ANNUAL REPORT AND ACCOUNTS 2015

DELIVERING WORLD CLASS PROJECTS

KAZ MINERALS

For more information, see our website www.kazminerals.com

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STRATEGIC REPORT

DIRECTORS' REPORT

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SUPPLEMENTARY INFORMATION

KAZ Minerals is a pure-play copper company focused on open pit mining in Kazakhstan.

We plan to increase our copper production substantially over the next three years as we ramp up Bozshakol and complete the Aktogay project. Our assets are:

- **LOW COST:** Positioned in the first or second quartiles of the global cost curve.
- **LARGE SCALE:** Our new open pit mines are the largest greenfield development projects in the CIS region and are amongst the largest newly developed copper deposits in the world.
- **HIGH GROWTH:** By 2018 we expect to be producing 300 kt of copper, with 80% of this coming from the new projects. This represents a compound annual growth rate from 2015 to 2018 of more than 50%.

In 2015 we made significant progress in the delivery of our strategic goals, with the commencement of copper cathode production at Aktogay in December and the first copper concentrate output from Bozshakol following in February 2016.

POSITIONED FOR GROWTH

Kazakhstan is an ideal location for the development of natural resources, combining mineral wealth with ready access to the necessary factors of production and sharing a land border with China, the largest market for commodities in the world.

Kazakhstan continues to attract significant foreign direct investment, including a strong partnership with China, for the development of natural resources under the 'one belt one road' investment programme.

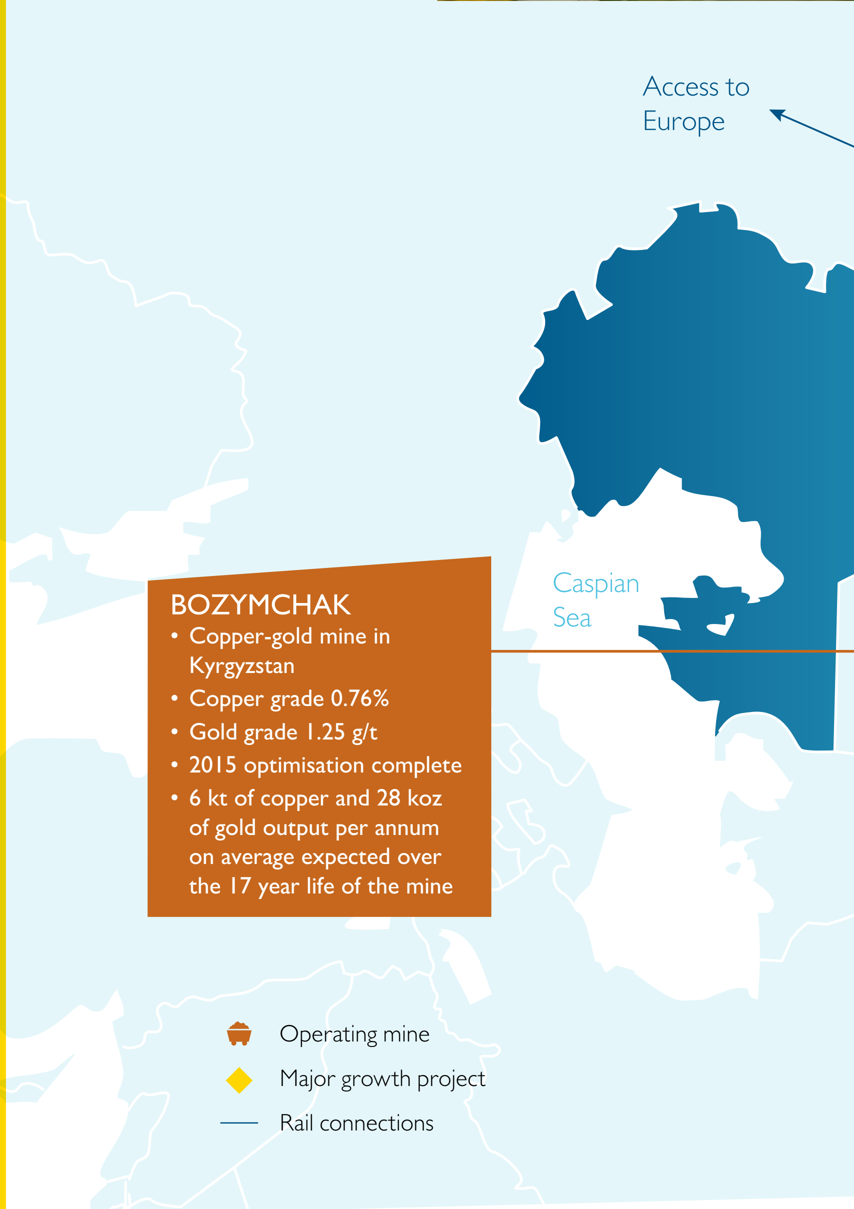
WHY KAZAKHSTAN?

1. Stable socio-political environment
2. Experienced mining workforce
3. Direct access to key markets – China and Europe
4. Established infrastructure and transport links
5. Availability of water
6. Access to energy at a competitive cost

OUR STRATEGY

KAZ Minerals' vision is to be the leading natural resources company in Central Asia. By 2018 we aim to produce over 300 kt of copper, with 80% of that production coming from our new open pit mines. In 2015 we have made significant progress in delivering on our three strategic priorities:

- Deliver the major growth projects
- Optimise our existing assets
- Take advantage of natural resource opportunities in Central Asia



For more information, see pages
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BOZSHAKOL

- Concentrator commissioning began in December 2015, first copper in February 2016
- 1,220 MT of mineral resources at grade of 0.36% and 0.7 strip ratio
- Mine life of 40 years
- Estimated annual output 100 kt copper cathode equivalent[1]
- Net cash cost 70-90 USc/lb[2]

AKTOGAY

- Oxide production commenced December 2015, sulphide completion in 2017
- 1,700 MT of mineral resources at grade of 0.34% and 0.2 strip ratio
- Mine life of 50 years
- Estimated annual output 105 kt copper cathode equivalent[1]
- Net cash cost 100-120 USc/lb[2]

EAST REGION

- Underground operations
- Copper mines with significant gold, silver and zinc by-products
- Average copper grade 2.42% in 2015
- Net cash cost 111 USc/lb in 2015

KOKSAY

- Scoping phase
- 3.1 MT of contained copper
- Copper grade 0.42%
- Mine life of over 20 years
- Estimated annual output 85 kt copper cathode equivalent[1]

[1] Average annual copper cathode equivalent production for the first 10 years after the concentrator has been commissioned.

[2] Average expected net cash cost for the first 10 years after the concentrator has been commissioned, in 2016 terms.

CONTINUING OUR TRACK RECORD OF DELIVERY

KAZ Minerals is now in the third stage of transformation into a high growth, pure-play, low cost copper miner. Our immediate targets are to successfully complete and ramp up Bozshakol and Aktogay.

COPPER PURE-PLAY

2013

- **Agreed sale of non-core assets**

  Majority free float of 58%

GROUP RESTRUCTURING

2014

- Disposal of mature mining, smelting and power assets

  Company renamed 'KAZ Minerals'
- Retained high grade East Region mines
- Acquisition of Koksay

DELIVERY OF THE GROWTH PROJECTS

2015

- Bozshakol concentrator commissioning commenced
- **Aktogay oxide production starts**
- Managed costs in the East Region
- Optimisation of Bozymchak

2013 2014 2015

For more information, see pages
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How we will continue to deliver our strategic priorities

- Deliver the major growth projects
- Optimise our existing assets
- Take advantage of natural resource opportunities in Central Asia

2016

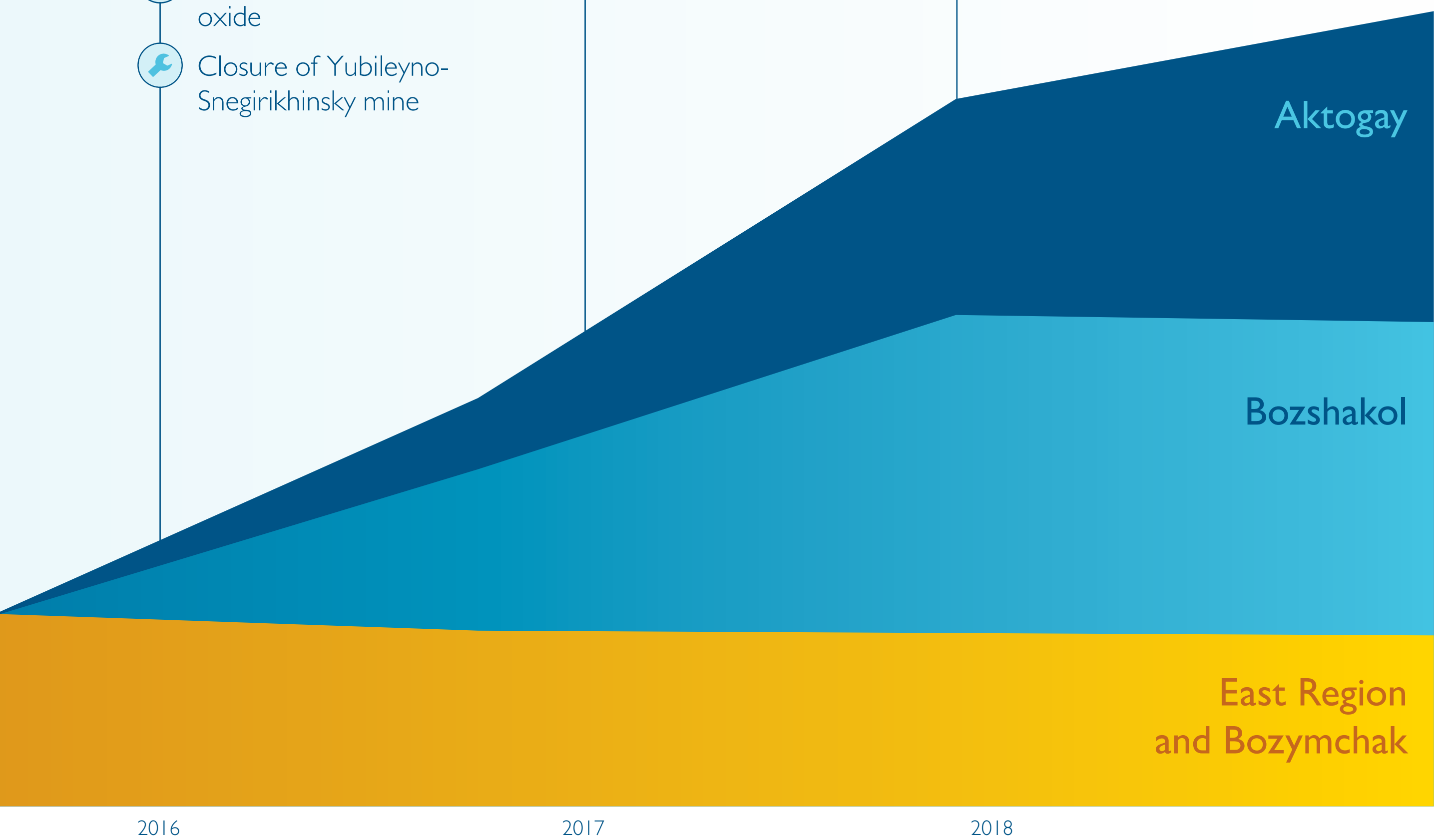
- **First copper concentrate production from Bozshakol**
- Ramp up Bozshakol to commercial levels
- Ramp up Aktogay oxide
- Closure of Yubileyno-Snegirikhinsky mine

2017

- **Bozshakol reaches full throughput**
- Aktogay commences production from sulphide ore
- Ramp up Aktogay sulphide

2018

- Bozshakol reaches peak output of 115 kt per annum
- Ramp up Aktogay sulphide
- **Group production >300 kt 80% from open pit mines**



THE KAZ MINERALS BUSINESS MODEL

KEY INPUTS

KAZ Minerals has access to all of the necessary inputs for successful mining operations:

- Natural resources
- Power
- Water
- Transport
- End markets
- Licences
- Labour
- Finance

KEY PARTNERSHIPS

The rewards of mineral extraction are shared with our key partners and stakeholders:

- Shareholders
- Customers
- Suppliers
- Local communities
- Government and people of the Republic of Kazakhstan
- Employees
- Lenders

EXPLORATION OF NEW NATURAL RESOURCES

- Explored the Bozshakol and Aktogay deposits
- Acquired the Koksay deposit in 2014, which is currently being explored
- Evaluating mine extension opportunities at East Region operations
- Greenfield exploration drilling

DEVELOPMENT OF NEW COPPER MINING PROJECTS

Bozshakol
Bozshakol has commenced production and will be ramping up during 2016

Aktogay
Aktogay commenced production from oxide ore in December 2015 with sulphide commencing in 2017, bringing Group copper production to over 300 kt in 2018

Koksay
Koksay is the Group's third major growth project, acquired in 2014 and currently at the scoping stage

HOW WE RUN OUR BUSINESS

Health and safety

- Target zero fatalities

For more information, see page 56

Environment

- Minimise environmental impacts such as water and energy usage, waste generation and disposal, and emissions

For more information, see page 57

People and communities

- Respect human rights by providing fair and safe working conditions for our employees and consulting with local communities

For more information, see pages 60 and 61

The Group's operations in the East Region and Bozymchak produce copper concentrate which is processed into copper cathode under a tolling arrangement at the Balkhash smelter.

The Group sells the copper cathode produced to its customers in China or Europe based on the LME price. Bozshakol and Aktogay will sell copper concentrate to customers in west China at LME price less applicable refining charges (TC/RCs). Aktogay will also sell copper cathode produced from oxide ore to customers in China and Europe.

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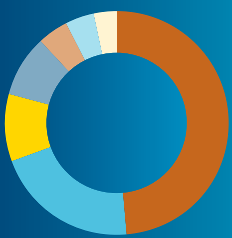
MINING OF ORE

2015 ore output



- Bozshakol
- Aktogay
- Orlovsky
- Artemyevsky
- Irtyshsky
- Yubileyno-Snegirikhinsky
- Bozymchak

PROCESSING OF ORE INTO CONCENTRATE

Bozshakol and Aktogay
Ore will be processed by on-site concentrators

East Region
Three associated concentrators

Bozymchak
On-site concentrator

Aktogay oxide
No concentrate processing required – produces cathode

TREATMENT AND REFINING

Balkhash smelter carries out smelting of copper concentrate from East Region and Bozymchak on a tolling basis

SALE OF CONCENTRATE

- The major growth projects Bozshakol and Aktogay will sell copper concentrate to Chinese smelters
- Zinc in concentrate from East Region is sold to CIS or China

SALE OF FINISHED METALS

Flexibility to sell to customers in China or Europe, dependent on available pricing

Risk management

- Significant risks are identified and monitored across all levels of the business

For more information, see page 26

Corporate Governance

- Fully compliant with UK Corporate Governance Code
- Majority of independent non-executive Directors on the Board
- 58% free float ownership

For more information, see page 68

BOZSHAKOL

DELIVERING GROWTH IN 2016

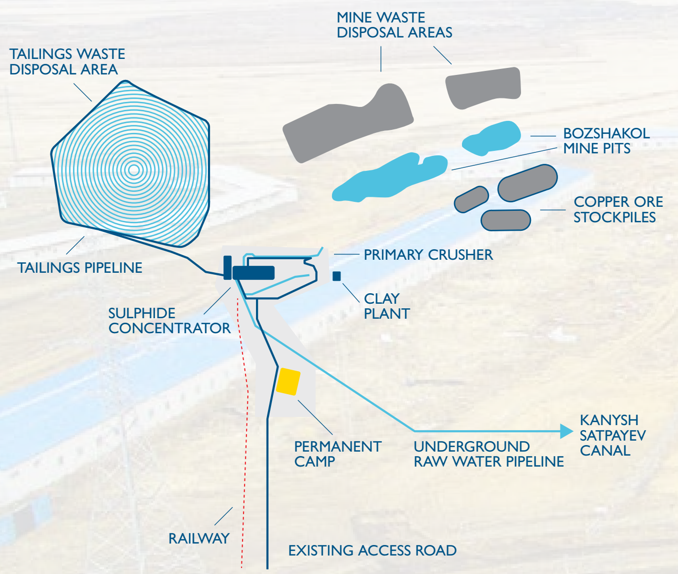
OVERVIEW

Bozshakol is a newly completed open pit copper mine in the Pavlodar region of Kazakhstan. The deposit contains 1,220 MT of mineral resources at an average grade of 0.36%, with 4.4 MT of contained copper. A 25 MT sulphide concentrator and a 5 MT clay plant will provide a total processing capacity of 30 MT per annum and the mine will operate for 40 years. Production of copper concentrate from the main sulphide concentrator commenced in February 2016.

