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If you sell or have sold or otherwise transferred all your Ordinary Shares in Kazakhmys, you should send this document together with the accompanying Form of Proxy at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you sell or have sold part only of your holding of Ordinary Shares in Kazakhmys, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.



## **Kazakhmys PLC**

*(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05180783)*

### **Proposed transfer of certain of the Company's subsidiaries owning mature assets in the Zhezkazgan and Central Regions of Kazakhstan to Cuprum Holding, entry into certain services arrangements**

**and**

### **Notice of General Meeting**

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**This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Kazakhmys on behalf of the Independent Directors which is set out in Part I of this document and which recommends you to vote in favour of the Resolutions to be proposed at the General Meeting referred to below.**

Notice of a General Meeting of Kazakhmys to be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom at 9.00 a.m. (UK time) on 15 August 2014 is set out at the end of this document. A Form of Proxy for use at the General Meeting is enclosed and, to be valid, should be completed, signed and returned in accordance with the instructions printed thereon and be received by Kazakhmys' registrar, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, United Kingdom or Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, so as to arrive no later than 9.00 a.m. UK time (4.00 p.m. Hong Kong time) on 13 August 2014 (or not less than 48 hours before the time fixed for any adjourned meeting). Shareholders may, if they so wish, register the appointment of a proxy or proxies electronically by logging on to Kazakhmys' registrars' website at [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy) where full details of the procedure are given. Electronic proxy appointments must be received by Computershare Investor Services PLC or Computershare Hong Kong Investor Services Limited, so as to arrive no later than 9.00 a.m. UK time (4.00 p.m. Hong Kong time) on 13 August 2014 (or not less than 48 hours before the time fixed for any adjourned meeting). CREST members may appoint a proxy or proxies by completing and transmitting a CREST proxy instruction in accordance with the procedures described in the CREST manual so that it is received by Kazakhmys' agent (ID 3RA50) by the latest time for receipt of proxy appointments specified above. Completing and returning a Form of Proxy or electronic proxy appointment or completing and transmitting a CREST proxy instruction will not prevent members from attending and voting in person should they wish to do so.

A summary of the action to be taken by Shareholders is set out on page 11 of this document and in the Notice of General Meeting.

For a discussion of certain risk factors which should be taken into account when considering what action you should take in connection with the General Meeting, please see Part II of this document.

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**This document is published on 23 July 2014.**

## **INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “anticipates”, “expects”, “intends”, “may”, “will”, “believes”, “estimates”, “plans”, “projects” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the Group’s results of operations, financial position, prospects, growth, strategies and the industry in which it operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group’s operations and financial position, and the development of the markets and the industry in which the Group operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this document.

In addition, even if the results of operations, financial position and the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors discussed in Part II of this document.

Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this document speak only as of the date of this document, reflect the Company’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations and growth strategy. You should specifically consider the factors identified in this document which could cause actual results to differ before making any decision in relation to the Transaction. Subject to the requirements of the FCA, the London Stock Exchange, the Listing Rules and the DTRs (and/or any regulatory requirements) or applicable law, the Company explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Company’s expectations or to reflect events or circumstances after the date of this document.

## **PRESENTATION OF FINANCIAL INFORMATION**

Unless otherwise indicated, the financial information relating to Kazakhmys as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 in this document has been extracted without material adjustment from its audited consolidated financial statements as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011, prepared in accordance with IFRS issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee as adopted for use in the European Union.

References to “£” and “pence” are to the lawful currency of the United Kingdom.

References to “U.S.\$” or “U.S. cents” are to the lawful currency of the United States of America.

References to “KZT” or “tenge” are to the lawful currency of the Republic of Kazakhstan.

Percentages in tables may have been rounded and, accordingly, may not add up to 100 per cent. Certain financial data has been rounded and, as a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy or electronic proxy appointments or completion and transmission of CREST proxy instructions .....	9.00 a.m. UK time (4.00 p.m. Hong Kong time) on 13 August 2014
General Meeting .....	9.00 a.m. UK time (4.00 p.m. Hong Kong time) on 15 August 2014
Completion of the Transaction .....	Q4 2014

The dates and times given in the table above in connection with the Transaction are indicative only and are based on the Company's current expectations and may be subject to change.

**PART I**  
**LETTER FROM THE CHAIRMAN OF KAZAKHMY'S ON  
BEHALF OF THE INDEPENDENT DIRECTORS**



*(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05180783)*

*Independent Directors:*

Simon Heale (Non-executive Chairman)  
Lynda Armstrong OBE (Non-executive Director)  
Clinton Dines (Non-executive Director)  
Michael Lynch-Bell (Non-executive Director and Senior Independent Director)  
Lord Renwick of Clifton, KCMG (Non-executive Director)  
Charles Watson (Non-executive Director)

23 July 2014

Dear Shareholder

**Proposed transfer of certain of the Company's subsidiaries owning mature assets in  
the Zhezkazgan and Central Regions of Kazakhstan to Cuprum Holding, entry into  
certain services arrangements and Notice of General Meeting**

**1 Introduction**

Over the past few years, a combination of declining grades, cost inflation and lower commodity prices has put significant pressure on the Group's profitability and cash generation. In response to the pressure on margins and the future investment in the Major Growth Projects, the Group commenced an optimisation programme and asset review in 2013, including a re-assessment of the Group's integrated model. The objective was to achieve sustainable positive cash flow from our existing operations and enable management to focus on profitable production volumes.

On 27 February 2014, the Company published its audited results for the Group for the year ended 31 December 2013 and announced that the Group was reviewing a potential restructuring by separating a number of mature assets, primarily in the Zhezkazgan and Central Regions (the "Disposal Assets"), into a separate corporate entity with a view to potential disposal. The Board determined that the prospect of successfully optimising and investing in the Disposal Assets may be limited whilst they remained under the Group's ownership.

The Group undertook a process to identify possible acquirers of the Disposal Assets. This process involved a number of discussions with potential acquirers, although none of these discussions progressed beyond a very preliminary stage.

The Board is mindful of the fact that the Disposal Assets are extremely important within their local communities, where they are major employers and support a number of other stakeholders, and therefore that identifying a sustainable future for the Disposal Assets is a priority. For these reasons, as well as the further considerations outlined in paragraph 4 below, Kazakhmys entered into discussions with Vladimir Kim, a non-executive Director and substantial shareholder of Kazakhmys, who indicated that he would be willing to consider creating a vehicle, Cuprum Holding, in which he would be the principal shareholder, to hold the Disposal Assets. Given Mr. Kim's knowledge of the assets, understanding of the operating environment and standing in Kazakhstan, the Directors believe that Mr. Kim's proposal offers the most feasible route for the Company to dispose of the Disposal Assets. Eduard Ogay, an executive Director, who is also a shareholder of the Company and the chief executive officer of KCC, has a beneficial interest in Cuprum Holding and will act as its chief executive officer, and will therefore step down from the Board following the Transaction.

## **PART I—LETTER FROM THE CHAIRMAN OF KAZAKHMYS ON BEHALF OF THE INDEPENDENT DIRECTORS**

As described in the Chairman’s statement made at the 2014 Annual General Meeting, which was published on 8 May 2014, Mr. Kim has indicated to the Independent Directors that he remains committed to his holding in Kazakhmys as his principal business interest.

On 23 July 2014, the Company announced the proposed transfer, subject to certain consents and approvals, of the subsidiaries in the Group owning the Disposal Assets to Cuprum Holding, including the Working Capital Payment (funding to cover the agreed contribution by the Company to the working capital requirements of the Disposal Assets). The Working Capital Payment will include a cash payment of U.S.\$150 million, adjusted for certain items as further described in paragraph 5 below, so that the total Working Capital Payment is estimated to be U.S.\$240 million plus the net cash flows attributable to the Disposal Assets for the period from 1 August 2014 up to completion under the Share Transfer Agreement. Following completion, the Company will continue to own the mining and processing assets in the East Region and the Bozymchak mine in Kyrgyzstan, as well as the Major Growth Projects, as further described in paragraph 3 below, and it is proposed that the Company be renamed “KAZ Minerals PLC”.

Cuprum Holding is a company owned by Mr. Kim and Mr. Ogay. The ongoing relationship between the Company and Mr. Kim will continue to be regulated following the Transaction by the VK Relationship Agreement, which has been amended in light of the Listing Rules relating to “controlling shareholders” (as defined in the Listing Rules). Each of Oleg Novachuk and Eduard Ogay, who are regarded as “controlling shareholders” as defined in the Listing Rules, has also entered into a relationship agreement with the Company. The principal purpose of the Relationship Agreements is to ensure that all transactions between the Company and its controlling shareholders are undertaken on an arm’s length basis and on normal commercial terms and that neither the controlling shareholders nor their associates will cause the Company to breach or circumvent the Listing Rules or prevent the Company from complying with its obligations under the Listing Rules.

As Mr. Kim and Mr. Ogay are Directors, and due to Mr. Kim’s shareholding in the Company, the Transaction constitutes a “related party transaction” for the purposes of the Listing Rules. Due to its size, the Transaction also constitutes a Class 1 transaction under the Listing Rules. In addition, the Transaction is a “substantial property transaction” under Section 190 of the Companies Act, due to Mr. Kim’s and Mr. Ogay’s directorships of the Company.

As a result, the Transaction is conditional upon the approval by Shareholders of the Transaction Resolution, as contained in the Notice of General Meeting set out at the end of this document. Please see paragraph 8 for details of the Resolutions to be proposed at the General Meeting. In accordance with the Listing Rules each of Mr. Kim and Mr. Ogay will not vote on the Transaction Resolution, and each has undertaken to take all reasonable steps to ensure that his respective associates will not vote on the Transaction Resolution.

The purpose of this document is to provide you with the details of the Transaction, to explain why the Board considers it to be fair and reasonable so far as Shareholders are concerned and to be in the best interests of Shareholders as a whole and, accordingly, why the Board believes that you should vote in favour of the Resolutions at the General Meeting.

### **2 Information on the Disposal Assets**

The Disposal Assets comprise 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. The copper mines contain proved and probable ore reserves of 326.6 MT<sup>1</sup> with contained copper of 3.3 MT at a grade of 1.03 per cent., and measured and indicated mineral resources of 2,662.3 MT with contained copper of 17.2 MT at a grade of 0.64 per cent. as at 31 December 2013. In the 2013 financial year, the Disposal Assets mined approximately 34.8 MT of ore at a copper grade of 0.81 per cent., and produced 228 kt of copper in concentrate. In the same period, during which the LME cash price for copper

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<sup>1</sup> The non-JORC compliant proved and probable ore reserves in the Zhezkazgan Region of 239.5 MT are not included.

## **PART I—LETTER FROM THE CHAIRMAN OF KAZAKHMYS ON BEHALF OF THE INDEPENDENT DIRECTORS**

cathode averaged U.S.\$7,328 per tonne, the Disposal Assets contributed sales revenue of approximately U.S.\$2,278 million and EBITDA (excluding special items) of U.S.\$342 million before the charge for MET of U.S.\$148 million. Sustaining capital expenditure on the Disposal Assets totalled U.S.\$415 million in the 2013 financial year. As at 31 December 2013, the Disposal Assets comprised gross assets of U.S.\$2,761 million.

The largest operating mines within the Disposal Assets are the East (including West), South (including Stepnoy) and Zhomart mines which are located in the Zhezkazgan Region and accounted for around 40 per cent. of the Group's copper metal in ore output in 2013. The Akbastau and West Nurkazgan mines which are located in the Central Region accounted for around 15 per cent. of the Group's copper metal in ore output in 2013. The Disposal Assets also include the Karaganda GRES-2 heat and power station which had an average net dependable capacity of 610 MW during 2013.

The Disposal Assets contain a number of potential development projects. These include the extension of the existing Zhomart mine, the development of the Nurkazgan deposits, the development of the Zhylandy deposit in the Zhezkazgan Region, the Aidarly deposit and a number of other medium-sized mine developments.

As at 31 December 2013, the Disposal Assets employed approximately 43,000 FTEs, representing approximately 81 per cent. of the Group's total workforce.

Please see Part VI of this document for further information on the Disposal Assets, including the ore reserves and mineral resources as at 31 December 2013 and subsoil use contracts for the Disposal Assets.

### **3 Information on the assets to be retained by Kazakhmys (the "Retained Assets")**

#### **3.1 Overview**

The Retained Assets comprise the mining and processing assets of the Group in the East Region and the Bozymchak mine in Kyrgyzstan, as well as the Major Growth Projects. These consist of four operating mines, three concentrators, a new mine and concentrator in the commissioning phase in Kyrgyzstan and the Major Growth Projects, two of which are under construction. The Retained Assets are focused on mining and concentrating, without captive power or smelting and refining facilities. The Retained Assets contain proved and probable ore reserves of 46.5 MT with contained copper of 0.9 MT at a grade of 1.85 per cent., and measured and indicated mineral resources of 2,624.0 MT with contained copper of 10.4 MT at a grade of 0.40 per cent., as at 31 December 2013. In the 2013 financial year, the Retained Assets mined approximately 4.4 MT of ore at a copper grade of 2.41 per cent., and produced 87 kt of copper in concentrate. In the same period, during which the LME cash price for copper cathode averaged U.S.\$7,328 per tonne, the Retained Assets contributed sales revenue of approximately U.S.\$931 million and EBITDA (excluding special items) of U.S.\$389 million before the charge for MET of U.S.\$94 million. Sustaining capital expenditure on the Retained Assets totalled U.S.\$72 million<sup>2</sup> in the 2013 financial year.

The key operating assets within the Retained Assets include the Orlovsky underground mine and the associated concentrator, the Artemyevsky underground mine and the Nikolayevsky concentrator. A study is underway to assess the options to extend the life of the Artemyevsky mine by up to 10 years. The Bozymchak mine in Kyrgyzstan is currently being commissioned. The saleable copper in concentrate output from the mine will be limited in 2014 as output ramps up after the commissioning phase. Over the life of the mine, copper cathode equivalent output is expected to average around 7 kt and gold in concentrate output is expected to be 35 koz per annum.

As at 31 December 2013, the Retained Assets employed approximately 10,000 FTEs, representing approximately 19 per cent. of the Group's total workforce.

<sup>2</sup> Sustaining capital expenditure figure excludes U.S.\$9 million of spend relating to MKM, the sale of which was completed on 28 May 2013.

**PART I—LETTER FROM THE CHAIRMAN OF KAZAKHMYS ON  
BEHALF OF THE INDEPENDENT DIRECTORS**

**3.2 Update on Major Growth Projects**

**3.2.1 Bozshakol**

As announced in December 2013, Non Ferrous China have been brought in as a second contractor at Bozshakol. The permanent camp and the non process buildings will be ready by the end of September 2014. By January 2015, further infrastructure (power, potable water, sewage, fire protection systems) will be complete and will allow these buildings to be occupied. Work continues on the installation of the mills and the internal steel platforms in the grinding and flotation areas. Bulk material orders have been placed for pipe and cable as well as fabrication orders for mechanical plate work and structural steel for the clay plant. The main heating units will be placed in the larger buildings so that work can continue more productively this winter.

The schedule continues to work towards commissioning in the second half of 2015 and copper in concentrate production ramp up during 2016. The overall capital cost of Bozshakol is approximately U.S.\$2.2 billion, of which around U.S.\$0.8 billion had been spent as at 31 December 2013.

Copper cathode equivalent production is expected to reach a peak of 115 kt at a copper grade of 0.5 per cent. in 2018. The mine is expected to have average copper cathode equivalent output of 100 kt and a net cash cost for copper cathode equivalent sales of 80 to 100 U.S. cents per pound (in 2014 terms) for the first 10 years after the concentrator has been commissioned. Development capital expenditure in 2014 is expected to be between U.S.\$750 million and U.S.\$950 million, with the remaining development capital expenditure to be incurred in 2015. Thereafter, sustaining capital expenditure is anticipated to be approximately U.S.\$30 million per annum for the first 10 years of the mine's operation.

Bozshakol will have a production life of over 40 years, which includes the processing of stockpiled ore for four years. The mineral resource of the deposit, including inferred mineral resources is 1,173 MT with 4.1 MT of contained copper at a grade of 0.35 per cent. The deposit also contains 57 kt of molybdenum in ore and 5,255 koz of gold in ore. Following completion of the construction phase, Bozshakol will employ approximately 1,500 FTEs.

**3.2.2 Aktogay**

As previously announced, the original single principal contractor for the Aktogay project is to be replaced with several new contractors focusing on separate aspects of the project. The tender process for the new contractors is in progress, and the overall capital cost of the project was estimated to be U.S.\$2.0 billion, but this is expected to rise when re-calculated, following the completion of the tender process. As at 31 December 2013, approximately U.S.\$0.5 billion of capital expenditure had been spent on the project.

Aktogay remains on track to commence first oxide copper cathode production in the fourth quarter of 2015. First sulphide copper in concentrate production is planned for 2017. Copper cathode equivalent output from the oxide deposit which is expected to operate for 11 years will average around 15 kt per annum. Copper cathode equivalent production from sulphide ore will average 90 kt in the first 10 years of the concentrator's operation, with a peak of approximately 100 kt in 2019 at a grade of 0.5 per cent.

Aktogay is expected to have a net cash cost for copper cathode equivalent sales of 110 to 130 U.S. cents per pound (in 2014 terms) in the first 10 years after the commencement of the sulphide concentrator's operation. Annual development capital expenditure on the project is expected to be between U.S.\$400 million and U.S.\$600 million until 2016, with the remaining development capital expenditure to be incurred in 2017. Following the start of sulphide copper production in 2017, the sustaining capital expenditure is expected to be approximately U.S.\$30 million per annum for the first 10 years of the mine's operation.

Aktogay will have a production life of over 50 years. The sulphide mineral resource is 1,597 MT with a copper grade of 0.33 per cent. and the oxide mineral resource is 121 MT at a copper grade of 0.37 per cent. In addition, the deposit has contained molybdenum of 115 kt. Following completion of the construction phase, Aktogay will employ approximately 1,500 FTEs.

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**3.2.3 Koksay**

Kazakhmys announced the completion of the purchase of Koksay on 17 June 2014, which will not incur significant development expenditure until after Bozshakol has commenced production. As announced on 15 April 2014, U.S.\$65 million of the U.S.\$260 million net acquisition cost is deferred, with U.S.\$30 million payable on 1 January 2015 and U.S.\$35 million payable on 31 July 2015, the latter deferred payment being subject to confirmation of mineral resources.

**3.3 Outlook for Retained Assets**

In 2014, the Retained Assets in the East Region along with the Bozymchak mine are expected to produce 80 kt of copper cathode, along with 45 koz of gold and 4,600 koz of silver in concentrate. The East Region is also forecast to produce 120 kt of zinc in concentrate in 2014.

If the Transaction completes, the copper concentrate produced from the East Region and the Bozymchak mine will be processed at the Balkhash smelter under the terms of the LTAs agreed between the Company and Cuprum Holding. The copper concentrate produced from the East Region has historically been processed at the Balkhash smelter. The LTAs will be in place for a minimum of five years from the date of completion of the Transaction (subject to termination rights) and the processing charges and recovery rates will be revised annually based on an agreed mechanism.

In 2014, the recovery rates applied to the metals contained in the copper concentrate processed at the Balkhash smelter will be 95.3 per cent. for copper, 93.4 per cent. for gold and 92.7 per cent. for silver. The copper treatment and refining charges which have been determined applying a cost-plus 10 per cent. margin, will be U.S.\$124 per tonne and 12 U.S. cents per pound, respectively.

The smelting services and sulphuric acid production and neutralisation services provided by Cuprum Holding are estimated to have a value of around U.S.\$100 million annually in 2014 terms. Smelting services have historically been recharged to the East Region operations. The LTA terms have been determined based on the operating cost and capital expenditure requirements of the services and include a 10 per cent. margin. The LTA terms will result in an increase in the cost of these services for the Continuing Group compared to the costs recharged to East Region operations in 2013. Based on a review of the smelting services available in the market for the processing of copper concentrate from the East Region and Bozymchak mine, the Balkhash smelter currently represents the most favourable option available to the Company. The copper concentrate output from the Major Growth Projects is expected to be sold as concentrate and therefore will not utilise the Balkhash smelter.

The majority of the other services to be provided by Cuprum Holding to the Company under the LTAs and TSAs, such as auxiliary services, will be made on a cost plus margin basis. The margin applied typically ranges between 5 per cent. and 10 per cent. The value of these supplies is not expected to exceed U.S.\$85 million annually in 2014 terms, however due to the transitional nature of many of the agreements and the availability of alternative third party suppliers, this is expected to reduce in the future. These services have historically been recharged to the East Region operations and no material impact on the cost base of the Continuing Group is anticipated as a result of entering into these agreements.

The East Region operations and the Bozymchak mine are expected to have a net cash cost of 120 to 140 U.S. cents per pound in 2014, excluding unallocated head office corporate costs. Sustaining capital expenditure in 2014 is expected to be between U.S.\$80 million and U.S.\$100 million, excluding the upgrade work on the Nikolayevsky concentrator.



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BEHALF OF THE INDEPENDENT DIRECTORS**

The estimated life of mine provided for each mine below is based on the existing mine plans which have been developed internally by the Group and include mining operations in 2014, and the processing of stockpiled ore, but do not include the mine extension project for the Artemyevsky mine which is at the study stage.

<b>Retained Assets</b>	<b>Type</b>	<b>Estimated life of mine (years)</b>
Orlovsky .....	Underground	11
Irtyshtsky .....	Underground	16
Artemyevsky .....	Underground	4
Yubileyno-Snegirikhinsky .....	Underground	2
Bozymchak .....	Open Pit	17
Bozshakol .....	Open Pit	Over 40
Aktogay .....	Open Pit	Over 50
Koksay .....	Open Pit	Over 20

#### **4 Background to and reasons for the Transaction**

##### **4.1 The Company has undergone significant transformation in 2013 and 2014 but further action is required**

During 2013 and 2014, Kazakhmys disposed of three separate non-core assets as part of its strategy to focus on the Group's core copper business. These transactions included the disposals of MKM, a German copper fabricator, the Group's 26 per cent. holding in ENRC and the Group's 50 per cent. holding in Ekibastuz GRES-1, the largest power station in Kazakhstan. Completing these transactions realised net cash proceeds of U.S.\$2.2 billion, which have been used to reduce net debt and for general corporate purposes. These disposals allow management to focus on the Group's core copper business and continue to deliver the Major Growth Projects. Notwithstanding the substantial progress made in the past two years in this regard, the Board has concluded that further action is required to achieve profitable production and generate sustainable positive cash flow.

##### **4.2 The Disposal Assets are low margin assets with a high fixed cost base which are highly susceptible to adverse market conditions**

Following the commencement of the optimisation programme and asset review during 2013, the Board determined that the prospect of successfully optimising and adequately investing in the Disposal Assets may be limited whilst they remain under the Group's ownership.

Over the past few years, a combination of declining copper grades, cost inflation, increasing sustaining capital expenditure requirements and lower commodity prices has placed significant pressure on the Group's profitability and cash generation, the effect of which has been most pronounced at the Disposal Assets due to the high fixed cost nature of a number of the mining operations, particularly in the Zhezkazgan Region where the ore bodies at most of the key mines have been extensively depleted.

From 2011 to 2013 the EBITDA (excluding special items) generated by the Disposal Assets fell from U.S.\$963 million to U.S.\$342 million.

Overall in 2013, the Disposal Assets contributed 47 per cent. of the Company's EBITDA (excluding special items) despite accounting for 72 per cent. of its copper in concentrate production, and 81 per cent. of overall FTE headcount.

##### **4.3 The Disposal Assets are inconsistent with Kazakhmys' strategy of achieving output dominated by large scale, low cost, open pit mines**

Kazakhmys' strategy is to focus on production from a small group of large scale, low cost, open pit mines, focused on copper within Central Asia, particularly Kazakhstan. Consistent with this

## **PART I—LETTER FROM THE CHAIRMAN OF KAZAKHMYNS ON BEHALF OF THE INDEPENDENT DIRECTORS**

strategy, the Company has outlined a vision of achieving 80 per cent. of ore output from open pit mines by 2018, as compared to 25 per cent. in 2013.

The Independent Directors believe that the Retained Assets will achieve this target, as although ore output from the smaller, more cash-generative underground mines of the East Region will decline, open pit ore production volumes from the Major Growth Projects will ramp up significantly from 2015. By 2018, when the Aktogay sulphide project is ramping up to full production, the Board expects that around 75 per cent. of the Continuing Group's copper in concentrate production will be from open pit mines.

### **4.4 The Disposal Assets require significant financial and social investment which carries meaningful risk and uncertainty**

The Independent Directors believe that the Disposal Assets will require significant further investment over the short and medium term in optimisation measures to extend the life of the mines, processing facilities and the captive heat and power stations, and to secure employment. Such optimisation measures could include a review of new hydrometallurgical processing technologies, as well as investment in the extension of the existing Zhomart underground mine, development of the Nurkazgan deposits, development of the Zhylandy deposit in the Zhezkazgan Region, and a number of other medium-sized mine development projects.

Although such measures could potentially extend the operational life of the Disposal Assets by several decades, and in doing so provide access to additional copper, the Independent Directors believe that the uncertainty and risks associated with this substantial investment, considered in the context of the potential net present value benefits available, are not in the best interests of the Company and are incompatible with the Group's existing spending commitments and available capital.

The Independent Directors believe that the Disposal Assets will continue to require significant social investment, given their importance within their local communities where they are major employers. This is also reflected in the substantial liabilities relating to disability and other employee benefits, which are associated with the Disposal Assets. In particular, under the relevant Kazakh legislation, the Group has a disability benefits obligation to current and former employees who suffered workplace injuries with the level of payments indexed to current pay rates within the Group. Since 31 December 2010, the Group's provision for disability benefits has increased from U.S.\$58 million to U.S.\$530 million as at 31 December 2013, due to changes in Kazakh legislation, salary increases awarded by the Group and increases in the number of claimants. A significant proportion of the provision is associated with the Disposal Assets.

### **4.5 The Retained Assets are well-positioned on the cost curve**

The Independent Directors believe that the Retained Assets will occupy an attractive position on the industry cost curve, in the first or second quartile, compared to current costs in the fourth quartile for the Company. Bozshakol and Aktogay are both expected to occupy the first or second quartile of the industry cost curve, and the Independent Directors believe that the Transaction will ensure the Continuing Group remains attractively positioned for the long term, and capable of generating significant positive Free Cash Flow.

