky, Irtysky and Artemyevsky mines. There was limited development at the Yubileyno-Snegirikhinsky mine as it is expected to cease operations in the second half of 2016. Mine development expenditure was higher in the second half of 2015 as new contractors were introduced in the year, replacing services previously provided by the Disposal Assets, with the new contractors needing time to mobilise at the East Region mines.

Also included within sustaining capital expenditure was the purchase of mining equipment, improvements to ventilation at the Orlovsky mine, developing tailings facilities at the concentrators and investing in projects to maintain transportation, heating and electricity infrastructure for its operations and the local community.

In 2016, the East Region's sustaining capital expenditure requirements are expected to be between \$70 million and \$80 million, including around \$20 million on optimisation projects.

Expansionary

The feasibility study work on the extension of the operational life of the existing Artemyevsky mine continued during 2015. The Group has been able to extend the life of the existing operations and is seeking to defer capital expenditures where possible. The optimal development of the mine extension is still being assessed and is expected to be incurred over a period of 6-8 years. Initial mine development work is expected to commence in 2016 with spend of around \$20 million forecast for this work during the year.

REVIEW OF BOZYMCHAK OPERATIONS

The open pit Bozymchak copper-gold mine and concentrator is located in Kyrgyzstan and commenced operation during the second half of 2014.

Bozymchak Production Summary

Copper

kt (unless otherwise stated)	2015	2014
Ore output	449	426
Copper grade (%)	0.97	1.00
Copper in ore mined	4.3	4.3
Copper in concentrate	3.1	0.7
Copper cathode production	2.2	—

Ore extracted was consistent with the prior year as available processing capacity was limited during 2015. Processing capacity has increased following optimisation works at the concentrator during the fourth quarter of 2015 and therefore ore extraction will also increase in 2016. The ore extracted in 2014 and 2015 has been from the higher grade sections of the mine with an average copper grade of 0.97% achieved in 2015, which is above the average grade of the mine's ore reserves of 0.76%.

In 2015 copper in concentrate production rose to 3.1 kt from which copper cathode of 2.2 kt was produced on a tolling basis at the Balkhash smelter. Due to capacity limitations at the Balkhash smelter, 0.9 kt of copper in concentrate produced in 2015 was in transit to a third party at the year end which will be recognised on a copper cathode equivalent basis in production and sales volumes in 2016.

Copper cathode production is anticipated to increase to around 6 kt in 2016 as output from the concentrator ramps up after the successful completion of the optimisation works in 2015.

By-products

koz (unless otherwise stated)	2015	2014
Gold grade (g/t)	1.77	1.83
Gold in ore mined	25.5	25.0
Gold in concentrate	17.8	4.0
Gold bar	12.5	—
Silver granule	83	—

The mine produced 25.5 koz of gold in ore in 2015 which was consistent with the prior year. The gold grade of 1.77 g/t was above the average of the mine's ore reserves of 1.25 g/t as higher grade sections are extracted in the initial years.

Gold bar production of 12.5 koz was below the gold in concentrate production levels as 5 koz of gold was contained in the concentrate shipped to a third party at the year end which will be recognised in the gold bar equivalent production and sales volumes in 2016.

Gold bar production from Bozymchak is expected to increase to between 25 koz and 30 koz in 2016 as the concentrator's output ramps up.

Bozymchak Financial Summary

\$ million (unless otherwise stated)	2015	2014
EBITDA (excluding special items)	5	(4)
Gross cash costs (USc/lb) ¹	339	–
Net cash costs (USc/lb) ¹	40	–
Capital expenditure	9	37
Sustaining	3	–
Expansionary	6	37

¹ Includes volumes, revenues and operating costs prior to 1 July 2015 before the operation was commercially producing.

The operations were considered to have achieved commercial production from 1 July 2015, with all revenues and operating costs from that date being recorded in the income statement.

Revenues of \$16 million have been recognised in the income statement during the second half of 2015, which includes \$9 million from the sale of 7 koz of gold at an average realised price of \$1,165 per ounce and \$7 million from the sale of 1.4 kt of copper cathode at an average realised price of \$5,263 per tonne. The gold bar and copper cathode is sold on the same terms as the East Region operations. Reported revenues exclude sales in the first half of 2015 of \$12 million (\$6 million copper cathode and \$6 million gold bar) which were capitalised during the pre-commercial production phase.

Bozymchak recorded an EBITDA of \$5 million in the income statement for 2015, reflecting the results for the second half of 2015 after commercial production was achieved. In the first half of 2015 EBITDA from Bozymchak of \$6 million was capitalised during the pre-commercial production stage. EBITDA in the second half was negatively impacted by the challenging pricing environment, the planned shutdown of the concentrator for optimisation works in the fourth quarter of 2015 and December sales shipments only being recognised in 2016. Cash operating costs, similar to the East Region, benefited from lower input costs for key consumables used in the mining and concentrating process. The weakening of the Kyrgyzstan som to the US dollar, from an average of 54 KGS/\$ in 2014 to 68 KGS/\$ in the second half of 2015, has also reduced local costs.

The gross cash cost of copper cathode sold during 2015 was 339 USc/lb. Due to the significant by-product revenues from gold output the mine has a competitive net cash cost of 40 USc/lb. In 2016, with higher output following successful optimisation works, the gross cash costs at the operation are expected to decrease.

Capital expenditure

Sustaining

Sustaining capital expenditure totalled \$3 million in 2015 relating to stripping works at the open pit mine.

Expansionary

The expansionary capital spend of \$6 million was below the prior year as the project is now complete and operational. The 2015 expansionary capital expenditure was to complete supporting infrastructure and for the optimisation works at the concentrator. The expansionary spend was offset by \$4 million of operating profit which was capitalised during the pre-production phase in the first half of 2015.

REVIEW OF MINING PROJECTS

Mining Projects includes the major growth projects Bozshakol and Aktogay as well as Koksay, which is at the scoping study stage.

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 MT when fully ramped up and the deposit has a mine life of 40 years with an average copper grade of 0.36%. 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 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.

Significant construction progress was made during 2015, despite a fire in the grinding area in August, which resulted in the sulphide concentrator entering commissioning in December and the first copper concentrate was produced in February 2016. The ramp up of the sulphide plant to its design processing capacity of 25 MT of ore per annum is now ongoing. Bozshakol is an important project for the mining industry in Kazakhstan and will employ around 1,500 people when fully ramped up. All workers have undertaken an extensive induction programme with a strong focus on safe operations. Commercial levels of production are expected to be achieved in the second half of 2016 and full capacity achieved during 2017.

Production Summary

kt (unless otherwise stated)	2015	2014
Ore output	7,099	–
Copper grade (%)	0.69	–
Copper in ore mined	48.7	–
Gold grade (g/t)	0.31	–
Gold in ore mined (koz)	70.0	–

Mining operations including topsoil removal, road development and pre-production stripping at the first stage of the pit commenced in the second quarter of 2015. A large proportion of the ore extracted in 2015 was clay ore which will be stockpiled ahead of the commissioning of the clay plant in 2016. The removal of clay ore has opened two faces in the pit to facilitate access to sulphide ore. By the end of the year 532 kt of sulphide ore at a copper grade of 0.52% had been mined and stockpiled ahead of the ramp up of output from the sulphide concentrator during 2016.

The copper grade 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. The deposit at Bozshakol also contains gold, silver and molybdenum. The gold grade in 2015 averaged 0.31 g/t which is expected to decrease in 2016, but, similar to copper, will remain above the life of mine average during the initial years as higher grades zones are mined.

Copper cathode equivalent production is anticipated to be between 45 kt and 65 kt and gold bar equivalent output of between 50 koz to 70 koz as output from the concentrator ramps up in 2016. Given the current depressed market for molybdenum, commissioning of the separate molybdenum circuit is expected to be deferred, with no production in 2016 prior to an improvement in market conditions.

Financial Summary

\$ million	2015	2014
EBITDA (excluding special items)	(10)	(8)
Capital expenditure (expansionary)	527	503

The negative EBITDA represents overhead costs incurred in preparing the operations prior to the commencement of commercial production. Commercial production from the sulphide concentrator is expected to occur during the second half of 2016 as production ramps up, following which revenues and operating costs will be recorded in the income statement. During the pre-commercial production phase, revenues and operating costs are capitalised and are not reported in the income statement.

The first shipment of copper concentrate is expected to be dispatched to China-based customers in March 2016, with final pricing terms to be agreed pending the outcome of chemical assays of the material. The realised price for copper concentrate sales will be based on the LME price minus a deduction applied for TC/RCs and transport costs within China. The gross cash cost for Bozshakol is expressed on a unit of cathode basis, after applying copper recovery and TC/RC terms. The gross cash cost for production in 2016 will be dependent on a successful ramp up and is expected to be around 150-170 US\$/lb, including the period prior to commercial levels of production.

In 2015 capital expenditure on Bozshakol, excluding capitalised interest on debt facilities, was \$527 million. This included expenditure related to the completion of the sulphide concentrator, including the primary crusher and related mechanical and electrical works, installation of the overland conveyor system and completion of primary support facilities such as workshops, laboratories, administration buildings and transmission lines.

At the end of 2015 around \$1,880 million had been spent on the fully funded project. The total cost of the project is now expected to be \$2,150 million, \$50 million below previous estimates. Expenditure of around \$270 million is expected in 2016 for final payments to complete the clay plant and infrastructure. As previously guided, the project is forecast to require a maximum of \$50 million of working capital in 2016, depending on the speed of the ramp up.

Following the completion of the sulphide plant, resources have been transferred to the clay plant, which will be commissioned in 2016 with a capacity of 5 MT per annum.

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 US\$/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 with the completion of the SX/EW plant to process oxide ore in December 2015. To support the commissioning of the main sulphide plant in 2017, the foundations for the primary crusher and conveyor were completed. The external cladding of the sulphide concentrator building was installed ahead of the onset of cold weather so that construction could continue inside the building throughout the winter. The assembly of the mills and the installation of flotation cells is now ongoing. The experience gained by the projects team during the construction of the identical processing facility at Bozshakol has proved valuable. The sulphide section of the project remains on track to commence production in 2017.

Production Summary

kt (unless otherwise stated)	2015	2014
Ore output	3,003	—
Copper grade (%)	0.37	—
Copper in ore mined	11.0	—
Copper cathode production	0.4	—

Following the commencement of mining operations at Aktogay in the second quarter of 2015, 3,003 kt of oxide ore has been extracted and placed on the first three of the nine heap leach cells. 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 activity ramped up during December 2015 and early 2016, increasing the rate at which oxide ore is placed on the heap leach pads. By the end of 2015 around 870 kt of ore had been leached.

The irrigation of the heap leach cells commenced on 26 September 2015 and on 1 December 2015 the project produced its first copper cathode in the SX/EW processing facility. The solution produced from the leaching process contained around 1.7 kt of copper and initial copper cathode production from the SX/EW plant in 2015 totalled 0.4 kt.

Copper cathode production from Aktogay's oxide operations is expected to ramp up swiftly to the plant's expected 15 kt per annum cathode output.

Financial Summary

\$ million	2015	2014
EBITDA (excluding special items)	(3)	(6)
Capital expenditure (expansionary)	470	364

The negative EBITDA represents overhead costs incurred in preparing the operations prior to the commencement of commercial production. Commercial production from the oxide plant is expected to occur during the first half of 2016 as production ramps up to commercial levels, following which revenues and operating costs will be recorded in the income statement. In the pre-commercial production phase, revenues and operating costs will be set off against capital expenditure and will not be reported in the income statement. The gross operating cost for production from the oxide plant is expected to be 110-130 US\$/lb over the full year, including the period prior to commercial levels of production.

In 2015 capital expenditure on Aktogay, excluding capitalised interest on debt facilities, was \$470 million. This expenditure included the completion of the oxide and SX/EW plant, acid storage and pipeline infrastructure, works at the sulphide concentrator, primary crusher and construction of the permanent camp and administrative facilities.

At the end of 2015 around \$1,320 million had been spent in total on the project, with the total cost unchanged at around \$2,300 million. The project is expected to require approximately \$280 million in 2016, following an agreement with NFC to defer \$300 million of construction costs previously scheduled in 2016 and 2017 to 2018. Expenditure in 2016 will focus on completion of the sulphide plant.

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.

In 2015 expenditure of \$8 million was incurred on the project, primarily for exploratory drilling to provide initial geological, geotechnical and hydrogeological data on the deposit. Based on the drilling results a new mineral resource estimate has been prepared which has reduced JORC resources by applying more stringent criteria, principally in the inferred category. The revised estimate is in the region of the resources assumed in the acquisition case. The project is forecast to require expenditure of around \$5 million in 2016 to continue the basic study works.

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. In preparing the consolidated financial statements, the Group did not apply or adopt any standards, interpretations or amendments that were issued but not yet effective.

On 31 October 2014, the Group completed the sale of a number of its relatively mature mining and power operations, primarily located in the Zhezkazgan and Central Regions (the 'Disposal Assets'). These operations were reclassified as assets held for sale and as a discontinued operation from 15 August 2014 following independent shareholder approval. The Group's investment in the Ekibastuz GRES-1 joint venture, which represented a separate business line of the Group, was treated as a discontinued operation for the period up to its disposal on 1 April 2014. The financial review commentary is focused on the Group's continuing operations.