PRODUCTION GUIDANCE

- 100 kt per annum of copper cathode equivalent in the first 10 years
- 120 koz per annum of gold in concentrate in the first 10 years

SITE PLAN



Power

- 220kv connection to Ekibastuz GRES-1, largest power station in Kazakhstan
- Competitive power costs

Water

- Supplied with fresh water from Satpayev canal system
- Concentrator will recycle 70-80% of process water

Transport

- Rail spur link to national rail network
- Bagging plant loads rail cars directly
- Eight days to Alashankou on the Chinese border

Workforce

- 1,500 employees
- Transition to local management after start-up

PROJECT PROGRESS

- ✓ Construction of sulphide concentrator
- ✓ Recruitment and training of production personnel
- ✓ Pre-production mining
- ✓ Commenced commissioning of sulphide concentrator
- ✓ 2016: Commence production of copper concentrate
- 2016: Embed best practice safety culture

2016: Complete construction of 5 MT per annum clay plant

2016: Ramp up production

2016: Achieve commercial levels of production

2017: Complete ramp up to 100% of capacity

2018: Reach peak annual production of 115 kt

AKTOGAY

DELIVERING GROWTH IN 2017

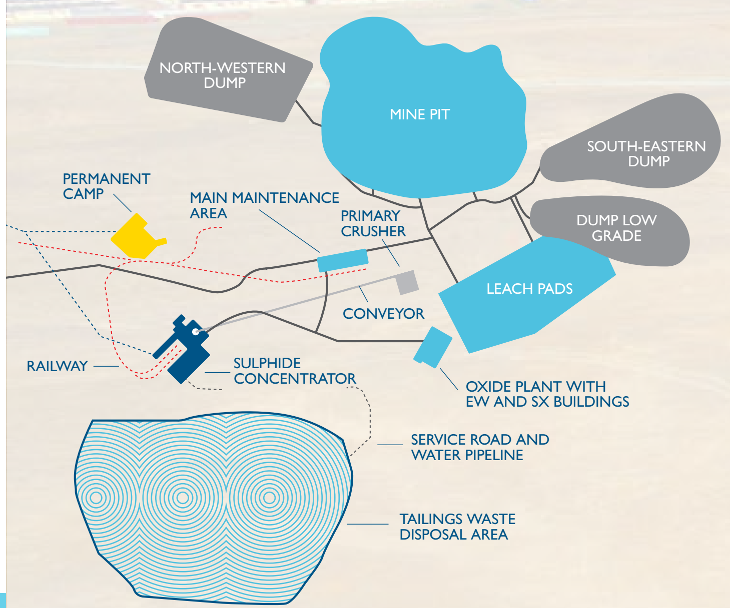
OVERVIEW

Aktogay is a $2.3 billion development located in the East of Kazakhstan. The deposit contains 1,700 MT of mineral resources (measured and indicated) at an average grade of 0.34%, with 5.8 MT of contained copper. There are two phases to the project which will separately process oxide and sulphide ore. Oxide ore processing via heap leaching and SX/EW commenced in 2015 with the first copper cathode produced on 1 December. The sulphide ore will be processed by a 25 MT per annum plant, that is identical in design to the Bozshakol sulphide concentrator, commencing in 2017. The mine will operate for over 50 years.

PRODUCTION GUIDANCE

- 105 kt per annum of copper cathode equivalent in the first 10 years
  - 90 kt from sulphide ore
  - 15 kt from oxide ore
- Molybdenum by-product

SITE PLAN



Power

- 220kv connection to Karaganda power station
- Competitive power costs

Water

- Groundwater supply accessed via boreholes
- Concentrator will recycle 70-80% of process water

Transport

- Rail spur link to national rail network
- Bagging plant loads rail cars directly
- Two days to Alashankou on the Chinese border

Workforce

- 1,500 employees
- Transition to local management after start-up

PROJECT PROGRESS

- Mining equipment
- Non-process buildings and facilities
- Pre-production mining
- Enclose sulphide concentrator
- Copper cathode production from oxide ore
- 2016: Embed best practice safety culture

2016: Ramp up oxide production

2017: Primary crusher and conveyor commissioning

2017: Sulphide concentrator equipment installation

2017: Tailings facilities complete

2017: Commence copper concentrate production from sulphide ore

2017: Ramp up sulphide production

DELIVERING GROWTH

"KAZ Minerals has made significant progress towards realising its strategic objective to become a low-cost producer focused on large scale, open pit copper mines."

Simon Heale
Chairman

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

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

Board changes

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

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

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

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

Health and safety

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

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Environment

Copper mining and processing are energy-intensive activities with associated environmental impacts such as the generation of tailings waste, water and energy consumption and the emission of CO_2. The Group seeks to minimise its impacts wherever possible and in 2015 they are considerably lower across many metrics compared to 2014 following the disposal of mining, smelting and power assets in the prior year. In the East Region we made improvements at our concentrators that reduced our energy consumption. The Bozshakol and Aktogay projects utilise modern technology that will improve our energy efficiency per tonne of ore processed and water recycling rates. The tailings waste management at our projects will also be highly efficient.

CORPORATE VALUES

KAZ Minerals established its corporate values in 2015 as a restructured company. These are the principles by which we seek to conduct our business. They guide our decision making and how we monitor our performance. By upholding these values we will build a strong internal culture, improve relationships with our external stakeholders and deliver value to our shareholders.

Safety	• Protect the health and wellbeing of all of our employees and contractors • Protect the safety of the environment
Long-term efficiency	• Anticipate the long-term consequences of today's actions
Teamwork	• Take responsibility for personal and team goals • Accept compromise • Encourage colleagues • Appreciate different perspectives
Professional development	• Improve competency and skills • Education and training • Share experience and knowledge with colleagues
Integrity	• Honesty in everything that we do • Keep promises, admit mistakes

"The delivery of Bozshakol has greatly reduced the Group's project execution risk."

Operational and financial performance

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

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

Major growth projects

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

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

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

Financial position

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

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

Operational safety training at Bozshakol

OUR NUMBER ONE PRIORITY

We are creating a new culture of safety at KAZ Minerals. Bozshakol and Aktogay are leading our efforts to adopt international best practice, with intensive training for new joiners. At Bozshakol over 1,000 operational staff have been selected and trained in safe working practices, including safety training specific to their roles and the equipment they will be operating.

The health and safety policies and procedures developed at Bozshakol and Aktogay will be used as the benchmark for the rest of the Group.

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

Dividends

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

Outlook

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

Simon Heale
Chairman

LAUNCHING OUR WORLD CLASS PROJECTS

"Our immediate priorities in 2016 are the ramp up of Bozshakol, the construction of Aktogay and to keep operating costs low across the Group."

Oleg Novachuk
Chief Executive

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

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

Health and safety

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

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

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

Review of operations

East Region and Bozymchak

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

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

Bozshakol construction

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

Bozshakol operations

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

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

Aktogay construction

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

Aktogay operations

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

Production outlook

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

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

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

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

Financial performance

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

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

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

Gross cash costs for the East Region and Bozymchak in 2015 were 230 USc/lb, a 17% reduction compared to the gross cash cost of 277 USc/lb in the second half of 2014, during which period the East Region began to operate as a stand-alone business. Net cash costs for the East Region and Bozymchak operations were 109 USc/lb, in line with the 107 USc/lb reported for the second half of 2014. In 2016, per unit gross cash costs in the East Region and Bozymchak are expected to face upward pressure due to a full year contribution from Bozymchak (which has higher gross cash costs), reduced production volumes and local inflation. However, the full year effect of a weaker tenge in 2016 is expected to result in a gross cash cost for the East Region and Bozymchak of between 200 and 220 USc/lb.

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

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

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

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

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

Financial position

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

Outlook

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

Oleg Novachuk
Chief Executive

DELIVERING AGAINST OUR TARGETS

What we said we would do in 2015	What we achieved in 2015
Commence commissioning at Bozshakol in the fourth quarter	Commissioning commenced in December, first copper output in February 2016
Commence oxide production from Aktogay in the fourth quarter	Oxide production commenced on 1 December 2015
Continue development of Aktogay sulphide project	Project is proceeding on schedule for first production from sulphide ore in 2017
Ramp up production at Bozymchak	Optimisation works completed and full throughput achieved
Continue exploration at Koksay	Drilling and studies ongoing

For more information, see pages 4 and 5

OUR STRATEGIC FRAMEWORK

Our strategy is reviewed by the Board on an ongoing basis to ensure that it remains relevant to the Group's requirements.

The success of the strategy is measured using relevant KPIs and risks are controlled through the risk management framework.

Our aim is to develop KAZ Minerals into a leading natural resources company in Central Asia for the benefit of all stakeholders.

VISION

To develop ourselves as a leading natural resources company in Central Asia, combining international standards with the exceptional mineral opportunities available in the region.

OBJECTIVES

To deliver value for our shareholders with a strong commitment to the safety of our employees, the environment and the communities around us.

KPIs

- EBITDA (excluding special items)
- Free Cash Flow
- Earnings per share based on Underlying Profit
- Ore output
- Net cash cost of copper sold
- Copper cathode equivalent production from own material
- Maintenance spend per tonne of copper cathode produced
- Number of fatalities
- Total Recordable Injury Frequency Rate ('TRIFR')

DELIVER MAJOR GROWTH PROJECTS

We will aim to replace existing reserves and deliver growth in output by investing in projects that add value to our portfolio.

Relevant KPIs

- EBITDA (excluding special items)
- Ore output
- Net cash cost of copper sold
- Copper cathode equivalent production from own material
- Maintenance spend per tonne of copper cathode produced
- Number of fatalities
- Total Recordable Injury Frequency Rate

OPTIMISE EXISTING ASSETS

In 2015 we have improved the cost position of our existing assets. We continue to seek further efficiencies wherever possible.

Relevant KPIs

- EBITDA (excluding special items)
- Ore output
- Net cash cost of copper sold
- Copper cathode equivalent production from own material
- Maintenance spend per tonne of copper cathode produced
- Number of fatalities
- Total Recordable Injury Frequency Rate

TAKE ADVANTAGE OF NATURAL RESOURCE OPPORTUNITIES

We may seek out and acquire attractive, undeveloped natural resource assets principally in the Central Asia region.

For more information, see pages
20 Key Performance Indicators
38 Operating Review

Stated priorities for 2015	Progress in 2015	Priorities for 2016
Bozshakol • Commence commissioning in fourth quarter of 2015	**Bozshakol** • Commenced commissioning works at the concentrator in December 2015 • First copper concentrate produced in February 2016	**Bozshakol** • Ramp up sulphide production • Complete clay plant construction
Aktogay • Commence oxide production in fourth quarter of 2015, continue development of Aktogay sulphide	**Aktogay** • Commenced production of copper cathode from oxide ore in December 2015 • Construction of sulphide concentrator progressing on schedule and on budget	**Aktogay** • Ramp up oxide production • Progress sulphide plant construction
Bozymchak • Ramp up production	**Bozymchak** • Declared commercial 1 July 2015 • Successfully optimised and producing at 100% of throughput	
Koksay • Continue exploration	**Koksay** • Drilling and studies ongoing	**Koksay** • Complete scoping study
• Optimise East Region producing assets • Maintain low cost position • Evaluate East Region mine life extensions • Improve health and safety performance	• Gross cash costs reduced through management action, assisted by tenge devaluation • Additional ore identified in Artemyevsky I • Artemyevsky II studies continued • Improved health and safety performance	**Health and safety** • Target zero fatalities **East Region** • Evaluate mine life extensions • Manage likely closure of Yubileyno-Snegirikhinsky mine • Continue to seek operational efficiencies **Bozymchak** • Seek operational efficiencies to reduce costs • Operate at design capacity **Aktogay oxide** • Increase throughput if possible • Seek operational efficiencies to reduce costs
• Existing assets and major growth projects will take precedence • Consider partnership at major growth projects	• Studies progressed on Koksay and Artemyevsky II • Smelter scoping study	• Existing assets and major growth projects will take precedence • Consider options for the future development of Koksay

MEASURING OUR PROGRESS

The Group uses a set of Key Performance Indicators (KPIs) to monitor performance with the aim of delivering the strategic objectives set out on page 18.

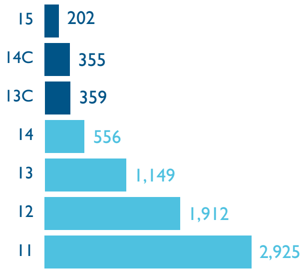
The Group's KPIs are regularly reviewed to ensure they remain relevant and are aligned with the Group's strategy and objectives. In 2015, the Group's core set of KPIs has been extended to include two health and safety measures: Number of fatalities and Total Recordable Injury Frequency Rate ('TRIFR'). The inclusion of these health and safety KPIs reflects the Group's continued focus on ensuring a safe working environment for all employees and contractors.

The suitability and relevance of the Group's KPIs will continue to be monitored in the future. The remuneration of the executive Directors is linked to the Group's performance against its strategy and objectives as the annual bonus plan performance targets are aligned to the Group's KPIs and strategic priorities.

OBJECTIVES DELIVER VALUE FOR OUR SHAREHOLDERS

EBITDA (excluding special items) ($ million)

202



Relevance

This is a measure of the underlying profitability of the Group, widely used in the mining sector.

How we measure

EBITDA is earnings before interest, taxation, the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation and mineral extraction tax, as adjusted for special items.

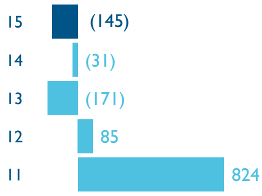
2015 performance

EBITDA (excluding special items) for 2015 of $202 million declined by $153 million compared to the continuing operations EBITDA in 2014, reflecting the 21% reduction in revenues in 2015. The Group's realised prices for all metals declined in 2015, including a 22% lower realised price for copper.

The decline in revenues was partially mitigated by a 6% decrease in cash operating costs resulting from the ongoing cost control initiatives and the weakening of the tenge in the second half of the year.

Free Cash Flow ($ million)

(145)



Relevance

Monitors Group cash flows used to fund returns to shareholders, reduce debt and invest in the future growth and development of the business.

How we measure

Net cash flow from operating activities before capital expenditure and non-current VAT associated with expansionary and new projects less sustaining capital expenditure.