### **4.6 The Retained Assets have significant growth potential**

The Retained Assets produced 87 kt of copper in concentrate in 2013, equivalent to 28 per cent. of the Company's overall copper in concentrate production. Copper in concentrate production from the four operating mines in the East Region is expected to decline in the medium term and investment will be required to extend the life of the Artemyevsky mine. Nevertheless, the increase in production expected from the commissioning of the Major Growth Projects will add significant overall growth to the Retained Assets as Bozshakol and Aktogay ramp up copper in concentrate output significantly from 2015. Koksay will provide longer term growth options for the Group after Bozshakol and Aktogay have been commissioned.

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In 2018, the Independent Directors expect that the Retained Assets will produce approximately 300 kt of copper in concentrate, the majority coming from Bozshakol and Aktogay. The expected compounded annual growth in copper in concentrate production of 28 per cent. between 2013 and 2018 will be amongst the highest in the industry. The Koksay deposit will provide the Group with further production growth in the longer term.

### **4.7 The Transaction simplifies the Group and is expected to improve productivity**

The Transaction will result in a significant reduction in the size and scope of the Group's operations before the commencement of the Major Growth Projects. Kazakhmys will reduce the scope of its operations from 16 mines in 2013 to five mines (rising to seven mines when the Bozshakol and Aktogay oxide mines are operational in 2015). In addition, the Transaction will result in a reduction in FTEs from approximately 53,000 in 2013 to 10,000 (rising to 13,000 when Bozshakol and Aktogay are operational). Copper in concentrate production is expected to reduce from 315 kt in 2013 to 85 kt in 2014 (rising to approximately 300 kt by 2018 when Bozshakol and Aktogay are operational).

In addition, it is a strategic priority of the Group to focus on improving productivity. In 2013, the Group produced an average of 5.5 tonnes of copper cathode equivalent per FTE. By focusing on the Retained Assets, whose predominantly open pit operations will be less labour-intensive than those of the Disposal Assets, the Independent Directors expect the Continuing Group to achieve output of around 22 tonnes of copper cathode equivalent per FTE when Bozshakol and Aktogay are fully commissioned.

Overall, the Independent Directors believe that the Transaction will result in a leaner, more efficient Continuing Group, where the reduction in the scale and scope of operations will enable management to continue to focus on profitable production volumes, thereby reducing execution risk for the Continuing Group and, in particular, on the Major Growth Projects.

The Board remains committed to continuing to improve the safety and environmental performance of the Group, and to achieving its target of zero fatalities.

The Independent Directors therefore believe it is in the interests of Shareholders to support the Transaction, to further enable the Company to focus its activities on its core profitable business, and to ensure a viable path to the commencement of operations at the Major Growth Projects, in particular, Bozshakol and Aktogay.

## **5 Structure and terms of the Transaction**

The Transaction will be effected in accordance with the terms of the Share Transfer Agreement under which Kazakhmys has agreed to transfer the Target Shares to Cuprum Holding together with the Working Capital Payment (funding to cover the agreed contribution by the Company to the working capital requirements of the Disposal Assets). The Working Capital Payment includes: (i) cash of U.S.\$150 million left in the Target Companies; (ii) unspent 2014 sustaining capital expenditure budget within the Disposal Assets for the period from 1 January 2014 up to 31 July 2014, the date of effective economic separation (which it is currently estimated will be approximately U.S.\$80 million); (iii) certain MET and VAT refunds to be received from the Government of Kazakhstan due to the Disposal Assets (which it is currently estimated will be approximately U.S.\$10 million); and (iv) net cash flows attributable to the Disposal Assets for the period from the date following the date of effective economic separation, 1 August 2014, up to completion under the Share Transfer Agreement. Therefore, it is currently estimated that the total Working Capital Payment will be approximately U.S.\$240 million plus the net cash flows referred to in (iv) above. The Transaction is conditional upon, *inter alia*, the approval of Shareholders and obtaining regulatory consents. Under the Share Transfer Agreement, the Company has undertaken, following completion, to cease to use or display any mark, logo, name, symbol or design which is capable of being confused with the name "Kazakhmys".

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As a preliminary step of the Transaction, the Company is undertaking a reorganisation of the Group through a series of legal steps including: (i) a demerger of KCC, the Company's main operating subsidiary in Kazakhstan, whereby certain assets forming part of the Retained Assets will be transferred into Kazakhmys East, a new Kazakh company; and (ii) a demerger of Kazakhmys Copper, whereby the surviving KCC (owing some of the Disposal Assets) will be transferred into New Copper, a new Dutch company. The reorganisation is one of the conditions precedent under the Share Transfer Agreement. On completion, Cuprum Holding will become the ultimate owner of the Target Companies, and therefore the Disposal Assets.

Under the Share Transfer Agreement, the parties have also agreed to enter into the Framework Services Agreements and accordingly, Kazakhmys and Cuprum Holding entered into the Cuprum Framework Services Agreement and the East Framework Services Agreement.

Pursuant to the Cuprum Framework Services Agreement, Cuprum Holding will provide the Continuing Group with transitional and longer term services and functions to be delivered on the terms of certain TSAs and LTAs. The services to be provided pursuant to the Cuprum Framework Services Agreement include: smelting and tolling (production and processing of raw materials); access to smelting capacities; handling, storage and burial of slag; handling and neutralisation of excess acids; lease of office premises; access to historical pricing databases and historical HR information; electricity supply and transmission to the Aktogay copper mine (including the upgrade of existing power plants and lines); air transportation; geological exploration; mine maintenance; concentrator maintenance; project institute/engineering services; IT and technical support; shaft sinking; current and capital repairs; production of spare parts; construction; and diagnostics and repairs relating to machinery and electrical equipment. In respect of the electricity supply and transmission to the Aktogay copper mine, Cuprum Holding has granted the Company an option to purchase the Aktogay power line for U.S.\$1.00: (i) if Cuprum Holding Group is unable to maintain the supply and/or transmission of electricity and/or undertake the required upgrades to the relevant power plants and lines; or (ii) Following a request by the Company to extend the term for the provision of the electricity transmission services, Cuprum Holding gives the Company notice of its intention to cease the provision of those services.

Pursuant to the East Framework Services Agreement, Kazakhmys will provide the Cuprum Holding Group with transitional and longer term services and functions to be delivered on the terms of certain TSAs and LTAs. The services to be provided pursuant to the East Framework Services Agreement include: management, planning and controlling of smelting and tolling activities; access to historical pricing databases and historical HR information; IT and technical support; sublease of office premises; DBMS administration; warehousing; and treasury and investment planning services.

The services contemplated under the Cuprum Framework Services Agreement will be provided for a term of at least five years from completion with respect to the LTAs (save for the LTA for air transportation services, which will be provided for so long as Cuprum Holding controls the relevant aircraft, and the LTAs for electricity supply and transmission to the Aktogay copper mine, which will be provided for at least 10 years from completion) and up to 31 December 2015 with respect to the TSAs, subject to the Company's rights to extend the term for provision of the services at the Company's sole discretion. Under the East Framework Services Agreement there is no minimum period for the provision of services under the relevant LTAs.

Both Framework Services Agreements will terminate upon the termination or expiration of the final underlying LTA or TSA (as applicable to that Framework Services Agreement), subject to the recipient of the services having the right to terminate the relevant services in the following circumstances: (i) on two months' notice (save in respect of the LTAs for electricity supply and transmission to the Aktogay copper mine, which may be terminated by the Company on six months' notice at any time after 1 January 2017); or (ii) immediately on the insolvency of or material breach by the service provider.

The terms of each of the LTAs and the TSAs are on an arm's length basis and on normal commercial terms.

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It is the objective of the Company that the Disposal Assets and the Retained Assets will function as standalone operations post-completion of the Transaction. However, the LTAs and the TSAs are required to enable each group to perform certain functions which are critical to the conduct of their respective businesses and operations, such as smelting and refining, sales of finished products, and major procurement.

The Transaction is not expected to be completed until Q4 2014.

Your attention is drawn to Part III of this document which contains a more detailed summary of the principal terms of the Share Transfer Agreement and the Framework Services Agreements, including the key terms of material LTAs and TSAs.

### **6 Financial effects of the Transaction and net debt profile**

The Transaction will result in the assets and liabilities of the Target Companies no longer being consolidated in the Group's consolidated financial statements and the recognition of a significant loss on disposal.

A financial information table for the Target Companies is provided in Part IV of this document.

A pro forma statement of net assets and a pro forma income statement for the Continuing Group is provided in Part V of this document and has been prepared to illustrate the effect of the Transaction on the net assets of the Continuing Group as if the Transaction had taken place on 31 December 2013 and on the income statement of the Continuing Group as if the Transaction had taken place on 1 January 2013. The unaudited pro forma statement of net assets and pro forma income statement have been prepared for illustrative purposes only and, because of their nature, address a hypothetical situation and, therefore, do not reflect the Group's actual financial position or results.

In the short term, the Transaction will increase net debt in the Continuing Group due to the Working Capital Payment (funding to cover the agreed contribution by the Company to the working capital requirements of the Disposal Assets) transferred to Cuprum Holding. As described in paragraph 5 above, the Working Capital Payment will include a cash payment of U.S.\$150 million, adjusted for certain items, so that the total Working Capital Payment is estimated to be approximately U.S.\$240 million plus net cash flows attributable to the Disposal Assets for the period from the 1 August 2014 up to completion under the Share Transfer Agreement. However, in the medium to longer term, net debt in the Continuing Group is expected to trend at a lower level due to the ongoing cash savings resulting from the Target Companies no longer being part of the Group.

### **7 Changes to management**

As a result of the Transaction, a number of key employees will be transferred with the Target Companies including the following key members of senior management based in Kazakhstan:

Eduard Ogay (Chief Executive Officer of Kazakhmys Corporation LLC);

Gulshat Zholamanova (Finance Director of Kazakhmys Corporation LLC); and

Bakhtiyar Krykpyshhev (General Director Mining Processing Complex, Kazakhmys Corporation LLC).

Following the Transaction, Eduard Ogay will step down from the Board so that he can take up his position as chief executive officer of Cuprum Holding, managing the Disposal Assets, and Mr. Ogay will cease to have any executive or management authority at the Continuing Group. As noted above, Mr. Kim has indicated that he remains committed to retaining his holding in Kazakhmys and intends to remain on the Board following the Transaction.

Oleg Novachuk will remain as Chief Executive Officer of Kazakhmys. For the avoidance of doubt, he will not be a shareholder of, or have any management responsibility at, Cuprum Holding.

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### **8 General Meeting and Resolutions**

#### **8.1 General Meeting**

Set out at the end of this document is a notice convening the General Meeting to be held at 9.00 a.m. (UK time) on 15 August 2014 at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom, at which the following Resolutions will be proposed.

#### **8.2 Resolution 1 – The Transaction Resolution**

As Mr. Kim and Mr. Ogay are Directors, and due to Mr. Kim's shareholding in the Company, the Transaction constitutes a "related party transaction" for the purposes of the Listing Rules. Due to its size, the Transaction also constitutes a Class 1 transaction under the Listing Rules. In addition, the Transaction is a "substantial property transaction" under Section 190 of the Companies Act. Under Section 190 of the Companies Act, a company must obtain the approval of a resolution of its members for any arrangement by which a director of the company or of its holding company, or a person connected with such a director, acquires or is to acquire from the company (directly or indirectly) a substantial non-cash asset (being an asset whose value exceeds 10 per cent. of the company's asset value and is more than £5,000, or exceeds £100,000).

As a result, the Transaction is conditional, among other things, on the approval of Shareholders of the Transaction Resolution. The Transaction Resolution will be proposed as an ordinary resolution requiring a simple majority of votes (of those present or voting by proxy) in favour. Due to the Transaction being a "related party transaction" under the Listing Rules, the approval of the Independent Shareholders will determine the result of the vote on the Transaction Resolution. In accordance with the Listing Rules, each of Mr. Kim and Mr. Ogay will not vote on the Transaction Resolution, and each has undertaken to take all reasonable steps to ensure that his respective associates will not vote on the Transaction Resolution.

#### **8.3 Resolution 2**

Resolution 2, which will be proposed as a special resolution, proposes that, subject to completion of the Transaction, the Company's name be changed to "KAZ Minerals PLC".

Resolution 2 requires a majority of at least 75 per cent. of votes (of those present or voting by proxy) in favour.

### **9 Action to be taken**

You will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the meeting, you are requested to complete and return the Form of Proxy in accordance with the instructions printed on it and return it so as to be received by Kazakhmys' registrar, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, United Kingdom or Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, so as to arrive no later than 9.00 a.m. UK time (4.00 p.m. Hong Kong time) on 13 August 2014 (or not less than 48 hours before the time fixed for any adjourned meeting). Shareholders may, if they so wish, register the appointment of a proxy or proxies electronically by logging on to Kazakhmys' registrars' website at [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy) where full details of the procedure are given. Electronic proxy appointments must be received by Computershare Investor Services PLC or Computershare Hong Kong Investor Services Limited, so as to arrive no later than 9.00 a.m. UK time (4.00 p.m. Hong Kong time) on 13 August 2014 (or not less than 48 hours before the time fixed for any adjourned meeting). CREST members may appoint a proxy or proxies by completing and transmitting a CREST proxy instruction in accordance with the procedures described in the CREST manual so that it is received by Kazakhmys' agent (ID 3RA50) by the latest time for receipt of proxy appointments specified above.

Completing and returning a Form of Proxy or electronic proxy appointment or completing and transmitting a CREST proxy instruction will not prevent you from attending the meeting and voting in person if you wish.

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### **10 Further information**

Your attention is drawn to the further information set out in Parts II to VII of this document and, in particular, to the Risk Factors in Part II. You are advised to read the whole of this document and not just rely on the summary information presented above.

### **11 Importance of vote**

The Group manages its liquidity through available cash and through sources of borrowing including the PXF Facility and the undrawn RCF which together currently provide U.S.\$600 million of borrowing capacity, of which U.S.\$500 million was drawn on the PXF Facility as at 31 May 2014. Each of the PXF Facility and the RCF contains a net debt to EBITDA covenant (the “EBITDA Covenant”) which is tested every six months (based on the position at 30 June and 31 December) and certain undertakings relating to disposal of assets and control of KCC (the “Undertakings”).

In addition to the PXF Facility and the RCF, the Group also has the CDB Facilities providing approximately U.S.\$3.7 billion of borrowing capacity after repayments, of which U.S.\$2.3 billion was drawn as at 31 May 2014. The CDB Facilities contain balance sheet leverage covenants (the “CDB Covenants”) which are tested annually in respect of the CDB Aktogay finance facility (based on the position at 31 December). Together, these facilities and the Group’s available cash provide the funding for the Group’s planned capital expenditure, which includes planned expansionary capital expenditure of up to U.S.\$1.6 billion in the next 12 months from the date of this document on the Major Growth Projects.

A breach of the EBITDA Covenant or the Undertakings could result in an event of default on the PXF Facility which would trigger a cross default in the CDB Facilities. This, or a breach of the CDB Covenants may, in turn, result in the Group having to repay the amount drawn under the CDB Facilities for which it would not have sufficient available funds.

#### *Position if the Transaction Resolution is passed*

If the Transaction Resolution is passed, the Group will dispose of the Disposal Assets and the Free Cash Flow profile of the Retained Assets will improve significantly. The Retained Assets generated EBITDA (excluding special items) of U.S.\$389 million in 2013, prior to MET charges of U.S.\$94 million and sustaining capital expenditure of U.S.\$72 million<sup>3</sup>.

Prior to completion of the Transaction, the Group will enter into discussions with the current providers of the PXF Facility and RCF to negotiate their agreement to the Transaction (including restructuring of the guarantees) and to an amendment or waiver of the Undertakings to avoid any breach of the Undertakings and with a view to allowing both the PXF Facility and the RCF to continue to support the Retained Assets. In the event that such discussions are unsuccessful, the Continuing Group would have sufficient funds to repay in full the PXF Facility and cancel the RCF and, after doing so, would still have sufficient funding in place for its planned capital expenditure on the Retained Assets, even in the event that the prices of the Continuing Group’s key commodities were to deteriorate significantly from current levels.

#### *Position if the Transaction Resolution is not passed*

The Disposal Assets generated EBITDA (excluding special items) of U.S.\$342 million in 2013, prior to MET charges of U.S.\$148 million and sustaining capital expenditure of U.S.\$415 million. If the Transaction Resolution is not passed, the Group will retain the Disposal Assets and the Undertakings will not be breached, but the negative Free Cash Flow generation of these assets will continue to adversely affect the Group. In 2013, the Group generated negative Free Cash Flow of U.S.\$171 million.

In the event that the prices of the Group’s key commodities were to deteriorate significantly from current levels, it is possible that the EBITDA Covenant may be breached when it is tested at

<sup>3</sup> Excluding U.S.\$9 million of spend relating to MKM, the sale of which was completed on 28 May 2013.

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the next test date, being 31 December 2014. In the event that a breach of the EBITDA Covenant became likely, the Group would enter into discussions with the current providers of the PXF Facility and RCF to negotiate an amendment to the EBITDA Covenant, such as a temporary waiver or relaxation, with a view to allowing both the PXF Facility and the RCF to continue without triggering an event of default.

The Group is confident that it would be successful in such discussions, although there could be no certainty as to the outcome, which would depend on the circumstances at the time. In the event that such discussions were successful, the Group would have sufficient funding in place for its planned capital expenditure in the 12 month period from the date of this document without any additional mitigating actions, even in the event that there were a severe deterioration in the prices of the Group's key commodities from current levels for the period of the next 12 months.

In the event that such discussions were unsuccessful, and the Transaction Resolution had not been passed, the Group would have sufficient funds to repay in full the PXF Facility and cancel the RCF before an EBITDA Covenant breach occurred, and thereby avoid an event of default, and would still have sufficient funding in place for its planned capital expenditure in the six month period from the date of this document without any additional mitigating actions, even in the event that there was a severe deterioration in the prices of the Group's key commodities from current levels for the period of the next six months. However, thereafter, in the event that such a severe deterioration in the prices of the Group's key commodities from current levels were to persist, it is possible that the Group would not have sufficient funds in place for its planned capital expenditure later in the period to 31 December 2015, and it is also possible that certain of the CDB Covenants could be breached around the fourth quarter of 2015, in which case the amounts drawn under the CDB Facilities would become repayable and the Group would not have sufficient funds available to repay the Facilities. The combination of these circumstances and a devaluation of the tenge against the U.S. dollar of 10 per cent. could bring this forward to around the end of the second quarter of 2015.

In these circumstances, which the Group considers highly unlikely to occur, the Group has a range of options and mitigating actions available to deal with a potential cash shortfall. Such actions could include reducing further the Group's cost base, reducing sustaining capital expenditure and conserving cash through stricter working capital management. The Group could also seek to raise alternative debt financing or additional equity, and could seek to bring in partners on its Major Growth Projects. In the event of a severe deterioration in the prices of the Group's key commodities from current levels, these mitigating actions may need to provide additional working capital of up to approximately U.S.\$1.2 billion in the period to 31 December 2015, net of any additional debt financing raised. There can be no guarantee that such mitigating actions would, in aggregate, be sufficient to provide such additional working capital.

In this regard, Shareholders' attention is specifically drawn to the statement in paragraph 10 of Part VII of this document that the working capital available to the Continuing Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of publication of this document, in the event that the Transaction Resolution is passed.

### **12 Recommendation**

The Board, which has been so advised by Citigroup Global Markets Limited and J.P. Morgan Cazenove, considers the terms of the Transaction to be fair and reasonable as far as the Shareholders are concerned. In providing financial advice to the Board, Citigroup Global Markets Limited and J.P. Morgan Cazenove have taken into account the Board's commercial assessments.

In addition, the Board considers the Transaction to be in the best interests of Shareholders as a whole. Accordingly, the Board recommends that you vote in favour of the Resolutions to be proposed at the General Meeting, as the Independent Directors intend to do in respect of their own beneficial holdings which amount to 49,624 Ordinary Shares, representing approximately 0.01 per cent. of the Company's total voting share capital.



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Each of Mr. Kim and Mr. Ogay, who is considered to be interested in the outcome of the Transaction, has not taken part in the Board's consideration of the Transaction. In addition, Oleg Novachuk has not taken part in the Board's consideration of the Transaction as it was deemed appropriate that only the Independent Directors, being the non-executive Directors of Kazakhmys who are independent in relation to the Transaction, should consider the Transaction.

Yours faithfully

Simon Heale

**Chairman**  
**On behalf of the Independent Directors**

## **PART II**

### **RISK FACTORS**

*Prior to making any decision to vote in favour of the Resolutions, Shareholders should carefully consider all the information contained in this document and the documents incorporated by reference herein, including, in particular, the specific risks and uncertainties described below. The risks and uncertainties set out below are those which the Directors believe are the material risks relating to the Transaction, material new risks to the Continuing Group as a result of the Transaction or existing material risks to the Group which will be impacted by the Transaction. If any, or a combination, of these risks actually materialise, the business operations, financial condition and prospects of the Group and the Continuing Group, as appropriate, could be materially and adversely affected. The risks and uncertainties described below are not intended to be exhaustive and are not the only ones that face the Group or the Continuing Group. The information given is as at the date of this document and, except as required by the FCA, the London Stock Exchange, the Listing Rules and DTRs (and/or any regulatory requirements) or applicable law, will not be updated. Additional risks and uncertainties not currently known to the Directors or that they currently deem immaterial, may also have an adverse effect on the business, financial condition, results of operations and prospects of the Group and the Continuing Group. If this occurs, the price of Ordinary Shares may decline and Shareholders could lose all or part of their investment.*

#### **Risks Relating to the Transaction**

*The completion of the Transaction is subject to a number of conditions.*

Completion of the Transaction is subject to the satisfaction (or waiver, where applicable) of certain conditions precedent set out in the Share Transfer Agreement. There is no guarantee that these conditions will be satisfied (or waived, if applicable). In the event that any condition is not satisfied or waived, the Transaction will not complete.

*The Group may not be able to realise the perceived benefit of the Transaction if it does not complete.*

The Group's strategy is to focus on copper production from a small group of large scale, low cost, open pit mines operating within Central Asia. The Disposal Assets are inconsistent with this strategy. Therefore, the Group conducted a number of discussions with potential acquirers which did not progress beyond a very preliminary stage. Discussions were then held with Mr. Kim regarding the Disposal Assets as Kazakhmys believes that the natural acquirer is Cuprum Holding, a company whose principal shareholder is Mr. Kim, given his knowledge of the assets, understanding of the operating environment and standing in Kazakhstan.

Over the past few years, a combination of declining grades, cost inflation and lower commodity prices have put significant pressure on the Group's profitability and cash generation, the effect of which has been most pronounced at the Disposal Assets due to the high-cost nature of their mining operations. The Independent Directors believe that the Disposal Assets will require significant further investment over the short and medium term in optimisation measures to extend the life of the mines, processing facilities and the captive power stations, and secure employment. Such optimisation measures could include a review of new hydrometallurgical processing technologies, as well as investment in the extension of the existing Zhomart underground mine, development of the Nurkazgan deposits, development of the Zhylandy deposit in the Zhezkazgan Region, and a number of other medium-sized development projects. In addition, the Independent Directors believe that the Disposal Assets will continue to require significant social investment, given their importance within the local communities where they are major employers.

The Independent Directors believe that the Transaction will result in a leaner, more efficient Kazakhmys, where the reduction in the scale and scope of operations will enable management to continue to focus on profitable production, thereby reducing the execution risk for the Continuing Group and, in particular, on the Major Growth Projects. If the Transaction does not complete, the Group will continue to have a large portfolio of mature, low margin assets which

## PART II—RISK FACTORS

are not consistent with the Group's strategy. Any investment to optimise the Disposal Assets would carry meaningful risk and uncertainty. It therefore may not be possible for the Group to realise the benefits of such investment which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

*The operations of the Retained Assets are subject to the successful transfer and issuance of subsoil use contracts and licences.*

One of the conditions under the Share Transfer Agreement is the transfer and/or issuance of subsoil use contracts and the relevant licences and permits for certain Retained Assets in the East Region from the Competent Body.

Kazakhstan's regulatory authorities exercise considerable discretion in the interpretation and enforcement of local laws and regulations. At times, authorities use this discretion to enforce rights in a manner that is inconsistent with the relevant legislation, particularly with respect to licence issuance, renewal and compliance. The licensing process is also influenced by outside commentary and political pressure. A competing applicant for a subsoil use contract, licence or permit may bring a direct claim against the relevant Competent Body if the applicant believes that the contract or licence was issued in violation of applicable law or regulation. If successful, such proceedings and claims may result in the revocation or invalidation of the contract, licence or permit, the refusal to issue or renew a contract, licence or permit or the issuance or renewal of a contract, licence or permit in an untimely fashion or with conditions that impair the Continuing Group's ability to conduct its operations profitably.

Any delay in obtaining such subsoil use contracts, licences and permits will have a material impact on the completion of the Transaction.

In addition, once the necessary subsoil use contracts, licences and permits have been obtained, requirements imposed by the Competent Body may be costly and time-consuming and may result in delays in the commencement or continuation of production operations. Any violation of Kazakhstan law may result in the suspension of operations, termination of contracts and/or revocation of permits or licences.

*The Continuing Group will receive certain services from Cuprum Holding under the Framework Services Agreements, LTAs and TSAs.*

Kazakhmys has agreed to transfer the Disposal Assets to Cuprum Holding, and has entered into the Framework Services Agreements, pursuant to which (i) Cuprum Holding will provide transitional and longer term services including smelting and tolling, electricity supply and transmission, maintenance and access to other resources for the Continuing Group and (ii) the Continuing Group will provide certain limited transitional and longer term services to Cuprum Holding. Following the Transaction, the Continuing Group will no longer be a fully integrated copper producer. Cuprum Holding will provide services which are essential for the operations of the Continuing Group such as smelting and electricity supply and transmission.