Income statement

An analysis of the consolidated income statement is shown below:

\$ million (unless otherwise stated)	2015	2014
Continuing operations		
Revenues	665	846
Operating costs (excluding non-cash component of the disability benefits obligation, depreciation, depletion, amortisation, MET, royalties and special items)	(463)	(491)
EBITDA (excluding special items) from continuing operations	202	355
Special items:		
Less: impairment charges	(12)	(132)
Less: loss on disposal of assets	(2)	–
Add: NFC deferral benefit	16	–
Less: MET and royalties	(62)	(86)
Less: non-cash component of the disability benefits obligation	–	(1)
Less: depreciation, depletion and amortisation	(52)	(42)
Operating profit	90	94
Net finance costs (excluding special items)	(78)	(82)
Net foreign exchange loss arising on the 2014 devaluation of the tenge	–	(181)
Profit/(loss) before taxation	12	(169)
Income tax expense	(24)	(65)
Loss for the year from continuing operations	(12)	(234)
Discontinued operations		
Loss for the year from discontinued operations	–	(2,128)
Loss for the year	(12)	(2,362)
Non-controlling interests	–	–
Loss attributable to equity holders of the Company	(12)	(2,362)
EPS – basic and diluted (\$)		
From continuing operations	(0.03)	(0.52)
From discontinued operations	–	(4.76)
	(0.03)	(5.28)
EPS based on Underlying Profit (\$)		
From continuing operations	(0.02)	0.19
From discontinued operations	–	(0.18)
	(0.02)	0.01

Revenues

The decline in commodity prices during the year along with lower sales volumes for zinc, silver and gold saw revenues from continuing operations fall by 21% to \$665 million from \$846 million in 2014. Copper revenues were impacted by a 22% reduction in realised prices and a 6% increase in sales volumes, which included 5kt of cathode purchased for onward sale contributing revenues of \$28 million. Revenues for zinc in concentrate, the largest by-product, decreased by \$42 million compared to the prior year due to a 10% reduction in realised prices and 21% lower volumes. Gold and silver revenues declined by \$9 million and \$32 million respectively, impacted by lower realised prices (3% and 17% respectively) and sales volumes (19% and 29% respectively).

EBITDA (excluding special items)

EBITDA has been chosen as the key measure in assessing the underlying trading performance of the Group. This performance measure removes depreciation, depletion, amortisation, MET, royalties, the non-cash component of

the disability benefits obligation 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 tax as further explained in the 'Taxation' section.

A reconciliation of EBITDA by operating segment and the EBITDA attributed to the discontinued operations is shown below:

\$ million	2015	2014
Continuing operations		
East Region operations	235	403
Bozymchak	5	(4)
Mining Projects	(13)	(14)
Corporate services	(25)	(30)
Total continuing operations	202	355
Total discontinued operations ¹	–	201
Group EBITDA (excluding special items)	202	556

¹ Discontinued operations comprise the EBITDA of the Disposal Assets until 31 October 2014 when the divestment completed. EBITDA from Ekibastuz GRES-1 for 2014 was \$nil as the gain from its disposal was treated as a special item.

The East Region's EBITDA from continuing operations of \$235 million was \$168 million below 2014 as the fall in commodity prices more than offset cost efficiencies and the favourable impact of the tenge devaluation from August 2015.

Compared to 2014, the East Region's cash operating costs were \$57 million lower in 2015 at \$386 million (excluding the \$28 million cost of cathode purchased for onward sale), reflecting the impact of cost reduction initiatives and the depreciation of the tenge from August 2015. In the first half of 2014, the East Region was managed as part of the mining business which included the Disposal Assets. The costs recorded during this period included only directly attributable costs and services such as smelting and maintenance and did not reflect the terms agreed following the East Region's economic separation from the Disposal Assets. The cash operating costs of \$237 million in the second half of 2014 are therefore considered more representative of the East Region as a stand-alone business. These costs compare to \$210 million (excluding the cost of purchased cathode) and \$176 million for the first and second halves of 2015 respectively which benefited from a number of efficiency measures including a review of suppliers, efficiencies in consumables usage as well as lower input prices and the impact on local operating costs of the tenge free float from August 2015.

EBITDA of \$5 million at Bozymchak compares to a loss of \$4 million in the previous year as commercial production was achieved on 1 July 2015 with the revenue and costs recognised in the income statement from that date. In 2014 and the first half of 2015 Bozymchak's EBITDA was negative due to overhead and operational readiness costs incurred during pre-commercial production that were not capitalised. Bozymchak was in the pre-commercial production phase throughout the period to 30 June 2015, during which \$12 million of revenues from copper and gold sales and \$4 million of operating profit (\$6 million EBITDA) earned thereon was capitalised against property, plant and equipment. After commercial production was achieved on 1 July 2015 revenues of \$16 million, consisting of \$7 million of copper and \$9 million of gold, were recognised in the income statement.

The negative EBITDA from Mining Projects of \$13 million represents costs incurred in preparing Bozshakol and Aktogay for commercial production which are not considered directly attributable to the construction of the assets and are therefore expensed.

Corporate costs of \$25 million fell from \$30 million incurred in the prior year following a reduction in discretionary spend, such as business travel and from a lower headcount.

EBITDA from discontinued operations in 2014 represents the results of the Disposal Assets up to their divestment on 31 October 2014.

Special items

Special items are non-recurring or variable in nature and do not impact the underlying trading of the Group.

Special items within operating profit from continuing operations:

2015

Impairment charges

During 2015, impairment charges were recognised against property, plant and equipment of \$8 million which primarily relates to the impairment of administrative land and buildings in Kazakhstan which are not in use. In

addition, a \$4 million impairment charge was recognised against mining assets for mine development works which are no longer expected to be utilised.

Loss on disposal of assets

During the first half of 2015, a loss on the disposal of mining assets of \$2 million was recognised relating to assets that the Group no longer intends to develop.

NFC deferral benefit

In November 2015, an agreement was signed with NFC under which \$300 million of Aktogay construction costs which were scheduled to be paid in 2016 and 2017 will be settled in the first half of 2018 with no change to the overall amount payable to NFC. The agreement to defer payments gave rise to a non-cash gain of \$16 million representing the estimated benefit to the Group.

Impact of fire at Bozshakol

The fire which occurred in August 2015 in the grinding area of the Bozshakol concentrator caused damage to \$7 million of equipment, the cost of which is recoverable against construction insurance. The damaged equipment has been written off to other operating expenses with the insurance payment recognised in other operating income with a net effect of nil.

2014

Impairment charges

In 2014, an impairment review was performed on the Bozymchak project as a result of lower forecast copper prices for 2015, ongoing optimisation work delaying the ramp up of the concentrator and changes to the mine plan. Following the review, an impairment charge of \$128 million was recognised. \$107 million was charged against property, plant and equipment, \$18 million against mining assets and \$3 million against other non-current assets of the project. The impairment charge reduced the carrying value of the project to its recoverable amount of \$100 million, determined on a discounted cash flow basis as at 31 December 2014. The cash flow forecasts were discounted at a post-tax discount rate of 11% (pre-tax rate of 12%).

Impairment charges were also recognised within East Region operations against property, plant and equipment of \$4 million, principally relating to unusable items.

Other items excluded from EBITDA (excluding special items) from continuing operations

Depreciation, depletion and amortisation

Depreciation, depletion and amortisation for 2015 of \$52 million is \$10 million higher than the charge in 2014. The charge reflects an increase in the depletion rate from the annual review of the East Region operation's reserves and resources carried out at the end of 2014 as disclosed in the 2014 Annual Report and Accounts. In addition, as Bozymchak reached commercial production in the second half of 2015, its depreciation, depletion and amortisation charges were recognised in the income statement from 1 July 2015.

MET and royalties

The MET charge for the East Region of \$61 million for the year was below the \$86 million charge in the prior year, reflecting lower metal in ore extracted and commodity prices.

Mining activities at Bozshakol and Aktogay commenced during the second half of 2015. As MET is incurred once ore is mined, \$17 million and \$3 million of MET relating to Bozshakol and Aktogay respectively was capitalised during pre-commercial production.

Bozymchak pays product royalties and a social development tax on its invoiced sales. These costs are recognised in selling costs. The royalty for the current year of \$1 million was incurred after commercial production was reached and recognised in the income statement.

Net finance costs

Net finance costs include:

- Interest expense of \$23 million, down from \$35 million in 2014.
- Net foreign exchange losses of \$60 million compared to \$54 million in 2014, which excluded the impact of the devaluation of the tenge in February 2014 which was treated as a special item.

- Interest on the employee benefits obligation and unwinding of discounts on other provisions of \$4 million compared to \$3 million in 2014.
- Interest income on cash deposits and short-term investments of \$9 million compared to \$10 million in 2014.

Overall net finance costs (excluding special items) were \$78 million compared to \$82 million in 2014.

The interest expense of \$23 million (\$35 million in 2014) is after the capitalisation of interest relating to the construction of new mines. The total interest cost on debt amounted to \$155 million compared to \$159 million in the prior year. The decrease is attributed to a lower weighted average cost of borrowing, a reduced balance under the CDB Bozshakol/Bozymchak facility and the absence of \$10 million in loan fees expensed on renegotiation of the PXF in 2014, partially offset by the additional borrowings on the CDB Aktogay facility. \$132 million of interest costs were capitalised to the construction of the mining projects compared to \$124 million in the prior year, as additional borrowings for the Aktogay project were partly offset by interest costs on Bozymchak ceasing to be capitalised.

The Central Bank of Kazakhstan announced in August 2015 that the tenge would be allowed to float against the US dollar following which the tenge fell by 80% by the year end. The decline in the KZT/\$ exchange rate has led to net foreign exchange losses being recognised in the financial statements. In the prior year, the devaluation of the tenge that arose on the change in the managed trading band of the exchange rate was treated as a special item. As the tenge has now moved to a free float against the US dollar, the movement in foreign exchange in 2015 has not been treated as a special item.

The net exchange loss of \$60 million is largely attributed to the depreciation of the Kyrgyz som giving rise to net exchange losses on Bozymchak's intercompany US dollar debt of \$52 million. This loss was largely offset by exchange gains arising on the translation of Kyrgyz som net liabilities which were recognised within equity. The depreciation in the tenge exchange rate following its free float led to net foreign exchange losses of \$7 million. Included within the tenge net exchange loss are:

- \$65 million exchange loss which arose on the translation of US dollar payables relating to the Bozshakol and Aktogay projects within Kazakhstan based entities which have tenge functional currencies. As the construction contracts on which these exchange losses arise are US dollar based, there is no change to the US dollar cost of the projects. Of the \$65 million exchange loss, \$31 million has been realised on payments made in the year and is included within expansionary capital expenditure in the cash flow statement.
- Net exchange gains attributed to the translation of US dollar denominated net monetary assets in Kazakhstan entities, principally receivables and cash.

In the prior year, excluding the \$181 million special item, the remaining net exchange losses arose largely from the depreciation of the Kyrgyz som on the translation of intercompany monetary liabilities relating to the financing of the Bozymchak project.

The net exchange loss of \$181 million excluded from net finance costs and treated as a special item in 2014 reflects the impact of the managed tenge devaluation in February 2014 and arose principally from the translation of tenge denominated monetary assets and liabilities in US dollar entities. These losses were largely offset by exchange gains arising on translation of tenge denominated net assets recognised directly within equity.

Interest income on cash and cash equivalents and short-term investments fell to \$9 million, reflecting lower interest earned on a reduced level of cash held by the Group as available funds were invested in the major growth projects.

Taxation

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

\$ million (unless otherwise stated)	2015	2014
Profit/(loss) before taxation from continuing operations	12	(169)
Add: MET and royalties	62	86
Add: special items within operating profit	(2)	132
Add: net foreign exchange loss arising on the devaluation of the tenge in 2014	–	181
Adjusted profit before taxation from continuing operations	72	230
Income tax expense	24	65
Add: MET and royalties	62	86
Less: recognition of a deferred tax (liability)/asset resulting from impairment charges	(1)	1
Less: recognition of a deferred tax liability resulting from the NFC deferral benefit	(3)	–
Less: tax effect on foreign exchange gain arising on the devaluation of the tenge in 2014	–	(8)
Adjusted tax expense from continuing operations	82	144
Effective tax rate (%)	200	(38)
All-in effective tax rate (%)¹	114	63

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

The effective tax rate of 200% arose as a tax charge of \$24 million was realised on pre-tax profits of \$12 million. Included within pre-tax profits is a Bozymchak pre-tax loss of \$63 million arising from exchange losses related to its US dollar intercompany debt. No tax asset was recognised on this loss principally due to the commodity price assumptions applied in assessing future recoverability and the five year statute of limitations on the use of tax losses in Kyrgyzstan. The unrecognised tax loss increased the Group's tax charge by approximately \$13 million using the Group's statutory rate. Other tax items which increase the effective tax rate include the impact of non-deductible expenses incurred principally in the East Region operations, the major growth projects and the UK tax group which are more pronounced at low profitability levels, adding \$10 million to the tax charge.

In 2014, the effective tax rate of (38%) arose principally from the \$48 million tax impact of non-deductible foreign exchange losses as a result of the February 2014 tenge devaluation and the \$36 million tax impact of other non-deductible business expenses principally from the East Region operations.

All-in effective tax rate

The all-in effective tax rate was 114% compared to 63% in 2014 with the increase attributed to the significant reduction in adjusted profit before tax of \$158 million, while the reduction in MET, which is determined independently of the profitability of operations was limited to \$24 million. Consequently, in periods when the copper price is at lower levels the profitability of the operations decreases, but the all-in effective tax rate increases, as the impact of MET and royalties is elevated due to its revenue-based nature. Whilst lower copper prices result in a lower absolute amount of taxes being levied, the all-in effective tax rate increases. Conversely, during periods of higher copper prices, the MET and royalties impact on the all-in effective tax rate decreases.

Non-deductible items

The tax impact of non-deductible items was \$10 million in 2015 (2014: \$84 million) relating principally to the East Region, Bozshakol and the UK. The \$84 million in 2014 mainly related to the non-deductibility of unrealised exchange losses which arose from the February 2014 tenge devaluation of \$48 million, with \$36 million due to the impact of the Bozymchak impairment and other ongoing non-deductible business expenses.