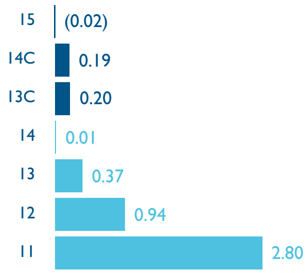
2015 performance

Group Free Cash Flow for the year was $114 million below 2014 as a $354 million reduction in Group EBITDA, including EBITDA from disposed assets in the prior year, was partially mitigated by $233 million in lower capital expenditure and $48 million and $15 million reductions in MET and income tax paid, respectively.

The negative $145 million Free Cash Flow in 2015 is after the deduction of $147 million of interest payments (2014: $150 million) principally incurred financing the development of the major growth projects.

Earnings per share based on Underlying Profit ($)

(0.02)



Relevance

EPS based on Underlying Profit can be used as an indication of profits available to shareholders for distribution or retention in the business.

How we measure

Profit before special items and other non-recurring or variable non-trading items, and their resulting taxation impact, divided by the weighted average number of ordinary shares in issue during the year.

2015 performance

Underlying EPS from continuing operations was a loss of $0.02 per share. Underlying Profit from continuing operations fell from $86 million in 2014 to a loss of $10 million in 2015, impacted by the lower EBITDA and foreign exchange losses arising from the devaluation of the Kyrgyz som and the Kazakh tenge during 2015.

The Group is expected to return to earnings growth in 2016 with the ramp up of operations at Aktogay oxide and Bozshakol sulphide plants.

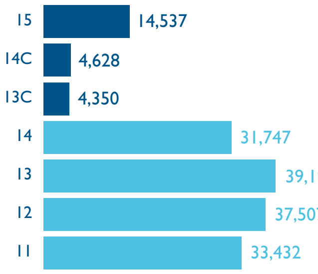
- 13C represents continuing operations only in 2013.
- 14C represents continuing operations only in 2014.

For more information, see pages
18 Strategy
38 Operating Review
45 Financial Review

STRATEGIC PRIORITIES OPTIMISE EXISTING ASSETS AND DELIVER GROWTH PROJECTS

Ore output
(kt)

14,537



Relevance
Ore output indicates our ability to maximise production from existing assets and growth projects. This KPI should be considered alongside other measures including production costs and maintenance spend, to ensure extraction is valuable.

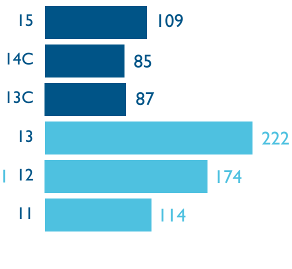
How we measure
Kilotonnes of ore extracted from our mining operations.

2015 performance
Ore output in 2015 has seen a three-fold increase compared to output from continuing operations in 2014 as Bozshakol and Aktogay mining operations commenced. There was 3,003 kt of ore extracted at Aktogay oxide and placed on heap leach pads and 7,099 kt from Bozshakol has been stockpiled in 2015 to be processed at the sulphide and clay plants in 2016. Ore extraction at the East Region and Bozymchak mines has remained in line with expectations, but was marginally below extraction from continuing operations in the prior year.

Ore output will continue to increase in 2016 with a full year of ore extraction anticipated for Bozshakol and Aktogay oxide.

Net cash cost of copper sold
(USc/lb)

109



Relevance
This measures the performance of the Group in maintaining its low-cost base whilst maximising revenues through the sale of by-products.

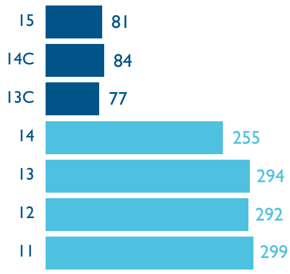
How we measure
The total of cash operating costs excluding purchased copper products less by-product revenues, divided by the volume of copper cathode equivalent sales.

2015 performance
The cash cost of copper sold after by-product credits for 2015 of 109 USc/lb was above the continuing operations net cash cost in 2014, reflecting the decline in by-product revenues in 2015 resulting from the fall in commodity prices during the year.

Excluding the impact of by-product credits, the Group's gross cash cost in 2015 of 230 USc/lb has reduced compared to 257 USc/lb from the East Region in 2014 or 277 USc/lb in the second half of 2014 when the East Region operated independently of the Disposal Assets. Cost saving initiatives and the beneficial impact of the weakening of the tenge following the currency's transition to free float in August 2015 have led to a lower gross cash cost.

Copper cathode equivalent production from own material
(kt)

81



Relevance
Copper, the Group's principal product, represents 69% of revenue and is the main operational indicator.

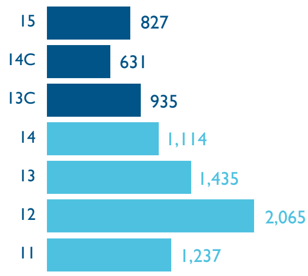
How we measure
Copper cathode equivalent produced from own ore either as refined copper cathodes or as recoverable copper in concentrate or residues sold.

2015 performance
Cathode equivalent production in 2015 was consistent with production from continuing operations in 2014. The first production from Aktogay oxide was received in December 2015 with a contribution of 0.4 kt of cathode. Bozymchak produced 2.2 kt of copper cathode, with the project achieving commercial production on 1 July 2015.

East Region cathode output has fallen by 6% from 83.5 kt in 2014 to 78.5 kt in 2015 with capacity constraints at the Balkhash smelter leading to a build-up of work in progress at the end of the year.

Maintenance spend per tonne of copper cathode produced
($/t)

827



Relevance
Indicates how much cash flow is required to maintain current output and how efficient we are at controlling capital expenditure.

How we measure
Sustaining capital expenditure for our mining operations, divided by copper cathode equivalent production volumes.

2015 performance
Maintenance spend per tonne of cathode has increased by $196 per tonne compared to continuing operations maintenance spend in 2014.

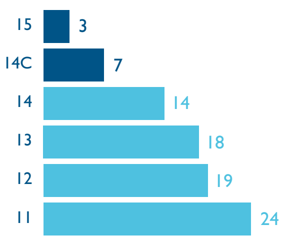
East Region and Bozymchak sustaining capital expenditure of $67 million increased by $14 million compared to 2014, but was below the guided range of $80 million to $100 million. The downturn in commodity prices has resulted in capital expenditure being deferred where possible.

Work has continued on two significant optimisation projects: the modernisation of the Nikolayevsky concentrator, expected to be completed in the first half of 2016, and construction of a railway line between the Artemyevsky mine and the Nikolayevsky concentrator, which is expected to be finished in 2017.

SAFETY PRIORITIES ENSURE SAFE WORKING CONDITIONS FOR ALL OUR EMPLOYEES

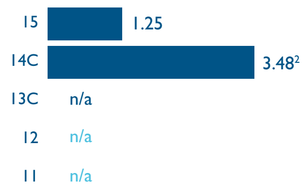
Number of fatalities (employees and contractors)

3



Total Recordable Injury Frequency Rate ('TRIFR')

1.25



Relevance

A key measurement of the Group's operational health and safety performance.

How we measure

The number of employee and contractor fatalities directly occurring from an occupational injury or disease at the Group's operations during the year. The definition of an occupational fatality is taken from the ICMM health and safety performance indicators published in January 2014, which the Group has adopted in 2015 to further align its health and safety performance KPIs with those of its peers.

2015 performance

Three fatalities occurred in 2015, one of which involved an employee in the East Region and two involved contractors, one in the East Region and the second at the Aktogay project. Three fatalities in 2015 compares to seven fatalities in the continuing operations in 2014, and 14 for the full Group in 2014[1]. KAZ Minerals considers all fatalities to be avoidable and has a target of zero fatalities.

The reduction in fatalities for continuing operations has occurred in a period in which the number of man-hours worked increased by 78%, from 23 million in 2014 to 41 million in 2015. The rate of fatal incidents per million hours worked in the continuing operations has therefore reduced from 0.29 in 2014 to 0.07 in 2015, which compares to the ICMM average fatality rate per million hours worked for 2014 of 0.02.

Relevance

TRIFR measures the frequency of occupational injuries occurring at the Group's operations and is therefore a key indicator of our health and safety performance.

How we measure

The number of Total Recordable Injury (TRI) cases occurring for every million man-hours worked during the year. The definitions of TRI and TRIFR are taken from the ICMM health and safety performance indicators published in January 2014 which include new injury cases of sufficient severity that require medical treatment beyond first aid or result in the worker's inability to perform his or her routine work function on the next calendar day.

Historically, the Group reported injury rates as LTIFR (lost time injury frequency rate). Following the adoption of the ICMM indicators, the Group has restated its injury statistics for 2014 to TRIFR. The definition of injuries under TRIFR is wider than under LTIFR as it includes injuries which did not result in lost time, resulting in a higher rate under the new KPI.

2015 performance

There were 51 TRI cases in 2015, a reduction of 36% compared to 80 in 2014 from continuing operations. The TRIFR has fallen significantly from 3.48 for the continuing operations in 2014 to 1.25 in 2015 as the reduction in the absolute number of injuries has been achieved in a year in which there has been a 78% increase in the number of man-hours worked.

1 2014 Annual Report and Accounts stated six fatalities from continuing operations and 13 in the full Group. One fatality in 2014 had been initially assessed as due to natural causes but has been subsequently reclassified as work-related.

2 ICMM definitions for TRIFR were adopted by the Group in 2015. The 2014 TRIFR for continuing operations has been estimated by applying the new injury definition to available historic data.

- 13C represents continuing operations only in 2013.
- 14C represents continuing operations only in 2014.

EFFECTIVE RISK MANAGEMENT

Effective risk management is of critical importance for the operation of our business, shaping the Group's strategy and protecting its stakeholders.

Further details of the Group's approach to internal control are set out in the Governance Framework report on pages 73 and 74.

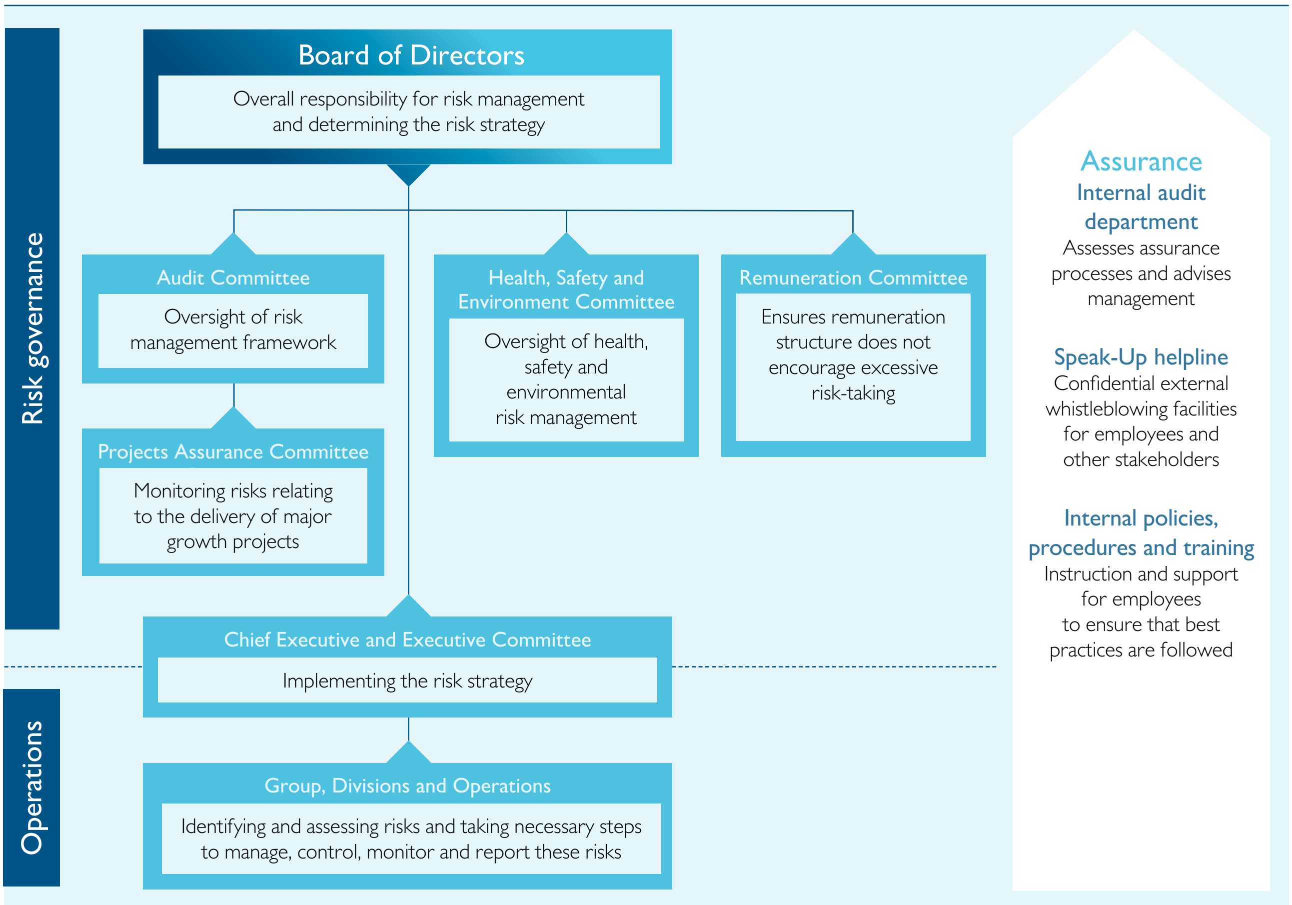
Risk management framework

The Group operates a formal and rigorous risk management framework, designed to ensure that risks are clearly identified, effectively managed and continually monitored.

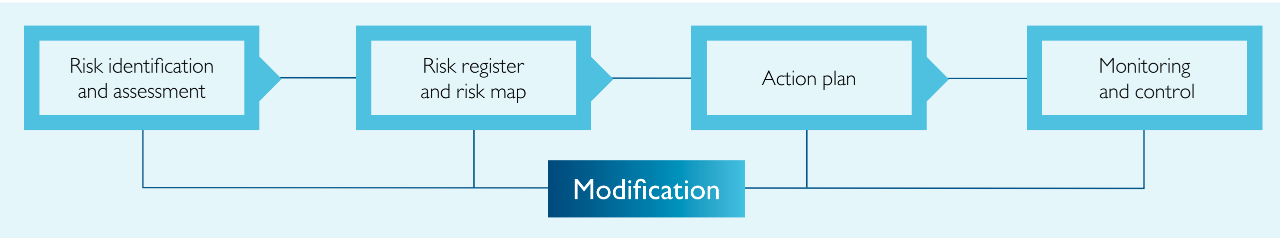
Under this framework, risk profiling exercises are undertaken by operating businesses, and at division and Group level, to identify, evaluate and control risk. The Group Risk Manager coordinates the risk assessments and identification activities, as well as facilitating the development of appropriate responses to identified risks. The Board and its committees are provided with detailed information to ensure that they are aware of the risks to the business and their respective responsibilities are set out opposite:

- The **Board** has overall responsibility for risk management and determines the Group's risk strategy, assessing the balance of risk necessary for the Group to carry out its business successfully and to achieve its strategic goals.
- The **Audit Committee** oversees the Group's risk management framework.
- The **Projects Assurance Committee** monitors risks relating to the delivery of the Group's major growth projects.
- The **Health, Safety and Environment Committee** reviews health, safety and environmental risk management across the Group.
- The **Remuneration Committee** ensures that the remuneration structure does not encourage excessive risk-taking by management.
- The **Chief Executive** and **Executive Committee** implement the risk strategy determined by the Board.