Notwithstanding the terms agreed under the Framework Services Agreements, the LTAs and the TSAs, there can be no guarantee that the services, including smelting and electricity supply, required under those agreements will be provided, or will be provided to the standards required by the Continuing Group, if, for instance, Cuprum Holding does not make the necessary financial investment in the Disposal Assets. Any failure or delay by Cuprum Holding to make the required financial investments may have a material adverse effect on the Continuing Group's operations. In addition, there can be no guarantee that the services provided under the Framework Services Agreements, the LTAs and the TSAs will not be subject to delay, interruption or periods of non-availability. Despite the availability of alternative suppliers, any such delay, interruption or non-availability could result in business interruptions for the Continuing Group, which may have a material adverse effect on the Continuing Group's business, prospects, financial condition and results of operations.

## PART II—RISK FACTORS

*Concentration of the Group's operations, ore reserves and mineral resources into a smaller number of assets.*

The Transaction will result in a significant reduction in the size and scope of the Group's operations before the commencement of the Major Growth Projects. Pursuant to the Transaction, Kazakhmys will reduce the scope of its operations from operating 16 mines in 2013 to operating five mines, rising to seven mines when Bozshakol and Aktogay oxide projects are operational in 2015. On completion of the Transaction, the Continuing Group's operations, ore reserves and mineral resources will therefore be concentrated into a smaller number of assets. Whilst this reduction in the scope and scale of operations is part of the Group's strategy to focus on production from a small group of large scale, low cost, open pit mines, a material event or substantial disruption at one of the Retained Assets could have a material adverse effect on the Continuing Group's business, prospects, financial condition and results of operations.

*The laws and regulations of Kazakhstan are developing and uncertain, the independence of the judicial system and its immunity from economic, political and nationalistic influences in Kazakhstan cannot be guaranteed, and therefore the Continuing Group could face liabilities in relation to the Kazakh Reorganisation.*

The Kazakh Reorganisation will be effected under Kazakh law. The laws and regulations of Kazakhstan, including, in particular, those relating to the Kazakh Reorganisation, are uncertain and subject to change and there is no established court practice. Furthermore, the independence of the judicial system and its immunity from economic, political and nationalistic influences in Kazakhstan cannot be guaranteed. Not all Kazakh legislation and court decisions are readily available to the public or organised in a manner that facilitates understanding. Court orders are not always enforced or followed by law enforcement agencies. The relevant laws and regulations are often unclear and vague with regards to the extent of the obligations and restrictions that are relevant to the Group. In addition, the Kazakhstan regulatory authorities exercise considerable discretion in the interpretation and enforcement of these laws and regulations, at times in a manner that is inconsistent with the relevant legislation and previous practice.

The Continuing Group may be held jointly and severally liable for the obligations of KCC, in particular if it is established that, as a result of the Kazakh Reorganisation, KCC has been left without sufficient assets to satisfy its creditors. In addition, various stakeholders such as creditors, minority shareholders and a bankruptcy administrator may seek invalidation of the Kazakh Reorganisation or seek compensation from the Continuing Group if it is established that the Kazakh Reorganisation was carried out at an undervalue or in bad faith, resulted in the bankruptcy of KCC or has otherwise resulted in an infringement of their rights. Claims relating to the Kazakh Reorganisation can generally be brought against the Continuing Group within a period of up to three years from the Kazakh Reorganisation. As a consequence, should KCC cease payments to its creditors and/or become insolvent or otherwise come under distress, the assets of the Continuing Group may become targeted in order to keep KCC in existence or to satisfy its creditors.

Under the Share Transfer Agreement, Cuprum Holding has agreed to indemnify the Company in respect of certain risks (including in relation to creditor claims, tax and environmental) should liability in respect of such risks extend to the Continuing Group post-completion of the Transaction. However, this protection may not be sufficient in the event of the insolvency of the entire Cuprum Holding Group, not just KCC. The Share Transfer Agreement contains a personal limited guarantee given by Mr. Kim in respect of certain of Cuprum Holding's obligations under the Share Transfer Agreement. However, this guarantee is limited to an amount equal to the value of Mr. Kim's holding in Kazakhmys as at the date of signing the Share Transfer Agreement and therefore may not cover the Continuing Group's liabilities in full. Furthermore, due to the uncertainties in Kazakh law and its judicial system discussed above, the Continuing Group may not be able to effectively enforce the guarantee against Mr. Kim in Kazakhstan.

The unpredictable nature of the Kazakhstan judicial system and the uncertainty of securing effective redress could have a material adverse effect on the Continuing Group's business, prospects, financial condition and results of operations.

## PART II—RISK FACTORS

*The Group relies on third parties for equipment, materials, services and supplies and may face increased costs, equipment shortages, delays or production disruption.*

The Transaction will result in a significant reduction in the size and scope of the Group's operations before commencement of the Major Growth Projects. This reduction in the scale of the Group may mean that the terms for the supply of key items for its operations may be less attractive than at present and the Continuing Group may become more sensitive to market variances in the cost of those items. In addition, the ability of the Continuing Group to operate its business depends in part on its access to specialised mining equipment, supplies and services provided by a limited number of suppliers. The Group faces competition from other companies for such equipment, supplies and services (including from the Cuprum Holding Group following the Transaction), and there can be no certainty that the necessary equipment, supplies and services will be available to the Continuing Group at an economical cost or without delay. Failure to secure the necessary equipment, materials and supplies at acceptable terms could have a material adverse effect on the Continuing Group's business, prospects, financial condition and results of operations.

*The Group could be adversely affected by changes to personnel as a result of the Transaction.*

The Group's business depends, in significant part, upon the contributions of the Group's key senior management and personnel. As a result of the Transaction, a number of key employees, including Eduard Ogay and other key members of senior operations management based in Kazakhstan, will be transferred with the Disposal Assets. The loss of service of one or more of the Group's key employees could adversely affect its business. In addition, the Continuing Group may need to fill certain key roles following the Transaction. Factors critical to attracting additional highly qualified personnel and retaining present staff include the Continuing Group's ability to provide these individuals with competitive compensation arrangements. If the Continuing Group is not successful in attracting or retaining highly qualified individuals in key management positions, its business may be harmed.

The Group relies significantly on its skilled and unskilled workforce. In particular, the Group relies on skilled in-house personnel to perform the majority of the Group's complex repairs. There is strong demand for skilled personnel and contractors across a range of disciplines. Some of the Group's skilled and unskilled workforce will be transferred with the Disposal Assets, and the Continuing Group may need to fill these roles for the Retained Assets. If the Continuing Group is not able to attract and retain the relevant personnel it may adversely impact the Continuing Group's ability to adequately resource the development projects and the existing operations.

Following the Transaction, if the Continuing Group is not able to attract and retain highly qualified individuals in key management positions (together with the relevant institutional experience and knowledge), as well as a skilled and unskilled workforce, this could have a material adverse effect on the Continuing Group's business, prospects, financial condition and results of operations.

*Any transactions between Cuprum Holding and the Continuing Group will be related party transactions.*

Following the Transaction, any transactions other than transactions in the ordinary course of business between Cuprum Holding, which is owned by Mr. Kim and Mr. Ogay, and the Continuing Group will be related party transactions and will be subject to the related party rules of the Listing Rules and the relevant Relationship Agreements. To regulate the ongoing relationship between the Company and Mr. Kim, the VK Relationship Agreement was originally entered into in September 2005, and was amended to comply with the new Listing Rules relating to "controlling shareholders" as defined in the Listing Rules. The VK Relationship Agreement will continue to be in place following the Transaction. Each of Oleg Novachuk and Eduard Ogay, who are regarded as "controlling shareholders" as defined in the Listing Rules, have also entered into a relationship agreement with the Company. The principal purpose of the Relationship Agreements is to establish that all transactions between the Company and its controlling shareholders are undertaken on an arm's length basis and that neither the controlling

## PART II—RISK FACTORS

shareholders nor their associates cause the Company to breach or circumvent the Listing Rules or prevent the Company from complying with its obligations under the Listing Rules. The Relationship Agreements will continue so long as Ordinary Shares are listed on the premium segment of the Official List of the Financial Conduct Authority and traded on the London Stock Exchange. The VK Relationship Agreement will terminate should Mr. Kim's shareholding in the Company fall below 10 per cent. and Mr. Kim ceases to be a "controlling shareholder" as defined in the Listing Rules. In the case of Mr. Novachuk and Mr. Ogay, the relevant Relationship Agreement will terminate should Mr. Novachuk or Mr. Ogay cease to be a controlling shareholder as defined in the Listing Rules.

*The Group may be subject to unforeseen tax liabilities as a consequence of the Transaction.*

The Group has carefully considered the tax implications of the Transaction, in particular in relation to the Kazakh Reorganisation and the Dutch Reorganisation. However, because tax legislation in Kazakhstan has only been in effect for a relatively short time, tax risks in Kazakhstan are substantially higher than the tax risks in countries with more developed taxation systems. It is therefore possible that tax liabilities, which have not been anticipated by the Group, could arise from the Transaction. In addition, it is possible that changes in applicable taxation rules could result in tax liabilities in respect of the Transaction if effected retrospectively, which could have a material adverse effect on the Continuing Group's business, prospects, financial condition and results of operations.

As mentioned above, under the Share Transfer Agreement, Cuprum Holding has agreed to indemnify the Company in respect of certain tax risks should liability in respect of such risks extend to the Continuing Group post-completion of the Transaction. However, this protection may not be sufficient in the event of the insolvency of the entire Cuprum Holding Group.

### **Risks Relating to the Group's Operations**

*The Group's financial performance is highly dependent upon the price of copper, and also dependent on the price of silver, gold and zinc.*

The Group's financial performance is highly dependent on the market price of copper (which accounted for 73 per cent. of its revenue from continuing operations in 2013). The Group's financial performance is also influenced by revenue from the sale of by-products such as silver, gold, zinc and other products including energy and heat.

If the Transaction completes, the Retained Assets will continue to be sensitive to commodity prices. The prices of the commodities produced by the Group's mining operations have historically been subject to fluctuations and are affected by numerous factors beyond the Group's control, including international economic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels maintained by producers and others, and actions of participants in the commodities markets. To a lesser extent, the market prices of copper, silver, gold and zinc are also subject to the effects of inventory carrying costs and currency exchange rates. In addition, the market prices of copper, silver, gold and zinc have been subject to rapid short-term changes.

Even in the event that copper prices were to increase sharply, there is a risk that consumers will reduce their volume of consumption and/or seek alternative products or commodities to use as a substitute for copper. Any reduced consumption or request for alternative products by the Continuing Group's customers could adversely affect the Continuing Group's business, prospects, financial condition and results of operations.

*The Group is exposed to liquidity risks.*

The Group is exposed to liquidity risks, including the risk that sufficient borrowing facilities may not be available to meet the cash requirements, the risk that financial assets may not readily be converted into cash without the loss of value and the risk that financial covenants in the Group's debt facilities might be breached. The Group is also exposed to interest rate risk on its debt facilities and any increase in US interest rates will increase the cost of the Group's borrowings.

## PART II—RISK FACTORS

The Group manages its liquidity through available cash and through sources of borrowing including the PXF Facility and the undrawn RCF which together currently provide U.S.\$600 million of borrowing capacity, of which U.S.\$500 million was drawn on the PXF Facility as at 31 May 2014. Each of the PXF Facility and the RCF contains the EBITDA Covenant which is tested every six months (based on the position at 30 June and 31 December) and certain Undertakings.

In addition to the PXF Facility and the RCF, the Group also has the CDB Facilities providing approximately U.S.\$3.7 billion of borrowing capacity after repayments, of which U.S.\$2.3 billion was drawn as at 31 May 2014. The CDB Facilities contain the CDB Covenants, which are tested annually in respect of the CDB Aktogay finance facilities (based on the position at 31 December). Together, these facilities and the Group's available cash provide the funding for the Group's planned capital expenditure, which includes planned expansionary capital expenditure of up to U.S.\$1.6 billion in the next 12 months from the date of this document on the Major Growth Projects.

As at 31 May 2014, the Group had a net debt position of U.S.\$31 million, comprising gross external debt of U.S.\$2,724 million offset by cash and cash equivalents and current investments of U.S.\$2,693 million. The Company's acquisition of the Koksay copper deposit incurred a U.S.\$195 million outflow on 16 June 2014. On a pro forma basis net debt would have been U.S.\$226 million as at 31 May 2014. Net debt will increase over the next 12 months from the date of this document as the Group continues to invest in its Major Growth Projects.

A breach of the EBITDA Covenant or the Undertakings could result in an event of default on the PXF Facility which would trigger a cross default in the CDB Facilities. This or a breach of the CDB Covenants may, in turn, result in the Group having to repay the amount drawn under the CDB Facilities for which it would not have sufficient available funds.

If the Transaction Resolution is passed, prior to the completion of the Transaction the Group will enter into discussions with the current providers of the PXF Facility and RCF to negotiate their agreement to the Transaction (including restructuring of the guarantees) and to an amendment to or a waiver of the Undertakings to avoid any breach of the Undertakings and with a view to allowing both the PXF Facility and the RCF to continue to support the Retained Assets. In the event that such discussions were unsuccessful, the Continuing Group would have sufficient funds to repay in full the PXF Facility and cancel the RCF and, after doing so, would still have sufficient funding in place for its planned capital expenditure on the Retained Assets, even in the event that the prices of the Continuing Group's key commodities were to deteriorate significantly from current levels.

If the Transaction Resolution is not passed, the Group will retain the Disposal Assets and the Undertakings will not be breached, but the negative Free Cash Flow generation of these assets will continue to adversely affect the Group. In 2013, the Group generated negative Free Cash Flow of U.S.\$171 million. In the event that the prices of the Group's key commodities were to deteriorate significantly from current levels, it is possible that the EBITDA Covenant may be breached when it is tested at the next test date, being 31 December 2014. In the event that a breach of the EBITDA Covenant became likely, the Group would enter into discussions with the current providers of the PXF Facility and RCF to negotiate an amendment to the EBITDA Covenant, such as a temporary waiver or relaxation, with a view to allowing both the PXF Facility and the RCF to continue without triggering an event of default.

The Group is confident that it would be successful in such discussions, although there could be no certainty as to the outcome, which would depend on the circumstances at the time. In the event that such discussions were successful, the Group would have sufficient funding in place for its planned capital expenditure in the 12 month period from the date of this document without any additional mitigating actions, even in the event that there is a severe deterioration in the prices of the Group's key commodities from current levels for the period of the next 12 months.

In the event that such discussions were unsuccessful, and the Transaction Resolution had not been passed, the Group would have sufficient funds to repay in full the PXF Facility and cancel the RCF before an EBITDA Covenant breach occurred, and thereby avoid an event of default, and

## PART II—RISK FACTORS

would still have sufficient funding in place for its planned capital expenditure in the six month period from the date of this document without any additional mitigating actions, even in the event that there was a severe deterioration in the prices of the Group's key commodities from current levels for the period of the next six months. However, thereafter in the event that such a severe deterioration in the prices of the Group's key commodities from current levels were to persist, it is possible that the Group would not have sufficient funds in place for its planned capital expenditure later in the period to 31 December 2015, and it is also possible that certain of the CDB Covenants could be breached around the fourth quarter of 2015, in which case the amounts drawn under the CDB Facilities would become repayable and the Group would not have sufficient funds available to repay the Facilities. The combination of these circumstances and a devaluation of the tenge against the U.S. dollar of 10 per cent. could bring this forward to around the end of the second quarter of 2015.

In these circumstances, which the Group considers highly unlikely to occur, the Group has a range of options and mitigating actions available to deal with a potential cash shortfall. Such actions could include reducing further the Group's cost base, reducing sustaining capital expenditure and conserving cash through stricter working capital management. The Group could also seek to raise alternative debt financing or additional equity, and could seek to bring in partners on its Major Growth Projects. In the event of a severe deterioration in the prices of the Group's key commodities from current levels, these mitigating actions may need to provide additional working capital of up to approximately U.S.\$1.2 billion in the period to 31 December 2015, net of any additional debt financing raised. There can be no guarantee that such mitigating actions would, in aggregate, be sufficient to provide such additional working capital.

Failure to manage financing risks 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.

*The Group's business is focused on mining operations, which require substantial capital expenditure, and the Group's plans or projects may not achieve the intended economic results or commercial viability.*

The Group is focused on developing its core copper operations, optimising its existing assets and delivering its Major Growth Projects. Following the Transaction, the importance of delivering its Major Growth Projects will remain as the production from the four operating mines in the East Region is expected to decline in the coming years. The Group's mining and processing operations are capital-intensive and the development and exploitation of ore reserves, the operation of processing facilities and the acquisition of machinery and equipment require substantial capital expenditure. The Group must continue to invest capital to maintain or to increase the amount of ore reserves that it exploits and the amount of metal that it produces. The Group has mining projects, as well as plans for its existing operations, which involve significant capital expenditure.

The Group's Major Growth Projects may require greater investment than is currently expected. This could have a material adverse effect on the Group's financial condition. In addition, the Group's Major Growth Projects could suffer delays or interruptions, which could cause cost overruns. Any such delay, interruption or cost overruns in implementing the Group's planned capital investments could result in the Group failing to complete the Major Growth Projects and a reduction in future production volumes, which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Major Growth Projects may also prove not to be commercially viable upon completion. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit, commodity prices, the proper construction of the mine and government regulation. The Group's current intention to develop mines is based on economic, geological, engineering, environmental and mine planning evaluations. If the Group is unable to develop its Major Growth Projects into commercial working mines, its business, prospects, financial condition and results of operations will be materially and adversely affected.



## PART II—RISK FACTORS

*The Group's operations are subject to compliance with environmental laws and regulations, which require ongoing expenditure and considerable capital commitments from the Group.*

In common with other natural resources and mineral processing companies, the Group's operations generate hazardous and non-hazardous waste, effluent and emissions into the atmosphere, water and soil. The Group manages its environmental impacts by using energy and water efficiently, by protecting biodiversity and by reducing greenhouse gas ("GHG") emissions, waste and emissions to air. Environmental challenges associated with open pit and underground mining include pit closure plans and the water potentially impounded in the final pit. The main environmental impacts managed by the Group are: (i) GHG emissions generated from burning coal to generate power and to process copper; (ii) sulphur dioxide (SO<sub>2</sub>), nitrous oxides (NO<sub>x</sub>), ash and dust which contains low levels of arsenic from copper smelting; (iii) water management plans to meet the requirements of permits issued by local authorities; (iv) waste from mining operations, power plants, wastewater treatment facilities, sulphuric acid plants, as well as tailings; and (v) environmental impact assessments and rehabilitation.

As a condition to its subsoil use contracts and licences in Kazakhstan, the Group must set aside at least 0.1 per cent. of annual mining operating expenses in Kazakhstan for the eventual rehabilitation of its mines (other than coal mines), and at least 1 per cent. of annual sales revenue derived from its coal mines for the rehabilitation of such mines. However, these amounts may be insufficient to meet the actual rehabilitation expenses for which the Group may be responsible under its subsoil use contracts and licences.

Following the Transaction and transfer of the Disposal Assets, the Continuing Group's environmental impacts will change, particularly with the disposal of the smelters and power plants.

The Kazakh environmental regulations which require companies to control environmental impacts are primarily enforced through a mechanism of permits issued to companies establishing payment obligations on levels of emissions and waste storage. Therefore, the Group is, and the Continuing Group will continue to be, required to obtain environmental permits as well as various approvals from the environmental protection authorities to conduct some of its operations. Government authorities and the courts enforce compliance with the terms and conditions of these permits. Violations may result in civil or criminal penalties, the curtailment or cessation of operations, orders to pay substantial compensation, orders to remedy the effects of such violations and/or orders to take preventative steps against possible future violations. In certain situations, the issuing authority may modify, renew or revoke the permits.

Following the Transaction, the cost of compliance with environmental laws and regulations, as well as the risks associated with any failure to comply with such requirements, is likely to be reduced in respect of the Continuing Group. Despite this, there is no guarantee that the Continuing Group will be able to satisfy any of its obligations under environmental laws and regulations, which could result in financial or other penalties and/or the suspension or loss of the Continuing Group's subsoil use contracts, licences and permits. Furthermore, the Cuprum Holding Group may not be able to comply with its environmental laws and regulations. Under the Share Transfer Agreement, Cuprum Holding has agreed to indemnify the Company in respect of certain environmental risks should liability in respect of such risks extend to the Continuing Group post-completion of the Transaction. However, this protection may not be sufficient in the event of insolvency of the entire Cuprum Holding Group.

The occurrence of any of these risks could have a material adverse effect on the Continuing Group's business, prospects, financial condition and results of operations.

*The Group faces competition from other mining companies, including Cuprum Holding following the Transaction.*

The Group faces competition from other mining companies and producers or fabricators of metal and metal products around the world. The Transaction will result in the creation of a new market participant, Cuprum Holding, also operating in Kazakhstan with which the Continuing Group may compete in a number of areas.

# PART III

## PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT, FRAMEWORK SERVICES AGREEMENTS, LTAS AND TSAS

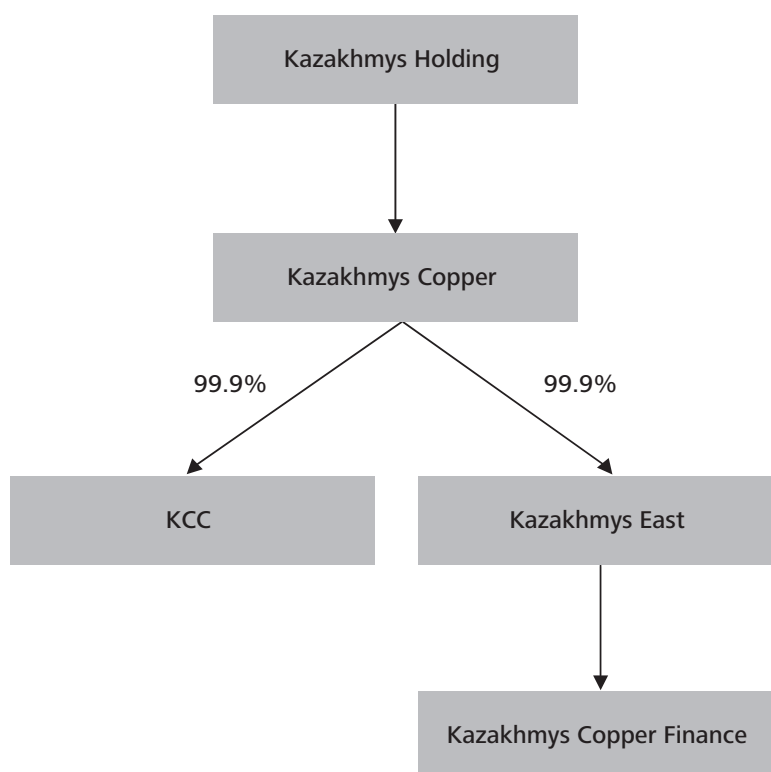
### Share Transfer Agreement

#### 1 Separation and transfer of the Disposal Assets from the Group

Kazakhmys Holding, an indirect wholly-owned subsidiary of the Company, is the parent company of Kazakhmys Copper, which currently holds a 99.9 per cent. interest in KCC, the main operating subsidiary of the Company in Kazakhstan. KCC currently owns some of the Disposal Assets and some of the Retained Assets. The Company is undertaking a reorganisation of the Group, including a two-step legal demerger process to separate KCC's assets under Kazakh law and Dutch law, such that the Target Shares can be transferred to Cuprum Holding.

#### *Kazakh Reorganisation*

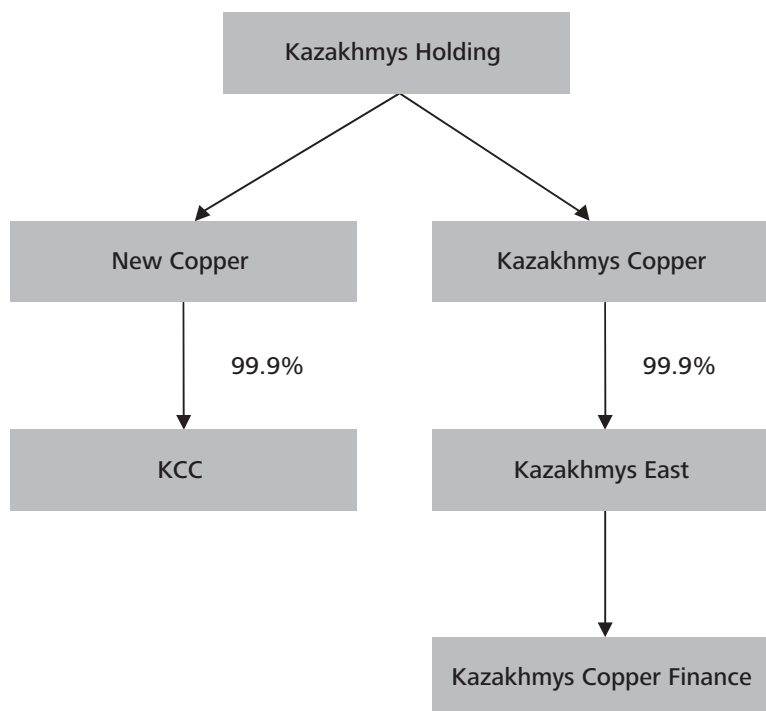
The Group is undertaking a demerger of KCC under Kazakh law, resulting in some of the Retained Assets being transferred into Kazakhmys East, a new Kazakh limited liability company. Following the Kazakh Reorganisation: (i) Kazakhmys East will own 100 per cent. of Kazakhmys Copper Finance and some of the Retained Assets; and (ii) KCC will survive and own some of the Disposal Assets.



### **PART III—PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT, FRAMEWORK SERVICES AGREEMENTS, LTAS AND TSAS**

#### *Dutch Reorganisation*

The Group is undertaking a demerger of Kazakhmys Copper under Dutch law, resulting in KCC being transferred into New Copper, a new Dutch BV company, and Kazakhmys Copper surviving. Following the Dutch Reorganisation, New Copper will own 99.9 per cent. of KCC and Kazakhmys Copper will own 99.9 per cent. of Kazakhmys East.



#### *Transfer of Dank*

Following the execution of the Share Transfer Agreement, 100 per cent. of the participation interest in Dank (a gold producing operating company of the Group) shall be transferred to Kazakhmys Exploration B.V. (one of the Target Companies). Such transfer will be made either directly or indirectly through the transfer of 100 per cent. of the participation interest in Charaltyn (the 100 per cent. shareholder of Dank).