Taxation related special items:

2015

The taxation special items relate to the tax effects on the \$16 million NFC deferral benefit and certain other impairment charges.

2014

The taxation special items relate to the deferred tax asset that arose on the impairment of assets at the East Region operations (\$1 million) and the current tax charge on the exchange gains on US dollar denominated monetary assets in Kazakhstan arising from the February 2014 tenge devaluation of \$8 million.

Future tax rates

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

Discontinued operations

\$ million	2014
Disposal Assets	
Revenues	1,534
EBITDA (excluding special items)	201
Less: special items, non-cash items and MET	(267)
Operating loss	(66)
Taxation credit	4
Loss for the year	(62)
Loss on disposal	(2,273)
Total loss	(2,335)
Ekibastuz GRES-1	
Gain on disposal	207
Profit for the year	207
Loss for the year from discontinued operations	(2,128)

There were no discontinued operations in 2015, whilst in 2014 the discontinued operations consisted of the gain recognised on the disposal of Ekibastuz GRES-1 in April 2014 and the results of the Disposal Assets for the 10 months ended 31 October 2014 when their divestment completed.

Underlying profit

The reconciliation of Underlying Profit from (loss)/profit attributable to equity holders of the Company is set out below:

\$ million	2015	2014
Net loss attributable to equity shareholders of the Company from continuing operations	(12)	(234)
Special items within operating profit:		
Impairment charges	12	132
Loss on disposal of assets	2	–
NFC deferral benefit	(16)	–
Net foreign exchange loss arising on the devaluation of the tenge	–	181
Taxation related special items:		
Recognition of a deferred tax liability/(asset) resulting from impairment charges	1	(1)
Recognition of a deferred tax liability resulting from NFC deferral benefit	3	–
Net foreign exchange gain arising on the devaluation of the tenge	–	8
Underlying (Loss)/Profit from continuing operations	(10)	86
Net loss attributable to equity shareholders of the Company from discontinued operations	–	(2,128)
Special items within loss before tax from discontinued operations:		
Provisions released against historic tax claims	–	(15)
Impairment charges	–	15
Special items within loss for the year:		
Net loss on disposal of subsidiaries and investments	–	2,066
Net foreign exchange gain arising on the devaluation of the tenge	–	(24)
Taxation effect of special items:		
Provisions released against historic tax claims	–	(7)
Recognition of deferred tax assets resulting from impairment charges and other special items	–	(3)
Net foreign exchange gain arising on the devaluation of the tenge	–	5
Tax accruals arising from Kazakhstan legal demerger of Kazakhmys LLC	–	10
Underlying Loss from discontinued operations	–	(81)
Total Underlying (Loss)/Profit	(10)	5

The Group's net loss attributable to equity holders of the Company from continuing operations was \$12 million in 2015 compared to a loss of \$234 million in 2014. The prior year was impacted by significant foreign exchange losses arising from the February 2014 devaluation of the tenge and the impairment charge relating to Bozymchak. The current year was impacted by a lower EBITDA principally from reduced commodity prices.

The Underlying Loss from continuing operations for the year was \$10 million compared to a profit of \$86 million in the prior year, primarily due to the reduction in EBITDA noted above.

There were no discontinued operations in 2015. The Underlying Loss from discontinued operations in 2014 related to the Disposal Assets and the disposal of Ekibastuz GRES-1.

Earnings per share

	2015	2014
Weighted average number of shares in issue (million)	446	447
EPS – basic and diluted (\$)		
From continuing operations	(0.03)	(0.52)
From discontinued operations	–	(4.76)
	(0.03)	(5.28)
EPS based on Underlying Profit (\$)		
From continuing operations	(0.02)	0.19
From discontinued operations	–	(0.18)
	(0.02)	0.01

Basic earnings per share from continuing and discontinued operations was a loss of \$0.03 per share compared to a loss of \$5.28 per share in the prior year which was impacted by the loss realised on the divestment of the Disposal Assets.

Underlying earnings per share from continuing operations decreased to a loss of \$0.02 per share compared to \$0.19 per share.

Key financial indicators

The definitions of our key financial indicators are shown in the Glossary and these measures, on a total Group basis including continuing and discontinued operations, unless otherwise stated, are set out below:

	2015	2014
Group EBITDA (excluding special items) (\$ million)	202	556
EPS based on Underlying Profit (\$)	(0.02)	0.01
Free Cash Flow (\$ million)	(145)	(31)
Free Cash Flow excluding interest payments (\$ million)	2	119
Net cash cost of copper after by-product credits (US\$/lb) – continuing operations only	109	85

Dividends

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

In previous years, share buy-backs and special dividends have been used in addition to the ordinary dividend to return surplus funds to shareholders. Taking into consideration the Group's increase in net debt during the construction and ramp up phase of the major growth projects, the Directors did not declare an interim dividend and will not recommend a final dividend for 2015. 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 from continuing and discontinued operations is shown below:

\$ million	2015	2014
EBITDA (excluding special items)¹	202	556
Provisions released against historic tax claims	–	15
Working capital movements ²	(37)	21
Interest paid	(147)	(150)
MET and royalties paid	(54)	(102)
Income tax paid	(40)	(55)
Foreign exchange and other movements	(1)	(15)
Net cash flows from operating activities before other expenditure associated with major projects	(77)	270
Sustaining capital expenditure	(68)	(301)
Free Cash Flow	(145)	(31)
Expansionary and new project capital expenditure ³	(1,012)	(912)
Acquisition of mining licences	(46)	(225)
Non-current VAT receivable associated with major projects	(105)	(68)
Interest received	7	12
Proceeds from disposal of property, plant and equipment	7	7
Proceeds from disposal of joint venture	–	1,249
Proceeds from disposal of long-term investments	–	16
Proceeds from disposal of subsidiaries, net of cash disposed ⁴	–	(170)
Other movements	(2)	(6)
Cash flow movement in net debt	(1,296)	(128)

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

² Working capital movements exclude any accruals relating to MET and royalties, the movement in non-current VAT receivable and the movement in payables for capital expenditure.

³ Capital expenditure includes the capitalisation of \$2 million of net operating cash flows generated from the Bozymchak project in the period before the project reached commercial production. In addition, the net operating cash flows at Bozshakol of \$21 million and Aktogay of \$13 million were included within capital expenditure as the projects remain in the pre-commercial production phase.

⁴ For the year ended 31 December 2014, the \$170 million outflow reflects the \$158 million in cash transferred to the Disposal Assets on divestment and \$12 million of costs incurred on the transaction. The Disposal Assets also retained \$30 million of current investments on divestment.

Summary of the year

Net cash flows from operating activities decreased as lower profitability and negative working capital were only partially offset by lower MET, income tax and interest payments.

Working capital

The working capital movements resulting in the \$37 million outflow in 2015 are explained below:

- inventory levels increased by \$23 million, as a result of increased work in progress of copper concentrate awaiting processing at the Balkhash smelter;
- trade and other receivables decreased by \$74 million due to the winding down of trading relationships with the Disposal Assets at the start of 2015. A number of sales arrangements ended in late 2014 for which amounts were outstanding from customers at 31 December 2014, with corresponding payments due to the Disposal Assets;
- prepayments and other current assets rose by \$29 million as the Group's operating companies accrued VAT in excess of refunds over the course of the year; and
- trade and other payables and provisions decreased by \$59 million in 2015, reflecting principally the settlement of amounts due to the Disposal Assets in respect of sales arrangements which ended in late 2014.

In the prior year there was a working capital inflow of \$21 million, including cash flows from the Disposal Assets. Inventory levels increased by \$10 million, mainly as a result of increased copper cathode goods-in-transit; trade and other receivables decreased by \$87 million due to the timing of cash receipts and lower sales volumes following divestment of the Disposal Assets; prepayments and other current assets rose by \$84 million as a result of an accumulation of VAT primarily within the Disposal Assets; and trade and other payables and provisions increased by \$28 million in 2014, largely driven by a rise in accruals for services across the Group.

Interest cash flows

Interest paid during the year was \$147 million, compared with \$150 million in the prior year and is consistent with the lower total interest cost for the year of \$155 million compared to \$159 million in the prior year. Interest payments are made semi-annually in January and July under the CDB Bozshakol/Bozymchak facilities, quarterly under the CDB Aktogay CNY facility and monthly under the PXF.

Income taxes and mineral extraction tax

Income tax payments of \$40 million were lower than the \$55 million in the prior year, reflecting the lower profitability of the East Region operations in the current year and the absence of tax payments in 2015 relating to the Disposal Assets. At 31 December 2015 the Group's net income tax payable was \$11 million, compared to \$18 million in 2014.

MET and royalty payments of \$54 million were below the \$102 million in 2014 following lower metal in ore extracted as the prior period includes the MET paid by the Disposal Assets and due to lower commodity prices. At 31 December 2015, the Group's MET and royalty payable was \$25 million, compared to \$10 million in 2014. In the last quarter of 2015, \$4 million in MET was paid following ore extracted from the Bozshakol and Aktogay mining activities. This payment was recognised within expansionary capital expenditure in the cash flow statement.

Free Cash Flow

The Group's Free Cash Flow, which includes \$147 million (2014: \$150 million) of interest payments on borrowings used specifically for the funding of capital expenditure at the major growth projects was an outflow of \$145 million compared to a \$31 million outflow in 2014. Excluding interest payments, the operations recorded a positive Free Cash Flow of \$2 million (2014: \$119 million) despite the lower commodity price environment. The reduction in Free Cash Flow reflects the lower profitability in 2015 and negative working capital movement, only partially offset by lower sustaining capital expenditure, MET and income tax payments.

Capital expenditure

Sustaining capital expenditure fell to \$68 million as the majority of the 2014 spend related to the Disposal Assets and as management sought to limit investment in the East Region operations. Certain items of investment planned for 2015 have been deferred to 2016. Expansionary capital expenditure of \$1,012 million was principally invested in the major growth projects of Bozshakol (\$527 million) and Aktogay (\$470 million). Please refer to the Operating Review for more detail on sustaining and expansionary capital expenditure. Total capital expenditure in the year was \$1,080 million compared to \$1,213 million for the year ended 31 December 2014.

Other investing and financing cash flows

In 2015, other investing cash flows relate to the \$35 million final instalment for the Koksay licence along with transaction taxes that may potentially be recovered in the future, interest received of \$7 million (2014: \$12 million) and the sale of various items of property, plant and equipment within the Group for proceeds of \$7 million (2014: \$7 million).

Investing cash flows in 2014 included the initial payment for the Koksay licence of \$225 million, the cash proceeds received from the sale of Ekibastuz GRES-1 of \$1,249 million and \$170 million related to the Disposal Assets which consisted of \$158 million of cash and cash equivalents transferred and \$12 million of transaction costs on divestment. The Disposal Assets also retained \$30 million of current investments on divestment.

Balance sheet

The Group's capital employed position at 31 December 2015 is shown below:

\$ million	2015	2014
Equity attributable to owners of the Company	319	2,101
Non-controlling interests	3	3
Borrowings	3,504	3,092
Capital employed	3,826	5,196

Summary of movements

The Group's attributable loss for the year of \$12 million and the non-cash foreign currency translation loss of \$1,773 million led to the fall in the equity attributable to owners of the Company.

In 2015, there has been a significant reduction in net equity due to the 86% fall in the value of the tenge from 31 December 2014 to 31 December 2015. The Group's mining assets are largely held within Kazakhstan based entities which maintain tenge as their functional currency. At period ends, these non-monetary assets are consolidated and reported in US dollars at the closing exchange rate with the change in value arising from movements in the tenge exchange rate reflected in equity and not through the income statement. Whilst the consolidated net asset value of the Kazakhstan based entities has reduced for reporting purposes in 2015, the weaker tenge should have a positive effect on their underlying economic value as it reduces their local operating costs with revenues largely US dollar based. The Group's external liabilities, principally its bank debt, are largely US dollar denominated and therefore its value is unaffected by movements in the KZT/\$ exchange rate.

Net debt

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

\$ million	2015	2014
Cash and cash equivalents	851	1,730
Current investments	400	400
Borrowings	(3,504)	(3,092)
Net debt	(2,253)	(962)

Cash and cash equivalents and current investments at 31 December 2015 were \$1,251 million, of which \$224 million relates to drawings under the CDB Aktogay finance facility and will be used for the development of Aktogay. Current investments of \$400 million (2014: \$400 million) consist of bank deposits with initial terms of maturities of between three and 12 months held with institutions predominantly in the UK.

In order to manage counterparty and liquidity risk, surplus funds within the Group are held predominantly in the UK and funds remaining in Kazakhstan are utilised mainly for working capital purposes. The funds within the UK are held primarily with major European and US financial institutions and triple-'A' rated liquidity funds. At 31 December 2015, \$1,225 million of cash and short-term deposits were held in the UK and Europe and \$25 million in Kazakhstan.

Gross borrowings increased to \$3,504 million at 31 December 2015 from \$3,092 million at 31 December 2014, reflecting the draw down of \$540 million under the CDB Aktogay US dollar and CNY facilities, the drawing of the CAT \$50 million facility which was arranged in August 2015 and the \$181 million of repayments under the CDB Bozshakol/Bozymchak facilities.

At 31 December 2015, gross borrowings (all net of amortised fees) consisted of \$1,881 million under the CDB Bozshakol/Bozymchak facilities, \$1,228 million under the CDB Aktogay finance facility, \$345 million under the PXF and \$50 million under the CAT facility. The Group has \$250 million undrawn on the CDB Aktogay facilities as at 31 December 2015.

Full details of the terms of the Group's borrowings are included in note 12 of the consolidated financial statements.