RISK GOVERNANCE STRUCTURE



RISK MANAGEMENT FRAMEWORK



Identification of principal risks

Through the risk management framework, the Group's principal risks are identified and each risk is assessed according to the potential severity of its effect and the likelihood of occurrence. The principal risks are placed on to the Group risk map and this is regularly reviewed by the Board and Audit Committee to ensure that continual monitoring and appropriate mitigating actions are in place and that these risks continue to be accurately represented on the Group risk map. There are other risks which have been identified by management but are not considered to be principal risks at the current time. These risks are also continually assessed and monitored by management.

A description of our principal risks, including impact and mitigating actions, can be found on pages 26 to 34.

Viability statement

The Board has conducted an assessment of the Group's viability for the three years to 31 December 2018. The Board considers that the timeframe chosen for the viability assessment is appropriate as it covers the period when the Group's gearing metrics are expected to peak with the development of the Bozshakol and Aktogay projects. The major growth projects are also expected to ramp up output over this period and therefore the Group's exposure to liquidity and project delivery risks should reduce substantially by the end of the assessment period.

The Board also considers the viability assessment period to be appropriate due to the current uncertainties in the global economic outlook which limits the reliability of a longer-term assessment.

Principal risks facing the Group

For the purposes of reviewing the Group's viability outlook, the Board has considered all the principal risks set out on pages 26 to 34 but has focused on the following principal risks which could alone or in conjunction have a material impact on profitability, cash flows, liquidity and the available mitigation options over the assessment period:

Commodity prices

- A sustained low commodity price environment would impact the Group's financial outlook.

New projects

- The major growth projects may fail to ramp up output and/or achieve the operating parameters as planned.

Foreign exchange and inflation risk

- A significant appreciation of the KZT/$ exchange rate from its current level or increased inflation in Kazakhstan could have a material impact on operating costs.

Liquidity risk

- Non-compliance with financial covenants could result in borrowing facilities becoming uncommitted and repayable if negotiations with the banks were unsuccessful. A faster than expected normalisation of US interest rates would also impact the Group's financial outlook.

Process to assess the Group's prospects

The Board has performed their viability assessment based on the Group's five-year plan which is prepared from the annual budgeting process, individual project plans and existing mine operational life of mine (LOM) plans. These LOM plans reflect the expected production profile and related operational cost structures of the assets over their expected economic life.

The key assumptions made in the viability assessment are based on externally sourced views on commodity pricing, exchange rate and inflation. As part of the viability assessment, the Board has considered the key assumptions and is satisfied that they are appropriate. The exchange rate and inflation assumptions are also consistent with those used by management in testing the Group's assets for impairment, where such tests are performed, as disclosed in note 3 to the consolidated financial statements.

The five-year plan is regularly reviewed by the Board along with the Group's operational plans, capital plans, financing requirements and external market factors. In reviewing and considering management's forecast and strategy, the Board takes into account the principal risks facing the Group, which are assessed on a regular basis.

When making the viability assessment the Board considered the current status of the major growth projects, in particular the commencement of concentrate production at Bozshakol and its expected ramp up and the progress being made on developing the Aktogay project.

To reflect the principal risks which could have a material impact on the Group's viability over the three-year period, the plan was subjected to stress testing and sensitivity analysis. The analysis considered severe scenarios but not those the Board considered to be implausible and included:

- upside and downside commodity prices;
- a stronger KZT/$ exchange rate, higher cost inflation and higher US interest rates; and
- lower than planned output at the Bozshakol and Aktogay operations.

Confirmation of longer-term viability

The Group has a strong competitive position and, once the Bozshakol and Aktogay mines are in full production, will be a large scale and low-cost producer of copper. This makes the Group an attractive investment opportunity both for debt providers and equity investors over the long term.

As detailed in the 'Going concern' section in the notes to the consolidated financial statements on page 115, the Group's PXF and CAT debt facilities are subject to certain financial covenants, in particular the net debt to EBITDA covenant which is suspended until 1 July 2016. In the absence of a material improvement in commodity prices, or a waiver from the banks, the net debt to EBITDA covenant will be breached when tested for the period ending 31 December 2016. This is largely as a result of the current low commodity prices and the timing of the ramp up of production from Bozshakol.

Based on discussions with its banks, the Board is confident that the banks will view favourably a waiver or temporary suspension request of such a technical covenant breach, provided the Group's debt service obligations are maintained. This conclusion is supported by the short-term nature of the breach as well as the quality of the Group's business as described above. Consistent with the going concern analysis, the Board's evaluation therefore assumes that the existing debt facilities continue throughout the viability assessment period.

Should commodity prices gradually recover in line with analysts consensus, but there are short-term delays in the ramp up of the major growth projects and/or operating costs are higher than expected, the Group has mitigating actions available that should provide adequate liquidity throughout the viability assessment period. The mitigating actions include the postponement of capital expenditure and increasing available financing facilities, which the Board is confident can be achieved given the quality of the Group's business as described above.

In a severe downside scenario where commodity prices do not recover from current levels and/or there are delays in the ramp up of the major growth projects and/or operating costs are higher than expected, the scale of mitigating actions would need to increase further and/or other types of action may need to be taken. The Board believes it is unlikely, although not implausible, that these circumstances will occur due to the finely balanced copper market and the current status of the major growth projects. However, in such a scenario a major restructuring of the Group's debt facilities and/or other new sources of financing would be required to provide sufficient liquidity over the viability assessment period.

While there are scenarios which could negatively impact the Group's liquidity, after a robust assessment of the principal risks, including those that would threaten its business model, future performance, solvency or liquidity, the Board believes there is a reasonable expectation that the Group will be able to manage its liquidity risks in order to continue in operation and meet its liabilities as they fall due throughout the period to 31 December 2018.

MANAGING OUR RISKS

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

A new principal risk has been added during the year in relation to foreign exchange and inflation. The Kazakhstan tenge moved to a free float against the US dollar in August 2015, which resulted in the tenge devaluing significantly against the US dollar, increasing foreign exchange volatility and the possibility of higher domestic inflation. The principal risks relating to employees and suppliers and contractors have been updated as inflationary pressures could increase costs. In addition, the commodity prices and the liquidity risks have been impacted by the falls in commodity prices during 2015. The Group's exposure to China risk has been updated to reflect the production of copper concentrate from the growth projects which will be sold to China.

The principal risks set out below are not in order of likelihood of occurrence or materiality and should be viewed, as with any forward-looking statements in this document, with regard to the cautionary statement on page 180.

OPERATIONAL RISKS

Health and safety

Description

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

Impact

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

Action

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

Further details of the measures being taken to improve health and safety practices, including the work of the Group's HSE function, are set out in the Corporate Responsibility report commencing on page 55.

For more information, see pages
18 Strategy
38 Operating Review
45 Financial Review

OPERATIONAL RISKS CONTINUED

Business interruption

Description

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

Impact

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

Action

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

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

Political

Description

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

Impact

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

Action

KAZ Minerals maintains a proactive dialogue with the governments of both Kazakhstan and Kyrgyzstan across a range of issues, including subsoil use regulations, taxation, the environment and social responsibility and community relations.

The Government of Kazakhstan has actively pursued a programme of economic reform, helping to make it one of the most politically stable and economically developed countries in Central Asia. Political, legal and regulatory developments affecting the existing operations and projects are monitored closely and lobbying is conducted where appropriate. The Board continues to view the political, social and economic environment within Kazakhstan favourably and, looking forward, remains optimistic about the conditions for business in the region.

OPERATIONAL RISKS CONTINUED

New projects

Description

The development of new projects involves many risks including geological, engineering, procurement, staffing, financing and regulatory risks. If the Group fails to adopt an appropriate procurement and project management strategy it may experience delays to project schedules and an increase in development costs. Regulatory risks include failures to obtain and maintain applicable permits, licences or approvals from the relevant authorities to perform certain development work. These risks will increase in 2016 during the ramp up of the Bozshakol and Aktogay oxide projects as equipment is commissioned and operating practices established. The speed of ramp up is dependent on the successful start-up and operation of equipment and the performance of suppliers and the workforce.

Impact

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

Action

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

The Bozshakol and Aktogay major growth projects have been designed using modern equipment which is proven technology and the Group has in place a specialised internal project management team with significant international mining experience. The Group is also utilising the services of Non Ferrous China, primarily for the construction and commissioning of the Bozshakol sulphide and clay processing plants. Non Ferrous China is also constructing and commissioning the sulphide processing plant at Aktogay with the other sections of the project divided between several smaller contractors. A Projects Assurance Committee has been established to regularly assess the operational and financial status of the projects to identify and manage any material risks to a successful commissioning. In respect of project funding, committed financing is in place for Bozshakol and Aktogay. Details of the current status of the major growth projects is included in the Operating Review on pages 43 and 44.

Employees

Description

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

Impact

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

Action

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

Suppliers and contractors

Description

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

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

Impact

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

Action

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

OPERATIONAL RISKS CONTINUED

Labour and community relations

Description

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

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

Impact

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

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

Action

A full engagement strategy with community representatives, unions and employees operates within the Group which aims to address concerns raised by different stakeholders. The Group first seeks to identify and minimise any potentially negative operational impacts and risks through responsible behaviour and acting transparently, prioritising the health and safety of its workers, environmental compliance, promoting dialogue and complying with commitments. Action has been taken to protect workers from some of the impact of the decline in the tenge value to the US dollar. The Group also has a social programme for its employees and their dependants and works closely with local authorities on social matters. Bozshakol and Aktogay are in remote locations and therefore community relations risk is reduced. Further details of the Group's social programme are set out in the Corporate Responsibility report commencing on page 55.

Reserves and resources

Description

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

Impact

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

Action

The Group's ore reserves and mineral resources are published in accordance with the criteria of the JORC Code. KAZ Minerals engages the services of independent technical experts annually to convert reserve and resource calculations for operating mines and development projects from the estimation method established by the former Soviet Union to the method prescribed by the JORC Code. This also includes mine site visits, where considered appropriate, by independent technical experts. Drilling and exploration programmes are conducted by the Group to enhance the understanding of geological information at the deposits. Further details are provided in the disclosure on ore reserves and mineral resources commencing on page 171.

COMPLIANCE RISKS

Subsoil use rights

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

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

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

Environmental compliance

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

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

Action
The Group has policies and procedures in place which set out the required operating standards for all employees and monitors its emissions. The Group liaises with the relevant governmental bodies on environmental matters, including the development of new legislation. The generation of overburden from stripping works, consumption of water and energy and CO_2 emissions will increase as the Group ramps up production at Bozshakol and Aktogay. These projects will utilise modern technology that will improve energy consumption and water recycling rates per tonne of ore processed at the same time as managing tailings waste more effectively than at our historic operations. Implementation of new modern design projects provides an opportunity to reduce the Group's overall environmental footprint. Further details of the environmental measures being taken by the Group are set out in the Corporate Responsibility report commencing on page 55.

FINANCIAL RISKS

Commodity prices

Description

The Group's policy is to sell its products under contract at prices determined by reference to prevailing market prices on international global metal exchanges. The Group's financial results are strongly influenced by commodity prices, in particular copper and the major by-products, gold, silver and zinc. The prices for these metals are dependent on a number of factors, including world supply and demand and investor sentiment. In particular, KAZ Minerals is exposed to demand from China, a major consumer of the metals which the Group produces. During 2015, as a result of a challenging economic environment and poor investor sentiment, the market prices of all the Group's commodities fell sharply. The average LME copper price in 2015 was $5,495 per tonne, a 20% decrease from 2014. At the start of 2016 the LME copper price has traded below $4,400 per tonne.

Impact

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

Action

The Group regularly reviews its sensitivity to fluctuations in commodity prices. The Group does not as a matter of course hedge commodity prices, but may enter into a hedge programme for certain commodities where the Board determines it is in the Group's interest to provide greater certainty over future cash flows. The Group adopts a prudent approach in its financial planning and investment appraisal, reflecting the volatility in commodity prices. Further details of the performance of the markets in which the Group operates are set out in the Market Overview section commencing on page 35.

Foreign exchange and inflation

Description

The Group is exposed to currency risk when transactions are not conducted in US dollars. The Group's operations are primarily located in Kazakhstan, with the Bozymchak operations located in Kyrgyzstan. Prior to August 2015, the Kazakhstan tenge was a managed currency with relatively low volatility. In August 2015, the tenge was floated triggering a significant devaluation and significantly increased volatility. The Kazakhstan tenge depreciated from a rate of 182 KZT/$ at the start of 2015 to a rate of 339 KZT/$ at the year end. The lower tenge reduces the Group's operating cost in US dollar terms. The fall in value of the tenge increases the risk of higher inflation rates.

Impact

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

Action

Where possible the Group attempts to conduct its business and maintain its assets and financial liabilities in US dollars to minimise exposure to other currencies. Surplus cash balances are maintained in US dollars. The Group generally does not hedge its exposure to foreign currency risk in respect of operating expenses. Further details are set out in note 31 to the consolidated financial statements.

Exposure to China

Description
In addition to the impact of Chinese demand on the pricing of KAZ Minerals' major products, as noted under the 'Commodity prices' risk above, the Group makes significant physical sales to a limited number of customers in China. In 2015, sales to China accounted for a significant proportion of revenues which will increase further with the ramp up in output of copper concentrate from Bozshakol in 2016 and from Aktogay from 2017. In addition, the Group uses contractors, services and materials from China. China is also an important source of financing to the Group with long-term debt facilities secured which provide access to funding of $3.1 billion at 31 December 2015, primarily for the development of Bozshakol and Aktogay.

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

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

Acquisitions and divestments

Description
In the course of delivering its strategy, the Group may acquire or dispose of assets or businesses. Corporate transactions may, however, fail to achieve the expected benefit or value to the Group. All business combinations or acquisitions entail a number of risks, including the cost of effectively integrating acquisitions to realise synergies, significant write-offs or restructuring charges, unanticipated costs and liabilities and loss of key personnel. The Restructuring was effected under the laws and regulations of Kazakhstan which are subject to change and open to interpretation, including the legal and tax aspects of the Restructuring in 2014, which could give rise to liabilities for KAZ Minerals.

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

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

FINANCIAL RISKS CONTINUED

Liquidity

Description

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

The Group's PXF facility is subject to financial covenants, which are suspended until 1 July 2016. In the absence of a material improvement in commodity prices, the facilities' covenants will be breached when tested for the period ending 31 December 2016. Based on discussions with members of the banking group to date, the Board believes that it will reach agreement on amending its facilities such that no covenant breach occurs for the period ended 31 December 2015.

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

Impact

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

Action

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

The Group has secured committed funding for the development of Bozshakol and Aktogay. The liquidity outlook was assisted by an agreement with Non Ferrous China, to defer the payment of $300 million of construction costs which were scheduled to be paid in 2016 and 2017 until the first half of 2018. The Group also raised an additional $50 million via a new facility with CAT. The successful commissioning of Bozshakol has expanded the range of financing options available to the Group. Further details of the financial risks impacting the Group, including interest rate risk are included in note 31 to the consolidated financial statements. Further details regarding going concern and viability are included in note 2 to the consolidated financial statements and within the viability statement on page 24.

Taxation

Description

As the tax legislation in Kazakhstan and Kyrgyzstan has been in force for a relatively short period of time, the tax risks in these countries are substantially greater than typically found in countries with more established tax systems. The reduction in commodity prices over the last 12 months has adversely impacted government finances in Kazakhstan and Kyrgyzstan. The Government of Kazakhstan is in the process of conducting a review of the existing tax code and tax administration. Tax regimes may therefore be subject to change and also subject to different and changing interpretations, as well as inconsistent enforcement. The timing and mechanism by which tax payments are made to and balances are recovered from the tax authorities, may be subject to change. Tax regulation and compliance is subject to review and investigation by the authorities who may impose severe fines, penalties and interest charges.