#### *Transfer of the Target Shares*

On 23 July 2014, the Company and relevant sellers of the Target Shares as transferor, Cuprum Holding as transferee and Mr. Kim as Cuprum Holding's guarantor entered into the Share Transfer Agreement for the transfer of the Target Shares. The Target Companies own the Disposal Assets. Under the Share Transfer Agreement, the parties have agreed to enter into the Framework Services Agreements, with certain of the LTAs and the TSAs to be entered into on or prior to completion.

Under the Share Transfer Agreement, the Target Shares will be transferred with the Working Capital Payment (funding to cover the agreed contribution by the Company to the working capital requirements of the Disposal Assets), which comprises:

- (a) cash of U.S.\$150 million left in the Target Companies;
- (b) sustaining capital expenditure budget within the Disposal Assets for the period from 1 January 2014 up to 31 July 2014, the date of effective economic separation (which it is currently estimated will be approximately U.S.\$80 million);

**PART III—PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT,  
FRAMEWORK SERVICES AGREEMENTS, LTAS AND TSAS**

- (c) certain MET and VAT refunds to be received from the Government of Kazakhstan due to the Disposal Assets (which it is currently estimated will be approximately U.S.\$10 million); and
- (d) net cash flows attributable to the Disposal Assets for the period from the date following the date of effective economic separation, 1 August 2014, up to completion under the Share Transfer Agreement.

Therefore, it is currently estimated that the total Working Capital Payment will be approximately U.S.\$240 million plus the net cash flows referred to in (d) above.

Following completion, a payment shall be made: (a) by Cuprum Holding to the Company, to the extent that the actual cash in the Cuprum Holding Group as at completion exceeds the Working Capital Payment; or (b) by the Company to Cuprum Holding, to the extent that the actual cash in the Cuprum Holding Group as at completion is less than the Working Capital Payment.

The Share Transfer Agreement provides that any assets which have been incorrectly transferred pursuant to the Kazakh Reorganisation and/or the Dutch Reorganisation to Cuprum Holding be transferred back to the Group, and that any assets which should have been transferred to Cuprum Holding pursuant to the reorganisations, but were not, should subsequently be transferred. Such transfers should be made as soon as reasonably practicable after the parties become aware of the incorrect transfer or failure to transfer.

## **2 Conditions Precedent**

Completion under the Share Transfer Agreement is conditional upon the satisfaction, or waiver (if permitted), of certain conditions precedent customary to transactions of this nature, which shall include, without limitation, the following:

- (a) the passing of the Transaction Resolution at the General Meeting;
- (b) receipt by the Company of permission to transfer certain assets related to subsoil use rights issued by the Ministry of Industry and New Technologies of Kazakhstan as part of the transfer of the Target Shares;
- (c) receipt by the Company of a waiver by the Competent Body of its first refusal in respect of the subsoil use rights issued by the Ministry of Industry and New Technologies of Kazakhstan transferring as part of the transfer of the Target Shares;
- (d) the receipt by Cuprum Holding of an approval of economic concentration in respect of the transfer of the Target Shares by the Agency for Protection of Competition of Kazakhstan, such approval being unconditional and in full legal force and effect;
- (e) the receipt by Cuprum Holding of the required permissions from the competent Kazakh authorities to dispose of the Target Shares (the Target Shares being objects related to subsoil use rights for the exploration and excavation of widespread minerals);
- (f) completion of each of the Kazakh Reorganisation and the Dutch Reorganisation in accordance with its terms and to the reasonable satisfaction of the Company and Cuprum Holding;
- (g) completion of the transfer of Dank (as described in paragraph 1 above) to the reasonable satisfaction of the Company and Cuprum Holding;
- (h) the parties to the Share Transfer Agreement obtaining all other necessary corporate and other consents and approvals; and
- (i) the parties to the Share Transfer Agreement agreeing the form of those LTAs and TSAs, which are to be entered into upon completion.

The long stop date for satisfaction of such conditions precedent is 31 December 2014 or such other later date as the Company may select at its sole discretion.

**PART III—PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT,  
FRAMEWORK SERVICES AGREEMENTS, LTAS AND TSAS**

**3 Pre-Completion Covenants**

During the period between the date of the Share Transfer Agreement and the date of completion, each of the parties to the Share Transfer Agreement will procure that the Group continues to be operated in the ordinary and usual course of business.

**4 Warranties, Undertakings, Indemnities and Liability Caps**

Each of the parties to the Share Transfer Agreement has given limited warranties (relating to authority, capacity and, in respect of the Company, title to the Target Shares) to the other side in connection with the Transaction.

Cuprum Holding has agreed to give certain undertakings to the Continuing Group in respect of its ongoing operation of the Disposal Assets post-completion (including continuing to operate certain Disposal Assets in the ordinary and usual course of business, not disposing of certain Disposal Assets, not winding up certain of the members of the Group, continuing to make adequate capital investment in the Disposal Assets and maintaining adequate insurance for certain Disposal Assets). Such ongoing obligations shall continue until the later of the fifth anniversary of the completion date and the date on which all the LTAs and TSAs have terminated or expired.

Cuprum Holding has agreed to indemnify the Continuing Group in respect of:

- (a) losses relating to the Disposal Assets (including in relation to creditor claims, tax and environmental) should liability in respect of such risks extend to the Continuing Group post-completion; and
- (b) any tax liability which Kazakhmys East suffers relating to the pre-completion period.

Cuprum Holding's liability under the Share Transfer Agreement is uncapped.

Mr. Kim has agreed to provide a personal limited guarantee in respect of Cuprum Holding's obligations under the Share Transfer Agreement. This guarantee covers the warranties given by Cuprum Holding (as described above) and the indemnity described in item (a) above, but not the indemnity described in item (b) above. Mr. Kim's liability under this guarantee is capped at U.S.\$811,896,250, being the value of his shareholding in the Company at market close on 22 July 2014, the date immediately prior to the date of signing of the Share Transfer Agreement.

The Company has agreed to indemnify Cuprum Holding in respect of:

- (a) certain risks relating to the Retained Assets (excluding tax liabilities) should liability in respect of such risks extend to Cuprum Holding post-completion;
- (b) certain Kazakh and Netherlands tax liabilities arising wholly as a direct result of Cuprum Holding acquiring or holding KCC through a Netherlands entity; and
- (c) any tax liability which any of the Target Companies suffer relating to the pre-completion period.

The Company has further undertaken, post-completion, to cease to use or display any mark, logo, name, symbol or design which is capable of being confused with the name "Kazakhmys".

Cuprum Holding and Mr. Kim have undertaken not to exercise their rights under the Share Transfer Agreement and the Framework Services Agreements (including the LTAs and the TSAs) in a manner which would be inconsistent with the independence provisions (Listing Rule 6.1.4DR) of the Listing Rules.

The Company and the Purchaser have given mutual non-solicitation undertakings to each other in respect of employees with an annual base salary of more than U.S.\$50,000 for a period of two years from completion of the Transaction (or such shorter period as may be recognised by applicable local law).

The Company's liability under the Share Transfer Agreement is capped at U.S.\$150 million.

**PART III—PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT,  
FRAMEWORK SERVICES AGREEMENTS, LTAS AND TSAS**

**5 Governing Law and Jurisdiction**

The Share Transfer Agreement is governed by English law. Any disputes arising out of or in connection with the Share Transfer Agreement will first be escalated to the senior representatives of the parties (being Mr. Novachuk on behalf of the Company and Mr. Kim on behalf of Cuprum Holding), then, if the dispute remains unresolved, be referred to the London Court of International Arbitration (“LCIA”) for final settlement in accordance with the LCIA Rules, by three arbitrators appointed in accordance with such rules. The place of arbitration will be London, United Kingdom and the language of arbitral proceedings will be Russian.

**Framework Services Agreements**

**1 Cuprum Framework Services Agreement – Cuprum Holding as Service Provider**

Contemporaneously with the entering into of the Share Transfer Agreement, on 23 July 2014, Cuprum Holding and the Company entered into the Cuprum Framework Services Agreement.

The Cuprum Framework Services Agreement provides for the provision of services and functions by Cuprum Holding Group entities to the Company and other members of the Group and the terms upon which those services and functions are to be provided pursuant to the individual LTAs and TSAs. These services and functions include, without limitation:

- (a) smelting and tolling (production and processing of raw materials);
- (b) access to smelting capacities;
- (c) handling storage and burial of slag;
- (d) handling and neutralisation of excess acids;
- (e) lease of office premises;
- (f) access to historical pricing databases and historical HR information;
- (g) electricity supply and transmission to the Aktogay copper mine (including the upgrade of existing power plants and lines);
- (h) air transportation;
- (i) geological exploration;
- (j) mine maintenance;
- (k) concentrator maintenance;
- (l) project institute/engineering services;
- (m) IT and technical support;
- (n) shaft sinking;
- (o) current and capital repairs;
- (p) production of spare parts;
- (q) construction; and
- (r) diagnostics and repairs relating to machinery and electrical equipment.

In respect of the electricity supply and transmission to the Aktogay copper mine, Cuprum Holding has granted the Company an option to purchase the Aktogay power line for U.S.\$1.00 if: (i) Cuprum Holding Group is unable to maintain the supply and/or transmission of electricity and/or undertake the required upgrades to the relevant power plants and lines; or (ii) following a request by the Company to extend the term for the provision of the electricity transmission services, Cuprum Holding gives the Company notice of its intention to cease the provision of such services.

**PART III—PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT,  
FRAMEWORK SERVICES AGREEMENTS, LTAS AND TSAS**

**2 East Framework Services Agreement – Kazakhmys as Service Provider**

Contemporaneously with the entering into of the Share Transfer Agreement, on 23 July 2014, Cuprum Holding and Kazakhmys entered into the East Framework Services Agreement.

The East Framework Services Agreement provides for the provision of services and functions by Kazakhmys to Cuprum Holding and other members of the Cuprum Holding Group and the terms upon which those services are to be provided pursuant to the individual LTAs and TSAs. These services and functions include, without limitation:

- (a) management, planning and controlling of smelting and tolling activities;
- (b) access to historical pricing databases and historical HR information;
- (c) IT and technical support;
- (d) sublease of office premises;
- (e) DBMS administration;
- (f) warehousing; and
- (g) treasury and investment planning services.

**3 LTAs and TSAs**

Pursuant to the Cuprum Framework Services Agreement, Cuprum Holding Group entities will provide services under the LTAs to the Company and other members of the Continuing Group for at least five years from completion (save for the LTA for air transportation services, which will be provided for so long as Cuprum Holding controls the relevant aircraft, and the LTAs for electricity supply and transmission to the Aktogay copper mine, which will be provided for at least 10 years from completion). There is no such fixed minimum term for the provision of services by the Company under the LTAs pursuant to the East Framework Services Agreement.

Under each Framework Services Agreement, the recipient of the services may:

- (a) terminate any services, LTA or TSA on two months' notice (save in respect of the LTAs for electricity supply and transmission to the Aktogay copper mine, which may be terminated by the Company on six months' notice at any time after 1 January 2017);
- (b) terminate the Framework Services Agreement, LTAs and TSAs, due to the insolvency of the service provider; or
- (c) terminate the Framework Services Agreement and/or any LTA and/or any TSA due to a material breach by the service provider.

For technical reasons under Kazakh law specific contractual arrangements (i.e. the LTAs and TSAs) between particular members of the Cuprum Holding Group and the Continuing Group may contain different provisions to those set out in the Framework Services Agreements (in particular, but without limitation, in relation to term and termination). However, the Framework Services Agreements provide that in the event of any discrepancy between the terms of the LTAs and TSAs and the terms of the relevant Framework Services Agreement, the Framework Services Agreement shall prevail as between the two groups.

**PART III—PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT,  
FRAMEWORK SERVICES AGREEMENTS, LTAS AND TSAS**

A summary of the key terms of the LTAs and the TSAs between the Cuprum Holding Group and the Continuing Group are set out below:

**I. Summary of the key terms of the LTAs and TSAs with Cuprum Holding as Service Provider**

No.	Description of Service	Parties	Pricing Summary	Term
<b>LTAs</b>				
1	Smelting and tolling (production and processing of raw materials) services	Kazakhmys Smelting LLP (provider) Kazakhmys East (recipient)	Cost (including capital expenditure requirements) plus 10% basis, where costs are determined on the basis of treatment charges and refining charges	Minimum of five years from completion
2	Smelting and tolling (production and processing of raw materials) services	Kazakhmys Smelting LLP (provider) Kazakhmys Gold Kyrgyzstan LLC (recipient)	Cost (including capital expenditure requirements) plus 10% basis, where costs are determined on the basis of treatment charges and refining charges	Minimum of five years from completion
3	Access to the smelting capacities of Kazakhmys Smelting LLP	Kazakhmys Smelting LLP (provider) Kazakhmys LLP (recipient)	Free of charge	Minimum of five years from completion
4	Services relating to handling, storage and burial of slag	KCC (provider) Kazakhmys Smelting LLP (provider) Kazakhmys East (recipient)	Price is determined on the basis of rates for burial of slag provided in the Tax Code of Kazakhstan	Minimum of five years from completion
5	Services relating to handling, storage and burial of slag	KCC (provider) Kazakhmys Smelting LLP (provider) Kazakhmys Gold Kyrgyzstan LLC (recipient)	Price is determined on the basis of rates for burial of slag provided in the Tax Code of Kazakhstan	Minimum of five years from completion
6	Services relating to handling and neutralisation of excess acids	Kazakhmys Smelting LLP (provider) Kazakhmys East (recipient)	Cost plus 10% basis	Minimum of five years from completion
7	Services relating to handling and neutralisation of excess acids	Kazakhmys Smelting LLP (provider) Kazakhmys Gold Kyrgyzstan LLC and/or Kazakhmys Aktogay LLP (recipient)	Cost plus 10% basis	Minimum of five years from completion



**PART III—PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT,  
FRAMEWORK SERVICES AGREEMENTS, LTAS AND TSAS**

No.	Description of Service	Parties	Pricing Summary	Term
8	Lease of office premises in Almaty and Astana	KCC (landlord) Kazakhmys LLP (tenant)	Cost plus basis	Minimum of five years from completion
9	Access to its historical pricing databases	KCC (provider) Kazakhmys East (recipient) Kazakhmys LLP (recipient)	Free of charge, in consideration of Kazakhmys providing access to its historical pricing databases	Minimum of five years from completion
10	Access to its historical HR information	KCC (provider) Kazakhmys East (recipient) Kazakhmys LLP (recipient)	Free of charge, in consideration of Kazakhmys providing access to its historical HR information	Minimum of five years from completion
11	Electricity supply services	KCC and/or Kazakhmys Energy LLP (provider) Kazakhmys Aktogay LLP (recipient)	Price is determined on the basis of rates for electricity supply provided under the laws of Kazakhstan	Minimum of 10 years from completion
12	Electricity transportation services	KCC and/or Kazakhmys Energy LLP (provider) Kazakhmys Aktogay LLP (recipient)	Price is determined on the basis of rates for electricity transportation provided under the laws of Kazakhstan	Minimum of 10 years from completion
13	Air transportation services	KCC and/or Air Company Comlux-KZ LLP and/or Comlux A.V.V. and/or Air Company Zhezkazgan Air JSC (provider) Kazakhmys Services Ltd (recipient)	Cost basis in relation to variable costs only	As long as Cuprum Holding controls aircrafts
<b>TSAs</b>				
14	Geological exploration services with respect to Irtyskaya mine	Kazakhmys Drilling LLP (provider) Kazakhmys East (recipient)	Cost plus basis	Not later than 31 December 2015
15	Geological exploration services with respect to Yubileino-Snegirikhinskiy mine	Kazakhmys Drilling LLP (provider) Kazakhmys East (recipient)	Cost plus basis	Not later than 31 December 2015

**PART III—PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT,  
FRAMEWORK SERVICES AGREEMENTS, LTAS AND TSAS**

<b>No.</b>	<b>Description of Service</b>	<b>Parties</b>	<b>Pricing Summary</b>	<b>Term</b>
16	Geological exploration services with respect to Artemievskiy mine	Kazakhmys Drilling (provider) Kazakhmys East (recipient)	Cost plus basis	Not later than 31 December 2015
17	Geological exploration services with respect to Orlovskaya mine	Kazakhmys Drilling LLP (provider) Kazakhmys East (recipient)	Cost plus basis	Not later than 31 December 2015
18	Maintenance services with respect to Irtyskaya mine	Kazakhmys Maintenance Services LLP (provider) Kazakhmys East (recipient)	Cost plus basis	Not later than 31 December 2015
19	Maintenance services with respect to Yubileino-Snegirikhinskiy mine	Kazakhmys Maintenance Services LLP (provider) Kazakhmys East (recipient)	Cost plus basis	Not later than 31 December 2015
20	Maintenance services with respect to Artemievskiy mine	Kazakhmys Maintenance Services LLP (provider) Kazakhmys East (recipient)	Cost plus basis	Not later than 31 December 2015
21	Maintenance services with respect to Orlovskaya mine	Kazakhmys Maintenance Services LLP (provider) Kazakhmys East (recipient)	Cost plus basis	Not later than 31 December 2015
22	Maintenance services with respect to Nikolaevskiy concentrator	Kazakhmys Maintenance Services LLP (provider) Kazakhmys East (recipient)	Cost plus basis	Not later than 31 December 2015
23	Maintenance services with respect to Belousovskiy concentrator	Kazakhmys Maintenance Services LLP (provider) Kazakhmys East (recipient)	Cost plus basis	Not later than 31 December 2015
24	Maintenance services with respect to Orlovskiy concentrator	Kazakhmys Maintenance Services LLP (provider) Kazakhmys East (recipient)	Cost plus basis	Not later than 31 December 2015

**PART III—PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT,  
FRAMEWORK SERVICES AGREEMENTS, LTAS AND TSAS**

<b>No.</b>	<b>Description of Service</b>	<b>Parties</b>	<b>Pricing Summary</b>	<b>Term</b>
25	Project institute / engineering services	KCC (provider) Kazakhmys East (recipient)	Cost plus 5% basis	Not later than 31 December 2015
26	Services relating to technical support of finance IT systems Era Financials	KCC (provider) Kazakhmys LLP (recipient)	Cost plus 2% basis	Not later than 31 December 2015
27	Services relating to implementation and technical support of Oracle HRMS	KCC (provider) Kazakhmys East and/or Kazakhmys LLP (recipient)	Cost basis	Not later than 31 December 2015
28	Electricity supply services	KCC and/or Kazakhmys Energy LLP (provider) Kazakhmys East (recipient)	Price is determined on the basis of rates for electricity supply provided under the laws of Kazakhstan	Not later than 31 December 2015
29	Electricity transportation services	KCC and/or Kazakhmys Energy LLP (provider) Kazakhmys East (recipient)	Price is determined on the basis of rates for electricity transportation provided under the laws of Kazakhstan	Not later than 31 December 2015
30	Shaft sinking services	KCC (provider) Kazakhmys East (recipient)	Cost plus 5% basis	Not later than 31 December 2015
31	Services relating to current and capital repairs	KCC (provider) Kazakhmys East (recipient)	Cost plus 5% basis	Not later than 31 December 2015
32	Services relating to production of spare parts	KCC (provider) Kazakhmys East (recipient)	Cost plus 5% basis	Not later than 31 December 2015
33	Construction services	KCC (provider) Kazakhmys East (recipient)	Cost plus 5% basis	Not later than 31 December 2015
34	Services relating to hoists, cranes, elevators, diagnostics and repairs	KCC (provider) Kazakhmys East (recipient)	Cost plus 5% basis	Not later than 31 December 2015
35	Services relating to electrical equipment diagnostics and repairs	KCC (provider) Kazakhmys East (recipient)	Cost plus 5% basis	Not later than 31 December 2015

**PART III—PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT,  
FRAMEWORK SERVICES AGREEMENTS, LTAS AND TSAS**

**II. Summary of the key terms of the LTAs and TSAs with Kazakhmys as service provider**

No.	Description of Service	Parties	Pricing Summary	Term
<b>LTAs</b>				
1	Services with respect to co-ordination of the smelting and tolling activities of Kazakhmys Smelting LLP	Kazakhmys LLP (provider) KCC (recipient)	Cost plus 5% basis	No fixed minimum term
2	Access to historical pricing databases	Kazakhmys LLP (provider) Kazakhmys East (provider) KCC (recipient)	Free of charge, in consideration of Cuprum Holding providing access to its historical pricing databases	No fixed minimum term
3	Access to historical HR information	Kazakhmys LLP (provider) Kazakhmys East (provider) KCC (recipient)	Free of charge, in consideration of Cuprum Holding providing access to its historical HR information	No fixed minimum term
<b>TSAs</b>				
4	Services relating to implementation, putting into operation and maintenance of Cognos TM1 and Cognos BI systems, their integration with other systems and staff training	Kazakhmys LLP and/or Kazakhmys Services Limited (provider) KCC (recipient)	Cost basis	Not later than 31 December 2015
5	Sublease of office premises in Almaty (Business Centre Keruen)	Kazakhmys Services Limited (sublandlord) KCC (subtenant)	Cost basis	Not later than 31 December 2015
6	Services relating to DBMS administration	Kazakhmys LLP and/or Kazakhmys East (provider) KCC (recipient)	Cost plus 5% basis	Not later than 31 December 2015
7	Warehousing services	Kazakhmys East (provider) KCC (recipient)	Cost plus 5% basis	Not later than 31 December 2015
8	Consulting services for treasury and investment planning	Kazakhmys LLP and/or Kazakhmys Services Limited (provider) KCC (recipient)	Cost plus 5% basis	Not later than 31 December 2015

## PART IV

# FINANCIAL INFORMATION TABLE RELATING TO THE TARGET COMPANIES

The financial information set out below comprises income statements for each of the three years ended 31 December 2013 and a balance sheet as at 31 December 2013 for the Target Companies.

The financial information for the three years ended 31 December 2013 has been extracted, without material adjustment, from the consolidation schedules that form the basis of the audited consolidated financial statements of Kazakhmys PLC for each of the three years ended 31 December 2013.

The financial information in this Part IV does not constitute statutory accounts within the meaning of Section 434 of the Companies Act. The consolidated statutory accounts for the Group in respect of the financial years ended 31 December 2013, 31 December 2012 and 31 December 2011 have been delivered to the Registrar of Companies. The auditor's reports in respect of those statutory accounts were unqualified and did not contain statements under Section 498(2) or 498(3) of the Companies Act.

The financial information in this Part IV has been prepared in accordance with the accounting policies used to prepare the consolidated financial statements of the Group for the 12 months ended 31 December 2013.

### Combined income statement in respect of the Target Companies for the three years ended 31 December 2013

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<i>U.S.\$ million</i>		
	<i>(unless otherwise stated)</i>		
<b>Continuing operations</b>			
Revenues .....	2,278	2,375	2,342
Cost of sales .....	<u>(1,672)</u>	<u>(1,579)</u>	<u>(1,157)</u>
<b>Gross profit</b> .....	606	796	1,185
Selling and distribution expenses .....	(51)	(42)	(46)
Administrative expenses .....	(696)	(674)	(626)
Net other operating income/(expense) .....	3	(7)	4
Impairment losses .....	<u>(676)</u>	<u>(42)</u>	<u>(15)</u>
<b>(Loss)/profit before finance items and taxation</b> .....	(814)	31	502
Finance income .....	22	37	37
Finance costs .....	<u>(54)</u>	<u>(52)</u>	<u>(57)</u>
<b>(Loss)/profit before taxation</b> .....	(846)	16	482
Income tax expense .....	(65)	(29)	(94)
<b>(Loss)/profit for the year</b> .....	<u>(911)</u>	<u>(13)</u>	<u>388</u>

**PART IV—FINANCIAL INFORMATION TABLE RELATING TO THE TARGET COMPANIES**

**Combined balance sheet in respect of the Target Companies as at 31 December 2013**

	<b>2013</b>
	<i>U.S.\$ million</i>
<b>Assets</b>	
<b>Non-current assets</b>	
Intangible assets . . . . .	42
Property, plant and equipment . . . . .	1,328
Mining assets . . . . .	315
Other non-current assets . . . . .	82
Deferred tax asset . . . . .	9
	<u>1,776</u>
<b>Current assets</b>	
Inventories . . . . .	453
Prepayments and other current assets . . . . .	297
Income taxes receivable . . . . .	55
Trade and other receivables . . . . .	54
Intra-group receivables . . . . .	3
Investments . . . . .	50
Cash and cash equivalents . . . . .	73
	<u>985</u>
<b>Total assets</b> . . . . .	<u><u>2,761</u></u>
<b>Equity and liabilities</b>	
<b>Equity</b>	
<b>Total equity</b> . . . . .	<u>1,685</u>
<b>Non-current liabilities</b>	
Borrowings . . . . .	—
Employee benefits . . . . .	452
Provisions . . . . .	81
	<u>533</u>
<b>Current liabilities</b>	
Trade and other payables . . . . .	394
Intra-group payables . . . . .	12
Intra-group borrowings . . . . .	72
Income taxes payable . . . . .	9
Employee benefits . . . . .	51
Provisions . . . . .	5
	<u>543</u>
<b>Total liabilities</b> . . . . .	<u>1,076</u>
<b>Total equity and liabilities</b> . . . . .	<u><u>2,761</u></u>

Under the Cuprum Framework Services Agreement described in Part III of this document, the Continuing Group will be provided with services by the Target Companies post-completion of the Transaction. Historically, with the exception of the provision of smelting services and certain other minor services, these services have been recharged by the Target Companies to the Continuing Group on a basis comparable to the terms of the Cuprum Framework Services Agreement. The cost of providing these services and the income earned by the Target Companies are included in the combined income statement of the Target Companies above. With regard to the smelting services and certain other minor services, only the costs of the Target Companies for their own account have been included.

#### **PART IV—FINANCIAL INFORMATION TABLE RELATING TO THE TARGET COMPANIES**

Under the East Framework Services Agreement described in Part III of this document, the Target Companies will be provided with services by the Continuing Group post-completion of the Transaction. Historically, with the exception of certain minor services, these services have been recharged by the Continuing Group to the Target Companies on a basis comparable to the terms of the East Framework Services Agreement. The cost of providing these services has been incurred by the Continuing Group and so is not included in the combined income statement of the Target Companies above; with the exception of certain minor services, the combined income statement does include the amounts recharged to the Target Companies.