Other significant matters

NFC contract agreement

On 17 November 2015, the Group reached an agreement with its principal construction contractor, NFC, to defer payment of \$300 million relating to the Aktogay project. Under the revised terms, \$300 million of construction costs which were scheduled to be paid in 2016 and 2017 will be settled in the first half of 2018. There is no change to the overall amount payable to NFC or the project budget of \$2.3 billion. The deferral of \$300 million to 2018 provides additional liquidity during the construction and ramp up of Bozshakol and Aktogay.

Going concern

At current market prices, and on the basis that the current debt facilities remain available, the Group has adequate liquidity over the going concern period, even in the event of a moderate delay in the assumed ramp up at Bozshakol. However, in the absence of a material improvement in commodity prices, the Group's PXF and CAT facilities' covenants will be breached when tested for the period ended 31 December 2016. Based on discussions with its banks, the Group is confident that the banks will view favourably a waiver or temporary suspension request of a technical covenant breach, provided the Group's debt service obligations are maintained, which the forecasts indicate is likely to be the case and that the facilities will remain available throughout the going concern period.

In the event of a sustained fall in commodity prices below current levels combined with delays in the ramp up of Bozshakol, mitigating actions would be required to support liquidity over the going concern period, which the Group believes are achievable. As a result the consolidated financial statements have been prepared on a going concern basis. See note 2(a) of the consolidated financial statements.

PRINCIPAL RISKS

Managing our risks

The significant risks identified by KAZ Minerals are those that could materially affect the Group's financial condition, performance, strategy and prospects. There may be other risks unknown, or currently believed immaterial by the Group, which might become material.

Developments which have been reflected in the principal risks disclosure include the Kazakhstan tenge moving to a free float against the US dollar in August 2015, for which a new risk factor relating to foreign exchange and inflation has been added in the year. The significant devaluation of the tenge could increase the risk of cost inflation for labour and suppliers and contractors. Commodity price and liquidity risk have been impacted by the falls in commodity prices during 2015. The Group's exposure to China is expected to increase with the production of copper concentrate from growth projects which will be sold to China.

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.

Operational risks

Health and safety

Description

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.

Impact

Health and safety incidents could lead to a number of adverse consequences, including harm to people, as well as production disruption, financial loss and reputational damage. Reputational damage could negatively impact KAZ Minerals' ability to attract and retain employees, affect its standing in the local community and its relations with the Government and reduce access to finance and attractiveness to investors.

Action

KAZ Minerals recognises that the highest standards of health and safety practices are vital to its success and are a key responsibility of all employees. The Group's goal is for zero fatalities and to minimise the number of health and safety incidents. The Group's policies and procedures in these areas are designed to identify relevant risks and opportunities and provide a clear framework for conducting business. Significant investment is being made into the health and safety practices at the open pit mines and modern processing facilities at Bozshakol and Aktogay which will ramp up operations during 2016. These open pit mines will provide inherently safer operating environments for employees.

Business interruption

Description

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.

Impact

Any disruption to operational activities could have a negative impact on the Group's profitability and cash flows, may require the Group to incur unplanned capital expenditure for repair and replacement, may result in harm to people and may cause environmental damage. Business interruption could result in the loss of customers, affect growth prospects and lead to reputational damage.

Action

Work is undertaken across the Group, with the support of appropriate in-house and third-party specialists, to manage operational risks. The Group maintains its equipment and facilities and regularly inspects the condition of its facilities. The Group's operational assets are in areas which have low earthquake and flood risk ratings. The Group is reliant on a relatively small number of operating assets, which increases the impact of business disruption.

However, the operating assets are geographically diversified, which potentially mitigates a single incident causing widespread disruption across the operations.

A combined property damage and business interruption catastrophic insurance programme is in place which can provide protection from some of the financial loss arising from a major incident at the Group's concentrating facilities or an incident at a facility of a key external supplier. Should a major outage occur at the Balkhash smelter where the Group's concentrate from the East Region and Bozymchak is currently processed into copper cathode, gold bar and silver granule, the Group believes it could sell concentrate directly to customers. Risk engineers conduct inspections of the Group's key processing assets to assess the key risks and provide recommendations to management for improvements.

Political risk

Description

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.

Impact

Changes to foreign trade (export and import), foreign investments, property, tax, environmental and subsoil use regimes, social responsibility expectations or other changes that affect the business environment in Kazakhstan and Kyrgyzstan could negatively affect the Group's business, financial position and performance and decisions on future investments. The changes may also lead to reputational damage, in particular with investors, and potentially the loss of licences to operate.

Action

KAZ Minerals maintains a proactive dialogue with the Governments of both Kazakhstan and Kyrgyzstan across a range of issues, including subsoil use regulations, taxation, the environment and social responsibility and community relations. The Government of Kazakhstan has actively pursued a programme of economic reform, helping to make it one of the most politically stable and economically developed countries in Central Asia. Political, legal and regulatory developments affecting the existing operations and projects are monitored closely and lobbying is conducted where appropriate. The Board continues to view the political, social and economic environment within Kazakhstan favourably and, looking forward, remains optimistic about the conditions for business in the region.

New projects

Description

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 will increase in 2016 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.

Impact

Projects may fail to achieve the desired economic returns due to an inability to recover mineral resources, failure to achieve expected operating parameters, and as a result of the capital or operating costs of the projects being higher than expected. Design or construction deficiencies could result in projects being delayed, or failing to complete. These factors could result in additional rework costs and delays to cash flows which could affect the Group's liquidity and financial results. A reduction in future production volumes would also increase the cash cost on a per unit basis. In addition a lack of available funding may prevent or delay the completion of projects.

Action

Prior to an investment decision being made, certain evaluation activities are performed including, where appropriate, feasibility and other technical studies. Significant projects are subject to the Group's capital appraisal process, including Board review and approval as they progress. There are also a number of planning and monitoring procedures in place addressing the management of capital expenditure within the Group. The Group ensures that sufficient expertise, from both in-house and third-party specialists, is utilised on projects throughout their life cycle.

The Bozshakol and Aktogay major growth projects have been designed using modern equipment which is proven technology and the Group has in place a specialised internal project management team with significant international mining experience. The Group is also utilising the services of Non Ferrous China, primarily for the construction and commissioning of the Bozshakol sulphide and clay processing plants. Non Ferrous China is also constructing and commissioning the sulphide processing plant at Aktogay with the other sections of the project divided between several smaller contractors. A Projects Assurance Committee has been established to regularly assess the operational and financial status of the projects to identify and manage any material risks to a successful commissioning. In respect of project funding, committed financing is in place for Bozshakol and Aktogay. Details of the current status of the major growth projects is included in the Operating Review.

Employees

Description

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.

Impact

Labour productivity, skill levels, efficiency and turnover may have a direct influence on the Group's ability to provide a safe and efficient working environment and to fulfil its production plan and financial performance. The ability to attract, train and retain skilled staff for the Bozshakol and Aktogay operations team may directly affect the ramp up of operations, operating performance, financial results and projected cash flows. A shortage of skilled employees could increase the Group's operating costs as wages are raised to recruit the required staff. However, in the current commodity price environment recruitment conditions for internationally experienced mining staff are expected to be more favourable.

Action

The Group actively monitors the market to remain competitive in the hiring of staff. KAZ Minerals has an extensive social benefits programme for its employees and their dependants and invests in training facilities and staff development to raise skill levels. Providing employees with a safe working environment is also a fundamental priority. Active engagement ensures a good relationship is maintained with labour unions. The Bozshakol and Aktogay operations teams have a detailed recruitment and training plan, which is currently being implemented. International workers with appropriate expertise have been employed during the initial operational years of the projects to assist the successful ramp up of the operations.

Suppliers and contractors

Description

The Group relies on services and materials provided by external suppliers and contractors. Smelting, electricity supply, shaft sinking, auxiliary construction and maintenance services 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.

Impact

If there is any interruption to the supply of: mining equipment; materials; smelting; electricity supply and transmission; shaft sinking and auxiliary construction; transportation; and maintenance services then this may have a negative effect on the Group's financial position and ability to operate effectively and future performance. Inflation in services, mining equipment and supplies will increase operating and capital costs which will affect the Group's financial performance, and these factors together may impact the economic viability of certain mines and projects. Disruption of operations or increased costs could arise if key contractors are unable to provide services. Failing to properly manage related party transactions could result in litigation, regulatory censure and reputational damage for the Group. The actions of suppliers and contractors could give rise to reputational damage and potential liabilities for the Group.

Action

The performance of the Balkhash smelter is closely monitored and, whilst it is not as financially attractive, the concentrate from the East Region could be shipped to China for processing, should a significant outage occur at the smelter. The Group has appointed alternative suppliers for a number of services previously provided by Cuprum Holding and will continue to encourage multiple suppliers to bid for tenders to create competition where appropriate. The Group also actively monitors the market for mining equipment and supplies to remain competitive in the procurement of mining equipment and supplies. The Group ensures that appropriate monitoring and disclosure procedures are in place for related party transactions.

Labour and community relations

Description

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 recent sharp moves in the tenge US dollar exchange rate have 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.

Impact

Poor employee relations influenced by internal and external factors could result in an unstable workforce that disrupts operations or seeks wage increases and other forms of compensation, having a material adverse effect on the Group's financial performance. Community disputes, local strikes or other forms of collective protest could disrupt operations and result in lower production volumes and an increase in operating costs.

The dependence of certain communities on the Group for employment and the provision of services may impose restrictions on the Group's flexibility in taking certain operating decisions and could have a material adverse effect on the Group's financial position. Failure to manage relationships with local communities, government and non-governmental organisations may disrupt operations and negatively affect the Group's reputation as well as its ability to bring projects into operation. Support provided to communities may adversely impact the Group's cash flows.

Action

A full engagement strategy with community representatives, unions and employees operates within the Group which aims to address concerns raised by different stakeholders. The Group first seeks to identify and minimise any potentially negative operational impacts and risks through responsible behaviour and acting transparently, prioritising the health and safety of its workers, environmental compliance, promoting dialogue and complying with commitments. Action has been taken to protect workers from some of the impact of the decline in the tenge value to the US dollar. The Group also has a social programme for its employees and their dependants and works closely with local authorities on social matters. Bozshakol and Aktogay are in remote locations and therefore community relations risk is reduced.

Reserves and resources

Description

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.

Impact

Changes in ore reserves and mineral resources could adversely impact mine plans and the economic viability of development projects resulting in economic losses, negatively impacting the Group's financial position and performance. The Group is dependent on production from a relatively small number of mines and the confirmation of reserves at each mine is critical to future production levels.

Action

The Group's ore reserves and mineral resources are published in accordance with the criteria of the JORC Code. KAZ Minerals engages the services of independent technical experts annually to convert reserve and resource calculations for operating mines and development projects from the estimation method established by the former Soviet Union to the method prescribed by the JORC Code. This also includes mine site visits where considered appropriate by independent technical experts. Drilling and exploration programmes are conducted by the Group to enhance the understanding of geological information at the deposits.

Compliance risks

Subsoil use rights

Description

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.

Impact

As many of Kazakhstan's subsoil use laws have been adopted relatively recently and remain untested in the country's judicial system, the legal consequences of a given breach may not be predictable. However, non-compliance with the requirements of subsoil use contracts could potentially lead to regulatory challenges and subsequently to fines, litigation, restrictions to business operation and ultimately to the loss of operating licences. The loss of any of the Group's subsoil use rights could have a material adverse effect on its mining operations.

Action

The Group's management makes every effort to engage with the relevant regulatory authorities and ensure compliance with all relevant legislation and subsoil use contracts. The Group's procedures to ensure compliance with the terms of subsoil contracts have been updated to reflect the requirements of legislation, including more active procurement of goods and services from Kazakhstan. In 2015, over half of the goods and services used by the operations were sourced from Kazakhstan. A specialist department is also tasked with monitoring compliance with the terms of the subsoil use contracts.

Environmental compliance

Description

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 emission charges. Policies and measures at a national and international level to tackle climate change will increasingly affect the business, thereby demanding higher standards and increasing regulatory risks.

Impact

A violation of environmental laws, or failure to comply with the instructions of the relevant authorities, could lead to the suspension of operating licences, challenges to subsoil use mining rights, fines and penalties, the imposition of costly compliance procedures, reputational damage and financial loss. New or amended environmental legislation or regulations may result in increased operating costs, additional capital investment or, in the event of the Group's non-compliance, the possibility of fines, penalties or other actions which may adversely affect the Group's financial performance and reputation. Emissions charges in Kazakhstan have been increasing over recent years and the authorities are adopting an increasingly robust stance on compliance with environmental standards.

Action

The Group has policies and procedures in place which set out the required operating standards for all employees and monitors its emissions. The Group liaises with the relevant governmental bodies on environmental matters, including the development of new legislation. The generation of overburden from stripping works, consumption of water and energy and CO₂ emissions will increase as the Group ramps up production at Bozshakol and Aktogay. These projects will utilise modern technology that will improve energy consumption and water recycling rates per tonne of ore processed at the same time as managing tailings waste more effectively than at our historic

operations. Implementation of new modern design projects provides an opportunity to reduce the Group's overall environmental footprint.

Financial risks

Commodity prices

Description

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. During 2015, as a result of a challenging economic environment and poor investor sentiment, the market prices of all the Group's commodities fell sharply. The average LME copper price in 2015 was \$5,495 per tonne, a 20% decrease from 2014. At the start of 2016 the LME copper price has traded below \$4,400 per tonne.

Impact

Commodity prices can fluctuate significantly and could have a material impact on the Group's asset values, revenues, earnings, cash flows and growth prospects. The financial impact of commodity price movements on the Group's financial position will increase with the ramp up in output from Bozshakol and Aktogay.

Action

The Group regularly reviews its sensitivity to fluctuations in commodity prices. The Group does not as a matter of course hedge commodity prices, but may enter into a hedge programme for certain commodities where the Board determines it is in the Group's interest to provide greater certainty over future cash flows. The Group adopts a prudent approach in its financial planning and investment appraisal, reflecting the volatility in commodity prices.