Impact

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

Action

The Group obtains appropriate tax advice, makes every effort to comply with existing tax legislation and works closely with the Government and tax authorities in the review of proposed amendments to tax legislation and regulation. Further details of the Group's tax strategy and risk management are set out in the Financial Review on pages 53 and 54.

MARKET OVERVIEW

For more information, see pages
38 Operating Review
45 Financial Review

Our products

In 2015, sales of copper generated around 70% of revenues with remaining revenues from by-products of zinc, gold and silver.

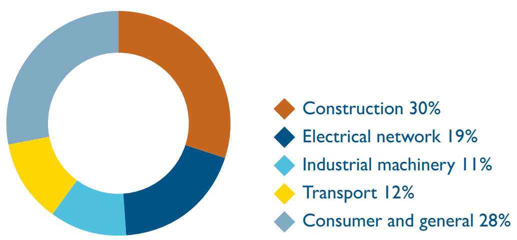
The Group's operations in the East Region and at Bozymchak produce copper in concentrate which contains gold and silver content as by-products. The East Region also produces zinc concentrate. The copper concentrate from the East Region and Bozymchak is toll processed at the Balkhash smelter into finished products of copper cathode, gold bars and silver bars, which are sold to customers. Zinc concentrate is sold to regional and Chinese customers.

Production of cathodes from Aktogay oxide began in December 2015 and is now being sold alongside the cathodes from the East Region and Bozymchak. The sulphide plant at Bozshakol has commenced production of copper concentrate which will be sold to smelters in China.

Copper

Copper material used in the production of refined copper is derived primarily from mines, with output from Latin American mines estimated to provide around 41% of global copper production. Secondary copper materials, such as scrap, also provide an important alternative source of copper material for the refined copper production process.

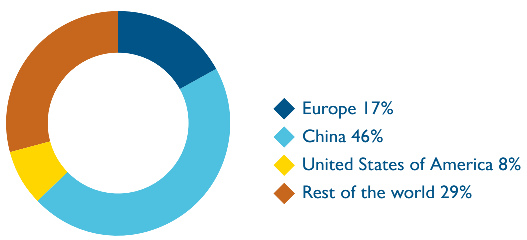
Global copper consumption by market sector



Source: Wood Mackenzie Global Copper Long Term Outlook Q4 2015

Refined copper is used in a wide range of sectors and industries. The construction sector continues to be the biggest single consumer of copper, with the consumer product sector an increasing source of demand as copper is required for smartphones, computers and other electronic appliances. The balance is consumed by transport, industrial machinery and electrical networks.

2015 global refined copper consumption



Source: Wood Mackenzie Global Copper Long Term Outlook Q4 2015

The price of copper is impacted by global supply-demand fundamentals and can therefore be volatile and cyclical, with the outlook for the Chinese economy of particular significance. China is estimated to represent 46% of global refined copper consumption, ahead of the second largest consumer, the United States, at 8%.

By-products

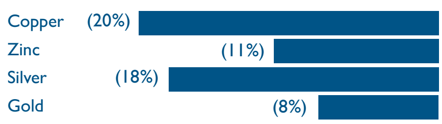
Approximately 50% of world zinc production is used in the construction sector. It is also used in industrial machinery, electronics and consumer products. Pricing of zinc concentrate is based on the LME zinc price, less processing charges. Approximately three-quarters of KAZ Minerals' zinc production is sold within the CIS, with the remaining balance sold to China.

Gold is used as an investment asset, for jewellery and various industrial and electronic applications. Benchmark prices are generally based on London Bullion Market Association (LBMA) quotations. The Group's gold bar production is sold to the National Bank of Kazakhstan based on the LBMA price.

Silver has similar demand fundamentals to gold but with a higher exposure to industrial applications which results in increased price volatility. Silver production is sold to traders based in Asia for delivery to Europe and Asia, principally under annual contracts based on the LBMA price at the time of delivery.

Market environment:

Average price movement in 2015[1]



1 Average price quoted on the LME and LBMA exchanges compared to 2014.

Source: Bloomberg

Copper

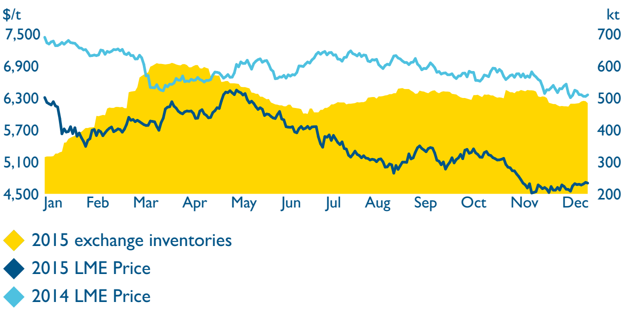
2015 market performance

2015 was a challenging year for copper, as similar to many metals it suffered a significant fall in price due to slowing demand and negative investor sentiment. The average LME copper price during 2015 was $5,495 per tonne, representing a 20% decrease from 2014. The copper price hit a six year low of $4,516 per tonne in November and copper ended the year around 26% below the price at the start of 2015.

Following a sharp decrease in January 2015, the copper price trended to a year high of $6,448 per tonne in early May, resulting from falling inventories and Chinese interest rate cuts to stimulate the economy. Prices have since come under pressure from lacklustre global economic growth and a strong US dollar. Market sentiment has been particularly impacted by negative economic data from China, the largest consumer of copper, as well as emerging markets more generally in 2015. Chinese demand has also been impacted by a tightening of available credit, which has adversely affected smaller downstream purchasers.

The copper price fell below $5,000 per tonne in August, triggered by a devaluation of the Chinese renminbi and a resulting sell off of equities. The announcement of production cuts by miners in the second half of the year has done little to compensate for demand concerns arising from the health of the Chinese economy. In the last quarter of the year the LME copper price has declined steadily, falling below $5,000 per tonne again in November following the terrorist attacks in Paris, a surge of short selling and a further worsening of investor sentiment.

Copper price and exchange inventories

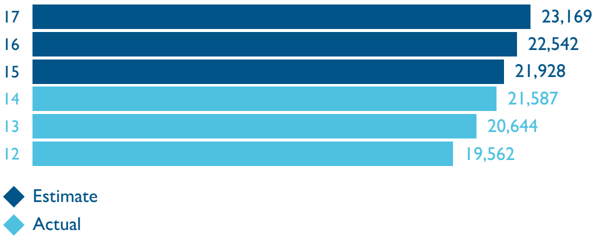


Source: Bloomberg

The refined copper market remained tight in 2015 and is expected to have recorded a supply surplus of 0.3 MT, which equates to around 1% of global consumption. Global refined copper consumption is estimated to have reached 21.9 MT in 2015, 1.6% above the prior year. This is below the levels predicted by some analysts as Chinese demand growth slowed more sharply than had been expected.

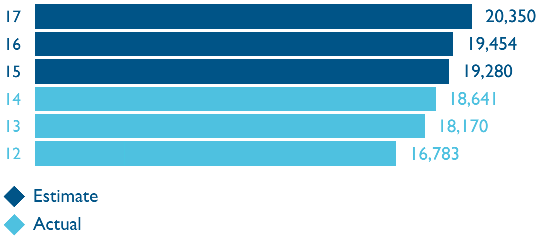
Copper mine production is estimated to have increased by 3.4%, a lower figure than forecast previously, due to supply disruptions and the announcement of price-related production cuts.

Global refined copper consumption (kt)



Source: Wood Mackenzie Global Copper Outlook Q4 2015

Total copper mine production (kt)



Source: Wood Mackenzie Global Copper Outlook Q4 2015.
Estimate (after market adjustments).

Outlook

A small supply surplus of around 0.3 MT, 1% of global consumption, is anticipated in the global refined copper market in 2016, similar to 2015. Copper output from mines is predicted to increase by less than 1% in 2016, with additional supply from mine expansions being offset by price-related closures announced in 2015.

Further price-related production cutbacks, or deferral of investments, could bring forward a return to deficit and positive price momentum. At prices seen in the second half of 2015, a number of copper mines are producing at a net cash loss, which could support further supply cuts in 2016. However, mining companies have been able to achieve significant cost reductions, aided by the strong US dollar and mining cost deflation, to protect margins and avoid production cutbacks.

The medium and long-term outlook for copper remains positive. Demand for copper is forecast to increase through population expansion, continuing urbanisation and a resulting increase in electricity consumption. This rate of growth will decline from the levels seen in recent years, but continued growth from a higher base will see copper consumption increase significantly. The nature of growth is also changing, away from construction and infrastructure to the consumer sectors and to green applications, such as renewable energy, hybrid and electric vehicles and high speed trains, which are copper intensive. In China there have been some positive demand indicators towards the end of the year, with grid investment and electrical network infrastructure offering opportunities for growth. The automotive sector should benefit from tax concessions announced in October 2015.

From a supply perspective the current supply surplus is small, and the market is forecast to remain finely balanced over the next few years. The slower rate of Chinese growth in 2015 has however led market commentators to predict a deficit in the copper market arising later than previously estimated. Demand is forecast to exceed supply at some point between 2018 and 2020 as production from existing mines reduces and because of a lack of project approvals.

The market for copper concentrate moved into a statistical deficit by the end of 2015, with China stocks down to normal working levels. In China whilst some State Owned Enterprise smelters have cut production, generally smelters are not reducing output in order to maintain social employment. Furthermore, additional Chinese smelting capacity is scheduled to be commissioned in 2016. It is expected the market for copper concentrate will be balanced in 2016, with a deficit in capacity for the first half of the year moving into a surplus in the second half.

Demand for the Group's copper products remains strong. Annual contracts have been agreed for approximately 85% of 2016 copper cathode sales, with around 60% expected to be sold to China, similar to previous years. The remaining volumes will be contracted on a spot basis to allow for monthly variations in production and sold to China or Europe subject to market conditions.

Copper concentrate output from Bozshakol will be sold to Chinese smelters under annual contracts. Bozshakol produces a 'clean concentrate', with low iron and silver content and no arsenic, which is well suited to Chinese smelter technology.

Zinc

2015 market performance

From a large surplus in 2014 and the first half of 2015, the zinc market moved into balance in the second half of the year following stock drawdowns and price-related production cuts. The average zinc price was $1,928 per tonne in 2015, 11% below the average price in 2014, driven by a strong US dollar and global economic uncertainty. In October 2015, Glencore announced cuts to production of 500,000 tonnes. Despite the reduced supply, continued demand concerns led to zinc reaching a six year low of $1,462 per tonne in December.

Outlook

The outlook for zinc is positive due to the metal's strong medium-term fundamentals. There are no large advanced stage development projects in the pipeline to replace mine closures and cutbacks, with demand growth expected to outstrip supply. The market is forecast to move into a small deficit from 2016, supported by a group of 10 Chinese smelters announcing they would collectively cut output by 500,000 tonnes, and a growing deficit from 2017 when a shortage of concentrates could become acute, which should translate into higher zinc prices. However, in the short term uncertainty persists due to concerns about the outlook for demand.

The Group has concluded its annual zinc concentrate contracts for 2016 and will sell three-quarters of zinc concentrate production from the East Region within the CIS, with the remaining output sold to China. Pricing of the zinc concentrate sales will be based on the LME zinc price less processing charges which are set on an annual basis.

Gold and silver

2015 market performance

Gold fared slightly better than most commodities in 2015, but still saw a reduction in the average LBMA price of 8% from 2014 to $1,160 per ounce. At the year end, gold was over 40% below its all-time high price of $1,895 per ounce in 2011. A strong US dollar, slow demand from Asia and expectations of an increase in US interest rates have contributed to a decline in gold prices in 2015. The low level of inflation in the major economies in 2015 has also contributed to reduced gold demand from financial investors, as evidenced by the outflows from gold-backed investment funds.

The LBMA silver price performed worse than gold due to its increased exposure to industrial usage, averaging $15.7 per ounce in 2015, an 18% decline from 2014. As a precious metal, similar to gold, the silver price was also impacted by poor investor sentiment arising from low inflation, a strong US dollar and expectations of an increase in US interest rates.

Outlook

The 2016 outlook for gold and silver remains challenging and will be influenced by the US dollar, inflationary expectations, potential further increases to US Federal Reserve interest rates and geopolitical developments. In the medium term silver prices are expected to benefit from price-related supply constraints as a significant proportion of current production is at a cost above current prices, and further reductions from base metals producers, which often produce silver as a by-product, would also reduce supply.

Gold bar production from the East Region and Bozymchak will be sold in 2016 to the National Bank of Kazakhstan, as required by Kazakhstan, based on the LBMA price at the time of delivery. The copper concentrate produced by Bozshakol contains gold which forms part of the copper concentrate sales terms. Silver bar production will be sold to traders based in Asia for delivery to Europe and Asia under annual contracts based on the LBMA price plus a premium at the time of delivery.

REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

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

Group finished products

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

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

REVIEW OF EAST REGION OPERATIONS

East Region Production Summary

Copper

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

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

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

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

Copper in concentrate production

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

Copper in concentrate output of 86.3 kt was 2.9 kt or 3% below the prior year with a decrease in output from the Orlovsky concentrator as a result of the reduction in copper mined. Recovery rates were improved at all three East Region concentrators, partially offsetting the reduction in copper in ore mined. The Nikolayevsky concentrator's throughput increased following modernisation works and output rose by 1.2 kt in 2015, enabling all the ore produced from Artemyevsky and Yubileyno-Snegirikhinsky to be processed internally. In the first half of 2014 some material from Artemyevsky was processed by a third party. Copper output from the Belousovsky concentrator rose by 1.1 kt as the facility benefited from the additional copper output from the Irtyshsky mine where higher grade sections were mined.

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

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

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Zinc

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

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

Zinc in concentrate production was at the top end of the guidance for 2015 but compared to the prior year fell by 27.1 kt or 22% to 94.3 kt. The decline in output reflected the lower volume of zinc mined in 2015, partially offset by the stockpiling of ore in 2014 when modernisation works restricted output from the Nikolayevsky concentrator. Zinc in concentrate production is expected to reduce to between 70 kt and 75 kt in 2016 as the Artemyevsky mine continues to move through the transitional ore zone which contains lower by-product grades.

Silver

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

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

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

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

Gold

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

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

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

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

East Region Financial Summary

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

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

Revenues

The revenues generated by the East Region decreased by 23% to $649 million, reflecting the weak price environment for all its commodities during the year.

Revenue from copper cathode sales fell by 18% to $452 million as a result of a lower realised copper price. The average LME copper price decreased by 20% to $5,495 per tonne in 2015, from $6,862 per tonne in 2014. Cathode is sold to customers in China or Europe based on the LME price plus a premium to reflect the terms of trade.

Cathode sales of 82 kt includes 5 kt of cathode which was purchased externally to compensate for variances in monthly cathode output, mainly because of maintenance at the Balkhash smelter. The sale of the externally purchased cathode contributed revenue of $28 million at a small margin. Excluding externally purchased material, copper cathode volumes were in line with the prior year.

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

EBITDA (excluding special items)

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

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

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

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

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

Cash costs

The cost efficiency of the operations is measured by the gross and net cash cost of own copper cathode sold. The gross cash cost for the year of 227 USc/lb was 12% below the 257 USc/lb recorded in 2014. However, as noted above, during the first half of 2014 the East Region was not operating as a stand-alone business. The gross cash cost for 2015 was 18% below the 277 USc/lb recorded in the second half of 2014, a more representative period of the East Region operations as a stand-alone business.