Shareholders should read the whole of this document (and in particular Part V) and not rely solely on the summarised financial information in this Part IV.

## **PART V**

# **PRO FORMA FINANCIAL INFORMATION OF THE CONTINUING GROUP**

### **Section A: Unaudited Pro Forma Financial Information**

The unaudited pro forma statement of net assets and pro forma income statement have been compiled from the audited consolidated balance sheet and income statement of the Group as at and for the year ended 31 December 2013 and have been prepared on the basis of, and should be read in conjunction with, the notes set out below. The unaudited pro forma statement of net assets has been prepared to illustrate the effect of the Transaction on the net assets of the Group as if the Transaction had taken place on 31 December 2013 and the unaudited pro forma income statement has been prepared to illustrate the effect of the Transaction on the income statement of the Group as if the Transaction had taken place on 1 January 2013.

The unaudited pro forma statement of net assets and pro forma income statement have been prepared in a manner consistent with the accounting policies adopted by the Group in preparing the audited consolidated financial statements in the annual report and accounts for the year ended 31 December 2013.

The unaudited pro forma statement of net assets and pro forma income statement have been prepared for illustrative purposes only and, because of their nature, address a hypothetical situation and, therefore, do not reflect the Group's actual financial position or results and should not be construed as indicative of the Group's future financial position or results. Future results of operations may differ materially from those presented below due to various factors.



**PART V—PRO FORMA FINANCIAL INFORMATION OF THE CONTINUING GROUP**

**Pro forma income statement for the year ended 31 December 2013**

	Kazakhmys Group 2013 <sup>(1)</sup>	Target Companies financial information <sup>(2)</sup>	Intra-Group eliminations <sup>(3)</sup>	Continuing Group financial information <sup>(2)</sup>	Impact of disposal of Target Companies <sup>(4)</sup>	Working capital adjustment <sup>(5)</sup>	Estimated costs of the Transaction <sup>(6)</sup>	Tax payable on Transaction Agreements <sup>(7)</sup>	Continuing Group pro forma 2013 <sup>(8)</sup>
	<i>U.S.\$ million (unless otherwise stated)</i>								
Revenues .....	3,099	(2,278)	110	931	—	—	—	—	2 933
Cost of sales .....	(2,110)	1,672	(110)	(548)	—	—	—	—	(29) (577)
<b>Gross profit .....</b>	<b>989</b>	<b>(606)</b>	<b>—</b>	<b>383</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(27) 356</b>
Selling and distribution expenses .....	(73)	51	—	(22)	—	—	—	—	— (22)
Administrative expenses .....	(819)	696	(30)	(153)	—	—	—	—	(2) (155)
Net other operating income/ (expense) .....	(10)	(3)	39	26	—	—	—	—	1 27
Impairment losses ..	(689)	676	—	(13)	—	—	—	—	— (13)
<b>(Loss)/profit before finance items and taxation .....</b>	<b>(602)</b>	<b>814</b>	<b>9</b>	<b>221</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(28) 193</b>
Finance income ....	45	(22)	6	29	—	—	—	—	— 29
Finance costs .....	(124)	54	(6)	(76)	—	—	—	—	— (76)
<b>(Loss)/profit before taxation .....</b>	<b>(681)</b>	<b>846</b>	<b>9</b>	<b>174</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(28) 146</b>
Income tax expense .....	(127)	65	—	(62)	—	—	—	—	6 (56)
(Loss)/profit for the year from continuing operations .....	(808)	911	9	112	—	—	—	—	(22) 90
(Loss)/profit for the year from discontinued operations .....	(1,224)	—	—	(1,224)	(1,769)	(27)	(13)	(20)	— (3,053)
<b>Profit/(loss) for the year .....</b>	<b>(2,032)</b>	<b>911</b>	<b>9</b>	<b>(1,112)</b>	<b>(1,769)</b>	<b>(27)</b>	<b>(13)</b>	<b>(20)</b>	<b>(22) (2,963)</b>

**PART V—PRO FORMA FINANCIAL INFORMATION OF THE CONTINUING GROUP**

**Pro forma statement of net assets in respect of the Continuing Group as at 31 December 2013**

	Kazakhmys Group 2013 <sup>(1)</sup>	Intra-Group eliminations <sup>(2)</sup>	Impact of disposal of Target Companies <sup>(4)</sup>	Intra-Group balances to be written off on disposal <sup>(4)</sup>	Working capital adjustment <sup>(5)</sup>	Estimated costs of the Transaction <sup>(6)</sup>	Tax payable on Transaction <sup>(6)</sup>	Framework Service Agreements <sup>(7)</sup>	Continuing Group pro forma 2013 <sup>(8)</sup>
<i>U.S.\$ million (unless otherwise stated)</i>									
<b>Assets</b>									
<b>Non-current assets</b>									
Intangible assets ...	52	—	(42)	—	—	—	—	—	10
Property, plant and equipment ..	2,754	8	(1,328)	—	—	—	—	—	1,434
Mining assets .....	558	16	(315)	—	—	—	—	—	259
Other non-current assets ....	647	—	(82)	—	—	—	—	—	565
Deferred tax asset .....	21	—	(9)	—	—	—	—	—	12
	<u>4,032</u>	<u>24</u>	<u>(1,776)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,280</u>
<b>Current assets</b>									
Inventories .....	610	—	(453)	—	—	—	—	—	157
Prepayments and other current assets .....	325	—	(297)	—	—	—	—	—	28
Income taxes receivable .....	59	—	(55)	—	—	—	—	—	4
Trade and other receivables .....	235	—	(54)	—	—	—	—	—	181
Intra-group receivables .....	—	15	(3)	(12)	—	—	—	—	—
Intra-group loans receivable .....	—	72	—	(72)	—	—	—	—	—
Investments .....	625	—	(50) <sup>(5)</sup>	—	—	—	—	—	575
Cash and cash equivalents .....	1,715	—	(73) <sup>(5)</sup>	—	(27)	(13)	(20)	—	1,582
	<u>3,569</u>	<u>87</u>	<u>(985)</u>	<u>(84)</u>	<u>(27)</u>	<u>(13)</u>	<u>(20)</u>	<u>—</u>	<u>2,527</u>
Assets held for sale .....	1,018	—	—	—	—	—	—	—	1,018
	<u>4,587</u>	<u>87</u>	<u>(985)</u>	<u>(84)</u>	<u>(27)</u>	<u>(13)</u>	<u>(20)</u>	<u>—</u>	<u>3,545</u>
<b>Total assets</b> .....	<u>8,619</u>	<u>111</u>	<u>(2,761)</u>	<u>(84)</u>	<u>(27)</u>	<u>(13)</u>	<u>(20)</u>	<u>—</u>	<u>5,825</u>
<b>Equity and liabilities</b>									
<b>Total equity</b> .....	<u>4,221</u>	<u>24</u>	<u>(1,685)</u>	<u>(84)</u>	<u>(27)</u>	<u>(13)</u>	<u>(20)</u>	<u>—</u>	<u>2,416</u>
<b>Non-current liabilities</b>									
Borrowings .....	2,608	—	—	—	—	—	—	—	2,608
Deferred tax liability .....	14	—	—	—	—	—	—	—	14
Employee benefits .....	477	—	(452)	—	—	—	—	—	25
Provisions .....	98	—	(81)	—	—	—	—	—	17
	<u>3,197</u>	<u>—</u>	<u>(533)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,664</u>

**PART V—PRO FORMA FINANCIAL INFORMATION OF THE CONTINUING GROUP**

	Kazakhmys Group 2013 <sup>(1)</sup>	Intra-Group eliminations <sup>(3)</sup>	Impact of disposal of Target Companies <sup>(4)</sup>	Intra- Group balances to be written off on disposal <sup>(4)</sup>	Working capital adjustment <sup>(5)</sup>	Estimated costs of the Transaction	Tax payable on Transaction <sup>(6)</sup>	Framework Service Agreements <sup>(7)</sup>	Continuing Group pro forma 2013 <sup>(8)</sup>
	<i>U.S.\$ million (unless otherwise stated)</i>								
<b>Current liabilities</b>									
Trade and other payables .....	631	—	(394)	—	—	—	—	—	237
Intra-group payables .....	—	15	(12)	—	—	—	—	—	3
Intra-group loans payable .....	—	72	(72)	—	—	—	—	—	—
Borrowings .....	503	—	—	—	—	—	—	—	503
Income taxes payable .....	9	—	(9)	—	—	—	—	—	—
Employee benefits .....	53	—	(51)	—	—	—	—	—	2
Provisions .....	5	—	(5)	—	—	—	—	—	—
	<u>1,201</u>	<u>87</u>	<u>(543)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>745</u>
<b>Total liabilities</b> ...	<u>4,398</u>	<u>87</u>	<u>(1,076)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,409</u>
<b>Total equity and liabilities</b> .....	<u>8,619</u>	<u>111</u>	<u>(2,761)</u>	<u>(84)</u>	<u>(27)</u>	<u>(13)</u>	<u>(20)</u>	<u>—</u>	<u>5,825</u>

Notes:

- (1) The income statement and net assets statement of the Group have been sourced without adjustment from the Group's audited consolidated financial statements for the year ended 31 December 2013.
- (2) The income statement of the Target Companies for the year ended 31 December 2013 has been sourced without adjustment from the financial information of the Target Companies in Part IV of this document. The income statement of the Continuing Group has been prepared on the same basis as the financial information of the Target Companies in Part IV of this document.
- (3) This adjustment represents the reversal of the elimination of intra-Group transactions, balances and investments between the Target Companies and the Continuing Group on consolidation for the Kazakhmys PLC financial statements.
- (4) The impact of the disposal of the Target Companies would be a reduction in net assets of approximately U.S.\$1.8 billion, including the write-off of intra-group receivables of U.S.\$84 million that are not expected to be recovered following the Transaction.  
As the completion of the Transaction is expected at a future date, the reduction in net assets will change based on the completion date balance sheets.  
The pro forma income statement reflects this reduction in net assets as the loss on disposal and does not take account of any historical foreign exchange differences that might be required to be recycled from reserves or transactions between 1 January 2013 and the completion date.  
In addition, the Transaction would impact the financial statements of the Company resulting in a significant impairment of its investment in the company that ultimately owns the Target Companies.
- (5) Working capital adjustment: of U.S.\$150 million, including cash and cash equivalents on the Target Companies balance sheet at the date of completion, being part of the Working Capital Payment funding to cover the agreed contribution to working capital for the Target Companies. The amount included in the pro forma income statement represents the net cash to be transferred taking into account the cash and cash equivalents on the balance sheet of the Target Companies, but before taking into account any completion adjustments which will be calculated on the completion balance sheets.  
As completion of the Transaction is expected at a future date, the working capital adjustment will change based on the completion date balance sheets, particularly the cash and cash equivalents held on the Target Companies balance sheet at that date.
- (6) Tax payable on completion of the Transaction represents the estimated income tax payable on completion of the transaction.
- (7) As described in Part IV of this document, with the exception of smelting services and certain other minor services to be provided under the Framework Services Agreements, these services have historically been recharged and accounted for on terms similar to those in the Framework Services Agreements and so no pro forma adjustments are required to reflect the income/cost associated with providing/receiving those services. The Continuing Group financial information includes only the cost of smelting the Continuing Group's production. This adjustment reflects the additional cost/income for smelting and the other minor services for which charges on terms similar to the Framework Services Agreements have not historically been made that would have been charged had the terms of the Framework Services Agreements been applied for the year ended 31 December 2013.  
There are no pro forma adjustments included in pro forma net assets statement for the Framework Services Agreements, as the pro forma net assets statement assumes that the Transaction had completed on 31 December 2013 with the Framework Services Agreements effective from 1 January 2014, whilst the pro forma income statement is prepared on the basis that the Transaction had completed on 1 January 2013, with the Framework Services Agreements effective from that date.
- (8) No account has been taken of any trading or results of the Group since 31 December 2013.

## PART V—PRO FORMA FINANCIAL INFORMATION OF THE CONTINUING GROUP

### Section B: Accountant's Report on the Unaudited Pro Forma Financial Information



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The Directors  
Kazakhmys PLC  
6<sup>th</sup> Floor, Cardinal Place  
100 Victoria Street  
London  
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23 July 2014

Dear Sirs

#### **Kazakhmys PLC**

We report on the pro forma financial information (the "Pro forma financial information") set out in Part V of the shareholder circular dated 23 July 2014 (the "Shareholder Circular"), which has been prepared on the basis described in the notes, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by Kazakhmys PLC in preparing the financial statements for the period ended 31 December 2013. This report is required by paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

It is the responsibility of the directors of Kazakhmys PLC to prepare the Pro forma financial information in accordance with paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Shareholders (as defined in the Shareholder Circular) as a result of the inclusion of this report in the Shareholder Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Shareholder Circular.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information

## **PART V—PRO FORMA FINANCIAL INFORMATION OF THE CONTINUING GROUP**

with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors of Kazakhmys PLC.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Kazakhmys PLC.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and, accordingly, should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Kazakhmys PLC.

Yours faithfully

KPMG LLP

## **PART VI**

### **FURTHER INFORMATION ON THE DISPOSAL ASSETS**

The Disposal Assets include the copper mines, mine development projects, auxiliary facilities, processing facilities, heat and power stations, coal and auxiliary mines and railway network assets of the Group which are predominantly located in the Zhezkazgan and Central Regions. The Disposal Assets also include two subsoil licences for copper deposits in the East Region (North Nikolayevsky and Belousovsky), which are currently not operational.

A description of the Disposal Assets is provided below along with summaries of the Ore Reserves and Mineral Resources and subsoil licences for the Disposal Assets.

The Company announced on 17 June 2014 that the Government of Kazakhstan has agreed to reduce MET rates applied to the deposits in the Zhezkazgan Region, excluding the Zhomart mine, and at the Konyrat mine in the Central Region which are included in the Disposal Assets. The new MET rates are effective retrospectively from 1 January 2014 and are applicable for one year after which a further application can be made.

#### **Zhezkazgan Region**

The Disposal Assets include the following assets located in the Zhezkazgan Region:

- the underground mining operations at the South (including Stepnoy), East (including West) and Zhomart (Zhaman-Aibat) mines;
- the open pit mining operations at the North mine (including the Itauz deposit);
- the mine development opportunities, including those at the Zhomart and Zhylandy deposits;
- the ore processing facilities (the Zhezkazgan No. 1 and No. 2 concentrators and the Satpayev concentrator which was suspended as part of the optimisation programme and asset review in 2013);
- the railway network used for the transportation of materials, including the transportation of ore from the mines to the concentrators;
- the Zhezkazgan smelting/refining operation that, prior to its suspension in September 2013 as part of the optimisation programme and asset review, produced copper cathode and silver in slimes from copper concentrate;
- the copper rod plant;
- the Zhezkazgan heat and power station; and
- the auxiliary facilities that support the mining operations in the region and provide some services to the Group.

During 2013, as part of the ongoing optimisation programme and asset review, operations at the Satpayev concentrator were suspended. The suspension of the concentrator increased utilisation levels at the Zhezkazgan No. 1 and No. 2 concentrators. Operations at the Zhezkazgan smelter were also suspended in September 2013, with the majority of copper concentrate output from the Zhezkazgan Region now sold to third parties mainly based in China.

The optimisation programme and asset review also resulted in the development of a simplified management structure to reduce operational costs in the Zhezkazgan Region in early 2014. As a result, the East and West mines have been combined under a single management team and the South and Stepnoy mines now also operate under a single management team.

## PART VI—FURTHER INFORMATION ON THE DISPOSAL ASSETS

### Mines

The following table provides general information on the mines that operate in the Zhezkazgan Region. Some of the Zhezkazgan mines have multiple pits or shafts. The estimated life of mine provided for each mine below is based on the existing mine plans which have been internally developed by the Group and include mining operations in 2014, but do not include mine extension projects which could be feasible for a number of the deposits.

Mine	Type	Estimated life of mine (years)
North . . . . .	Open pit	3
East (including West) . . . . .	Underground	8
South (including Stepnoy) . . . . .	Underground	12
Zhomart . . . . .	Underground	22

#### *North mine*

The North mine was commissioned in the 1960s and includes a number of open pit copper deposits, which also produce silver as a by-product. The Group utilises conventional shovel and truck mining at the open pit mines. In 2014, production is planned from the Akchi Spasky, Karashoshak and Itauz open pits and operations at the Itauz deposit are planned to move underground in the second half of 2014. The North mine currently has the capacity to produce around 1.3 MT of ore per annum. Output is expected to decline in the future as the open pits which make up the North mine deplete. Ore is transported via the Group's railway network and the national railway network to the Zhezkazgan concentrators.

#### *East mine (including West mine)*

The East mine is an underground copper mine, which also produces silver as a by-product. The mine is located to the northwest of Zhezkazgan and was first commissioned in the 1940s. In July 2012, due to depletion at the Annensky mine, the remaining operational sections of the Annensky mine were transferred to the East mine.

To reduce operational costs, the East and West mines, which are interconnected, were combined under a single management team in early 2014. The West mine is an underground copper mine, which also produces silver as a by-product. The mine is located to the north west of Zhezkazgan and was first commissioned in the 1940s.

The East mine (including West mine) has the capacity to produce around 6.5 MT of ore per annum. Output is expected to decline in the future as the mine matures. The estimated remaining life of the East mine (including the West mine) is eight years. Ore is transported via the Group's railway network and the national railway network to the Zhezkazgan concentrators.

#### *South mine (including Stepnoy mine)*

The South mine is an underground copper mine, which also produces silver as a by-product. The mine is located to the northwest of Zhezkazgan and was first commissioned in the 1940s.

To reduce operational costs, the South and Stepnoy mines, which are interconnected, were combined under a single management team in early 2014. The Stepnoy mine is an underground copper mine, which also produces silver as a by-product. The mine is located to the northwest of Zhezkazgan and was first commissioned in 2005.

The South mine (including Stepnoy mine) has the capacity to produce around 8.0 MT of ore per annum. Output is expected to decline in the future as the mine matures. The estimated remaining life of the South mine (including Stepnoy mine) is 12 years. Ore is transported via the Group's railway network and the national railway network to the Zhezkazgan concentrators.

## **PART VI—FURTHER INFORMATION ON THE DISPOSAL ASSETS**

### *Zhomart mine*

The Zhomart mine (Zhaman-Aybat licence) is located 200 km southeast of Zhezkazgan. It is an underground mine which uses the room and pillar method of mining. The Zhomart mine currently has the capacity to produce 3.8 MT of ore per annum. The estimated remaining life of the mine is 22 years. The project to develop phase 2 of the Zhomart mine, which would increase the ore output from the mine and extend its operational life, was suspended as part of the Group's optimisation programme and asset review in 2013. Ore is transported via the Group's railway network and the national railway network to the Zhezkazgan concentrators.

### **Concentrators**

There are three concentrators in the Zhezkazgan Region, two in Zhezkazgan and one in Satpayev. As part of the Group's optimisation programme and asset review, operations at the Satpayev concentrator were suspended from June 2013. All of the ore from the mines in the Zhezkazgan Region is transported via the Group's railway network to the Zhezkazgan No. 1 and No. 2 concentrators for processing.

Concentrating consists of crushing and grinding the ore and separating copper material from waste material by flotation, resulting in a copper concentrate.

The two concentrators in Zhezkazgan, Zhezkazgan No. 1 and Zhezkazgan No. 2, have an estimated ore processing capacity of 21.0 MT per annum. The Zhezkazgan No. 1 concentrator was commissioned in 1954 and the Zhezkazgan No. 2 concentrator was commissioned in 1963. The majority of the copper concentrate produced by the concentrators, which includes a significant level of silver content, is sold to China.

The Satpayev concentrator is located approximately 25 km from the main metallurgical complex at Zhezkazgan. Prior to its suspension in June 2013, the Satpayev concentrator processed ore from the East and Zhomart mines and had an estimated ore processing capacity of 4.0 MT per annum.

### **Smelting/refining facilities**

The Zhezkazgan smelter, which commenced operations in 1973, uses Outokumpu Oy technology and consists of two identical 27 MVA electric smelting furnaces, converters, anode furnaces and a sulphuric acid plant. When the smelter is operating, the sulphur dioxide off-gases collected from the furnaces and converters are processed into sulphuric acid at the sulphuric acid facility and are used internally or sold to third parties.

The Zhezkazgan Region also has an electro-refinery where anodes are suspended in solution in the tankhouse to produce copper cathode by electrolysis. The Zhezkazgan smelter/refinery has a design capacity of 200 kt per annum of copper cathode.

As previously mentioned, the Zhezkazgan smelter was temporarily suspended in September 2013 and the majority of the copper concentrate produced in the Zhezkazgan Region is now sold to third parties, with the remaining volumes of copper concentrate processed at the Balkhash smelter.

### **Copper rod plant**

The Zhezkazgan Region has a Southwire SCR 2000 continuous copper rod plant that began operations in 1994. The plant produces 8 mm copper rods from copper cathode and has the capacity to produce 16 mm and 18 mm copper rods should there be demand for such products. The copper rod plant has an estimated capacity of 50 kt per annum, but production volumes in 2014 are expected to be below this level due to the reduced demand for imported copper rod products in China. Copper cathode produced from the Balkhash smelter is used to supply the copper rod plant with material following the suspension of operations at the Zhezkazgan smelter.



## PART VI—FURTHER INFORMATION ON THE DISPOSAL ASSETS

### Zhezkazgan heat and power station

The Zhezkazgan captive heat and power station has been operating since 1959. In 2013, the Zhezkazgan power station produced 774 GWh of electricity (excluding house load consumption) and had an average net dependable capacity of 146 MW during 2013. The electricity from the power station was used to support the mining and processing operations in the Zhezkazgan Region. In addition, the heat and power station also supplies output to the local community. In 2013, the station sold electricity at 5.10 KZT/kWh. The Zhezkazgan heat and power station is fuelled by coal from the coal mines owned by the Group.

### Central Region

The Disposal Assets include the following assets that are located in the Central Region:

- the underground mining operations at the Shatyrcul, Sayak and West Nurkazgan mines;
- the open pit mining operations (the Abyz, Akbastau and Konyrat mines);
- the mine development opportunities, including those at the Nurkazgan, Zhaisan, Akbastau and Kosmurun, Aidarly, Sayak IV and Mizek deposits;
- the mineral processing facilities (the Balkhash, Karagaily and Nurkazgan concentrators);
- the Balkhash copper smelting/refining operation;
- the precious metals refinery;
- the Balkhash and Karaganda heat and power stations;
- the Borly coal mines; and
- the auxiliary facilities that support the mining operations in the Region and provide some services to the Group.

### Mines

The following table shows general information on the mines in the Central Region. The estimated life of mine provided for each mine below is based on the existing mine plans which have been developed internally by the Group and include mining operations in 2014, but do not include mine extension projects which could be feasible for a number of the deposits.

Mine	Type	Estimated life of mine (years)
Shatyrcul .....	Underground	4
Sayak I and III .....	Underground	4
West Nurkazgan .....	Underground	9
Konyrat .....	Open pit	10
Abyz <sup>(1)</sup> .....	Open pit	4
Akbastau .....	Open pit	8

Note:

(1) The Abyz mine was suspended in 2014.

#### *Shatyrcul mine*

The Shatyrcul mine began operations in 1999 as an open pit mine and continued until 2002, when operations moved underground. The Shatyrcul mine is located approximately 220 km north of Almaty and 500 km southwest of Balkhash. Mining is conducted by trackless equipment using the continuous retreat sub-level caving method. Ore is transported via the Group's railway network and by the national railway network to the Balkhash concentrator. The Shatyrcul mine currently has the capacity to produce around 0.6 MT of ore per annum. The project to extend operations at the Shatyrcul mine and develop the Zhaisan deposit were temporarily suspended as part of the Group's optimisation programme and asset review in 2013.

## PART VI—FURTHER INFORMATION ON THE DISPOSAL ASSETS

### *Sayak mines*

The Sayak I and III mines (which include the Tastau mine) were open pit mines that began operations in the 1970s. The mines are approximately 10 km apart and located approximately 200 km east of Balkhash. The current Sayak I and III mines are underground mines accessed by adits from the old open pit mines. Mining is conducted by trackless equipment using multi-lift room and pillar operations. The Sayak mines have the capacity to produce around 1.6 MT of ore per annum. The estimated remaining life of the Sayak mines is around four years. Ore is transported via the Group's railway network and by the national railway network to the Balkhash concentrator. The project to develop the Sayak IV deposit was suspended as part of the Group's optimisation programme and asset review in 2013.

### *Konyrat mine*

The Konyrat copper mine began production in 1934. The mine is an open pit copper mine located 16 km north of the town of Balkhash. Mining is conducted using a conventional shovel and truck method, and the mine is linked to the Balkhash concentrator by a railway line owned by the Group and by the national railway network. Operations at the low grade Konyrat mine were suspended in November 2008, as the operations were deemed uneconomic. The mine re-opened in June 2012 and its current capacity is 5.5 MT. A further ramp up in production at this mine is anticipated once the upgrade works at the Balkhash concentrator are complete. The estimated remaining life of the Konyrat mine is 10 years.

### *Nurkazgan mines*

The development of the Nurkazgan polymetallic field commenced in 2003. The Nurkazgan mines consist of both open pit and underground mines, and are located approximately 35 km north of Karaganda. The underground West Nurkazgan mine, which commenced operations in February 2009, supplies ore to the Nurkazgan concentrator. The West Nurkazgan mine currently has the capacity to produce around 3.1 MT of ore per annum, which is below the planned output over the longer term for the mine. The estimated remaining life of the West Nurkazgan mine is nine years. The project to extend the life of the mine was suspended as part of the Group's optimisation programme and asset review in 2013.

The projects to re-open the open pit North Nurkazgan mine, which contains a mixture of oxide and sulphide copper ore and develop the significant South East Nurkazgan copper deposit, were suspended as part of the Group's optimisation programme and asset review in 2013.

### *Abyz mine*

The Abyz mine commenced development in 2004. The mine is a shovel and truck open pit copper-zinc-silver-gold-bearing mine located 100 km east of the town of Karkaralinsk. The ore is transported 70 km by road to the Karagaily concentrator. Major stripping works being conducted at the mine in 2014 were suspended due to the instability of the open pit. The option of developing an underground mine at the deposit is being evaluated.