Foreign exchange and inflation risk

Description

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 a rate of 339 KZT/\$ at the year end. The lower tenge reduces the Group's operating cost in US dollar terms. The fall in value of the tenge increases the risk of higher inflation rates.

Impact

Fluctuations in rates of exchange or inflation in the jurisdictions to which the Group is exposed could result in future increased operating costs and adversely affect financial performance. The functional currency of the Group's operations is the local currency, such that the translation of US dollar denominated monetary assets and liabilities can give rise to exchange gains and losses in the income statement, which are largely offset by corresponding translation gains and losses recognised in equity. This increases the volatility of financial results reported in the income statement. In addition the translation of the Group's operating assets from a local functional currency to US dollars for financial reporting can result in volatility in the level of net assets recorded on the Group's balance sheet.

Action

Where possible the Group attempts to conduct its business and maintain its assets and financial liabilities in US dollars to minimise exposure to other currencies. Surplus cash balances are maintained in US dollars. The Group generally does not hedge its exposure to foreign currency risk in respect of operating expenses.

Exposure to China

Description

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. In 2015, sales to China accounted for a significant proportion of revenues which 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 which provide access to funding of \$3.1 billion at 31 December 2015, primarily for the development of Bozshakol and Aktogay.

Impact

Changes to China's fiscal or regulatory regimes or lower Chinese copper consumption could reduce demand in China for the Group's major products, which would result in a greater volume of sales being directed to the Group's other major market, Europe. Changes to Chinese government policy on credit or cross border lending may affect the availability of financing from Chinese banks to the Group.

Action

The Group has historically sold a significant volume of its copper cathode production into Europe, as well as into China, thereby taking advantage of its geographic position which provides access to both major markets. In the event that demand reduced in China for the Group's finished products, KAZ Minerals would allocate its sales of copper cathode between the two markets to improve the commercial terms obtained. The financing line for Bozshakol has been drawn and the Aktogay loan agreement is a committed loan facility, thereby providing greater certainty over the funding of the Group's growth projects. KAZ Minerals also maintains relationships with a number of international lending banks, having the PXF facility in place, and has the flexibility to consider other sources of capital such as the bond or equity markets, if so required.

Acquisitions and divestments

Description

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.

Impact

Changing market conditions, incorrect assumptions or deficiencies in due diligence processes could result in acquisitions failing to deliver the expected benefit or value to the Group, leading to adverse financial performance and failure to meet expectations. Acquisitions could also lead to the Group assuming liability for the past acts of acquired businesses, without recourse to other parties. The disposal of assets or businesses may not achieve the expected proceeds due to changing market conditions, reductions in value, delays in the sale or deficiencies in the sales process.

Action

Specialised staff are assigned to manage corporate transactions, supported where appropriate by external advisers. Due diligence processes are undertaken on acquisitions and material transactions are subject to Board review and approval, including ensuring the transaction is aligned with the Group's strategy, consideration of the key assumptions being applied and the risks identified.

Liquidity risk

Description

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.

The Group's PXF facility is subject to financial covenants, which are suspended until 1 July 2016. In the absence of a material improvement in commodity prices, the facilities' covenants 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 believe that it will reach agreement on amending its facilities such that no covenant breach occurs for the period ended 31 December 2015.

At the end of 2015 the Group had net debt of \$2,253 million, available cash and liquid investments of \$1,251 million and undrawn uncommitted facilities of \$250 million. The debt financing of the Bozshakol and Aktogay projects has resulted in an elevated net debt level, which has been exacerbated by current commodity prices and the level of net debt is expected to increase in 2016 during ramp up.

Impact

Non-compliance with financial covenants could result in borrowing facilities becoming uncommitted and repayable if negotiations with the banks are unsuccessful. Failure to manage liquidity risk could have a material impact on the Group's cash flows, earnings and financial position as well as reducing the funds available to the Group for working capital, capital expenditure, acquisitions, dividends and other general corporate purposes.

Action

KAZ Minerals adopts a prudent approach in managing its liquidity risk, reflecting the volatility in commodity prices. The Group manages liquidity risk by maintaining adequate levels of committed borrowing and working capital and closely monitoring forecast cash flows to ensure financial liabilities can be met as they fall due. The Board monitors the financing strategy and net debt level of the Group to ensure it is appropriate, taking into consideration the expected outlook of the Group's financial position, expected cash flows and commitments and available sources of financing.

The Group has secured committed funding for the development of Bozshakol and Aktogay. The liquidity outlook was assisted by an agreement with Non Ferrous China, to defer the payment of \$300 million of construction costs which were scheduled to be paid in 2016 and 2017 until the first half of 2018. The Group also raised an additional \$50 million via a new facility with CAT. The successful commissioning of Bozshakol has expanded the range of financing options available to the Group. Further details regarding going concern are included in note 2 to the financial statements.

Taxation

Description

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 over the last 12 months 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 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.

Impact

The uncertainty of interpretation, application and the evolution of tax laws creates a risk that additional and substantial payments of tax could arise for the Group, or that tax receivable balances are not recovered as expected, which could have a material adverse effect on the Group's cash flows, financial performance and position. Failure to comply with tax laws could also impact the Group's reputation in the countries in which it operates.

Action

The Group obtains appropriate tax advice, makes every effort to comply with existing tax legislation and works closely with the Government and tax authorities in the review of proposed amendments to tax legislation and regulation. Further details of the Group's tax strategy and risk management are set out in the Financial Review.

DIRECTORS' RESPONSIBILITY STATEMENT

Each Director confirms to the best of his/her knowledge that:

- the Group and parent company accounts, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2015

\$ million (unless otherwise stated)	Notes	2015	2014
Continuing operations			
Revenues	4(b)	665	846
Cost of sales		(429)	(456)
Gross profit		236	390
Selling and distribution expenses		(27)	(25)
Administrative expenses		(126)	(139)
Net other operating income	5	22	5
Impairment losses	6	(15)	(137)
Operating profit		90	94
Analysed as:			
Operating profit (excluding special items)		88	226
Special items	7	2	(132)
Finance income	8	192	136
Finance costs	8	(270)	(399)
Profit/(loss) before taxation		12	(169)
Analysed as:			
Profit before taxation (excluding special items)		10	144
Special items	7	2	(313)
Income tax expense	9	(24)	(65)
Loss for the year from continuing operations		(12)	(234)
Discontinued operations			
Loss for the year from discontinued operations		–	(2,128)
Loss for the year		(12)	(2,362)
Attributable to:			
Equity holders of the Company		(12)	(2,362)
Non-controlling interests		–	–
		(12)	(2,362)
Earnings per share attributable to equity holders of the Company – basic and diluted			
From continuing operations (\$)	10(a)	(0.03)	(0.52)
From discontinued operations (\$)	10(a)	–	(4.76)
		(0.03)	(5.28)
EPS based on Underlying Profit – basic and diluted			
From continuing operations (\$)	10(b)	(0.02)	0.19
From discontinued operations (\$)	10(b)	–	(0.18)
		(0.02)	0.01

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

\$ million	Notes	2015	2014
Loss for the year		(12)	(2,362)
Other comprehensive (expense)/income for the year after tax:			
Items that will never be reclassified to the income statement:			
Actuarial losses on employee benefits, net of tax		–	(1)
		–	(1)
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on retranslation of foreign operations	2(e)	(1,773)	(430)
Recycling of capital reserves and non-controlling interests on disposal of subsidiaries		–	647
Recycling of exchange differences on disposal of joint venture		–	24
		(1,773)	241
Other comprehensive (expense)/income for the year		(1,773)	240
Total comprehensive expense for the year		(1,785)	(2,122)
Attributable to:			
Equity holders of the Company		(1,785)	(2,121)
Non-controlling interests		–	(1)
		(1,785)	(2,122)
Total comprehensive expense attributable to equity holders of the Company arising from:			
Continuing operations		(1,785)	(413)
Discontinued operations		–	(1,708)
		(1,785)	(2,121)

CONSOLIDATED BALANCE SHEET

At 31 December 2015

\$ million	Notes	2015	2014
Assets			
Non-current assets			
Intangible assets		7	11
Property, plant and equipment		2,019	2,264
Mining assets		374	476
Other non-current assets		256	429
Deferred tax asset		59	42
		2,715	3,222
Current assets			
Inventories		113	147
Prepayments and other current assets		55	49
Income taxes receivable		1	2
Trade and other receivables		23	168
Investments		400	400
Cash and cash equivalents		851	1,730
		1,443	2,496
Total assets		4,158	5,718
Equity and liabilities			
Equity			
Share capital	11(a)	171	171
Share premium		2,650	2,650
Capital reserves	11(c)	(2,072)	(299)
Retained earnings		(430)	(421)
Attributable to equity holders of the Company		319	2,101
Non-controlling interests		3	3
Total equity		322	2,104
Non-current liabilities			
Borrowings	12	3,201	2,911
Deferred tax liability		31	17
Employee benefits		13	22
Provisions		18	26
		3,263	2,976
Current liabilities			
Trade and other payables		254	435
Borrowings	12	303	181
Income taxes payable		12	20
Employee benefits		2	2
Provisions		2	–
		573	638
Total liabilities		3,836	3,614
Total equity and liabilities		4,158	5,718

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

\$ million	Notes	2015	2014
Cash flows from operating activities			
Cash flow from operations before interest and income taxes	13	5	407
Interest paid		(147)	(150)
Income taxes paid		(40)	(55)
Net cash flows (used in)/from operating activities		(182)	202
Cash flows from investing activities			
Interest received		7	12
Proceeds from disposal of property, plant and equipment and mining assets		7	7
Purchase of intangible assets		(4)	(10)
Purchase of property, plant and equipment		(1,026)	(1,062)
Investments in mining assets, including licences		(96)	(366)
Licence payments for subsoil contracts		(1)	(3)
Acquisition of non-current investments		(1)	(3)
Proceeds from disposal of long-term investments		–	16
Movement in short-term bank deposits	14	–	195
Disposal of subsidiaries, net of cash disposed		–	(170)
Proceeds from disposal of joint venture		–	1,249
Net cash flows used in investing activities		(1,114)	(135)
Cash flows from financing activities			
Proceeds from borrowings		590	647
Repayment of borrowings		(181)	(673)
Net cash flows from/(used in) financing activities	14	409	(26)
Net (decrease)/increase in cash and cash equivalents	14	(887)	41
Cash and cash equivalents at the beginning of the year		1,730	1,715
Effect of exchange rate changes on cash and cash equivalents	14	8	(26)
Cash and cash equivalents at the end of the year		851	1,730

For the year ended 31 December 2014, the consolidated statement of cash flows includes cash flows from both continuing and discontinued operations. There were no discontinued operations in the year ended 31 December 2015.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

\$ million	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserves ¹	Retained earnings	Total		
At 1 January 2014	171	2,650	(541)	1,937	4,217	4	4,221
Loss for the year	–	–	–	(2,362)	(2,362)	–	(2,362)
Exchange differences on retranslation of foreign operations	–	–	(430)	–	(430)	–	(430)
Recycling of capital reserves and non-controlling interests on disposal of subsidiaries	–	–	648	–	648	(1)	647
Recycling of capital reserves on disposal of joint venture	–	–	24	–	24	–	24
Actuarial losses on employee benefits, net of tax	–	–	–	(1)	(1)	–	(1)
Total comprehensive income/(expense) for the year	–	–	242	(2,363)	(2,121)	(1)	(2,122)
Share-based payments	–	–	–	5	5	–	5
At 31 December 2014	171	2,650	(299)	(421)	2,101	3	2,104
Loss for the year	–	–	–	(12)	(12)	–	(12)
Exchange differences on retranslation of foreign operations	–	–	(1,773)	–	(1,773)	–	(1,773)
Total comprehensive expense for the year	–	–	(1,773)	(12)	(1,785)	–	(1,785)
Share-based payments	–	–	–	3	3	–	3
At 31 December 2015	171	2,650	(2,072)	(430)	319	3	322

¹ Refer to note 11(c) for an analysis of 'Capital reserves'.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 December 2015

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 Restructuring which completed on 31 October 2014 resulted in the divestment of a number of the Group's relatively mature mining and power operations, primarily located in the Zhezkazgan and Central Regions (the 'Disposal Assets'). On completion, the Company, which was previously known as Kazakhmys PLC, changed its name to KAZ Minerals PLC. Following the Restructuring, the Group consists of the East Region operations, Bozymchak and the Mining Projects – which consists of Aktogay, Bozshakol and Koksay before the commissioning of the respective concentrators. Once commissioned they will be disclosed as individual operating segments when managed separately from Mining Projects.

2. Basis of preparation

The financial information for the year ended 31 December 2015 does not constitute statutory accounts as defined in Sections 435(1) and (2) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered following the Company's Annual General Meeting convened for 5 May 2016. The auditor has reported on these accounts; their reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

(a) 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. In addition, the Group's objectives, policies and processes for managing its capital structure, liquidity position and financial risks arising from exposures to commodity prices, interest rates and foreign exchange are set out in the Notes to the Financial Statements in the Annual Report and Accounts.

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. The Group adopts a prudent approach in managing its liquidity risk, reflecting the volatility in commodity prices.

At 31 December 2015, the Group's net debt was \$2,253 million with total debt of \$3,504 million and gross liquid funds of \$1,251 million and total undrawn committed facilities of \$250 million.

At 31 December 2015, the gross debt of \$3,504 million consisted of:

- \$1,881 million of the CDB-Bozshakol and Bozymchak facilities which amortises over the period to 2025;
- \$1,228 million of the \$1.5 billion loan facility with CDB, which matures over 15 years in 2028;
- the amended PXF facility, which was fully drawn at \$345 million, whose principal repayments will amortise over a three year period until final maturity in December 2018; and
- \$50 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 31 March 2017, which reflect the significant liquidity on hand at 31 December 2015, including cash and investments of \$1,251 million and undrawn committed borrowing facilities of \$250 million, and the significant capital expenditure planned. The Board has identified the successful ramp up of production at Bozshakol and realised commodity prices as the most sensitive variables to expected cash flows.