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

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

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

Capital expenditure

Sustaining

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

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

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

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

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

Expansionary

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

REVIEW OF BOZYMCHAK OPERATIONS

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

Bozymchak Production Summary

Copper

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

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

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

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

By-products

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

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

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

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

SENSITIVITY ANALYSIS ON PRICES

The Group's revenue is significantly influenced by commodity prices quoted on the LME and LBMA exchanges for copper, zinc, gold and silver. Changes in these prices have a direct effect on the revenues of the Group, which consequently impact earnings and the net cash cost of copper due to changes in by-product credits.

The approximate effect on the profit before finance items and taxation resulting from a 10% movement in the average realised commodity prices on the Group's results is shown in the following table, assuming all other variables remain constant:

	Average realised price		Impact of 10% price movement on profit[1]
	2015	2014	$ million
Copper cathode ($/t)	5,515	7,040	43
Zinc concentrate ($/t)	1,061	1,185	10
Silver granule ($/oz)	15.5	18.6	4
Gold bar ($/oz)	1,185	1,226	3

1 Profit before taxation and finance items in 2015

Bozymchak Financial Summary

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

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

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

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

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

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

Capital expenditure

Sustaining

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

Expansionary

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

REVIEW OF MINING PROJECTS

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

Bozshakol

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

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

Production Summary

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

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

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

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

Financial Summary

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

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

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

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

At the end of 2015 around $1,880 million had been spent on the fully funded project. The total cost of the project is now expected to be $2,150 million, $50 million below previous estimates. Expenditure of around $270 million is expected in 2016 for final payments to complete the clay plant and infrastructure. As previously guided the project is forecast to require a maximum of $50 million of working capital in 2016, depending on the speed of the ramp up. Following the completion of the sulphide plant, resources have been transferred to the clay plant, which will be commissioned in 2016 with a capacity of 5 MT per annum.

Aktogay

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

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

Production Summary

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

Following the commencement of mining operations at Aktogay in the second quarter of 2015, 3,003 kt of oxide ore has been extracted and placed on the first three of the nine heap leach cells. Each of the nine heap leach cells has a capacity of approximately 1,000 kt of ore per cycle. Each cycle of irrigation lasts around four months. Mining activity ramped up during December 2015 and early 2016, increasing the rate at which oxide ore is placed on the heap leach pads. By the end of 2015 around 870 kt of ore had been leached.

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

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

Financial Summary

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

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

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

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

Koksay

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

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

FINANCIAL REVIEW

Basis of preparation

The financial information has been prepared in accordance with IFRSs, as adopted by the EU, using accounting policies consistent with those adopted in the consolidated financial statements for the year ended 31 December 2015. In preparing the consolidated financial statements, the Group did not apply or adopt any standards, interpretations or amendments that were issued but not yet effective.

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

Income statement

An analysis of the consolidated income statement is shown below:

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

Revenues

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

EBITDA (excluding special items)

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

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

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

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

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

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

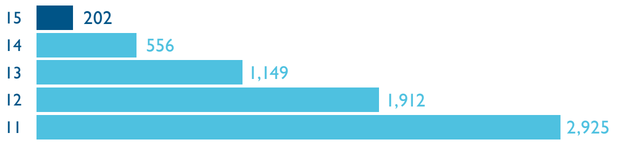
EBITDA of $5 million at Bozymchak compares to a loss of $4 million in the previous year as commercial production was achieved on 1 July 2015 with the revenue and costs recognised in the income statement from that date. In 2014 and the first half of 2015 Bozymchak's EBITDA was negative due to overhead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

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

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

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

Group EBITDA (excluding special items) ($ million)



Special items

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

Special items within operating profit from continuing operations:

2015

Impairment charges

During 2015, impairment charges were recognised against property, plant and equipment of $8 million which primarily relates to the impairment of administrative land and buildings in Kazakhstan which are not in use. In addition, a $4 million impairment charge was recognised against mining assets for mine development works which are no longer expected to be utilised.

Loss on disposal of assets

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

NFC deferral benefit

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

Impact of fire at Bozshakol

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

2014

Impairment charges

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

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

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

Depreciation, depletion and amortisation

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

MET and royalties

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

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

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

Net finance costs

Net finance costs include:

- Interest expense of $23 million, down from $35 million in 2014.
- Net foreign exchange losses of $60 million compared to $54 million in 2014, which excluded the impact of the devaluation of the tenge in February 2014 which was treated as a special item.
- Interest on the employee benefits obligation and unwinding of discounts on other provisions of $4 million compared to $3 million in 2014.
- Interest income on cash deposits and short-term investments of $9 million compared to $10 million in 2014.

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

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

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

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

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

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

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

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

Taxation

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

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

1 The all-in effective tax rate is calculated as the income tax expense plus MET and royalties less the tax effect of special items and other non-recurring items, divided by profit before taxation which is adjusted for MET and royalties, special items and other non-recurring items. The all-in effective tax rate is considered to be a more representative tax rate on the recurring profits of the Group.

Effective tax rate

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

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

All-in effective tax rate

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

Non-deductible items

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

Taxation related special items:

2015

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

2014

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

Future tax rates

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

Discontinued operations

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

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

Underlying Profit

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

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

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

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

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

Earnings per share

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

Basic earnings per share from continuing and discontinued operations was a loss of $0.03 per share compared to a loss of $5.28 per share in the prior year which was impacted by the loss realised on the divestment of the Disposal Assets. Underlying earnings per share from continuing operations decreased to a loss of $0.02 per share compared to $0.19 per share.

Key financial indicators

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

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

Dividends

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

In previous years, share buy-backs and special dividends have been used in addition to the ordinary dividend to return surplus funds to shareholders. Taking into consideration the Group's increase in net debt during the construction and ramp up phase of the major growth projects, the Directors did not declare an interim dividend and will not recommend a final dividend for 2015. The Board will continue to assess the Group's financial position, its cash flows and growth requirements in determining when to resume dividend payments in the future.

Cash flows

A summary of cash flows from continuing and discontinued operations is shown below:

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

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

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

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

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

Summary of the year

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

Working capital

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

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

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

Interest cash flows

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

Income taxes and mineral extraction tax

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

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

Free Cash Flow

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

Capital expenditure

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

Other investing and financing cash flows

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

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

Balance sheet

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

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

Summary of movements

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

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

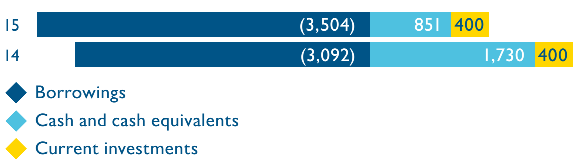
Net debt

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

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

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

Analysis of net debt ($ million)



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

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

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

Full details of the terms of the Group's borrowings are included in note 24 of the consolidated financial statements.

Other significant matters

NFC contract agreement

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

Going concern

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

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

Taxation

Tax strategy and risk management

The Group is subject to taxation in the UK, Kazakhstan and the various foreign countries in which it operates. Tax legislation of the jurisdictions in which the Group operates differs and is subject to interpretation by management and the government authorities, and as such, creates a risk of non-compliance with specific tax requirements. Whilst the Directors believe that the Group is in substantial compliance with tax legislation and contractual terms entered into that relate to tax, the absence of established case history and the complexity and judgemental nature of tax legislation in certain jurisdictions result in additional risk for the Group. Specific areas of interpretation include the applicability of stabilisation under the Group's operating licences, including subsoil use contracts, the applicability of excess profits tax to the Group's mining and processing operations and the structuring of cross border transactions, particularly in respect of the application of transfer pricing policies. The Group's core objectives in managing and controlling its tax affairs and related tax risks are as follows:

- ensuring compliance with applicable rules and regulations in the jurisdictions in which the Group operates; and
- structuring the business in the most efficient and transparent manner with the emphasis being on the maximisation of shareholder value.

The Group takes a responsible and transparent approach to the management and control of its tax affairs and related tax risks, and has therefore adopted a tax strategy, which has been approved by the Board, that is aimed at achieving the objectives, thereby aligning it with the Group's long-term strategy:

- the Group's tax risks are assessed as part of the Group's formal governance processes and are reviewed by the Chief Financial Officer who reports them to the Audit Committee on a regular basis;
- significant tax risks, implications arising from those risks and potential mitigating actions are considered by the Board when strategic decisions are being taken;
- the tax risks of proposed transactions or new areas of business are fully considered before proceeding;
- the half year and annual effective tax rate and the composition of the tax charge are reviewed by the Audit Committee as part of its remit in reviewing the half-yearly and annual reports;
- the Group builds an equitable relationship with the tax authorities in the jurisdictions in which it operates;
- the Group takes appropriate tax advice from reputable professional firms;
- where disputes arise with government authorities with regard to the interpretation and application of tax legislation, the Group is committed to addressing the matter promptly and resolving the matter with the relevant tax authority in an open and constructive manner; and
- the Group employs professional tax managers within the corporate head office and the operating businesses, and provides ongoing technical training to them.

Total tax contribution

The Group has complied with 'The Reports on Payments to Government Regulations 2014' and has presented for the first time the total payments to governments, as defined by the regulations, which differs from the previously disclosed 'total tax contribution'. Comparative information under the new regulations is not required and has not been presented. The total tax contribution for 2014 as disclosed in the 2014 Annual Report and Accounts, amounted to $412 million paid across the countries in which the Group has a presence. Direct taxes paid by the Group, such as corporate income taxes, MET, environmental taxes and employer taxes comprised $300 million of this total. In addition, the Group indirectly contributed $112 million in employee taxes and withholding taxes primarily on services, which the Group collected on behalf of government authorities and paid over to them. On a similar basis, the total tax contribution for 2015 was $179 million, below the $412 million in the prior year as the amounts paid in 2014 included the total tax paid by the Disposal Assets up to their divestment in October 2014.

Payments to governments

The table below represents the Group's consolidated report on payments made to governments under The Reports on Payments to Government Regulations 2014, which became effective for the first time for the year ended 31 December 2015. The report represents payments made in excess of £86,000 ($130,000) for activities related to the exploration, prospecting, discovery, development and extraction of minerals by project, by government type and by country, but rounded to the nearest million.

For the year ended 31 December 2015, total payments to governments under the regulations amounted to $127 million, while total contributions made which includes payments not covered by the regulations, amounted to $195 million and are reflected in the table below.

$ million	Corporate income taxes	Mineral extraction tax	Withholding tax	Licence fee	Social payments	**Total payments to governments per regulation**	Employer's payroll taxes	Property taxes	Environmental taxes	Employees' payroll taxes	Customs and duties	Other[1]	**Total**
By country													
Kazakhstan	34	57	12	1	15	**119**	16	4	2	22	16	1	**180**
United Kingdom	6	–	–	–	–	**6**	1	–	–	4	–	–	**11**
Kyrgyzstan	–	1	–	–	–	**1**	1	–	–	1	–	1	**4**
	40	**58**	**12**	**1**	**15**	**126**	**18**	**4**	**2**	**27**	**16**	**2**	**195**
By project													
Artemyevsky	–	16	–	–	–	**16**	2	–	–	2	–	–	**20**
Irtyshsky	–	7	–	–	–	**7**	1	–	–	1	–	–	**9**
Orlovsky	–	25	–	–	–	**25**	1	–	–	2	1	–	**29**
Yubileyno-Snegirikhinsky	–	5	–	–	–	**5**	–	–	–	1	–	–	**6**
Other	30	–	1	–	11	**42**	4	2	2	5	–	–	**55**
East Region	**30**	**53**	**1**	**–**	**11**	**95**	**8**	**2**	**2**	**11**	**1**	**–**	**119**
Aktogay	3	2	–	1	1	**8**	1	–	–	1	11	–	**21**
Bozshakol	–	2	–	–	3	**5**	2	2	–	2	4	1	**16**
Bozymchak	–	1	–	–	–	**1**	1	–	–	1	–	1	**4**
Koksay	–	–	11	–	–	**11**	–	–	–	–	–	–	**11**
Other	7	–	–	–	–	**7**	6	–	–	11	–	–	**24**
	40	**58**	**12**	**1**	**15**	**127**	**18**	**4**	**2**	**26**	**16**	**2**	**195**
By type													
State	40	57	13	1	–	**112**	2	–	–	5	16	–	**135**
Local	–	1	–	–	12	**13**	16	4	2	21	–	1	**57**
Other	–	–	(1)	–	3	**2**	–	–	–	–	–	1	**3**
	40	**58**	**12**	**1**	**15**	**127**	**18**	**4**	**2**	**26**	**16**	**2**	**195**

1 Includes payments for the land, water usage and other similar taxes.

The were no signature bonus payments made during the year ended 31 December 2015.

Social payments of $15 million represent payments made to bodies, associations, trusts and other public interest groups located in the regions in which the Group operates and are reflected by mining licence where applicable. These payments include the transfer of assets at their book value, which the Group regards as social payments as these benefit the local communities.

The main social payments made during 2015 relate to the construction of a haematology centre ($3 million), the transfer of a cultural centre ($3 million), construction of roads ($3 million) by the East Region operations and the development and repair of residential infrastructure ($3 million) by Bozshakol.

CORPORATE RESPONSIBILITY

General approach

KAZ Minerals places a high priority on its social and environmental responsibilities, which supports its strategy by helping it to maintain its licence to operate, manage reputational and regulatory risks, access capital, control costs, build strong stakeholder relationships and attract and retain talented employees. We seek to manage our impacts on the economy, environment and society across our value chain, from extraction and processing through to transportation, storage, marketing and the construction of new mining projects.

To address our health, safety and environmental ('HSE') responsibilities we have continued to strengthen the Group HSE function during 2015. Our aim is to embed the required culture within our organisation to maintain performance in the long term. The ultimate responsibility for oversight of the Group's HSE performance rests with the Board. The General Directors of each of the Group's operational units have a functional reporting line into the Group HSE team which in turn reports directly to the Chief Executive. For more information on HSE governance, see page 80.

We regularly review our HSE reporting processes and seek to make improvements where possible. From 2015 KAZ Minerals has adopted in full the occupational injury and disease classification definitions published in January 2014 by the ICMM to report its safety and health performance on a comparable basis to those of its major global mining peers. The Group has also conducted a roll out of EMEX, a health and safety reporting tool, to streamline and improve the collection of data across its operations.

We have reviewed our environmental reporting in 2015 and taken steps to more closely align it with the GRI4 reporting framework, which is used as a reference when reporting environmental impacts. Where possible, the Group intends to progressively align its reporting with the GRI4 framework, a set of sustainability reporting standards published by the Global Reporting Initiative ('GRI'). GRI is an independent organisation established in 1997 to create common standards for sustainability reporting by companies and governments.

Comparative data

On 31 October 2014 the Group disposed of 12 copper mines, four concentrators, two smelters, two coal mines and three captive heat and power stations as part of the Restructuring. This resulted in significant reductions in the Group's environmental impacts compared to the 2014 financial year, given the reduced size and changed activity mix. Where available, data for the Group's health and safety performance and environmental impacts in 2014 have been provided for the continuing operations for comparison purposes.

Materiality assessment

A materiality assessment of the Group's corporate responsibility metrics was carried out in the second half of 2014, focusing on the operations that would be retained by the Group following the Restructuring. The assessment included engagement with both internal and external stakeholders. Following this review the matrix set out below was established to determine the corporate responsibility issues that are most material to the Group.

Health and safety

Health and safety overview

Copper mining and processing and the construction of new mining projects are inherently hazardous activities. KAZ Minerals seeks to minimise the risk to its employees and contractors by ensuring that the required conditions exist for safe and productive work. The Group has established a health and safety framework to assist in both preventing incidents and in guiding investigations. This framework describes how the right people, using the right tools, working in a safe environment and following the correct procedures, are all required to achieve safe and productive work. These elements are underpinned by the required management systems and safety culture. 'Safety' has been determined as one of the five key corporate values of KAZ Minerals. See page 13 for further details of the Group's corporate values, which were defined in 2015.