### *Akbastau mine*

The Akbastau mine is an open pit copper-zinc-silver-gold-bearing mine, located in East Kazakhstan. The ore from the mine is transported by road to the Karagaily concentrator. The open pit mine has the capacity to produce 1.6 MT of ore per annum. Output is expected to decline in the future as the mine matures. The project to develop an on-site concentrator to process ore from the mine has been temporarily suspended, along with the study works to assess the options to extend the operational life of the open pit mine. The project to extend the nearby Kosmurun open pit mine where operations ceased in August 2008, into an underground mine, was also suspended in 2013.

## PART VI—FURTHER INFORMATION ON THE DISPOSAL ASSETS

### *Aidarly deposit*

The Aidarly deposit is a significant copper deposit located in the Ayaguz district of East Kazakhstan, at 20 km to the east-northeast of Aktogay town and at a distance of 380 km in an east-northeast direction from the city of Balkhash. The Group continues to assess various options for this deposit.

### *Mizek deposit*

The Mizek deposit is located in the East Kazakhstan Region, and is 325 km east-southeast of the city of Karaganda and at 270 km southwest of the city of Semi-Palatinsk. The deposit which includes sulphide and oxide ore contains copper and gold. Mining at the oxide ore zones of the deposit completed at the end of 2012. The project to develop the sulphide ore zones of the Mizek deposit was suspended as part of the Group's optimisation programme and asset review.

## **Concentrators**

There are three concentrators in the Central Region.

### *Balkhash concentrator*

The Balkhash concentrator was commissioned in 1937 and currently has an estimated ore processing capacity of 9.0 MT per annum after capacity upgrade works are completed. The Balkhash concentrator mainly processes ore from the Konyrat, Shatyrykul and Sayak I and III mines. The copper concentrate produced by the concentrator is then transported to the Balkhash smelter for further processing into copper cathode.

### *Karagaily concentrator*

The Karagaily concentrator has an estimated ore processing capacity of 1.6 MT per annum. It mainly processes ore from the Abyz and the Akbastau mines. The copper concentrate produced by the Karagaily concentrator, which also contains gold and silver, is then transported to the Balkhash smelter for further processing.

### *Nurkazgan concentrator*

The Nurkazgan concentrator processes ore from the West Nurkazgan underground mine and, prior to its suspension, the North Nurkazgan open pit mine. The concentrator commenced operation in 2008 and has an estimated ore processing capacity of 3.5 MT per annum. The copper concentrate produced by the Nurkazgan concentrator, which also contains gold and silver, is transported to the Balkhash smelter for further processing.

## **Smelting/Refining Facilities**

The Balkhash smelter which is located in the Central Region was constructed in the late 1930s. It has been refurbished since its construction, including the installation of Vanyukov bath smelting technology in the 1980s, the installation of a second Vanyukov unit in 2004 and the addition of a fourth oxygen workshop in 2007. The smelter uses autogenous technology and consists of two smelting furnaces, converters and anode furnaces. A sulphuric acid plant was completed in 2008.

The Central Region also has an electro-refinery to produce copper cathode. The smelter/refinery has an estimated production capacity of 230 kt per annum of copper cathode. In 2013, copper cathode production was 188 kt, excluding production from tolling, and the copper content in the copper cathodes was 99.99 per cent. The residual slimes that result from the electrowinning process contain gold and silver. These slimes are processed at the precious metals refinery located in Balkhash to produce silver granule and bar and gold bar.

The Balkhash smelter and copper refinery treats all the copper concentrate from the Central and East Regions along with excess copper concentrate from the Zhezkazgan Region. The Balkhash smelter and copper refinery can also treat concentrate from third parties to maximise throughput of the smelter and improve concentration efficiency. This concentrate is either purchased or treated on a tolling basis.

## **PART VI—FURTHER INFORMATION ON THE DISPOSAL ASSETS**

### **Precious metals refinery**

The precious metals refinery in Balkhash was commissioned in 1997 to recover gold and silver from the slimes. It has an estimated production capacity of 300 koz of gold and 21.7 Moz of silver. The Balkhash precious metals refinery also treats slimes from third parties on a tolling basis. The refinery employs technology from Boliden AB of Sweden. De-copperised anode slimes are transported to the precious metals refinery from the Balkhash and Zhezkazgan copper refineries. These are pressure-leached with sulphuric acid in an autoclave and processed by a Kaldo rotary converter to produce anodes. The anodes are refined by electrolysis producing fine, 99.99 per cent. pure silver crystals, which are melted and can be sold in granular or bullion form. The anode slimes are leached of residual silver by nitric acid to recover the gold. The gold is melted, cast into anodes, electro-refined, and then melted and cast into 99.99 per cent. pure bars.

### **Karaganda GRES-2 heat and power station**

Karaganda GRES-2 is located approximately 50 km to the southwest of Karaganda. The power plant is a Soviet-designed coal-fired facility and its principal equipment dates from 1962 to 1967. In 2013, the Karaganda heat and power station produced 4,399 GWh of electricity (excluding internal consumption at the station) and had an average net dependable capacity of 610 MW during 2013. The station supplies electricity to the Group through the national grid on a credit system, supplementing the electricity provided by the captive heat and power stations at the Zhezkazgan and Balkhash complexes. The surplus electricity generated by Karaganda GRES-2 is sold to third parties. In 2013, the station sold electricity to internal and external customers at 5.10 KZT/kWh. Coal is delivered to site via the national rail from the Borly coal mines.

### **Balkhash heat and power station**

The Balkhash heat and power station commenced operation in the 1930s. In 2013, the Balkhash heat and power station produced 550 GWh of electricity (excluding internal consumption at the station) and had an average net dependable capacity of 87 MW during 2013. The heat and power station meets a significant portion of the electricity and heating requirements of the Group's operations in the Central Region and the local community. In 2013, the station sold electricity at 5.10 KZT/kWh. Coal for the Balkhash heat and power station is supplied by the Borly coal mines.

### **Borly coal mines**

The Group's operations include two coal mines which produce coal to supply the Group's heat and power stations as well as other third party customers. In 2013, the two coal mines produced approximately 7.6 MT of coal. Coal is transported to the heat and power stations by rail, using a 130 km spur owned by the Group that runs from the coal mines to the national rail system.

The Molodezhny coal mine (the Borlinskoe subsoil licence) is a surface strip mine that commenced operations in 1980. It is located approximately 130 km from Karaganda. The coal is mined and loaded onto wagons for transport via the railways on site. The mine has an estimated remaining life of around 50 years.

The Kuu-Chekinskoe open pit mine commenced operations in 1956 and is located approximately 50 km from Karaganda and 600 km and 430 km from Zhezkazgan and Balkhash, respectively. It is more difficult and costly to mine at Kuu-Chekinskoe as a result of its geology and the earlier removal of more easily mined coal. The mine has an estimated remaining life of around 30 years.

## PART VI—FURTHER INFORMATION ON THE DISPOSAL ASSETS

### Ore Reserves and Mineral Resources

#### Summary of Ore Reserves as at 31 December 2013

		<u>Reserves<sup>(1)</sup></u>	<u>Copper</u>	<u>Zinc</u>	<u>Gold</u>	<u>Silver<sup>(2)</sup></u>	<u>Lead</u>	<u>Molybdenum</u>
		<i>kt</i>	<i>%</i>	<i>%</i>	<i>g/t</i>	<i>g/t</i>	<i>%</i>	<i>%</i>
Zhomart . . . . .	Proved	39,329	1.05	—	—	8.91	—	—
	Probable	47,216	1.27	—	—	27.91	—	—
	Total	86,545	1.17	—	—	19.28	—	—
Central Region . . . . .								
	Proved	210,060	0.88	0.09	0.28	2.66	0.01	0.01
	Probable	30,022	1.63	0.27	0.91	7.46	0.02	0.01
	Total	240,082	0.97	0.11	0.36	3.26	0.01	0.01
<b>Total Disposal Assets<sup>(3)</sup> . . . . .</b>								
	<b>Proved</b>	<b>249,389</b>	<b>0.91</b>	<b>0.08</b>	<b>0.24</b>	<b>3.64</b>	<b>0.00</b>	<b>0.01</b>
	<b>Probable</b>	<b>77,238</b>	<b>1.41</b>	<b>0.11</b>	<b>0.36</b>	<b>19.96</b>	<b>0.01</b>	<b>0.01</b>
	<b>Total</b>	<b>326,627</b>	<b>1.03</b>	<b>0.08</b>	<b>0.26</b>	<b>7.50</b>	<b>0.01</b>	<b>0.01</b>

**Notes:**

- (1) Includes discounts for ore loss and dilution. Reserves = Resources - Ore Loss + Dilution.
- (2) Silver values for the Zhomart mine are not available by blocks, only at the borehole level and have been averaged over each operation in the Zhezkazgan Region by Kazakhmys LLC.
- (3) Mine extensions are included within the original ore body for mines which are operating.

#### Non-JORC Compliant Ore Reserves as at 31 December 2013

The mature mines in the Zhezkazgan Region have non-JORC compliant Ore Reserves as at 31 December 2013 as under the Company's ownership they are not expected to generate positive economic returns. The ore reserves at these mines have therefore not been included in the above Ore Reserves table.

		<u>Reserves<sup>(1)</sup></u>	<u>Copper</u>	<u>Zinc</u>	<u>Gold</u>	<u>Silver<sup>(2)</sup></u>	<u>Lead</u>	<u>Molybdenum</u>
		<i>kt</i>	<i>(%)</i>	<i>(%)</i>	<i>g/t</i>	<i>g/t</i>	<i>%</i>	<i>%</i>
Zhezkazgan Region . . . . .								
	Proved	82,013	0.61	—	—	0.15	—	—
	Probable	157,496	0.61	—	—	—	—	—
	Total	239,509	0.61	—	—	9.38	—	—

**Notes:**

- (1) Includes discounts for ore loss and dilution. Reserves = Resources - Ore Loss + Dilution.
- (2) Silver values for the Zhezkazgan Region are not available by blocks, only at the borehole level and have been averaged over each operation.

## PART VI—FURTHER INFORMATION ON THE DISPOSAL ASSETS

### Summary of Mineral Resources as at 31 December 2013

		<u>Resources<sup>(1)</sup></u>	<u>Copper</u>	<u>Zinc</u>	<u>Gold</u>	<u>Silver<sup>(2)</sup></u>	<u>Lead</u>	<u>Molybdenum</u>
		<i>kt</i>	<i>%</i>	<i>%</i>	<i>g/t</i>	<i>g/t</i>	<i>%</i>	<i>%</i>
Zhezkazgan Region including Zhomart . . . .								
	Measured	297,151	1.08	—	—	12.44	—	—
	Indicated	327,755	1.02	—	—	16.39	—	—
	Total	624,906	1.05	—	—	14.51	—	—
	Inferred	—	—	—	—	—	—	—
Central Region . . . . .								
	Measured	700,996	0.62	0.05	0.16	1.99	—	0.01
	Indicated	1,314,709	0.46	0.01	0.06	1.60	—	0.01
	Total	2,015,704	0.51	0.02	0.10	1.73	—	0.01
	Inferred	1,462	0.80	—	2.82	6.11	—	—
East Region <sup>(3)</sup> . .								
	Measured	6,417	1.07	3.89	0.68	59.10	0.94	—
	Indicated	11,999	1.21	4.05	0.35	44.61	0.77	—
	Total	18,416	1.16	4.00	0.46	49.66	0.83	—
	Inferred	—	—	—	—	—	—	—
Gold mine <sup>(4)</sup> . . .								
	Measured	1,592	0.52	—	1.72	5.10	—	—
	Indicated	1,725	0.48	—	1.54	3.65	—	—
	Total	3,317	0.50	—	1.63	4.35	—	—
	Inferred	704	0.51	—	1.70	4.97	—	—
<b>Total Disposal Assets . . . . .</b>								
	<b>Measured</b>	<b>1,006,156</b>	<b>0.76</b>	<b>0.06</b>	<b>0.12</b>	<b>5.45</b>	<b>0.01</b>	<b>0.00</b>
	<b>Indicated</b>	<b>1,656,188</b>	<b>0.58</b>	<b>0.04</b>	<b>0.05</b>	<b>4.84</b>	<b>0.01</b>	<b>0.01</b>
	<b>Total</b>	<b>2,662,343</b>	<b>0.64</b>	<b>0.04</b>	<b>0.08</b>	<b>5.07</b>	<b>0.01</b>	<b>0.01</b>
	<b>Inferred</b>	<b>2,166</b>	<b>0.71</b>	<b>—</b>	<b>2.46</b>	<b>5.74</b>	<b>—</b>	<b>—</b>

#### Notes:

- (1) Resources include undiscounted reserves. No ore loss or dilution has been included.
- (2) Silver values for the Zhezkazgan Region are not available by blocks, only at the borehole level and have been averaged over each operation in the Zhezkazgan Region.
- (3) Licences for Anissimov Kluch, Belousovsky, North Nikolayevsky mines which form part of the Disposal Assets.
- (4) The Mizek mine.

#### Subsoil use contracts

The Disposal Assets include subsoil use contracts in connection with hard minerals, of which:

- 12 contracts are for extraction (Zhezkazgan and Zhylandyinskaya group; Konyrat; Sayak-I and Tastau; Shatyrcul; Sayak-IV; Zhaisan; Abyz; Kosmurun; Akbastau; Borlinskoe; Kuu-Chekinskoe; and Belousovsky);
- two contracts are for exploration (Sarysuiskiy plot; and North-Nikolayevsky and the Ubinskiy plot); and
- five contracts are for exploration and extraction (Zhaman-Aibat; Aidarly; Nurkazgan; Karagaily; and Mizek).

In addition, the Disposal Assets will include a number of contracts for the extraction of common minerals and for the extraction of underground water.

## PART VI—FURTHER INFORMATION ON THE DISPOSAL ASSETS

The following tables set out the duration and main terms of the subsoil use contracts for the Disposal Assets:

### Subsoil use contracts in relation to solid minerals

No.	Contract number, date	Fields and subsoil use operations type	Term of the contract	Supplement
1	<b>Contract No. 114 dated 21.05.1997</b>	<b>Zhezkazgan and Zhylandyn tribe</b> (for the development of the Zhezkazgan copper ore field and production of copper-bearing ores in the field of the Zhylandyn tribe) (Eastern Zhezkazgan mine, Annensky Zhezkazgan mine, South Zhezkazgan mine, Western Zhezkazgan mine, Stepnoy mine – underground mining, North Zhezkazgan mine – open pit)	<b>Zhezkazgan</b> Licence MG No. 28 dated 07.04.1995 – for 20 years <b>Zhylandyn tribe</b> Licence GKI No. 1383 dated 19.02.1998 – for 20 years	No. 1 reg. No. 403 dated 10.02.2000 No. 2 reg. No. 791 dated 31.10.2001 No. 3 reg. No. 1015 dated 23.10.2002 No. 4 reg. No. 1840 dated 16.09.2005 No. 5 reg. No. 3587-TPI dated 18.05.2010 No. 6 reg. No. 4013-TPI dated 05.12.2011
2	<b>Contract No. 663 dated 25.04.2001</b>	<b>Zhaman-Aybat</b> (for the exploration and production of copper and foreign-metal impurities) (underground)	Licence series AI No. 1542 dated 04.03.1999, until 2024	No. 1 reg. No. 934 dated 16.05.2002, No. 2 reg. No. 1837 dated 16.09.2005 No. 3 reg. No. 3581-TPI dated 18.05.2010 No. 4 reg. No. 4006-TPI dated 05.12.2011
3	<b>Contract No. 2493 dated 26.11.2007</b>	<b>Sarysuiskiy block</b> in the Karaganda Region (for the exploration of gold, copper and polymetals)	From 26.11.2007 to 2013 (exploration – 6 years). Licence is in the process of being returned.	No. 1 reg. No. 3755-TPI dated 1.11.2010 No. 2 reg. No. 3929-TPI dated 14.09.2011 No. 3 reg. No. 4004-TPI dated 05.12.2011
4	<b>Contract No. 243 dated 18.09.1998</b>	<b>Konyrat, Sayak-1 and Tastau</b> (for the production of copper ores), <b>Konyrat</b> (open pit), <b>Sayak-1</b> and <b>Tastau</b> (underground)	Licences GKI No. 56D and GKI No. 1180D dated 19.02.1998 in relation to Konyrat and Tastau – for 20 years, GKI No. 57D dated 19.02.1998 in relation to Sayak-1 – for 10 years + with the resolution of the Competent Body in relation to extension of the contract term for 10 years until 19.02.2018. Minutes No. 20 dated 07.12.07	No. 1 reg. No. 789 dated 31.10.2001 No. 2 reg. No. 847 dated 27.12.2001 No. 3 reg. No. 1835 dated 16.09.2005 No. 4 reg. No. 2874 dated 27.11.2008 No. 5 reg. No. 2934 dated 26.12.2008 No. 6 reg. No. 3649-TPI dated 28.06.2010 No. 7 reg. No. 4016-TPI dated 05.12.2011 No. 8 reg. No. 3791-TPI dated 30.12.2011 No. 9 reg. No. 4124-TPI dated 29.07.2012
5	<b>Contract No. 583 dated 04.12.2000</b>	<b>Shatyrcul</b> in the Shu District of the Jambyl Region (for the production of copper and molybdenum ores) (underground)	Licence until 2025	No. 1 reg. No. 802 dated 09.11.2001 No. 2 reg. No. 1438 dated 01.07.2004 No. 3 reg. No. 1848 dated 16.09.2005 No. 4 reg. No. 3583-TPI dated 18.05.2010 No. 5 reg. No. 3994-TPI dated 05.12.2011

## PART VI—FURTHER INFORMATION ON THE DISPOSAL ASSETS

No.	Contract number, date	Fields and subsoil use operations type	Term of the contract	Supplement
6	<b>Contract No. 1668 dated 18.02.2005</b>	<b>Sayak-IV</b> in the Karaganda Region ( <i>for the production of gold and cobalt ores</i> ) (underground)	Licence until 2025	No. 1 reg. No. 1843 dated 16.09.2005 No. 2 reg. No. 3999 dated 05.12.2011 No. 3 reg. No. 4041 dated 11.01.2012 No. 4 reg. No. 4125-TPI dated 29.07.2012
7	<b>Contract No. 2619 dated 24.04.2008</b>	<b>Zhaisan</b> in the Jambyl Region ( <i>for the production of copper</i> ) (underground)	Licence until 2033	No. 1 reg. No. 3035 dated 26.02.09 No. 2 reg. No. 4322 dated 24.12.2013
8	<b>Contract No. 2006 dated 03.04.2006</b>	<b>Aidarly</b> in the Eastern Kazakhstan Region ( <i>for the exploration and production of copper</i> ) (open pit)	Exploration – 6 years, production – 19 years from completion of the exploration stage. Licence until 2031	No. 1 reg. No. 2338 dated 30.03.2007 No. 2 reg. No. 3582-TPI dated 18.05.2010 No. 3 reg. No. 4002-TPI dated 05.12.2011
9	<b>Contract No. 109 dated 03.03.1997</b>	<b>Nurkazgan</b> (Samarskoe) field in the Karaganda Region ( <i>for the exploration and development of and geological study in relation to gold, copper and polymetals, including further development of the identified commercial objects</i> )	Licence MG No. 701 dated 28.08.1995 Exploration until 2014, production until 2024	No. 1 reg. No. 984 dated 18.09.2002 No. 2 reg. No. 1651 dated 11.02.2005 No. 3 reg. No. 1838 dated 16.09.2005 No. 4 reg. No. 2572 dated 05.02.2008 No. 5 reg. No. 3792-TPI dated 30.12.2010 No. 6 reg. No. 4011-TPI dated 05.12.2011 No. 7 reg. No. 4039-TPI dated 11.01.2012 No. 8 reg. No. 4176-TPI dated 29.12.2012 No. 9 reg. No. 4261 dated 02.08.2013
10	<b>Contract No. 1681 dated 03.03.2005</b>	<b>Abyz</b> in the Karaganda Region ( <i>for the production of gold and sulphide and polymetallic ores</i> ) (open pit)	Licence until 2022	No. 1 reg. No. 1836 dated 16.09.2005 No. 2 reg. No. 3580-TPI dated 18.05.2010 No. 3 reg. No. 3995-TPI dated 05.12.2011 No. 4 reg. No. 4127-TPI dated 29.07.2012
11	<b>Contract No. 2139 dated 01.09.2006</b>	<b>Kosmurun</b> in the Eastern Kazakhstan Region ( <i>for the production of polymetallic ores</i> ) (open pit)	Licence until 2026	No. 1 reg. No. 3542 dated 23.02.2010 No. 2 reg. No. 4000-TPI dated 05.12.2011 No. 3 reg. No. 4057-TPI dated 06.02.2012
12	<b>Contract No. 2321 dated 11.03.2007</b>	<b>Akbastau</b> in the Eastern Kazakhstan Region ( <i>for the production of polymetallic ores</i> ) (open pit)	Licence until 2017	No. 1 reg. No. 3586 dated 18.05.2010 No. 2 reg. No. 4009-TPI dated 05.12.2011 No. 3 reg. No. 4056-TPI dated 20.03.2012
13	<b>Contract No. 3032 dated 25.02.2009</b>	<b>Karagaily</b> in Karaganda Region ( <i>for the exploration and production of baryte and polymetals</i> )	Licence until 2029 (where 3 years have been granted for exploration and 25 years for development)	No. 1 reg. No. 3870 dated 01.04.2011 No. 2 reg. No. 4001-TPI dated 05.12.2011



## PART VI—FURTHER INFORMATION ON THE DISPOSAL ASSETS

No.	Contract number, date	Fields and subsoil use operations type	Term of the contract	Supplement
14	<b>Agreement No. 34 dated 27.12.1995</b>	<b>Mizek</b> in the Eastern Kazakhstan Region ( <i>exploration and extraction of gold</i> ) (open pit)	Licence MG No. 102 dated 10.01.1995 for 10 years, until 10.01.2005, extended until 2014 (Supplement No. 3)	No. 1 reg. No. 725 dated 27.07.2001, No. 2 reg. No. 1151 dated 30.04.2003, No. 3 reg. No. 1322 dated 29.01.2004, No. 4 reg. No. 2298 dated 09.02.2007, No. 5 reg. No. 3511 dated 29.12.2009, No. 6 reg. No. 3596-TPI dated 25.05.2010, No. 7 reg. No. 4189-TPI dated 25.02.2013
15	<b>Contract No. 368 dated 17.09.1999</b>	<b>Borlinskoe</b> in the Karaganda Region ( <i>for the production of coal</i> ) (open pit)	Licence until 2022	No. 1 reg. No. 794 dated 03.11.2001 No. 2 reg. No. 1844 dated 16.09.2005 No. 3 reg. No. 2028 dated 17.04.2006 No. 4 reg. No. 3922-TPI dated 22.07.2011 No. 5 reg. No. 4018-TPI dated 05.12.2011
16	<b>Contract No. 367 dated 17.09.1999</b>	<b>Kuu-Chekinskoe</b> in the Karaganda Region ( <i>for the production of coal</i> ) (open pit)	Licence until 2017	No. 1 reg. No. 795 dated 03.11.2001 No. 2 reg. No. 1845 dated 16.09.2005 No. 3 reg. No. 2027 dated 17.04.2006 No. 4 reg. No. 3541 dated 23.02.2010 No. 5 reg. No. 3923-TPI dated 22.08.2011 No. 6 reg. No. 4015-TPI dated 05.12.2011
17	<b>Contract No. 2029 dated 17.06.2006</b>	<b>North-Nikolayevsky</b> ore occurrence and <b>Ubinskiy</b> block in the Eastern Kazakhstan Region ( <i>for the exploration of polymetals</i> )	Until 31.12.2013, the licence is in the process of being renewed	No. 1 reg. No. 3756-TPI dated 1.11.2010 No. 2 reg. No. 3925 dated 22.08.2011 No. 3 reg. No. 4003 dated 05.12.2011 No. 4 reg. No. 4048 dated 11.01.2012 No. 5 reg. No. 4262 dated 02.08.2013
18	<b>Contract No. 245 dated 30.09.1998</b>	<b>Belousovsky</b> in the Eastern Kazakhstan Region ( <i>for the production of polymetallic ores</i> ) (underground)	Licence until 2022	No. 1 reg. No. 422 dated 15.03.2000 No. 2 reg. No. 790 dated 21.10.2001 No. 3 reg. No. 1842 dated 16.09.2005 No. 4 reg. No. 2312 dated 28.02.2007 No. 5 reg. No. 3613-TPI dated 31.05.2010 No. 6 reg. No. 4014-TPI dated 05.12.2011 No. 7 reg. No. 4115-TPI dated 08.05.2012