At current market commodity prices and on the basis that the current borrowing facilities remain available, the Board considers that the Group has adequate liquidity over the going concern period, even in the event of a moderate delay in the assumed ramp up of production at Bozshakol. (The Group's PXF facility and CAT facility are subject to financial covenants in particular the net debt to EBITDA covenant which is suspended until 1 July 2016. In the absence of a material improvement in commodity prices from current levels this covenant will be breached when tested for the period ending 31 December 2016. Based on discussions with its banks, the Board is confident that the banks will view favourably a waiver or temporary suspension request of a technical covenant breach, provided the Group's debt service obligations are maintained, which the 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 existing debt facilities continue throughout the going concern assessment period.)

However, in the event of a sustained fall in commodity prices below current levels, combined with delay in the ramp up of Bozshakol, mitigating actions would be required to secure liquidity over the going concern period, which could include obtaining additional debt financing and 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.

(b) Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The 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.

(c) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2015 and the Group's financial performance for the year ended 31 December 2015.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to direct those activities of an enterprise that most significantly affect the returns the Group earns from its involvement with the enterprise. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This treatment may mean that amounts previously recognised in other comprehensive income are recycled through the income statement.

The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intragroup transactions, have been eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Statement of compliance

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with IFRSs as 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 (EU), and in accordance with the provisions of the Companies Act 2006.

(e) Devaluation of tenge

On 20 August 2015, the National Bank of Kazakhstan announced that the tenge would trade freely and no longer be subject to management within a stated range. Following this announcement, the tenge ended the year at 339.47 tenge per US dollar which has resulted in the recognition of exchange gains and losses through the income statement, arising mostly on US dollar denominated monetary assets and liabilities held by the Group's Kazakhstan based subsidiaries whose functional currency is the tenge. These exchange gains and losses have not been recognised as special items as following the free float of the currency, tenge exchange movements are no longer considered one-off in nature.

The fall in value of the tenge has also resulted in a non-cash foreign exchange loss of \$1,773 million recognised within equity, primarily due to the translation on consolidation of the Group's Kazakhstan based subsidiaries whose functional currency is the tenge.

Foreign exchange gains and losses identified as special items in the comparatives were not restated as these arose from managed devaluations before the free float and were considered as one-off and non-operational in nature.

On 11 February 2014, the National Bank of Kazakhstan widened the trading band of the tenge to around 185 KZT to the US dollar, resulting in a managed devaluation of approximately 19%. This devaluation had the following impact on the consolidated financial statements for the year ended 31 December 2014:

- net finance costs of \$207 million from continuing operations included net foreign exchange losses of \$181 million which arose from the retranslation of tenge denominated monetary assets and liabilities, particularly on intercompany loans, within the Group's UK subsidiaries which had a US dollar functional currency. The net foreign exchange loss that arose from the managed devaluation of the tenge was non-operational and treated as a special item;
- the profit for the year from discontinued operations included a net foreign exchange gain of \$24 million which arose from the tenge devaluation and was treated as a special item; and
- non-cash foreign exchange loss of \$430 million recognised within equity, primarily due to the retranslation on consolidation of the Group's Kazakhstan based subsidiaries whose functional currency is the tenge, which mainly arose at the time of the devaluation.

3. Significant accounting judgements and key sources of estimation uncertainty

In the course of preparing these financial statements, the Directors make necessary 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 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.

(a) Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), which the Directors believe are likely to have the most significant effect on the amounts recognised in the consolidated financial statements.

Achievement of commercial production

Once a mine and concentrator reach the operating levels intended by management, capitalisation of development costs including borrowing costs ceases and depreciation of capitalised costs begins with the revenues and operational costs being recorded in the income statement and not capitalised to the balance sheet. Significant judgement is required to determine when certain of the Group's assets reach this level including completion of a reasonable period of commissioning; consistent achievement of operating results at a pre-determined level of expected capacity and indications exist that this level will continue; mineral recoveries are at or approaching expected levels; and the transfer of the project from the development personnel to operational personnel. For the Bozymchak operation, commercial production was deemed to have been reached on 1 July 2015. In making this assessment, the Directors considered the available capacity of the plant ahead of its planned November 2015 optimisation works and the consistent throughput of ore and plant recovery rates over a period demonstrating its ability to operate within the available parameters. Revenues and production costs were recognised in the income statement with the commencement of depreciation of its asset base from that date.

Prior periods

Assets held for sale and discontinued operations

On 15 August 2014, the Group's independent shareholders approved the sale of the Disposal Assets, within the previous Kazakhmys Mining and Kazakhmys Power segments. The Directors believed it was highly probable that the disposal would complete within 12 months following independent shareholder approval. As a result, the Disposal Assets were classified as assets held for sale at 15 August 2014, and reflected as a discontinued operation in the consolidated income statement for the period ended 31 October 2014, when the sale completed. On the date of classification, the Disposal Assets were remeasured to the fair value less costs to sell of nil, resulting in a charge of \$1.6 billion being recognised.

Determination of excess profits taxation ('EPT') – Discontinued operations

In 2011, the Supreme Court of Kazakhstan ruled that Kazakhmys LLC should not have been an EPT payer in the periods up to and including 2008. Kazakhmys LLC subsequently submitted a claim for \$108 million to the Ministry of Finance. During 2012, \$60 million had been reimbursed by set-off against the 2012 tax year income tax and MET liabilities and was recognised in the consolidated financial statements as a special item. The remaining \$48

million of the \$108 million claim was challenged by the Ministry of Finance, who believed that this amount related to periods beyond the Kazakhstan statute of limitations.

In 2013, the Ministry of Finance continued its legal action over the \$48 million claim, with their appeal reaching the Supreme Court. In October 2013, the Supreme Court ruled in favour of Kazakhmys LLC confirming Kazakhmys LLC's right to receive the \$48 million (\$39 million at year end exchange rates) of the past EPT payments. Due to the ongoing uncertainty following a legal appeal by the tax authorities against the Supreme Court's decision, no credit was recognised for the year ended 31 December 2013.

Due to actions taken by the tax authorities during 2014, management continued to believe that sufficient uncertainty remained over the recoverability of this amount such that no credit was recognised in the Disposal Assets financial statements as at 31 October 2014, the date of disposal.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of assets

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

This involves management estimates of commodity prices, market demand and supply, future operating costs, economic and regulatory climates, capital expenditure requirements, long-term mine plans and other factors.

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

An impairment review was performed across the Group's principal cash generating units ('CGUs') as a result of the lower short and medium term commodity prices which were deemed to be indicators of impairment. The depreciation of the tenge from August reduced the carrying value of the Group's CGUs in US dollar terms and decreased future operating cost expectations. No impairment was identified at any of the Group's Kazakhstan CGUs. At Bozymchak the successful completion of the optimisation works, together with the favourable impact of a weaker Kyrgyz som on future operating cost expectations and the resulting reduction in the carrying value of its assets, in US dollar terms, offset the negative impacts of lower short and medium term prices, such that no impairment was recognised at 31 December 2015.

At 31 December 2014, Bozymchak recognised a \$128 million impairment charge following the identification of a number of impairment indicators. In determining the fair value less costs to sell of the Bozymchak project, the Directors made estimates of the future cash flows to be generated by this project with the key variables being copper and gold price assumptions, the mine economics such as copper grades, capital expenditure to complete the project and its commissioning date for commercial production (see note 6).

Determination of ore reserves and useful lives of property, plant and equipment

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's mining properties. In order to estimate reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

The Group estimates its ore reserves and mineral resources based on information compiled by competent persons as defined in accordance with the JORC Code. A review of the Group's reserves and resources is undertaken on an annual basis by an independent competent person.

In assessing the life of a mine for accounting purposes, mineral reserves are taken into account where there is a high degree of confidence of economic extraction (proven and probable mineral reserves). Since the economic assumptions used to estimate reserves change from period to period, and as additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows;

- depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the unit of production basis, or where the useful economic lives of assets change;
- decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities; and
- the carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of tax benefits.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being revised.

For property, plant and equipment depreciated on a straight line basis over its useful economic life, the appropriateness of the asset's useful economic life is reviewed at least annually and any changes could affect prospective depreciation rates and asset carrying values.

Taxes

The Directors make estimates in relation to the measurement and recognition of various taxes levied on the Group, which are both payable and recoverable. The estimation applies particularly to corporate income taxes, transfer pricing, non-deductible items and outcomes of tax disputes that would affect recognition of tax liabilities. Estimation over the recognition and measurement also applies to taxes which are recoverable by the Group, principally VAT paid, and relate to the estimated timing of its recovery. The tax obligations and receivables, upon audit by the tax authorities at a future date, may differ as a result of differing interpretations. These interpretations may impact estimates over the expected timing and quantum of taxes payable and recoverable.

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 three 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 operations

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

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.

Mining Projects

The Group's project companies, whose responsibility is the development of the Group's major growth projects (Aktogay, Bozshakol and Koksay). Once the respective concentrators are commissioned, the projects will be separated into individual operating segments as these will be managed separately from Mining Projects.

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 7).

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 destination and by product.

(a) Operating segments

(i) Income statement information

\$ million	Year ended 31 December 2015					
	East Region operations	Bozymchak	Mining Projects		Corporate Services	Total
			Aktogay	Bozshakol		
Revenues						
Gross sales	649	28	–	–	–	677
Pre-commercial production sales capitalised to property, plant and equipment ¹	–	(12)	–	–	–	(12)
Revenues – income statement	649	16	–	–	–	665
Gross EBITDA (excluding special items)	235	11	(3)	(10)	(25)	208
Pre-commercial production EBITDA capitalised to property, plant and equipment ^{1,2}	–	(6)	–	–	–	(6)
EBITDA (excluding special items)	235	5	(3)	(10)	(25)	202
Less: depreciation, depletion and amortisation	(48)	(3)	–	–	(1)	(52)
Less: mineral extraction tax and royalties ²	(61)	(1)	–	–	–	(62)
Operating profit/(loss) (excluding special items)	126	1	(3)	(10)	(26)	88
Special items – note 6:						
Less: impairment charges	(12)	–	–	–	–	(12)
Add: NFC deferral benefit	–	–	16	–	–	16
Less: gain/(loss) on disposal of assets	1	–	–	–	(3)	(2)
Operating profit/(loss) – income statement	115	1	13	(10)	(29)	90
Net finance costs						(78)
Income tax expense						(24)
Loss for the year						(12)

\$ million	Year ended 31 December 2014						
	East Region operations	Bozymchak	Mining Projects		Corporate Services	Continuing operations	Discontinued operations
			Aktogay	Bozshakol			
Revenues							
Gross sales	846	–	–	–	–	846	1,609
Inter-segment sales	–	–	–	–	–	–	(75)
Sales to external customers	846	–	–	–	–	846	1,534
Gross EBITDA (excluding special items)	403	(4)	(6)	(8)	(30)	355	201
Less: non-cash component of the disability benefits obligation ³	(1)	–	–	–	–	(1)	(92)
Less: depreciation, depletion and amortisation	(39)	(2)	–	–	(1)	(42)	(110)
Less: mineral extraction tax ²	(86)	–	–	–	–	(86)	(65)
Operating profit/(loss) (excluding special items)	277	(6)	(6)	(8)	(31)	226	(66)
Special items – note 6:							
Less: provisions released against historic tax claims	–	–	–	–	–	–	15
Less: impairment charges	(4)	(128)	–	–	–	(132)	(15)
Less: loss on disposal of assets ⁵	–	–	–	–	–	–	(2,066)
Operating profit/(loss) – income statement	273	(134)	(6)	(8)	(31)	94	(2,132)
Net finance costs						(263)	–
Income tax (expense)/credit						(65)	4
Loss for the year						(234)	(2,128)

¹ During the pre-commercial production stage of the mining projects, revenues and operating costs are typically capitalised to property, plant and equipment in accordance with the Group's accounting policy.

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 its 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 \$17 million and \$3 million respectively has been capitalised to property, plant and equipment.

³ The non-cash component of the Group's disability benefits obligation has been 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.

⁴ For the year ended 31 December 2014, discontinued operations comprised the results of the Disposal Assets for the period up to 31 October 2014, the date on which they were sold, and the gain on disposal of the Group's investment in Ekibastuz GRES-1.

⁵ On 31 October 2014 the Group divested the Disposal Assets recognising a loss on disposal of \$2,273 million. In addition, on 1 April 2014 the Group completed the sale of the Group's investment in Ekibastuz GRES-1 joint venture and Kaz Hydro recognising a gain on disposal of \$207 million.