During 2015 the Group operated four underground mines in the East Region of Kazakhstan and one open pit mine in Kyrgyzstan. These mining operations together accounted for 18 million man-hours (including four million man-hours by contractors), or 44% of the Group total hours worked in 2015.

The construction work at the Bozshakol and Aktogay projects is mainly being carried out by contractors, who completed 20 million man-hours in 2015, with KAZ Minerals employees accounting for one million man-hours. Construction activity at the major growth projects represented 49% of the Group total hours worked.

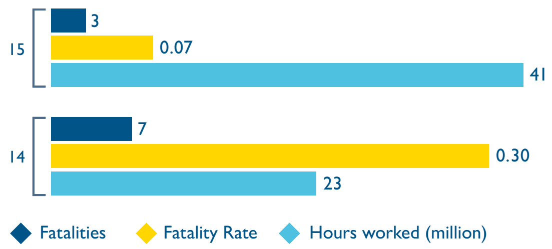
The risk profile of the Group's activities in 2015 was elevated as the nature of work undertaken by its employees and contractors at the major growth projects moved through a higher-risk construction phase, involving exposure to risks such as working at height, heavy lifting and electrical hazards.

Open pit mining is in general a less hazardous activity compared to underground mining. As the construction work at the projects is completed and the Group's activities transition towards open pit operations, the health and safety risk profile of the Group is expected to improve.

The Group has developed a revised set of Health, Safety and Environmental Management Standards, including standards specific to key fatality risks, and these new standards have been rolled out to each of the Group's operational and construction sites. Several reviews of fatality risks were carried out including improved internal standards for energy isolation and working at height, which are two activities that have been identified as high priority areas for improving health and safety outcomes.

A broader review was undertaken by AMC Consultants of the underground mining operations focusing on geotechnical risk management. Following the recommendations made by AMC Consultants, action plans have been put in place for the East Region operations to address the issues and risks identified.

Fatalities and fatality rate



Fatalities

We are disappointed to report that three fatalities occurred at our assets in 2015, one of which involved an employee of KAZ Minerals in the East Region and two involved contractors, one in the East Region and the second at the Aktogay project. Both of the East Region fatalities occurred at the Irtyshsky mine, with the first resulting from interaction with stationary energised equipment and the second from contact with moving equipment. At Aktogay a fall occurred during lifting of construction materials.

Following any fatal incident, operations are suspended until management and the relevant authorities complete their initial investigations. All fatalities are subsequently thoroughly investigated by the Group's Health and Safety management and mine management. Measures have been taken in light of these investigations to prevent the recurrence of the circumstances leading to the incidents.

KAZ Minerals considers all fatalities to be avoidable and has a target of zero fatalities. A range of initiatives has been undertaken in recent years to reduce fatalities and progress has been made in 2015 towards this target. Three fatalities in 2015 compares to seven fatalities in the continuing operations in 2014, and 14 for the full Group in 2014[1].

The reduction in fatalities for continuing operations has occurred in a period in which there was a large increase in the number of man-hours worked, as construction activity at the major growth projects increased and open pit mining operations have commenced. The Bozymchak mine increased its processing activities during 2015 and mining commenced at Bozshakol and Aktogay. As a result, the total number of man-hours worked in 2015 was 41 million, a 78% increase compared to the 23 million hours worked in 2014 in the continuing operations. The rate of fatal incidents per million hours worked in the continuing operations has reduced from 0.30 in 2014 to 0.07 in 2015. This compares to the ICMM average fatality rate per million hours worked in 2014 of 0.02.

Whilst the reduction in both the rate of fatal incidents and the overall number of fatalities year on year is a welcome development which indicates that the Group's health and safety investments and initiatives are having a positive effect, management and the Board will not be satisfied until the incidence of fatalities has been reduced to zero.

1 2014 Annual Report and Accounts stated six fatalities from continuing operations and 13 for the full Group. One fatality in 2014 had been initially assessed as being due to natural causes but has subsequently been reclassified as a fatality.

Total Recordable Cases

There were 93 Total Recordable Cases ('TRCs') of occupational injuries and diseases in 2015. This represented a Total Recordable Case Frequency Rate ('TRCFR') of 2.3 cases per million hours worked.

Recordable Injuries

There were 51 Recordable Injuries in 2015, representing a Total Recordable Injury Frequency Rate ('TRIFR') of 1.25 cases per million hours worked. This compares to the average TRIFR for ICMM members of 4.50 cases per million hours worked in 2014. The most common causes of injury at KAZ Minerals' operations, accounting for more than 59% of Recordable Injuries, were falls, rock falls and injuries from falling objects, with 47% of Total Recordable Injuries occurring in the East Region. These injury categories reflect both the hazardous nature of underground mining operations and the increased risk faced by our contractors when working at height during an intensive period of construction activity at the major growth projects in 2015.

On 14 August 2015, a fire occurred in the grinding area of the concentrator building at the Bozshakol project. The fire was contained within the grinding area and successfully extinguished without injury to any person at the site.

On 8 July 2015, a disturbance occurred in the canteen facilities of the contractor-controlled camp at Aktogay, which resulted in a number of injuries to contractors. No KAZ Minerals employees were involved. The contractor resumed activity shortly after the incident with no impact on the overall timetable for the project.

Occupational health and disease

There were 42 Recordable Disease Cases across the Group in 2015, representing a Total Recordable Disease Frequency Rate of 1.03 cases per million hours worked. An internal review of the Group's rehabilitation and return-to-work programmes is being undertaken to improve performance in this area. An employee "wellness" programme is also being planned to improve the general health of employees, with the goal of reducing the impact of health-related issues that could affect the Group's employees in the longer term.

Environment

Overview and general approach

Following the Restructuring, which completed in October 2014, there has been a significant reduction in many of the Group's environmental impacts in 2015 compared to 2014.

The activities undertaken by the Group are also changing as the transition is made from predominantly underground mining towards the new large scale open pit operations. This has affected the Group's environmental impacts in 2015 and will continue to do so in future years. For example, total waste mining will be temporarily higher as stripping is carried out at Bozymchak, Bozshakol and Aktogay, whilst energy and water consumption will increase as the processing facilities at the major growth projects commence operations.

Recognising that copper mining and processing are resource-intensive activities, the Group seeks to minimise its environmental impacts wherever possible. Compliance with local environmental legislation is an important part of our licence to operate. The Group seeks to minimise the impact of any of its activities on the health of local communities. Appropriate measures are taken to control emissions or discharges and to manage waste and water usage. We encourage local communities to report health risks through established communication channels. The nature of the Group's activities following the Restructuring are now focused on mining and processing, removing the potential for adverse health impacts from the operation of smelting or power assets. The Bozshakol and Aktogay projects are not situated close to any major settlements, whilst the East Region assets and the Bozymchak mine in Kyrgyzstan are in closer proximity to local populations. As part of its broader approach to community relations, the Group invests in healthcare infrastructure through its local community social projects.

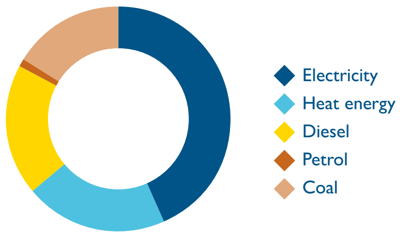
Environmental permits are granted to all of our operations, setting annual limits for emissions, water use and water discharge. If levels exceed these limits, charges are applied in proportion to the amount of emissions or usage in excess of the limits. The Group reports the total charges paid and any material environmental incidents in the Corporate Responsibility section of its website. Individual charges and incidents above a materiality threshold are reported in the Annual Report and Accounts. The threshold is based on a qualitative assessment (scope of impact on the environment, employees and communities and impact on operations) and a financial assessment (a single emissions charge in excess of $100,000) of each incident. There were no major environmental incidents at our operations in 2015. However, at the Nikolayevsky complex, which forms part of the East Region operations, an emissions charge of $550,000 was levied on a seepage of process water from the tailings storage dam. Seepage interceptor collection drains and recovery bores will be used to remedy the seepage. The water discharged is close to the tailings facility and is not extracted for use by any other parties. The discharge has not contaminated local water supplies. An emissions charge of $230,000 was also levied at the Orlovsky complex. This was due to a delay in obtaining a renewed emissions permit for tailings storage in the Orlovsky tailings dam. The breach was of an administrative nature and was not related to any potential risk to the environment or to the safe operation of the tailings dam.

Energy use

Electricity and heat energy use in the Group during 2015 has increased overall compared to the continuing operations in 2014 due to higher consumption at the mining projects of Bozymchak, Bozshakol and Aktogay. At Bozymchak, energy use has increased as processing operations ramped up during the year. Energy use has increased at Bozshakol as mining operations commenced in 2015 for the first time, whilst at Aktogay both mining operations and SX/EW processing commenced in 2015. Gross Group electricity consumption in 2015, which includes heat energy, was 824 GWh, an increase of 15% compared to the continuing operations in 2014.

Under the GRI4 definition of total energy consumption, which includes electricity, heat energy and solid, liquid or gas fuel consumption, total Group energy consumption in 2015 (net of heat energy sold) was 4.6 petajoules (PJ), split as follows:

Energy consumption by use (petajoules)



Greenhouse gas emissions

The Group generated 386,239 tonnes of Scope 1 CO_2 emissions and 528,636 tonnes of Scope 2 emissions in 2015. Prior to the Restructuring, the Group operated a number of power assets, including three captive power stations and Ekibastuz GRES-1, the largest power station in Kazakhstan, in which the Group held a 50% interest until its sale on 1 April 2014. In 2014, Group CO_2 emissions amounted to 12.1 million tonnes of Scope 1 emissions with negligible Scope 2 emissions. As the Group no longer operates significant power assets it is now a net purchaser of power from outside sources, resulting in an increase in Scope 2 emissions in 2015, and significantly reduced Scope 1 emissions compared to the Group's emissions prior to the Restructuring. 82% of the Scope 1 CO_2 emissions in 2015 were due to the operation of an energy grid and provision of heat to the mining operations in the East Region using coal powered facilities.

The mining and concentrating operations in the East Region accounted for 88% of the Scope 2 emissions, as power is purchased from external sources. Mining and processing at Bozshakol and Aktogay, where power is also purchased from external sources, accounted for 11% of Scope 2 emissions as mining operations commenced at both of these projects and SX/EW processing commenced at Aktogay. Scope 2 emissions at Bozshakol and Aktogay will increase in 2016 as mining and processing ramp up, in particular at the newly commissioned sulphide concentrator at Bozshakol.

Scope 2 emissions at Bozymchak of 3,318 tonnes, making up 1% of Group Scope 2 emissions, are considered low for the size of the asset as a large proportion of power generated in Kyrgyzstan is provided by hydroelectric dams which have zero carbon emissions, resulting in a GRI4 country factor for Kyrgyzstan of 0.11. Bozymchak emitted 10,739 tonnes of Scope 1 CO_2 from the use of coal and diesel on site for heating and vehicles.

The Group continues to participate in the Government of Kazakhstan's CO_2 cap and trade system, launched in 2014. The system issues carbon quotas to entities whose annual CO_2 emissions exceed 20,000 tonnes.

Copper mining and processing are energy-intensive activities and can result in significant emissions of both Scope 1 and Scope 2 CO_2. However, the Group views the potential for a transition towards renewable energy generation and other low carbon technologies to be an important element of the Group's outlook on the global market for copper. The supply of copper will be essential for establishing a low carbon economy, due to its use in power transmission infrastructure, turbines, solar cells, electric motors and electrically powered vehicles.

As Bozshakol and Aktogay ramp up, the increase in mining and processing activity undertaken by the Group will result in higher absolute levels of CO_2 emissions. However, the new projects employ the latest technology in modern, large-scale equipment which will significantly improve the Group's CO_2 emissions per tonne of ore processed. The projects are also located close to the land border between Kazakhstan and China, the largest global market for copper. By supplying end users in the west of China with copper from Kazakhstan transported using existing rail links, Scope 3 CO_2 emissions associated with the transportation of copper concentrate are minimised.

CO_2 emissions and efficiency measure ('000 tonnes)

	2015	2014C[1]	2014
Scope 1	**386**	328	12,073
Scope 2	**529**	0	0
Total Scope 1 and Scope 2 emissions	**915**	328	12,073
Copper in concentrate produced (kt)	**89.4**	89.9	276.5
CO_2 per tonne of copper in concentrate produced	**10.2**	3.7	43.7[2]

1 2014C reflects Scope 1 and Scope 2 emissions from continuing operations excluding the energy grid operated by the Group in the East Region which was reported within the Group 2014 metric.

2 2014 Group carbon intensity per unit of copper in concentrate produced is not comparable to the continuing operations as it includes CO_2 emissions associated with the Group's power assets, which were operated separately from Kazakhmys Mining.

Other emissions to air

SO_2, ash and NO_x emissions have been reduced significantly following the Restructuring, as the Group no longer owns and operates smelting or power generating facilities. In 2015, SO_2 and ash emissions reduced by 99% and NO_x reduced by 97% compared to 2014. As a result of the changes to the asset base following the Restructuring, these emissions metrics have now been deemed immaterial to the Group's environmental impact and will no longer be reported on.

Water

From 2015 the Group has further aligned with the definitions used by GRI4 for extraction and discharge of water. Total water extraction was 15,340 megalitres, consisting of: (i) 6,745 megalitres extracted from surface water sources (including rivers) or from municipal water supplies; (ii) 4,046 megalitres extracted from groundwater wells, and (iii) 4,549 megalitres obtained from groundwater inflows into underground mines as a natural consequence of mining activities.

The total discharge of water back into the environment was 6,801 megalitres and took place at three locations in the East Region. Two of these locations are at underground mining operations which are situated large distances from the processing plants, making it uneconomic to pump the water back for re-use. The third discharge occurs at waste rock dumps adjacent to a closed open pit mine, where acidic drainage water is collected. In each of these locations the water is treated prior to release to the environment.

KAZ Minerals re-uses as much water as possible. The main re-use stream is from final tailings thickeners and from tailings dams. This re-use stream represents the majority of the total water input to concentrators in the East Region operations, with the only losses in the system due to unavoidable evaporation and water bound up in tailings. Mine water which would otherwise be discharged is re-used at Artemyevsky and Zhezkent in mining backfill plants, where water is required to cure concrete backfill.

Each operational site uses a combination of surface water and groundwater sources while seeking to use different water sources to those used by the local communities. At Bozshakol the main source of water is the nearby Satpayev canal. The canal was constructed in the 1950s and is fed by the Irtysh river. The canal was designed and built specifically for the purpose of supplying agriculture and industrial facilities along its route. There is an adequate water supply to satisfy the requirements of the project and all other users of the system.

The Aktogay project will extract most of the water it requires for both oxide ore leaching and sulphide ore processing from groundwater sources, which are more than adequate to supply the project. As with Bozshakol, the modern sulphide processing facilities at Aktogay will minimise water loss through evaporation and tailings and will recycle around 80% of process water used in the concentrator. The oxide facilities at Aktogay are also designed to re-use as much of the process water as possible. The only losses are due to unavoidable evaporation in the circuit.

At the Group's Bozymchak mine, in the mountainous west of Kyrgyzstan, there is a plentiful supply of fresh water from surface sources for mining and processing activities. The same fast flowing water sources are also used to support the generation of hydroelectric power in the region. The project captures and recycles a high proportion of the process water that it uses through a dry tailings facility which produces a filter cake consisting of 86% solids, returning captured water back to the concentrator for re-use.