## PART VI—FURTHER INFORMATION ON THE DISPOSAL ASSETS

### Contracts in force in relation to common minerals

No.	Contract number, date	Fields, subsoil use operation	Term of the contract	Supplement
1	<b>Contract No. 39 dated 21.05.1999</b>	<b>Talap</b> (for the production of fire clay) Fire clay is used for copper-smelting furnace of Zhezkazgan copper-smelting plant	Licence KO-03 No. 014 dated 8.06.1998, for 25 years until 2023	No. 1 reg. No. 1 dated 13.12.2005 No. 2 reg. No. 2 dated 25.07.2006
2	<b>Contract No. 6\067 dated 07.05.1998</b>	<b>Skalny</b> in the east edge of Zhezkazgan city (for the production of building stone) Mining Enterprise of Non-Metallic Materials	Licence Ts-01 No. 167(D) dated 27.04.97 (re-issued on 01.04.98) for 20 years until 2017	No. 1 reg. No. 1 dated 13.12.2005 No. 2 reg. No. 2 dated 25.07.2006
3	<b>Contract No. 6\041 dated 08.08.1997</b>	<b>Aktas-III</b> (for the production of fluxing limestone)	Licence MG No. 566 dated 12.10.95 for 20 years until 2015	No. 1 reg. No. 1 dated 13.12.2005 No. 2 reg. No. 2 dated 25.07.2006
4	<b>Contract No. 041 dated 07.01.2003</b>	<b>Shaytantas</b> (for the production of building stone) Mining Enterprise of Non-Metallic Materials	For 20 years until 2023	No. 1 reg. No. 1 dated 13.12.2005 No. 2 reg. No. 2 dated 25.07.2006
5	<b>Contract No. 6\042 dated 08.08.1997</b>	<b>Kyzyl-Zharsky</b> (western block) (for the production of sand and gravel mix)	Licence Zh-TsK No. 6-26 dated 15.07.1995 until 2015	No. 1 reg. No. 1 dated 13.12.2005 No. 2 reg. No. 2 dated 25.07.2006 No. 3 reg. No. 19 dated 20.09.2012
6	<b>Contract No. 43 dated 08.07.1999</b>	<b>Sayak-1</b> (for the production of facing materials (marble))	Licence KO-03 No. 012 dated 05.05.1998 until 2023	No. 1 reg. No. 1 dated 13.12.2005 Additional agreement reg. No. 1 dated 09.09.2008
7	<b>Contract No. 15 dated 12.11.98</b>	<b>Sarykum</b> (for the production of fluxing limestone)	Licence KO-03 No. 005 dated 17.11.1997 until 2017	No. 1 reg. No. 290 dated 08.02.1999 No. 2 reg. No. 2 dated 13.12.2005 No. 3 reg. No. 3 dated 25.07.2006
8	<b>Contract No. 082 dated 28.02.2006</b>	<b>Bala-Deresin</b> in the Karaganda Region (production of sand and gravel mix)	For 20 years until 2031	
9	<b>Contract No. 16 dated 12.11.1998</b>	<b>Kuu-Chekinsky-2</b> (for the production of building stone)	Licence Ts-03-209D No. 16 dated 07.05.1997 until 2017	No. 1 reg. No. 1 dated 26.08.1999 No. 2 reg. No. 2 dated 13.12.2005 No. 3 reg. No. 3 dated 25.07.2006
10	<b>Contract No. 056 dated 22.12.2003</b>	<b>Zhalair</b> (for the production of building stone) (GRES)	For 20 years until 2025	No. 1 reg. No. 1 dated 13.12.2005 No. 2 reg. No. 2 dated 25.07.2006

## PART VI—FURTHER INFORMATION ON THE DISPOSAL ASSETS

### Contracts in force for subsoil use in relation to subsurface water

No.	Contract number, date	Fields, subsoil use operation	Term of the contract	Supplement
1	<b>Contract No. 344</b> <b>dated 09.07.1999</b>	<b>Eskulinsky</b> ( <i>for subsurface water intake</i> ) Satpayevsky enterprise of heat and water supply system	Licence until 2028	No. 1 reg. No. 1462 dated 22.07.2004 No. 2 reg. No. 1878 dated 17.10.2005 No. 3 reg. No. 2912 dated 22.12.2008 No. 4 reg. No. 4008-PV dated 05.12.2011 No. 5 reg. No. 4044-PV dated 11.02.2012
2	<b>Contract No. 370</b> <b>dated 22.09.1999</b>	<b>Headwater</b> in the Bukhar-Zhyrau district ( <i>for fresh subsurface water production</i> )	Licence until 2020	No. 1 reg. No. 1272 dated 27.11.2003 No. 2 reg. No. 1880 dated 17.10.2005 No. 3 reg. No. 3848-PV dated 09.03.2011 No. 4 reg. No. 3998-PV dated 05.12.2011 No. 5 reg. No. 4042-PV dated 11.02.2012
3	<b>Contract No. 369</b> <b>dated 22.09.1999</b>	<b>Borly</b> in the Osakarov district ( <i>for fresh subsurface water production</i> )	Licence until 2020	No. 1 reg. No. 1273 dated 27.11.2003 No. 2 reg. No. 1879 dated 17.10.2005 No. 3 reg. No. 3897-PV dated 17.05.2011 No. 4 reg. No. 4007-PV dated 05.12.2011 No. 5 reg. No. 4043-PV dated 11.01.2012

# PART VII

## ADDITIONAL INFORMATION

### 1 Responsibility

The Company and the Directors, whose names appear in paragraph 3 of this Part VII, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

### 2 Information on Kazakhmys

Kazakhmys was incorporated and registered in England and Wales as a public limited company under the name KCC International PLC on 15 July 2004 and with registered number 05180783. Pursuant to a special resolution dated 23 September 2005, the name of the Company was changed from KCC International PLC to Kazakhmys PLC on 26 September 2005.

The Company's registered office is at 6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, United Kingdom, telephone number +44 (0) 20 7901 7800.

Kazakhmys is a leading natural resources group with its main operations in Kazakhstan and the surrounding countries of Central Asia. Its primary mining operations are in copper, with significant interests in zinc, silver and gold. For the year ended 31 December 2013, the Group delivered EBITDA (excluding special items) of U.S.\$1,149 million and earnings per share of U.S.\$0.37 based on total Underlying Profit of U.S.\$190 million.

The Company published its 2013 Results on 27 February 2014 and the Annual Report and Accounts 2013 on 1 April 2014. The Company has identified the following significant recent trends affecting the Continuing Group and the industries in which it operates.

#### *Commodities*

The LME cash copper price commenced 2014 at U.S.\$7,440 per tonne but due to negative economic sentiment over the health of the Chinese economy, declined, reaching a low of around U.S.\$6,435 per tonne in mid-March 2014. The copper price has recovered in the period from mid-March to 30 June 2014 due to tight physical supply, declining exchange stocks and some improved economic data from China. In the first half of 2014, the LME cash copper price has averaged U.S.\$6,916 per tonne.

In 2014, the supply of copper from mines is predicted to increase by 6 per cent. with growth from a number of greenfield and brownfield expansion projects in Central Africa and Asia and expansions of existing operations in Chile. Global refined copper consumption is expected to grow by a further 6 per cent. in 2014, slightly below the growth in global refined copper production of 7 per cent.

#### *Operations*

In the first half of 2014, mining activity was reduced in some high-cost areas of the Zhezkazgan Region to protect margins. Output in the Central Region was restricted at the Konyrat mine due to maintenance at the concentrator and equipment downtime. Overall copper cathode equivalent production volumes remain on target to meet the Group's copper cathode equivalent production target of 285 kt to 295 kt for 2014. If the Transaction completes prior to the end of 2014 then the Group's copper cathode equivalent production target will be revised to reflect the remaining operations in the East Region.

#### *Captive power stations*

Net power generated at the captive power stations in the first half of 2014 has been impacted by equipment maintenance works and an increased volume of hydro-power supply in Kazakhstan which reduced external demand. Internal sales have also been impacted by the suspension of the Zhezkazgan smelter and two concentrators in the second half of 2013.

## PART VII—ADDITIONAL INFORMATION

New power generation volumes at the captive power stations are anticipated to be lower in 2014, as turbine replacements and other capital works are conducted.

### 3 Directors and senior management

The names and principal functions of the Directors and the Company's senior management are set out below:

#### Directors

Simon Heale (*Non-executive Chairman*)  
 Oleg Novachuk (*Chief Executive*)  
 Eduard Ogay (*Executive Director*)  
 Lynda Armstrong OBE (*Non-executive Director*)  
 Clinton Dines (*Non-executive Director*)  
 Vladimir Kim (*Non-executive Director*)  
 Michael Lynch-Bell (*Non-executive Director and Senior Independent Director*)  
 Lord Renwick of Clifton, KCMG (*Non-executive Director*)  
 Charles Watson (*Non-executive Director*)

#### Senior management

Andrew Southam (*Chief Financial Officer*)

### 4 Interests of the Directors and senior management

4.1 As at the Latest Practicable Date the interests (all of which are beneficial unless otherwise stated) of the Directors or senior management, their immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) persons connected (within the meaning of Section 252 of the Act) with the Directors or senior management in the Ordinary Shares of the Company, including: (i) those arising pursuant to transactions notified to the Company pursuant to DTR3.1.2R; and (ii) those of persons connected with the Directors or senior management, which would, if such connected person were a Director or senior management, be required to be disclosed under (i) above, are set out in the following table:

Name	As at the Latest Practicable Date	
	Number of Ordinary Shares	Percentage of voting share capital
Vladimir Kim <sup>(1)</sup> .....	149,306,795	33.42
Oleg Novachuk <sup>(2)</sup> .....	34,923,423	7.82
Eduard Ogay <sup>(3)</sup> .....	3,834,427	0.86
Simon Heale .....	28,000	<0.01
Michael Lynch-Bell .....	7,000	<0.01
Lord Renwick of Clifton, KCMG .....	4,000	<0.01
Lynda Armstrong OBE .....	4,000	<0.01
Charles Watson .....	3,624	<0.01
Clinton Dines .....	3,000	<0.01
Andrew Southam .....	22,619	<0.01
Total .....	188,136,888	42.12

#### Notes:

- (1) Vladimir Kim has pledged 90,805,063 Ordinary Shares (out of the total of 149,306,795 Ordinary Shares) but has retained the voting rights in respect of such pledged Ordinary Shares.
- (2) Oleg Novachuk has pledged 34,923,423 Ordinary Shares but has retained the voting rights in respect of such pledged Ordinary Shares.
- (3) Eduard Ogay has pledged 3,834,427 Ordinary Shares but has retained the voting rights in respect of such pledged Ordinary Shares.

## PART VII—ADDITIONAL INFORMATION

- 4.2 The interests of Directors and senior management of the Company in options over Ordinary Shares under the LTIP as at the Latest Practicable Date are set out in the following table:

Name	Date of grant	Number of Ordinary Shares subject to the options	Ordinary Share price at date of grant (£)	Current exercise price	Vesting period
Oleg Novachuk .....	4 April 2012	188,359	9.09	Nil	38 months
Oleg Novachuk .....	5 April 2013	455,998	3.75	Nil	38 months
Oleg Novachuk .....	7 March 2014	570,933	3.00	Nil	39 months
Eduard Ogay .....	4 April 2012	110,841	9.09	Nil	38 months
Eduard Ogay .....	5 April 2013	280,379	3.75	Nil	38 months
Eduard Ogay .....	7 March 2014	387,128	3.00	Nil	39 months
Andrew Southam .....	4 April 2012	17,878	9.09	Nil	38 months
Andrew Southam .....	5 April 2013	85,333	3.75	Nil	38 months
Andrew Southam .....	2 September 2013	62,597	3.07	Nil	33 months
Andrew Southam .....	7 March 2014	170,913	3.00	Nil	39 months

- 4.3 The interests of Directors and senior management of the Company in options over Ordinary Shares under the Deferred Share Bonus Plan 2007 as at the Latest Practicable Date are set out in the following table:

Name	Date of grant	Number of Ordinary Shares subject to the options	Ordinary Share price at date of grant (£)	Current exercise price	Vesting period
Andrew Southam .....	2 September 2013	14,173	3.07	Nil	20 months
Andrew Southam .....	2 September 2013	14,173	3.07	Nil	32 months
Andrew Southam .....	31 March 2014	35,286	2.49	Nil	2 years

- 4.4 The interests of Directors and senior management of the Company in options over Ordinary Shares under the UK Sharesave Plan 2010 as at the Latest Practicable Date are set out in the following table:

Name	Date of grant	Number of Ordinary Shares subject to the option	Exercise price (£)	Vesting Period
Andrew Southam .....	20 September 2013	3,658	2.46	3 years

- 4.5 Save as disclosed in this paragraph 4, no Director or senior management, nor their immediate families, nor any person connected with any Director or senior management has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

### 5 Directors' service contracts

- 5.1 Save for the service contracts described below, there are no existing or proposed service contracts between any Director, or proposed director of the Company, and the Company and its subsidiary undertakings.
- 5.2 The Company's policy is that executive Directors will be employed on a contract that can be terminated by the Company on giving no more than one year's notice, with the executive Director required to give up to six months' notice of termination.
- 5.3 Oleg Novachuk's contract entered into on 26 September 2005 is terminable by either the Company or the executive on three months' notice. The Company retains the right to terminate this contract immediately, in accordance with the terms of his service agreement,

## PART VII—ADDITIONAL INFORMATION

on payment of a sum equal to the contractual notice entitlement of three months. The Company reserves the right on termination to make phased payments which are paid in monthly instalments and subject to mitigation through a legal obligation on the part of the outgoing executive Director to seek new employment.

- 5.4 As Eduard Ogay's operational duties lie in Kazakhstan, he has a Kazakhstan-based contract of employment granted on 23 January 2012 by Kazakhmys Corporation LLC, which entitles him to six months' notice of termination from that company or three months' notice of termination from him. Kazakhmys Corporation LLC retains the right to terminate his contract immediately, in accordance with the terms of the contract of employment, on payment of a sum equal to six months' salary. He also has a letter of appointment with the Company dated 22 March 2012 in respect of his appointment as an executive Director of the Company which is coterminous with his Kazakhstan contract, but also capable of termination in its own right without compensation.
- 5.5 Non-executive Directors do not have service contracts, but each has a letter of appointment with the Company. Each letter of appointment provides for a one month notice period, save for Simon Heale's letter of appointment which provides for a three month notice period. Non-executive Directors are normally appointed for two consecutive three year terms, with any third term of three years being subject to rigorous review and taking into account the need progressively to refresh the Board. Details of the letters of appointment between the Company and the non-executive Directors are set out below:

Name	Position	Effective date of letter of appointment	Notice period (months)
<b>Non-executive Directors</b>			
Lynda Armstrong OBE . . . . .	Non-executive Director	21 October 2013	One
Clinton Dines . . . . .	Non-executive Director	1 October 2009	One
Simon Heale <sup>(1)</sup> . . . . .	Non-executive Chairman	27 February 2013	Three
Vladimir Kim <sup>(2)</sup> . . . . .	Non-executive Director	17 May 2013	One
Michael Lynch-Bell . . . . .	Non-executive Director and Senior Independent Director	27 February 2013	One
Lord Renwick of Clifton, KCMG <sup>(3)</sup> . . . . .	Non-executive Director	1 December 2005	One
Charles Watson . . . . .	Non-executive Director	24 August 2011	One

**Notes:**

- (1) Simon Heale has a letter of appointment dated 27 February 2013 in respect of his appointment as Chairman of the Company, which requires three months' notice of termination. Prior to his appointment as Chairman of the Company, Simon Heale had a letter of appointment dated 21 November 2006 in respect of his appointment as a non-executive Director on 1 January 2007, which terminated upon him becoming Chairman of the Company.
- (2) Vladimir Kim has a letter of appointment dated 17 May 2013 in respect of his appointment as a non-executive Director, which requires one month's notice of termination. Prior to his appointment as a non-executive Director, Vladimir Kim had a service agreement dated 26 September 2005 in respect of his appointment as an executive Director on 1 October 2005, which terminated upon him becoming a non-executive Director.
- (3) Lord Renwick of Clifton, KCMG, who is an independent non-executive Director of the Company, is a former employee of, and has been retained as a consultant by, an associate of J.P. Morgan Cazenove. Lord Renwick is a senior adviser and member of J.P. Morgan's European Advisory Council.

## PART VII—ADDITIONAL INFORMATION

5.6 The aggregate emoluments, excluding pensions, of the Directors for the year ended 31 December 2013, are set out below:

Name	Base salary/ non-executive Directors' fees £000	Benefits £000	Bonus £000	2013 Total Remuneration £000
<b>Executive Directors</b>				
Oleg Novachuk .....	856	3	599	1,458
Eduard Ogay .....	619	nil	244	863
Vladimir Kim <sup>(1)</sup> .....	404	60	170	634
<b>Non-executive Directors</b>				
Lynda Armstrong OBE .....	19	nil	nil	19
Clinton Dines .....	103	29	nil	132
Simon Heale .....	242	nil	nil	242
Vladimir Kim <sup>(1)</sup> .....	52	nil	nil	52
Michael Lynch-Bell .....	87	nil	nil	87
Lord Renwick of Clifton, KCMG .....	95	nil	nil	95
Charles Watson .....	119	nil	nil	119

Note:

- (1) Stood down as Executive Chairman and became a non-executive Director on 17 May 2013. In addition to his fee as a non-executive Director, Vladimir Kim was paid a salary of £486,500 and an annual bonus of £204,000 as executive chairman of Kazakhmys Corporation LLC.

## 6 Major Shareholders

Other than the interests of Directors and senior management disclosed in paragraph 4 above, so far as it has been made known to the Company, the following persons held, directly or indirectly, 3 per cent. or more of the Company's voting rights as at the Latest Practicable Date:

Shareholder	As at the Latest Practicable Date	
	Number of Ordinary Shares	Percentage of voting rights
Cuprum Holding Limited <sup>(1)</sup> .....	135,944,325	30.43
Harper Finance Limited <sup>(2)</sup> .....	29,706,901	6.65
Lafonda Limited .....	23,244,077	5.20
Total .....	188,895,303	42.28

Notes:

- (1) Vladimir Kim holds a 100 per cent. interest in Cuprum Holding Limited and this is included in the disclosure in paragraph 4.1.  
(2) Oleg Novachuk holds a 100 per cent. interest in Harper Finance Limited and this is included in the disclosure in paragraph 4.1.

## 7 Related party transactions

Details of related party transactions entered into by the Company during the period commencing 1 January 2011 and up to 31 December 2013 are set out in: (i) Note 38 to the audited financial statements for the financial year ended 31 December 2011 contained in the Annual Report and Accounts 2011; (ii) Note 35 to the audited financial statements for the financial year ended 31 December 2012 contained in the Annual Report and Accounts 2012; and (iii) Note 38 to the audited financial statements for the financial year ended 31 December 2013 contained in the Annual Report and Accounts 2013, each of which has been published before the date of this document. Save for those transactions and the Transaction, the Company has not entered into any related party transactions during the period commencing 1 January 2011 and up to the date of this document.



## **8 Material contracts**

### **8.1 Continuing Group**

The following are the only contracts (not being contracts entered into in the ordinary course of business) as at the date of this document which: (i) have been entered into by members of the Continuing Group within the two years immediately preceding the date of this document which are, or may be, material to the Continuing Group or which have been entered into at any time by any member of the Continuing Group which contain any provision under which any member of the Continuing Group has any obligation or entitlement which is, or may be, material to the Continuing Group; and (ii) contain information which Shareholders would reasonably require in order to make a properly informed assessment of how to vote on the Resolutions:

#### **8.1.1 Pre-export finance facility – 2012**

On 20 December 2012, Kazakhmys Finance, a wholly-owned subsidiary of the Company, signed a five year pre-export finance facility for U.S.\$1.0 billion with a syndicate of banks to be used for general corporate purposes (the “PXF Facility”). The funds attract interest at U.S.\$ LIBOR plus 2.80 per cent. The facility has a final maturity date of December 2017 and monthly loan repayments of principal will commence in January 2015. Kazakhmys PLC, Kazakhmys LLC and Kazakhmys Sales Limited act as guarantors of the loan.

On 27 December 2013, the PXF Facility was reduced to U.S.\$500 million, being the amount drawn at the end of the availability period.

#### **8.1.2 CDB and Samruk-Kazyna financing line**

On 30 December 2009, Kazakhmys PLC announced that it had secured a U.S.\$2.7 billion financing line with CDB and Samruk-Kazyna, allocated from a U.S.\$3.0 billion financing line agreed between CDB and Samruk-Kazyna. Of the U.S.\$2.7 billion secured for the Group, facility agreements were signed for U.S.\$2.1 billion on 30 December 2009, and for a further U.S.\$200 million on 12 January 2010, for the development of the Group’s projects at Bozshakol and Bozymchak and other development projects, and two facility agreements for U.S.\$200 million each, allocated to the Akbastau-Kosmurun and Zhomart projects, were signed on 11 June 2012. Samruk-Kazyna has separately signed an agreement for U.S.\$300 million of the \$3.0 billion to be used elsewhere and not for the benefit of the Group, which was subsequently repaid to CDB by Samruk-Kazyna in January 2013. As part of this financing package, the Company, along with a subsidiary of Samruk-Kazyna, provided a guarantee in favour of CDB in respect of Samruk-Kazyna’s obligations under the U.S.\$2.7 billion financing line. The funds, which were fully drawn in January 2013, attract interest semi-annually at an annualised rate of U.S.\$ LIBOR plus 4.80 per cent. The loans have a final maturity falling between January 2022 and August 2025 with first repayments commenced in January 2013.

In January 2014, the Group repaid early U.S.\$400 million under this facility related to the Akbastau-Kosmurun and Zhomart projects as development of these projects is not expected to commence in the near future.

#### **8.1.3 CDB Aktogay finance facility**

On 16 December 2011, Kazakhmys Aktogay Finance Limited signed a U.S.\$1.5 billion loan facility with CDB, to be used for the development of the major copper growth project at Aktogay. The loan facility consists of two separate agreements with similar terms and conditions. The first agreement is for up to U.S.\$1.3 billion and the second agreement is for up to RMB1.0 billion (U.S.\$165 million equivalent at 31 December 2013 RMB/U.S.\$ exchange rate). The U.S. dollar agreement attracts

## PART VII—ADDITIONAL INFORMATION

interest at U.S.\$ LIBOR plus 4.20 per cent. and the RMB agreement attracts 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 year period commencing from 31 December 2012 and mature 15 years from the date of first draw down. Kazakhmys PLC acts as guarantor of the loan.

As at 31 May 2014, the Group had drawn down CNY500 million (U.S.\$80 million) under the RMB facility.

### 8.1.4 Revolving credit facility

The Group has a U.S.\$100 million revolving credit facility dated 8 March 2013 entered into by Kazakhmys Finance PLC with the Bank of China Limited for general corporate purposes and to provide standby liquidity (the "RCF"). The RCF, which is presently undrawn, has a final maturity in March 2015.

### 8.1.5 Disposal of the Group's interest in Eurasian Natural Resources Corporation PLC

The implementation agreement dated 24 June 2013 between the Company and Eurasian Resources Group B.V. ("Eurasian Resources") regarding certain aspects of the disposal of the 334,824,860 shares in Eurasian Natural Resources Corporation PLC held by the Group pursuant to the takeover offer made by Eurasian Resources (the "Takeover Offer") and the related repurchase of 77,041,147 Ordinary Shares from Eurasian Resources by the Company pursuant to the Takeover Offer (the "Share Repurchase"), further details of which are set out in Part III of the shareholder circular dated 12 July 2013.

The irrevocable undertaking by the Company and Kazakhmys Eurasia B.V. to Eurasian Resources dated 23 June 2013 to accept the Takeover Offer, conditional upon the approval of relevant Shareholders at the general meeting of the Company (obtained on 2 August 2013), further details of which are set out in Part III of the shareholder circular dated 12 July 2013.

The share repurchase agreement between the Company and Eurasian Resources dated 24 June 2013 in relation to the Share Repurchase for £206,516,265 in aggregate, conditional upon the approval of relevant Shareholders at the general meeting of the Company (obtained on 2 August 2013), acceptance by the Group of the Takeover Offer becoming unconditional in all respects (occurred on 25 October 2013), further details of which are set out in Part III of the shareholder circular dated 12 July 2013.

The transaction completed on 8 November 2013.

### 8.1.6 Ekibastuz Sale and Purchase Agreement

The sale and purchase agreement dated 9 December 2013 between Ekibastuz Holdings B.V. and GE Projects Holding B.V. as sellers, Kazakhmys Investments Limited as guarantor and JSC Samruk-Energo as buyer and the side letter entered into on 9 December 2013 between GE Projects Holding B.V., Kazakhmys Investments Limited and JSC Samruk-Energo pursuant to the aforementioned sale and purchase agreement regarding the sale of the remaining 50 per cent. of the issued share capital of Ekibastuz GRES-1 LLP and 100 per cent. of the issued share capital of Kazhydrotechenenergo LLP to JSC Samruk-Energo for gross consideration of U.S.\$1,300 million in cash, conditional upon, *inter alia*, the approval of Shareholders (obtained on 7 January 2014) and regulatory consents, further details of which are set out in Part III of the shareholder circular dated 13 December 2013. Completion of the transaction was announced on 2 April 2014.

### 8.1.7 Koksay Sale and Purchase Agreement

On 14 April 2014, Kazakhmys Twelve B.V., an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with CCC Mining

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Construction B.V., an unrelated private company, for 100 per cent. of the share capital of Consolidated Noord Nederland Holdings B.V., the holding company of Konsolidirovannaya Stroitel'naya Gordnorudnaya Kompaniya LLP, the owner of the Koksay subsoil use rights. The acquisition was completed on 16 June 2014. Of the U.S.\$260 million net acquisition cost, U.S.\$65 million is deferred, with U.S.\$30 million payable on 1 January 2015 and U.S.\$35 million payable on 31 July 2015, the latter deferred payment being subject to confirmation of mineral resources.

### 8.1.8 VK Relationship Agreement

The VK Relationship Agreement, originally entered into on 26 September 2005 and amended and restated on 23 July 2014, is between the Company, Cuprum Holding Limited, Perry Partners S.A. and Mr. Kim. In accordance with Listing Rule 6.1.4DR, the VK Relationship Agreement establishes that all transactions between the Company and the controlling shareholder are undertaken on an arm's length basis and on normal commercial terms, that neither the controlling shareholder nor its associates will cause the Company to breach or circumvent the Listing Rules or prevent the Company from complying with its obligations under the Listing Rules and that neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules. Under the VK Relationship Agreement, *inter alia*, there must be a majority of independent Directors on the Board and on all its standing committees, and no material transaction may be entered into without approval of the independent Directors. The VK Relationship Agreement will continue as long as the Ordinary Shares are listed on the premium segment of the Official List and traded on the London Stock Exchange and will terminate should Mr. Kim's shareholding in the Company fall below 10 per cent. and Mr. Kim ceases to be a "controlling shareholder" as defined in the Listing Rules.

### 8.1.9 ON Relationship Agreement

The ON Relationship Agreement was entered into on 23 July 2014 between the Company, Harper Finance Limited, Kinton Trade Limited and Oleg Novachuk. Oleg Novachuk is regarded as a concert party of Mr. Kim and therefore, together with Mr. Kim, as "controlling shareholders" of the Company within the meaning of Listing Rule 6.1.2AR. In accordance with Listing Rule 6.1.4DR, the ON Relationship Agreement establishes that all transactions between the Company and the controlling shareholder are undertaken on an arm's length basis and on normal commercial terms, that neither the controlling shareholder nor its associates will cause the Company to breach or circumvent the Listing Rules or prevent the Company from complying with its obligations under the Listing Rules and that neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules. The ON Relationship Agreement will continue as long as the Ordinary Shares are listed on the premium segment of the Official List and traded on the London Stock Exchange and will terminate should Oleg Novachuk cease to be a "controlling shareholder" as defined in the Listing Rules.