(ii) Balance sheet information

At 31 December 2015							
\$ million	East Region operations	Bozymchak	Mining Projects			Corporate Services	Total
			Aktogay	Bozshakol	Koksay		
Assets							
Property, plant and equipment, mining assets and intangible assets ¹	190	47	756	1,166	239	2	2,400
Intragroup investments	—	—	—	—	—	6,855	6,855
Other non-current assets ²	6	17	74	158	1	—	256
Operating assets ³	127	31	20	18	—	149	345
Inter-segment loans	—	—	—	—	—	1,579	1,579
Current investments	—	—	—	—	—	400	400
Cash and cash equivalents	22	4	31	6	—	788	851
Segment assets	345	99	881	1,348	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	19	2	7	4	3	—	35
Inter-segment borrowings	16	135	568	860	—	—	1,579
Operating liabilities ⁴	50	74	43	156	1	84	408
Segment liabilities	85	211	618	1,020	4	84	2,022
Borrowings							3,504
Deferred tax liability							31
Income taxes payable							12
Elimination							(1,733)
Total liabilities							3,836

At 31 December 2014							
\$ million	East Region operations	Bozymchak	Mining Projects			Corporate Services	Total
			Aktogay	Bozshakol	Koksay		
Assets							
Property, plant and equipment, mining assets and intangible assets ¹	338	52	663	1,465	230	3	2,751
Intragroup investments	—	—	—	—	—	3,068	3,068
Other non-current assets ²	4	20	195	210	—	—	429
Operating assets ³	244	28	71	1	—	181	525
Inter-segment loans	—	—	—	—	—	2,074	2,074
Current investments	—	—	—	—	—	400	400
Cash and cash equivalents	136	1	121	65	1	1,406	1,730
Segment assets	722	101	1,050	1,741	231	7,132	10,977
Deferred tax asset							42
Income taxes receivable							2
Elimination							(5,303)
Total assets							5,718
Liabilities							
Employee benefits and provisions	30	5	6	6	3	—	50
Inter-segment borrowings	14	312	542	1,206	—	—	2,074
Operating liabilities ⁴	127	56	115	219	1	78	596
Segment liabilities	171	373	663	1,431	4	78	2,720
Borrowings							3,092
Deferred tax liability							17
Income taxes payable							20
Elimination							(2,235)
Total liabilities							3,614

¹ Property, plant and equipment, mining assets and intangible assets are located in the principal country of operations of each operating segment. East Region operations and Mining Projects are located in Kazakhstan. Bozymchak mine and plant are located in Kyrgyzstan.

² Other non-current assets include long-term bank deposits, non-current VAT receivable and non-current advances paid.

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.

(iii) Capital expenditure¹

\$ million	Year ended 31 December 2015						
	East Region operations	Bozymchak ^{1,2}	Aktogay ²	Bozshakol ²	Mining Projects ² Koksay	Corporate Services	Total
Property, plant and equipment ^{2,3}	44	5	462	514	1	—	1,026
Mining assets ²	21	4	6	12	53	—	96
Intangible assets	—	—	2	1	—	1	4
Capital expenditure	65	9	470	527	54	1	1,126

\$ million	Year ended 31 December 2014							
	East Region operations	Bozymchak ¹	Aktogay	Bozshakol	Mining Projects ² Koksay	Corporate Services	Continuing operations	Discontinued operations ⁴
Property, plant and equipment ^{2,3}	35	31	358	485	—	—	909	153
Mining assets ²	20	6	4	14	229	—	273	93
Intangible assets	—	—	2	4	—	—	6	4
Capital expenditure	55	37	364	503	229	—	1,188	250

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 For the year ended 31 December 2015, cash capital expenditure for Bozymchak of \$9 million includes the capitalisation of \$2 million of net operating cash flows generated in the period before the project has reached commercial production. At Aktogay and Bozshakol, \$13 million and \$21 million of cash flows respectively relating to pre-commercial production were capitalised during the pre-commercial production phase of these projects.

³ Capital expenditure includes non-current advances paid for items of property, plant and equipment.

⁴ For the year ended 31 December 2014 discontinued operations comprise the Disposal Assets for the period up to their divestment on 31 October 2014.

(b) Segmental information in respect of revenues

Revenues by product earned by continuing operations are as follows:

\$ million	2015	2014
East Region operations		
Copper cathode	452	550
Silver	46	78
Gold	26	44
Zinc in concentrate	102	144
Other by-products	20	23
Other revenue	3	7
	649	846
Bozymchak		
Copper cathode	13	—
Gold	15	—
	28	—
Less pre-commercial production sales capitalised to property plant and equipment	(12)	—
	16	—
Total	665	846

Revenues by destination earned by continuing operations are as follows:

\$ million	2015	2014
East Region operations		
China	339	578
Europe	183	36
Kazakhstan	127	189
Other	—	43
	649	846
Bozymchak		
China	8	—
Europe	5	—
Kazakhstan	15	—
	28	—
Less pre-commercial production sales capitalised to property plant and equipment	(12)	—
	16	—
Total	665	846

Year ended 31 December 2015

Five customers within the East Region operations segment, two of which are collectively under common control, represent 47% of total revenue. The total revenue from these customers is \$311 million. The revenue from the two customers under common control of \$76 million represents 11% of the total revenue. Revenues from the remaining major customers of \$235 million represent 35% of total revenue.

Year ended 31 December 2014

Four customers within the East Region operations segment, three of which are collectively under common control, represent 28% of total revenue from continuing operations for the 12 months. The total revenue from these customers is \$239 million. The revenue from the three customers under common control of \$147 million represents 17% of the total revenue from continuing operations. Revenues from the fourth major customer of \$92 million represent 11% of total revenue from continuing operations.

5. Net other operating income

NFC deferral benefit

In November 2015, the Group signed an agreement with NFC under which \$300 million of Aktogay construction costs which were scheduled to be paid in 2016 and 2017 will be settled in the first half of 2018 with no change to the overall amount payable to NFC. The agreement to defer payments gave rise to a non-cash gain of \$16 million representing the estimated benefit to the Group.

Impact of fire at Bozshakol

The fire which occurred in August 2015 in the grinding area of the Bozshakol concentrator caused damage to \$7 million of equipment, the cost of which is recoverable against construction insurance. The damaged equipment has been written-off to other operating expenses with the insurance payment recognised in other operating income with a net effect of nil.

6. Impairment losses

\$ million	2015	2014
Impairment charges against property, plant and equipment ¹	8	111
Impairment charges against mining assets ¹	4	18
Provisions raised against trade and other receivables	2	–
Provisions raised against inventories	1	1
Provisions raised against other assets	–	4
Provisions raised against other non-current assets ¹	–	3
	15	137

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). In 2014, \$128 million of the total impairment charges related to the impairment of Bozymchak.

The table above relates to continuing operations only.

Year ended 31 December 2015

(a) East Region operations – impairment charges

An impairment of \$8 million has been recognised against administrative land and buildings in Kazakhstan, retained in the Restructuring, which are no longer in use.

In addition, a charge of \$4 million has been recognised against mine development works which are not expected to be utilised.

Year ended 31 December 2014

(a) Mining Projects – impairment charges

The Bozymchak project was subject to an impairment review following the identification of impairment indicators in 2014 which were lower assumed copper prices for 2015, delayed ramp up of the concentrator due to planned optimisation work and changes to the mine plan. Following the review, the Group recognised a total impairment of \$128 million. The impairment charge was recognised as \$107 million against property, plant and equipment, \$18 million against mining assets and \$3 million against other non-current assets of the Bozymchak project. The impairment charge reduced the carrying value of the Bozymchak project to its recoverable amount of \$100 million, determined as its fair value less cost to sell on a discounted cash flow basis, as at 31 December 2014. The cash flow forecasts were discounted at a post-tax discount rate of 11% (pre-tax rate of 12%).

7. 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. The table below shows the special items in respect of continuing operations only.

\$ million	2015	2014
Special items within operating profit		
Impairment charges – note 6	12	132
Impairment charges against property, plant and equipment	8	111
Impairment charges against mining assets	4	18
Provisions raised against other non-current assets	–	3
Loss on disposal of assets	2	–
NFC deferral benefit ¹	(16)	–
	(2)	132
Special items within profit/(loss) before taxation		
Net foreign exchange loss arising on the devaluation of the tenge	–	181
	(2)	313
Taxation related special items		
Recognition of a deferred tax liability/(asset) resulting from impairment charges	1	(1)
Recognition of a deferred tax liability resulting from the NFC deferral benefit	3	–
Net foreign exchange gain arising on the devaluation of the tenge	–	8
Total special items	2	320

¹ In November 2015, the Group signed an agreement with NFC under which \$300 million of Aktogay construction costs which were scheduled to be paid in 2016 and 2017 will be settled in the first half of 2018 with no change to the overall amount payable to NFC. The agreement to defer payments gave rise to a non-cash gain of \$16 million representing the estimated benefit to the Group.

8. Finance income and finance costs

\$ million	2015	2014
Finance income		
Interest income	9	10
Foreign exchange gains ¹	183	126
	192	136
Finance costs		
Interest expense	(23)	(35)
Total interest expense	(155)	(159)
Less: amounts capitalised to the cost of qualifying assets ²	132	124
Interest on employee obligations	(2)	(1)
Unwinding of discount on provisions	(2)	(2)
Finance costs before foreign exchange losses	(27)	(38)
Foreign exchange losses ¹	(243)	(361)
	(270)	(399)

¹ For the year ended 31 December 2014, net foreign exchange losses of \$181 million arose as a result of the devaluation of the tenge in February 2014 (see note 2(g)) which was treated as a special item.

² In 2015, the Group capitalised to the cost of qualifying assets \$132 million (2014: \$124 million) of borrowing costs incurred on the outstanding debt during the period on the CDB-Bozshakol and Bozymchak facilities at an average rate of interest (net of interest income) of 4.97% (2014: 5.15%) and on the CDB-Aktogay US\$ and CNY facilities at an average rate of interest of 4.64% and 3.93% respectively (2014: 4.53% and 5.42%).

The table above relates to continuing operations only.

9. Income taxes

Major components of income tax expense for continuing operations for the years presented are:

\$ million	2015	2014
Current income tax		
Corporate income tax – current period (UK) ¹	–	(6)
Corporate income tax – current period (overseas)	38	96
Corporate income tax – prior periods	1	1
Deferred income tax		
Corporate income tax – current period temporary differences	(16)	(22)
Corporate income tax – prior period temporary differences	1	(4)
	24	65

¹ In 2014 the UK current income tax benefit of \$6 million excluded a tax charge of \$10 million relating to transactions with the Disposal Assets undertaken during the year which was included within the income tax expense of the discontinued operations.

A reconciliation of the income tax expense applicable to the accounting profit/(loss) before tax at the statutory income tax rate to the income tax expense at the effective income tax rate for continuing operations is as follows:

\$ million	2015	2014
Profit/(loss) before tax from continuing operations	12	(169)
At UK statutory income tax rate of 20.25% (2014: 21.5%) ¹	2	(36)
Underprovided in prior periods – current income tax	1	1
Under/(over) provided in prior periods – deferred income tax	1	(4)
Unrecognised tax losses	4	–
Effect of domestic tax rates applicable to individual Group entities	6	20
Non-deductible items:		
Net foreign exchange loss arising on the devaluation of the tenge	–	48
Other non-deductible expenses	10	36
	24	65

¹ For 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%. For 2014, the UK statutory rate for January to March 2014 was 23.0% and for April to December 2014 was 21.0%, giving a weighted average full year rate of 21.5%.

Corporate income tax ('CIT') is calculated at 20.25% (2014: 21.5%) of the assessable profit for the year for the Company and its UK subsidiaries, 20.0% for the operating subsidiaries in Kazakhstan (2014: 20.0%) and 10.0% for the Group's Kyrgyzstan based subsidiary (2014: 10.0%).

Effective tax rate

Tax charges are affected by the mix of profits and tax jurisdictions in which the Group operates. The marginally lower CIT rate in Kazakhstan and CIT rate in Kyrgyzstan lowers the Group's overall effective tax rate below the current UK statutory corporate tax rate. The impact of unrecognised tax losses and non-deductible items, including impairment losses, increases the Group's overall effective tax rate.

The following factors impact the effective tax rate for continuing operations for the year ended 31 December 2015:

Unrecognised tax losses

Deferred tax assets have not been recognised on tax losses primarily at Bozymchak, given the five year statute of limitations and as it remains uncertain whether it will have sufficient taxable profits in the future to utilise these losses.

Other non-deductible expenses

Non-deductible items comprise various expenses incurred at the East Region operations and the mining projects relating mainly to social community investments and contributions, which are not deductible in Kazakhstan, impairment charges and provisions recognised against various assets. The 2014 non-deductible expenses included the \$13 million tax impact of the impairment charges recognised at Bozymchak and other non-deductible expenses of \$23 million arising in East Region operations, Mining Projects, Bozymchak and in the UK.

10. Earnings per share

(a) Basic and diluted EPS

Basic EPS is calculated by dividing the (loss)/profit for the year attributable to owners of the Company by the weighted average number of ordinary shares of 20 pence each outstanding during the year. Purchases of the Company's shares by the Employee Benefit Trust and by the Company under the share buy-back programme are held in treasury and treated as own shares.

\$ million (unless otherwise stated)	2015	2014
Net loss attributable to equity shareholders of the Company from continuing operations	(12)	(234)
Net loss attributable to equity shareholders of the Company from discontinued operations	–	(2,128)
	(12)	(2,362)
Weighted average number of ordinary shares of 20 pence each for EPS calculation	446,261,874	446,838,267
EPS – basic and diluted (\$)		
From continuing operations	(0.03)	(0.52)
From discontinued operations	–	(4.76)
	(0.03)	(5.28)

(b) EPS based on Underlying Profit

The Group's Underlying Profit is the net profit for the year excluding special items and their resultant tax and non-controlling interest effects, as shown in the table below. EPS based on Underlying Profit is calculated by dividing Underlying Profit by the weighted average number of ordinary shares of 20 pence each outstanding during the year. The Directors believe EPS based on Underlying Profit provides a more consistent measure for comparing the underlying trading performance of the Group.