### 8.1.10 EO Relationship Agreement

The EO Relationship Agreement was entered into on 23 July 2014 between the Company, Stansbury International Limited and Eduard Ogay. Eduard Ogay is regarded as a concert party of Mr. Kim and therefore, together with Mr. Kim, as "controlling shareholders" of the Company within the meaning of Listing Rule

## **PART VII—ADDITIONAL INFORMATION**

6.1.2AR. In accordance with Listing Rule 6.1.4DR, the EO Relationship Agreement establishes that all transactions between the Company and the controlling shareholder are undertaken on an arm's length basis and on normal commercial terms, that neither the controlling shareholder nor its associates will cause the Company to breach or circumvent the Listing Rules or prevent the Company from complying with its obligations under the Listing Rules and that neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules. The EO Relationship Agreement will continue as long as the Ordinary Shares are listed on the premium segment of the Official List and traded on the London Stock Exchange and will terminate should Eduard Ogay cease to be a "controlling shareholder" as defined in the Listing Rules.

### **8.1.11 Share Transfer Agreement**

Please see Part III of this document.

### **8.1.12 Framework Services Agreements**

Please see Part III of this document.

## **8.2 Target Companies**

There are no contracts (not being contracts entered into in the ordinary course of business) as at the date of this document which: (i) have been entered into by the Target Companies within the two years immediately preceding the date of this document which are, or may be, material to the Target Companies or which have been entered into at any time by the Target Companies which contain any provision under which the Target Companies have any obligation or entitlement which is, or may be, material to the Target Companies; and (ii) contain information which Shareholders would reasonably require to make a properly informed assessment of how to vote on the Resolutions.

## **9 Litigation**

### **9.1 Continuing Group**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the year preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of the Continuing Group.

### **9.2 Target Companies**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the year preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of the Target Companies.

## **10 Working capital**

The Company is of the opinion that, after taking into account existing available facilities and cash resources, the working capital available to the Continuing Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

## **11 Significant change**

### **11.1 Continuing Group**

Save as set out below, there has been no significant change in the financial or trading position of the Group since 31 December 2013, being the date to which the Company's last published audited financial statements were prepared.

#### *KZT devaluation*

On 11 February 2014, the National Bank of Kazakhstan announced it would seek to support the tenge at around 185 KZT to the US dollar, resulting in a devaluation of the tenge of approximately 19 per cent.

The devaluation of the tenge had a beneficial impact on the profitability of Kazakhmys Mining, particularly the East Region mines and concentrators, Bozshakol, Aktogay and Bozymchak (all within the Continuing Group) as the majority of its sales are priced in US dollars whilst a significant portion of its operating costs are denominated in local currency. The devaluation may lead to increased domestic inflationary pressures, with the Group having increased staff salaries by 10 per cent. in April 2014.

In addition, the tenge devaluation has decreased the tenge denominated assets and liabilities within the Continuing Group, resulting in a reduction in net assets.

#### *Group net debt – Continuing Group*

Net debt for the Group's continuing subsidiary businesses decreased to U.S.\$31 million as at 31 May 2014 from U.S.\$771 million as at 31 December 2013. The reduction in net debt was principally due to proceeds received from the sale of Ekibastuz GRES-1 in April 2014 and operating cash flows, partly offset by capital expenditure on the Group's Major Growth Projects during the period. Operating cash flows during the period included payments of income taxes and MET totalling U.S.\$72 million and interest payments totalling U.S.\$77 million under the Group's debt facilities.

As at 31 May 2014, gross debt was U.S.\$2,724 million, a decrease of U.S.\$387 million from the position as at 31 December 2013 following a U.S.\$14 million scheduled repayment and a U.S.\$400 million early repayment under the CDB Facilities. The U.S.\$400 million early repayment in January 2014 related to debt drawn for two mid-sized development projects which are not expected to progress in the near term. In addition during the period the Group drew down U.S.\$24 million under the CDB Aktogay finance facility, of which U.S.\$1.4 billion remains undrawn. On 9 July 2014, the Group made a scheduled repayment of principal for U.S.\$94 million under the CDB Facilities together with the semi-annual interest due. The RCF of U.S.\$100 million remained undrawn throughout the period.

Total cash and cash equivalents and current investments for the Group rose from U.S.\$2,340 million as at 31 December 2013 to U.S.\$2,693 million as at 31 May 2014, mainly due to the receipt of the proceeds from the Ekibastuz GRES-1 sales partially offset by the U.S.\$400 million early repayment under the CDB Facilities and capital expenditure on the Group's Major Growth Projects through the development stage. Of these total funds, U.S.\$413 million was drawn under the CDB Facilities and reserved for the development of the Major Growth Projects.

#### *Koksay acquisition – Continuing Group*

On 16 June 2014, the Group completed the acquisition of Koksay, the Group's third major growth project, with an initial payment of U.S.\$195 million of a total acquisition cost of U.S.\$260 million, net of withholding taxes. The remaining U.S.\$65 million is deferred, with U.S.\$30 million on 1 January 2015 and U.S.\$35 million payable on 31 July 2015, subject to confirmation of mineral resources as set out in the purchase agreement.

## **11.2 Target Companies**

Save as set out below, there has been no significant change in the financial or trading position of the Target Companies since 31 December 2013, being the date to which the Company's last published audited financial statements were prepared.

### *KZT devaluation*

On 11 February 2014, the National Bank of Kazakhstan announced it would seek to support the tenge at around 185 KZT to the US dollar, resulting in a devaluation of the tenge of approximately 19 per cent.

The devaluation of the tenge had a beneficial impact on the profitability of Kazakhmys Mining as the majority of its sales are priced in US dollars whilst a significant portion of its operating costs are denominated in local currency, however the weaker tenge had an adverse impact on Kazakhmys Power as electricity and heat revenues are denominated in tenge. The devaluation may lead to increased domestic inflationary pressures, with the Group having increased staff salaries by 10 per cent. in April 2014.

In addition, the tenge devaluation has decreased the tenge denominated assets and liabilities within the Disposal Assets, resulting in a reduction in the net assets.

### *MET exemption for certain mines within the Disposal Group*

On 17 June 2014, the Government of Kazakhstan agreed to reduce the MET rates at some of the Group's mature assets. The lower MET rates, which are effective retrospectively from 1 January 2014, will be applied in calculating the MET payable at certain deposits in the Zhezkazgan Region and Konyrat for the half year ended 30 June 2014. As MET payments are made quarterly, it is expected that the Disposal Assets will seek to claim a cash refund for the excess MET paid during the first half of 2014.

The total benefit of the reduced rates to the Disposal Assets for the full year to 31 December 2014 is estimated at U.S.\$40 million (pre-tax).

## **12 Advisers and Consents**

- 12.1 Citigroup Global Markets Limited has given and has not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.
- 12.2 J.P. Morgan Cazenove has given and has not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.
- 12.3 KPMG LLP has given and has not withdrawn its written consent to the inclusion in Part IV of this document of its report in the form and context in which it is included.

## **13 Documents available for inspection**

Copies of the following documents may be inspected at the registered office of the Company at 6<sup>th</sup> Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, United Kingdom and at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including the date of the General Meeting:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Share Transfer Agreement;
- (c) the Framework Services Agreements;
- (d) the Kazakhmys Annual Report and Accounts 2011;
- (e) the Kazakhmys Annual Report and Accounts 2012;
- (f) the Kazakhmys Annual Report and Accounts 2013;

**PART VII—ADDITIONAL INFORMATION**

- (g) the written consents referred to in paragraph 12 above; and
- (h) this document and the Form of Proxy.

The above documentation will also be available for inspection on the date and at the place of the General Meeting for at least 15 minutes before the General Meeting is held until its conclusion.

## DEFINITIONS

The following definitions apply throughout this document and in the accompanying Form of Proxy, unless the context requires otherwise:

<b>2013 Results</b> .....	the audited results for the Group for the year ended 31 December 2013;
<b>Act or Companies Act</b> .....	the Companies Act 2006, as such act may be amended, modified or re-enacted from time to time;
<b>Board</b> .....	the board of Directors of Kazakhmys;
<b>CDB</b> .....	China Development Bank Corporation;
<b>CDB Covenants</b> .....	the balance sheet leverage covenants contained in the CDB Facilities;
<b>CDB Facilities</b> .....	the CDB and Samruk-Kazyna financing line and the Aktogay finance facility provided by CDB as described in paragraphs 8.1.2 and 8.1.3, respectively, of Part VII of this document;
<b>Charaltyn</b> .....	Charaltyn LLP, a member of the Group incorporated in Kazakhstan which owns 100 per cent. of Dank;
<b>Company or Kazakhmys</b> .....	Kazakhmys PLC;
<b>Competent Body</b> .....	a Kazakh State authority which has the competence to enter into and to register subsoil use contracts, supervise fulfilment of obligations by subsoil users, suspend subsoil use operations, terminate subsoil use contracts in the event of default by a subsoil user with respect to the compliance requirements of the subsoil use contracts, consider applications for consent and the State's waiver in case of alienation of subsoil use rights or shares/participatory interests in a subsoil user, as well as other competencies in the area of subsoil use, as designated under the 2010 Subsoil Law. Prior to 12 March 2010, such State authority was the Ministry for Energy and Mineral Resources of Kazakhstan; on 12 March 2010, the competence of the Ministry for Energy and Mineral Resources of Kazakhstan was divided between the Ministry of Oil and Gas (in relation to subsoil use contracts for exploration and production of hydrocarbons) and the Ministry of Industry and New Technologies (in relation to subsoil use contracts in the area of mining, except for widespread minerals, as designated under the 2010 Subsoil Law, which are within the competency of local executive bodies);
<b>Continuing Group</b> .....	the Group following completion of the Transaction;
<b>Cuprum Framework Services Agreement</b> .....	the framework services agreement entered into on 23 July 2014 between Cuprum Holding and Kazakhmys under which Cuprum Holding agrees to provide certain services and functions to Kazakhmys and other members of the Continuing Group pursuant to certain LTAs and TSAs;



<b>Cuprum Holding</b> .....	Cuprum Netherlands Holding B.V., a company incorporated in the Netherlands, whose registered office is at Strawinskylaan 1151, World Trade Center, Toren C, Level 11, 1077XX, Amsterdam, the Netherlands;
<b>Cuprum Holding Group</b> .....	Cuprum Holding, together with its subsidiaries, including the Target Companies following the completion of the Transaction;
<b>Dank</b> .....	Dank LLP, a member of the Group incorporated in Kazakhstan;
<b>Directors</b> .....	the directors of Kazakhmys, whose names are set out in paragraph 3 under "Directors" of Part VI of this document;
<b>Disposal Assets</b> .....	has the meaning given to it in paragraph 1 of Part I of this document (as further described in paragraph 2 of Part I and Part VI of this document);
<b>Dutch Reorganisation</b> .....	the demerger of Kazakhmys Copper by operation of Dutch law, as described in Part III of this document, under "Dutch Reorganisation";
<b>EBITDA</b> .....	earnings before interest, taxation, the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation and MET;
<b>EBITDA Covenant</b> .....	the net debt to EBITDA Covenant contained in each of the PXF Facility and the RCF;
<b>East Framework Services Agreement</b> .....	the framework services agreement entered into on 23 July 2014 between Cuprum Holding and Kazakhmys under which Kazakhmys agrees to provide certain services and functions to Cuprum Holding and other members of the Cuprum Holding Group pursuant to certain LTAs and TSAs;
<b>EO Relationship Agreement</b> .....	an agreement entered into on 23 July 2014 between the Company, Stansbury International Limited and Eduard Ogay, to regulate the ongoing relationship between the Company and the other parties thereto, in compliance with Listing Rule 9.2.2AR and Listing Rule 6.1.4DR;
<b>EPS</b> .....	earnings per share;
<b>FCA</b> .....	the Financial Conduct Authority;
<b>Form of Proxy</b> .....	the enclosed form of proxy for use by Shareholders in connection with the General Meeting;
<b>Framework Services Agreements</b> .....	the Cuprum Framework Services Agreement and the East Framework Services Agreement;
<b>Free Cash Flow</b> .....	net cash flow from operating activities before capital expenditure and non-current VAT associated with expansionary and new projects less sustaining capital expenditure on tangible and intangible assets;

<b>FSMA</b> .....	Financial Services and Markets Act 2000;
<b>FTE</b> .....	full time employee;
<b>General Meeting</b> .....	the general meeting of the Company to be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom at 9.00 a.m. (UK time) on 15 August 2014, notice of which is set out at the end of this document, or any reconvened meeting following any adjournment thereof;
<b>Group</b> .....	the Company and its subsidiary undertakings from time to time;
<b>GWh</b> .....	gigawatt-hour, one gigawatt-hour represents one hour of electricity consumed at a constant rate of one gigawatt;
<b>IFRS</b> .....	International Financial Reporting Standards;
<b>Independent Directors</b> .....	the non-executive Directors of the Company who are independent from the Transaction, named on page 1 of this document;
<b>Independent Shareholders</b> .....	Shareholders, other than those who are not entitled to vote on the Transaction Resolution under Listing Rule 11;
<b>JORC</b> .....	Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy;
<b>J.P. Morgan Cazenove</b> .....	J.P. Morgan Limited (which conducts its UK investment banking activities as J.P. Morgan Cazenove);
<b>Kazakh Reorganisation</b> .....	the demerger of KCC by operation of Kazakh law, as described in Part III of this document, under “Kazakh Reorganisation”;
<b>Kazakhmys or Company</b> .....	Kazakhmys PLC;
<b>Kazakhmys Copper</b> .....	Kazakhmys Copper B.V., a member of the Group incorporated in the Netherlands which is the holding company of KCC prior to the Dutch Reorganisation becoming effective;
<b>Kazakhmys Copper Finance</b> .....	Kazakhmys Copper Finance Limited, a member of the Group incorporated in England and Wales;
<b>Kazakhmys East</b> .....	Vostoksvetmet LLP, a limited liability company incorporated in Kazakhstan as part of the Kazakh Reorganisation in accordance with the decision of the extraordinary general meeting of KCC dated 25 April 2014 on the voluntary reorganisation of KCC by way of demerger;
<b>Kazakhmys Finance</b> .....	Kazakhmys Finance PLC, a member of the Group incorporated in England and Wales;
<b>Kazakhmys Holding</b> .....	Kazakhmys Holding B.V., a member of the Group incorporated in the Netherlands which is the holding company of Kazakhmys Copper;

<b>Kazakhstan or Kazakh State</b> .....	the Republic of Kazakhstan;
<b>KCC</b> .....	Kazakhmys Corporation LLC, a member of the Group incorporated in Kazakhstan;
<b>km</b> .....	kilometre;
<b>koz</b> .....	thousand ounces;
<b>kt</b> .....	thousand metric tonnes;
<b>Latest Practicable Date</b> .....	22 July 2014, being the latest practicable date prior to the publication of this document for the purposes of ascertaining certain information contained in this document;
<b>LIBOR</b> .....	London Inter-Bank Offer Rate for U.S.\$;
<b>Listing Rules</b> .....	the Listing Rules issued and maintained by the FCA under Part VI of FSMA;
<b>LME</b> .....	London Metal Exchange;
<b>London Stock Exchange</b> .....	the London Stock Exchange plc or its successor;
<b>LTAs</b> .....	the long term agreements to be entered into pursuant to the East Framework Services Agreement and the Cuprum Framework Services Agreement, as applicable;
<b>LTIP</b> .....	the Company's long term incentive plan;
<b>Major Growth Projects</b> .....	Bozshakol, Aktogay and Koksay;
<b>MET</b> .....	mineral extraction tax;
<b>Ministry of Oil and Gas</b> .....	The Ministry of Oil and Gas of the Republic of Kazakhstan;
<b>Moz</b> .....	million ounces;
<b>Mr. Kim</b> .....	Vladimir Kim, non-executive Director of Kazakhmys, and executive chairman of KCC;
<b>MT</b> .....	million metric tonnes;
<b>MW</b> .....	megawatt, a unit of power equivalent to one million watts;
<b>New Copper</b> .....	KCC B.V., a new Dutch company to be incorporated as part of the Dutch Reorganisation (or, for the period prior to its incorporation and the Dutch Reorganisation becoming effective, Kazakhmys Copper);
<b>Official List</b> .....	the Official List maintained by the FCA;
<b>ON Relationship Agreement</b> .....	an agreement entered into on 23 July 2014 between the Company, Harper Finance Limited, Kinton Trade Limited and Oleg Novachuk, to regulate the ongoing relationship between the Company and the other parties thereto, in compliance with Listing Rule 9.2.2AR and Listing Rule 6.1.4DR;
<b>Ordinary Shares</b> .....	the ordinary shares of 20 pence each in the capital of Kazakhmys;

<b>Ounce or oz</b> .....	a troy ounce, which equates to 31.1035 grammes;
<b>PXF Facility</b> .....	five year pre-export finance facility for U.S.\$1.0 billion entered into on 20 December 2012 by Kazakhmys Finance with a syndicate of banks, as defined in paragraph 8.1.1 of Part VII of this document;
<b>RCF</b> .....	a U.S.\$100 million revolving credit facility dated 8 March 2013 entered into by Kazakhmys Finance with the Bank of China Limited, as defined in paragraph 8.1.4 of Part VII of this document;
<b>Relationship Agreements</b> .....	the VK Relationship Agreement, the ON Relationship Agreement and the EO Relationship Agreement;
<b>Retained Assets</b> .....	has the meaning given to it in paragraph 3 of Part I of this document;
<b>Resolutions</b> .....	the Transaction Resolution and Resolution 2 contained in the Notice of General Meeting set out at the end of this document;
<b>Share Transfer Agreement</b> .....	the share transfer agreement dated 23 July 2014 between Kazakhmys, Kazakhmys Power B.V., Kazakhmys Holding B.V., Cuprum Holding and Mr. Kim for the transfer of the Target Shares;
<b>Shareholders</b> .....	the holders of Ordinary Shares;
<b>Target Companies</b> .....	Kazakhmys Power Projects B.V., Kazakhmys Maintenance Services B.V., Kazakhmys Smelting B.V., Kazakhmys Construction B.V., Kazakhmys Exploration B.V. and New Copper;
<b>Target Shares</b> .....	100 per cent. of the issued share capital of each of the Target Companies;
<b>Transaction</b> .....	the proposed transfer, subject to certain consents and approvals, of the Target Shares to Cuprum Holding, including the Working Capital Payment, under the Share Transfer Agreement and the entry into the Framework Services Agreements (including the LTAs and TSAs);
<b>Transaction Resolution</b> .....	Resolution 1 contained in the Notice of General Meeting set out at the end of this document;
<b>TSAs</b> .....	the transitional services agreements to be entered into pursuant to the East Framework Services Agreement and the Cuprum Framework Services Agreement, as applicable;
<b>Underlying Profit</b> .....	profit for the year after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resultant tax and non-controlling interest effects;
<b>Undertakings</b> .....	certain undertakings relating to the disposal of assets and control of KCC contained in each of the PXF Facility and the RCF;

<b>VAT</b> .....	value added tax;
<b>VK Relationship Agreement</b> .....	an agreement entered into on 26 September 2005 between, among others, the Company, Cuprum Holding Limited and its principal beneficial holder, Mr. Kim, to regulate the ongoing relationship between the Company and the other parties thereto, as amended and restated on 23 July 2014 in compliance with Listing Rule 9.2.2AR and Listing Rule 6.1.4DR; and
<b>Working Capital Payment</b> .....	<p>funding to cover the agreed contribution of the Company to the working capital requirements of the Disposal Assets, which comprises:</p> <ul style="list-style-type: none"> <li>(i) cash of U.S.\$150 million left in the Target Companies;</li> <li>(ii) unspent 2014 sustaining capital expenditure budget within the Disposal Assets for the period from 1 January 2014 up to 31 July 2014, the date of effective economic separation;</li> <li>(iii) certain MET and VAT refunds to be received from the Government of Kazakhstan due to the Disposal Assets; and</li> <li>(iv) net cash flows attributable to the Disposal Assets for the period from the date following the date of effective economic separation, 1 August 2014, up to completion under the Share Transfer Agreement.</li> </ul>

# KAZAKHMYS PLC

*(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05180783)*

## NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a GENERAL MEETING of Kazakhmys PLC will be held at 9.00 a.m. (UK time) on 15 August 2014 at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as an ordinary resolution and a special resolution, respectively. Capitalised terms not defined below are references to those terms as defined in the circular to Shareholders dated 23 July 2014.

### Resolution 1 (Ordinary Resolution)

That the Transaction as described in a circular to Shareholders dated 23 July 2014, pursuant to the terms and subject to the conditions of a Share Transfer Agreement entered into on 23 July 2014 between, among others, Kazakhmys, Cuprum Holding and Vladimir Kim and the Framework Services Agreements entered into on 23 July 2014 between Kazakhmys and Cuprum Holding, and all transactions contemplated therein, be and is hereby approved and the Directors (or a committee of the Directors) be and are hereby generally and unconditionally authorised to do all such acts and things as they may in their absolute discretion consider necessary and/or desirable in order to implement and complete the Transaction in accordance with the terms described in the Share Transfer Agreement and the Framework Services Agreements and other related agreements, subject to such immaterial amendments or variations thereto as the Directors (or a committee of the Directors) may in their absolute discretion think fit.

### Resolution 2 (Special Resolution)

That, subject to completion of the Transaction, the Company's name be changed to "KAZ Minerals PLC".

By order of the Board

**Stephen Hodges**  
Company Secretary

23 July 2014

*Registered Office:*

Kazakhmys PLC  
6th Floor  
Cardinal Place  
100 Victoria Street  
London SW1E 5JL  
United Kingdom

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#### Notes:

- (A) A Shareholder is entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, speak and vote at the General Meeting. A proxy need not be a Shareholder of the Company. A Shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder.
- (B) A Form of Proxy is provided with this Notice of General Meeting. Completion and return of such a Form of Proxy will not prevent a Shareholder from attending the General Meeting and voting in person. In the case of joint holders, any one holder may vote. If more than one holder is present at the meeting, only the vote of the senior will be accepted, seniority being determined by the order in which names appear on the register.
- (C) To be effective a duly completed Form of Proxy, together with any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority), must be deposited with Kazakhmys' registrars, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, United Kingdom or Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, so as to arrive no later than 9.00 a.m. UK time (4.00 p.m. Hong Kong time) on 13 August 2014 (or not less than 48 hours before the time fixed for any adjourned meeting).

- (D) The right to appoint a proxy does not apply to persons whose Ordinary Shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Act (“nominated persons”). Nominated persons may have a right under an agreement with the member who holds the Ordinary Shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the Ordinary Shares as to the exercise of voting rights.
- (E) Unless voting instructions are indicated on the Form of Proxy, a proxy may vote or withhold his/her vote as he/she thinks fit on the Resolutions or other business (including amendments to the Resolutions) which may come before the meeting.
- (F) Shareholders may, if they so wish, register the appointment of a proxy or proxies electronically by logging on to Kazakhmys’ registrars’ website at [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy) where full details of the procedure are given. Shareholders are advised to read the terms and conditions relating to the use of this facility before appointing a proxy; these may be viewed on the website. Electronic proxy appointments must be received by Computershare Investor Services PLC or Computershare Hong Kong Investor Services Limited, so as to arrive no later than 9.00 a.m. UK time (4.00 p.m. Hong Kong time) on 13 August 2014 (or not less than 48 hours before the time fixed for any adjourned meeting). A Form of Proxy lodged electronically will be invalid unless it is lodged at the address specified on either Computershare Investor Services PLC’s or Computershare Hong Kong Investor Services Limited’s website.
- (G) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the General Meeting (and any adjournment(s) thereof) by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members (and those CREST members who have appointed a voting service provider(s)) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.
- (H) In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with CRESTCo’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Kazakhmys’ agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Kazakhmys’ agent is able to retrieve the message.
- (I) CREST members (and, where applicable, their CREST sponsors or voting service provider(s)) should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service provider(s)) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (J) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (K) Entitlement to attend and vote at the General Meeting, and the number of votes which may be cast at the General Meeting, will be determined by reference to the Company’s register of Shareholders at 6.00 p.m. UK time (4.30 p.m. Hong Kong time) on 13 August 2014 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (as the case may be). In each case, changes to the register of Shareholders after such time will be disregarded.
- (L) Voting at the General Meeting will be conducted by way of a poll. A poll vote reflects the number of voting rights exercisable by each member and so the Board considers it a more

democratic method of voting. On arrival at the General Meeting, all those entitled to vote will be required to register and collect a poll card. In order to facilitate these arrangements, it would be helpful if you would arrive at the General Meeting in good time and bring with you your attendance card which is attached to the Form of Proxy. You will be given instructions on how to fill in your poll card at the meeting.

- (M) As at 22 July 2014 (being the Latest Practicable Date) the Company's issued ordinary share capital consists of 458,379,033 Ordinary Shares. The Company currently holds 11,701,830 Ordinary Shares in treasury and the issued ordinary share capital that carries voting rights of one vote per share comprises 446,677,203 Ordinary Shares (excluding treasury shares). Therefore, the total voting rights in the Company as at 22 July 2014, (being the Latest Practicable Date), are 446,677,203.
- (N) Any Shareholder attending the General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the General Meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or good order of the General Meeting that the question be answered.
- (O) Any Shareholder with special needs wishing to attend the General Meeting should contact the Company Secretary's department at the Company's registered office so that appropriate arrangements can be made (telephone: +44 (0)20 7901 7800).
- (P) Persons who are not Shareholders will not be admitted to the General Meeting unless prior arrangements have been made with the Company.
- (Q) We ask all those present at the General Meeting to facilitate the orderly conduct of the meeting and reserve the right, if orderly conduct is threatened by a person's behaviour, to require that person to leave.
- (R) Shareholders should note that doors to the General Meeting will open at 8.45 a.m. (UK time).
- (S) Please note that, for security reasons, all hand luggage may be subject to examination prior to entry to the General Meeting. Mobile phones may not be used in the General Meeting, and cameras, tape recorders, laptop computers and similar equipment may not be taken into the General Meeting. Anyone attempting to take photos, record or film the proceedings may be asked to leave.
- (T) A copy of this Notice of General Meeting and other information required by Section 311A of the Act can be found at [www.kazakhmys.com](http://www.kazakhmys.com).