The following table shows the reconciliation from the reported profit to Underlying Profit and the share data used to determine the EPS based on Underlying Profit:

\$ million (unless otherwise stated)	2015	2014
Net loss attributable to equity shareholders of the Company from continuing operations	(12)	(234)
Special items – note 7	2	320
Underlying Profit from continuing operations	(10)	86
Net loss attributable to equity shareholders of the Company from discontinued operations	–	(2,128)
Special items	–	2,047
Underlying Profit from discontinued operations	–	(81)
Total Underlying Profit	(10)	5
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	446,261,874	446,838,267
EPS based on Underlying Profit – basic and diluted (\$)		
From continuing operations	(0.02)	0.19
From discontinued operations	–	(0.18)
	(0.02)	0.01

11. Share capital and reserves

(a) Allotted share capital

	Number	£ million	\$ million
Allotted and called up share capital – ordinary shares of 20 pence each			
At 1 January 2014, 31 December 2014 and 2015	458,379,033	92	171

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

The provision of shares to the Group's share-based payment plans is facilitated by an Employee Benefit Trust. The cost of shares purchased by the Trust is charged against retained earnings as treasury shares. The Employee Benefit Trust has waived the right to receive dividends on these shares. During 2015, 330,830 shares (2014: 105,980) were transferred out of the Trust in settlement of share awards granted to employees that were exercised during the period.

At 31 December 2015, the Group, through the Employee Benefit Trust, owned 211,405 shares in the Company (2014: 542,235) with a market value of \$0.3 million and a cost of \$4 million (2014: \$2 million and \$10 million respectively). The shares held by the Trust represented 0.05% (2014: 0.12%) of the issued share capital at 31 December 2015.

(c) Capital reserves

\$ million	Reserve fund	Currency translation reserve	Capital redemption reserve	Total
At 1 January 2014	42	(614)	31	(541)
Exchange differences on retranslation of foreign operations ¹	–	(430)	–	(430)
Recycling of capital reserves on disposal of subsidiaries	(42)	690	–	648
Recycling of capital reserves on disposal of joint venture	–	24	–	24
At 31 December 2014	–	(330)	31	(299)
Exchange differences on retranslation of foreign operations	–	(1,773)	–	(1,773)
At 31 December 2015	–	(2,103)	31	(2,072)

¹ Of the \$430 million of foreign exchange differences recognised in the currency translation reserve during 2014, \$250 million related to discontinued operations.

(i) Reserve fund

In accordance with legislation of the Republic of Kazakhstan, the reserve fund comprised the prescribed transfers from retained earnings amounting to 15% of Kazakhmys LLC's charter capital, which was recycled through loss on disposal of discontinued operations on the divestment of the company.

(ii) Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries whose functional currency is not the US dollar into the Group's presentation currency.

(iii) Capital redemption reserve

As a result of the share buy-back programme undertaken in 2008 and the repurchase of Company shares in 2013, transfers were made from share capital to the capital redemption reserve based on the nominal value of the shares cancelled.

12. Borrowings

	Maturity	Average interest rate during the year	Currency of denomination	Current \$ million	Non-current \$ million	Total \$ million
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
31 December 2014						
CDB/Samruk-Kazyna facility – US\$ LIBOR + 4.80%	2025	5.21%	US dollar	181	1,875	2,056
CDB-Aktogay facility – PBoC 5 year	2028	5.42%	CNY	–	112	112
CDB-Aktogay facility – US\$ LIBOR + 4.20%	2029	4.53%	US dollar	–	580	580
Pre-export finance facility – US\$ LIBOR + 3.00%	2018	2.98%	US dollar	–	344	344
				181	2,911	3,092

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 CDB completed in March 2015. All other material terms of the facilities remain unchanged.

As at 31 December 2015, \$1.9 billion (2014: \$2.1 billion) was drawn under the facility agreements. Arrangement fees with an amortised cost as at 31 December 2015 of \$24 million (2014: \$30 million), have been netted off against these borrowings in accordance with IAS 39.

CDB-Aktogay finance facility

At 31 December 2015, the Group had fully drawn down the CNY 1.0 billion facility at \$153 million (2014: CNY 697 million; \$112 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 31 December 2015, included within payables, is \$10 million (2014: \$3 million).

At 31 December 2015, \$1.1 billion (2014: \$580 million) was drawn down under the US \$1.3 billion facility. Arrangement fees with an amortised cost of \$15 million (2014: \$10 million) have been netted off against these borrowings in accordance with IAS 39.

The US dollar facility accrues interest at US\$ LIBOR plus 4.20% and the RMB facility accrues interest at the applicable benchmark lending rate published by the People's Bank of China. The funds are available to draw down over a three and a half year period commencing from 31 December 2012 and mature 15 years from the date of the first draw down. KAZ Minerals PLC acts as guarantor of the loans. At 31 December 2015, \$250 million was available to be drawn under the US dollar facility (2014: \$798 million).

Pre-export finance facility ('PXF')

On 29 October 2014, the Group signed an amendment to its PXF debt facility. The amended facility restated the PXF facility signed in December 2012. At signing, commitments from the syndicate of lending banks totalled \$334 million and a net payment of \$166 million was paid to exiting banks. On 5 December 2014, the facility was

increased to \$349 million by means of an accordion feature which allowed existing lenders to increase their commitments, or new lenders to join, until 31 December 2015.

Under the facility, principal repayments amortise 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 amended facility is variable, ranging from 3.0% to 4.5% above US\$ LIBOR, dependent on the ratio of net debt to EBITDA which will be tested semi-annually. KAZ Minerals PLC, Vostoksvetmet LLC and KAZ Minerals Sales Limited act as guarantors of the loan. The amended facility resulted in certain changes to the covenant package including the suspension of the net debt to EBITDA ratio covenant, until 1 July 2016, and changes to the balance sheet gearing covenants to make these more aligned to the Group's projected financial profile until completion of the Bozshakol major growth project.

At 31 December 2015, \$345 million (2014: \$344 million) was drawn under the facility. Arrangement fees with an amortised cost as at 31 December 2015 of \$4 million (2014 \$5 million), have been netted off against these borrowings in accordance with IAS 39. The amendments signed in October 2014 were considered significant, such that \$10 million of previously unamortised costs were expensed in full in the prior year.

Revolving credit facility

On 14 August 2015, the Group entered into a new \$50 million revolving credit facility provided by Caterpillar Financial Services (UK) Limited, a subsidiary of Caterpillar Inc. ('Caterpillar Facility'). The Caterpillar 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 Caterpillar Facility. The financial covenants on the Caterpillar Facility are identical to those applicable to the Group's existing PXF. At 31 December 2015 the facility was fully drawn.

Undrawn project and general and corporate purpose facilities

\$ million	2015	2014
CDB-Aktogay finance facility (within KAZ Minerals Finance PLC)	250	798

13. Reconciliation of profit (loss) before taxation to net cash inflow from operating activities

\$ million	2015	2014
Profit/(loss) before taxation from continuing operations	12	(169)
Loss before taxation from discontinued operations	–	(2,132)
Interest income	(9)	(12)
Interest expense	23	35
Share-based payments	3	5
Depreciation, amortisation and depletion	52	152
Impairment losses	15	154
Unrealised foreign exchange loss	55	213
Loss on disposal of assets	2	–
Gain on NFC deferral	(16)	–
Loss on disposal of subsidiaries	–	2,273
Gain on disposal of joint venture	–	(207)
Operating cash flows before changes in working capital and provisions	137	312
Increase in non-current VAT receivable	(105)	(68)
Increase in inventories	(23)	(10)
Increase in prepayments and other current assets	(29)	(84)
Decrease in trade and other receivables	74	87
Increase in employee benefits	–	121
Increase in provisions	1	7
(Decrease)/increase in trade and other payables	(50)	42
Cash flow from operations before interest and income taxes	5	407

The consolidated statement of cash flows includes cash flows from both continuing and discontinued operations.

Non-cash transactions

There were the following non-cash transactions:

- capitalised depreciation of \$20 million (2014: \$13 million) for property, plant and equipment and mining assets.
- capitalised interest of \$132 million (2014: \$124 million) for property, plant and equipment and mining assets.
- release of \$nil million (2014: \$1 million) relating to provisions for contractual reimbursements payable to the Government for geological information and social commitments with a corresponding decrease in intangible assets.
- the reassessment of the site restoration and clean up provisions during the year has resulted in a decrease of \$2 million (2014: capitalisation of \$8 million) to property, plant and equipment, with a corresponding decrease in the site restoration and clean up provisions.

14. Movement in net debt

\$ million	At 1 January 2015	Cash flow	Other movements ¹	At 31 December 2015
Cash and cash equivalents	1,730	(887)	8	851
Current investments	400	–	–	400
Borrowings	(3,092)	(409)	(3)	(3,504)
Net debt	(962)	(1,296)	5	(2,253)

\$ million	At 1 January 2014	Cash flow	Attributable to discontinued operations ²	Other movements ¹	At 31 December 2014
Cash and cash equivalents	1,715	41	–	(26)	1,730
Current investments	625	(195)	(30)	–	400
Borrowings	(3,111)	26	–	(7)	(3,092)
Net debt	(771)	(128)	(30)	(33)	(962)

¹ Other movements comprise net foreign exchange movements, non-cash amortisation of fees on borrowings and other non-cash reconciling items. Other movements on cash and cash equivalents for both years arise primarily on devaluation of the tenge in February 2014 and August 2015, respectively. For the year ended 31 December 2015, the \$3 million other movement on borrowings consists of \$11 million of amortisation of fees on the Group's financing facilities less \$7 million of foreign exchange differences on the CDB-Aktogay RMB facility. For the year ended 31 December 2014, the \$8 million other movement on borrowings consisted of \$20 million of amortisation of fees on the Group's financing facilities less \$11 million of accrued fees, and \$2 million of foreign exchange differences on the CDB-Aktogay RMB facility.

² In 2014, the \$30 million movement in current investments related to the investments disposed of with the Disposal Assets on completion of the Restructuring.

15. Related party disclosures

(a) Transactions with related parties

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

The following table provides the total amount of transactions which have been entered into with related parties 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 related entities				
2015²	23	168	14	5
2014	6	97	23	57
Companies under trust management				
2015	–	–	–	–
2014	10	13	–	–
Other				
2015	–	–	–	–
2014	4	11	2	6

¹ A provision of \$nil (2014: \$nil) is held set against the amounts owed by related parties. The bad debt expense in relation to related parties was \$1 million for the year (2014: \$nil).

² Purchases from related parties include \$28 million of cathode produced by Kazakhmys LLC (part of the Disposal Assets).

(i) Cuprum Holding and the Disposal Assets

Following the completion of the sale of the Disposal Assets to Cuprum Holding (a company owned by Vladimir Kim, a Director of the Company, and Eduard Ogay, a former Director of the Company) on 31 October 2014, Cuprum Holding and its subsidiaries are considered related parties of the Group. The transactions mainly consist of transitional and longer-term services provided under two Framework Service Agreements between KAZ Minerals and Cuprum Holding. The Framework Service Agreements cover certain functions such as smelting and refining.

For the 10 months until 31 October 2014, the date the Disposal Assets were sold, the Group paid \$2.4 million in remuneration to key management personnel of the Disposal Assets. These individuals were previously considered to be key management personnel of the Group prior to the completion of the Restructuring.

(ii) Companies under trust management agreements

The Group, through the Disposal Assets operated a number of companies under trust management agreements with local and state authorities. The activities included heating distribution systems and road maintenance. The purpose of these agreements was to provide public and social services without any material financial benefit for the Group.

(iii) Other

Transactions with other companies primarily relate to the provision of goods and services, on an arm's length basis, with companies whose boards or shareholders include members of senior management from the Group's subsidiaries.

(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.

GLOSSARY

Board or Board of Directors

the Board of Directors of the Company

capital employed

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

cash operating costs

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

CIT

corporate income tax

CNY

Chinese yuan, basic unit of renminbi

CO₂

carbon dioxide

Committee or Committees

any or all of the Audit; Group Health, Safety and Environment; Remuneration; or Nomination Committees depending on the context in which the reference is used

Company or KAZ Minerals

KAZ Minerals PLC

Continuing operations

the Group following completion of the Restructuring

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

Ekibastuz GRES-1

Ekibastuz GRES-1 LLP

EPS

earnings per share

EPS based on Underlying Profit/Loss

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

EPT

excess profits tax

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

Government or State

the Government of the Republic of Kazakhstan

Gross cash cost

mining cash operating costs, excluding purchased cathode, divided by the volume of own copper cathode equivalent sales

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

JORC

Joint Ore Reserves Committee

Kaz Hydro

Kazhydrotechenergo LLP, a hydro power development project company

KAZ Minerals or the Continuing Group

the Group following completion of the Restructuring, to be renamed KAZ Minerals PLC

Kazakhmys Corporation LLC or Kazakhmys LLC

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

Kazakhmys Mining

a former operating segment of the Group, until completion of the Restructuring, which comprised all entities and functions within the Group responsible for the exploration, evaluation, development, mining and processing of the Group's mineral resources and sale of the Group's metal products. The operating segment excluded the Group's captive power stations, which were included within the Kazakhmys Power operating segment

Kazakhmys Power

a former operating segment of the Group, until completion of the Restructuring, which included the Group's captive power stations and the Ekibastuz GRES-1 power plant joint venture, whose principal activity was the sale of electricity to external customers and internally to Kazakhmys Mining

Kazakhstan

the Republic of Kazakhstan

koz

thousand ounces

KPI

key performance indicator

kt

thousand metric tonnes

Kyrgyzstan

the Kyrgyz Republic

lb

pound, unit of weight

LBMA

London Bullion Market Association

LIBOR

London Interbank Offered Rate

Listing

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

LME

London Metal Exchange

Major Growth Projects

Bozshakol, Aktogay and Koksay

MET

mineral extraction tax

MT

million metric tonnes

Net cash cost of copper

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

Non Ferrous China or NFC

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

ounce or oz

a troy ounce, which equates to 31.1035 grammes

PXF

pre-export finance debt facility

\$/t or \$/tonne

US dollars per metric tonne

Restructuring

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

RMB

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

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 7 to the consolidated 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

UK

United Kingdom

Underlying Profit/Loss

profit/loss for the period after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resultant tax and non-controlling interest effects. Underlying Profit is set out in note 10 to the consolidated financial statements

US

United States of America

USc/lb

US cents per pound