Waste

The Group's mining operations generated 14.3 MT of waste in 2015, consisting predominantly of waste rock from stripping activities and tailings from processed ore. There were also minor quantities of wastes from water treatment operations and general industrial waste. This represents an 80% reduction compared to total waste generation in 2014 for the full Group before the Restructuring of 72.8 MT. However, compared to the waste generated by the continuing operations in 2014, there was a 240% increase due to large scale pre-stripping and mining operations at Bozshakol and Bozymchak in 2015.

Waste generation ('000 tonnes)

Overburden from stripping works at the Group's assets in the East Region and Bozymchak, which is classified separately from tailings and processing waste under GRI4 guidelines, increased from 0.9 MT in 2014 to 4.7 MT due to stripping activity at the Bozymchak open pit mine, whilst Bozshakol generated 5.2 MT of overburden and Aktogay 0.5 MT in 2015.

The waste recycling rate in 2015 was 5% compared to 33% for the continuing operations in 2014. The majority of recycling of waste is achieved through the use of tailings in the manufacture of cemented backfill. This is a requirement of the mining methods used at the Group's underground mines and if tailings are not used it would be necessary to import sand from the external environment for this purpose at a higher cost. The reduction in the rate of recycling reflects the changes in the Group's assets following the Restructuring, as a number of mature underground mines were disposed of which had a higher backfill requirement compared to the continuing operations. The reduction in the recycling rate in 2015 is also due to stripping activity being undertaken at Bozshakol, Aktogay and Bozymchak which are all open pit operations that do not require backfill, thereby temporarily increasing the amount of waste produced at the same time as reducing the Group's overall recycling rate.

Whilst the removal of overburden is at an elevated level at this stage of the development of the Group's assets, the ratio of overburden to ore mined (stripping ratio), over the life of the operations at the Group's projects is very low compared to global averages. Bozshakol has a strip ratio of 0.7, Aktogay 0.2 and Bozymchak 1.8.

Tailings pose potentially high environmental risks and are a priority for the Group. In Kazakhstan tailings management is regulated by subsoil law and the Environmental Code. The Group currently operates four tailings facilities, which are subject to rigorous internal monitoring and risk assessment as well as regular inspections by the regulatory authorities.

3.9 MT of tailings waste was generated at the four concentrator sites in the East Region and Bozymchak, compared to 2.8 MT in 2014, an increase of 39%. The increase was due to the ramp up of concentrator operations at Bozymchak and higher throughput at the Nikolayevsky concentrator following upgrade works.

At Bozymchak, tailings are filtered before being transported as a filter cake, with a moisture content of approximately 14%, by conveyor to the tailings storage facilities. Use of this type of facility was considered to be a necessary investment to minimise environmental risks after assessing the seismicity of the region and the mountainous terrain.

There was minimal tailings waste produced at the Bozshakol and Aktogay projects in 2015. At Aktogay production of copper commenced, but the oxide SX/EW process which started up in December 2015 does not generate tailings waste in its heap leaching operation. Leach solution is recycled once copper has been extracted and water run-off from the ore heap is collected and treated before being re-used in the leaching process.

The amount of tailings waste generated by the Group will increase in 2016 as the Bozshakol project ramps up. The tailings facility at Bozshakol is a modern design which will distribute tailings waste centrally in a 'cone' shape, allowing for more efficient recovery of standing water from around the tailings and exerting lower pressure on the walls of the tailings storage facility. The Aktogay project will adopt the same approach when it starts production from sulphide ore in 2017.

Employees

General approach

The Group seeks to attract and retain skilled staff by offering safe working conditions, fair remuneration in line with market rates of pay and social benefits packages for its employees and their families.

Ethics, compliance, anti-bribery and corruption

KAZ Minerals' Board holds ultimate responsibility for managing our approach to ethics and compliance. The Group anti-bribery and corruption policy has been developed in line with the requirements of the UK Bribery Act and has been in force across all Group operations since 2011. Employees in relevant positions, such as procurement and sales or those whose roles include interaction with the Government and regulatory bodies, receive training as required. The code and policy are available to employees on our intranet portal and as printed leaflets.

Pay and benefits

We aim to provide fair remuneration to our employees and to incentivise safety and productivity. Both operational employee and divisional manager remuneration comprise base pay plus a discretionary award linked to health and safety performance. Divisional manager remuneration also typically includes an element of discretionary bonus linked to production efficiency, cost control and achieving environmental performance targets.

Following the devaluation of the tenge on 20 August 2015, the Group has monitored closely the effect of local inflation on the cost of living for its employees. After allowing a suitable time period to elapse following the move to a free floating exchange rate, the Group awarded a pay increase to all of its employees in Kazakhstan who are remunerated in tenge to compensate for the increase in living costs. The award was targeted towards helping the employees of the Group who are most vulnerable to increases in basic living costs. The Group continues to monitor the impact of a weaker local currency on its employees and their families.

In accordance with local regulations in Kazakhstan, we are required to make payments to employees and former employees for illness and disability sustained at our operations. The financial impact of this obligation is covered in the consolidated financial statements on pages 135 and 136.

Equality and diversity

Our goal is to employ a skilled workforce that reflects the demographic of the regions in which we operate. We aim to develop the expertise required for our operations from our existing workforce, recruiting locally where possible. Our operations are located in Kazakhstan and Kyrgyzstan and in 2015, 97% of the Group's permanent employees were Kazakhstani or Kyrgyzstani nationals. In circumstances where specialist skills are required, we draw on international expertise with a view to transferring knowledge and best practice in the medium to long term. The number of expatriates at KAZ Minerals is very limited, and they are largely employed at our major growth projects working alongside local teams who will take over the management of operations in due course.

Gender balance at our operations is relatively strong compared to the global mining industry. Women represent 27% of the entire workforce and 27% of senior management level. There is one female Director on the Board.

Training and development

Professional Development has been identified as one of the Group's five core values. See page 13 of this report for more details of our corporate values. We are committed to ensuring that employees continue their professional development, with the aim of increasing productivity, efficiency and safety. The Group takes a long-term view of building capabilities and leadership qualities amongst its staff since these are critical to our growth strategy and our aim to transition over time to local management at all of our assets.

In 2015, the Group's employees received on average 22 hours of safety-specific training, including mandatory safety training required by the regulator in Kazakhstan, which is 40 hours per year for supervisory staff and 10 hours for operational staff. Employees also received an average of 63 hours of additional training reflecting largely on-site training programmes at Bozshakol and Aktogay as part of the operational readiness campaign and ahead of mining activities commencing. All operational training includes a significant health and safety component that is not recorded separately as health and safety training. Topics covered in training included safe operation of machinery and vehicles, electrical and fire safety, labour protection training, physical fitness and professional development.

We are in the process of implementing a new mentoring and development programme. A pilot scheme in the East Region was launched in 2015 with the intention to extend the programme across the Group in 2016. The mentoring programme focuses on building technical skills amongst the next generation of our employees with the goal of passing on vital knowledge and experience.

Consultation and communication

We respect the right to freedom of association and consult our employees and trade unions about changes to our business and employment conditions. All employees are entitled to join a union of their choice. At the year end, approximately 70% of the Group's employees in Kazakhstan belonged to one of the three trade unions active in the mining industry in Kazakhstan.

At Bozshakol and Aktogay we have entered into collective agreements directly with employee representatives, covering over 1,000 employees recruited to date at our new operational sites.

Health and safety issues are a shared priority between the Group and the trade unions that represent our employees. The unions engage actively with our sites to address the issue. In line with the collective bargaining agreement in place since 2014, a number of KAZ Minerals employees have been nominated as safety inspectors who report breaches they identify as part of their weekly inspections to the trade unions, who then discuss the matters with the senior management. Trade unions also play an important role in our employee engagement activities, helping us to stage sporting and cultural events for our employees and the employees of other local companies.

Communities

Social investment

Social responsibility is one of the core aspects of our licence to operate. Social provisions are included in subsoil licences and historically the Group has provided additional support to the communities in the more remote and less economically diverse regions of our operations.

In 2015, Group social investment amounted to $15.2 million, including sponsorship, support and donations for community projects in the primary regions of our operations as well as national projects. The main social projects in the East Region were a new haematology centre in the town of Semey, a road building project in Glubokovsky district, transfer of a cultural centre to the local authorities and the purchase of medical equipment for the East Kazakhstan regional hospital in Ust-Kamenogorsk.

We continue to work with regional authorities in identifying projects that are relevant to our business while benefiting communities to the greatest extent possible in the long term. Our main focus areas are healthcare, infrastructure development, childcare, education and sport.

KAZ Minerals supports local procurement in order to assist diverse economic growth within Kazakhstan. We prioritise local procurement and only use imported goods and services where there is no acceptable locally sourced alternative.

Human rights

KAZ Minerals recognises all human rights as defined in the Universal Declaration of Human Rights. We are committed to ensuring our operations do not infringe on these rights, for instance by providing fair, safe and secure working conditions in line with the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We respect the right to freedom of association and consult our employees and trade unions about changes to our business and employment conditions. Local communities are consulted during project development and any major operational changes that may affect them, and we respect and protect local heritage and culture. We do not tolerate any form of child or forced labour at any of our operations. We comply with local legislation with regard to employee age, and do not employ anyone under the age of 18. As required under the Modern Slavery Act 2015, KAZ Minerals is undertaking a review of its operations and supply chain in 2016 and will report on the results of the review in 2017.

The Strategic Report comprising pages 2 to 61 and including the sections of the Annual Report and Accounts referred to in these pages, has been approved by the Board and signed on its behalf by:

Stephen Hodges
Company Secretary

24 February 2016

ENSURING A SAFE WORK ENVIRONMENT

"We are continually working on improving our health and safety performance and building on the existing management systems. Our aim is zero fatalities or serious injuries at all our operations."

Peter Plavina
Group Health and Safety Director

We are currently rolling out new health and safety policies and procedures for Aktogay and Bozshakol, which will be used as a benchmark for the rest of the Company.

DIRECTORS' REPORT

OUR CULTURE OF GOVERNANCE

The Board is dedicated to high standards of corporate governance in its management of the Group's affairs. It is the responsibility of the Board to demonstrate leadership and effectiveness and be accountable to its shareholders and other stakeholders.

Dear shareholder,

I am delighted to present this overview of the Company's corporate governance framework. I am fully committed to good governance and I firmly believe in the benefits a culture of governance can bring to the Group, as it underpins our ability to deliver our strategy effectively.

UK Corporate Governance Code compliance

The Directors' Report has been prepared in accordance with the UK Corporate Governance Code which was issued in September 2014 by the Financial Reporting Council (the 'Code') and is available to view at www.frc.org.uk. I am pleased to report that, during the year, the Company complied fully with the provisions of the Code. The Governance Framework report set out on pages 68 to 83 explains in detail how the Company has applied the principles and complied with the provisions of the Code. It also provides further details of the matters which the Board and its committees considered during the financial year.

The Board considers the Annual Report and Accounts to be fair, balanced and understandable and that it provides the necessary information required for shareholders to assess the Company's position and performance, business model and strategy.

Board role and effectiveness

The core objective of the Board is to deliver the long-term success of the Company and sustained returns for shareholders. This requires the Board to set the Company's strategic aims, oversee the necessary financial and human resource structures, review management performance in delivering against strategy and set the Company's risk appetite. The Board ensures that the risk management measures and internal controls which are in place are appropriate and effective. The Board is aware of its obligations to the Company's shareholders and other stakeholders and responds to their needs by transparent reporting and active engagement.

Changes to the Board

There were two changes to the Board during 2015. As referred to in last year's Annual Report and Accounts, Lord Renwick, who had served on the Board as an independent non-executive Director since December 2005, stepped down at the conclusion of the Annual General Meeting on 7 May 2015. Furthermore, Clinton Dines stepped down as an independent non-executive Director on 31 December 2015 having served on the Board for six years. During that time he provided valuable insight and assistance in building the strong partnerships in China which have helped the Group to deliver its strategic objectives. Please see page 82 of the Governance Framework report for further details.

Internal control and risk management

The Board has overall responsibility for the Group's system of internal control and risk management, including ongoing monitoring and for reviewing its effectiveness. The Group, in the course of its business activities, is exposed to financial, operational and compliance risks. Responsibility for risk management lies with the Board, with the Audit Committee having delegated authority for overseeing the Group's risk management framework. More detailed information on the Group's system of internal control and risk management can be found in the Governance Framework report on pages 73 and 74 and the Risk Management Overview section on pages 23 and 24.

Corporate values

During 2015, the Group established its corporate values, consisting of five guiding principles by which it seeks to conduct its business. The principles of safety, long-term efficiency, teamwork, professional development and integrity were created following feedback from employees. The Board is committed to these values in building a strong internal culture, improving relationships with external stakeholders and delivering value for shareholders.

For more information, see pages
12 Chairman's Statement
18 Strategy

Shareholder engagement

Engaging with shareholders is one of the key aspects of good corporate governance and it is vital that the views and perspectives of our shareholders and other stakeholders are taken into consideration. Throughout the year, the Chief Executive and the Chief Financial Officer, supported by the Group's investor relations team, regularly meet with institutional shareholders and sell-side analysts. The Board also receives regular reports from the Head of Investor Relations on its activities and, in particular, on shareholder sentiment and feedback.

I would encourage as many shareholders as possible to attend the Company's forthcoming Annual General Meeting on 5 May 2016. After the formal meeting, my fellow Directors and I welcome the opportunity to discuss any comments or questions you may have about the Company.

Committee framework

KAZ Minerals has a structured and established corporate governance framework in place to support the Board's aim of achieving long-term, sustainable growth for shareholders. As a Board, we continually review this framework to ensure that it remains appropriate.

The Board has four principal committees to deal with specific aspects of the Group's affairs: Audit Committee; Health, Safety and Environment Committee; Remuneration Committee; and Nomination Committee. Detailed information on the roles and responsibilities, and the activities undertaken during the year by each committee is set out in the respective sections as referred to below.

I look forward to leading the Board through a time of delivery and growth for the business and maintaining our culture of strong corporate governance.

Simon Heale
Chairman

BOARD COMMITTEES

Michael Lynch-Bell
Chair
Audit Committee

See page 76

Charles Watson
Chair
Health, Safety and Environment Committee

See page 80

Simon Heale
Chair
Nomination Committee

See page 82

Lynda Armstrong OBE
Chair
Remuneration Committee

See page 84

EXPERIENCED LEADERSHIP

From left to right:
Charles Watson, Vladimir Kim, Michael Lynch-Bell, Simon Heale, Oleg Novachuk, Andrew Southam, Lynda Armstrong and John MacKenzie.

Simon Heale, Non-executive Chairman

Appointed to the Board: 2007

Skills and experience: Simon has significant business operations and management experience gained through a diverse range of industries. He served as chief operating officer of Jardine Fleming Limited, deputy managing director of Cathay Pacific Airways and chief executive of The London Metal Exchange. Simon has also been a non-executive director and chairman of Panmure Gordon & Co plc, and a non-executive director of PZ Cussons plc, Morgan Advanced Materials PLC and Coats plc. In his role as Chairman he encourages open and constructive debate and promotes effective decision making.

Other appointments: Chairman of Gulf Marine Services PLC and Marex Spectron Group Limited. He is also a trustee and treasurer of Macmillan Cancer Support.

Committee memberships: Nomination (Chair), Remuneration and Health, Safety and Environment.

Oleg Novachuk, Chief Executive

Appointed to the Board: 2005

Skills and experience: Oleg joined the Group in 2001 and was appointed Chief Executive in 2007, having been Finance Director since 2005. His business acumen and operational management provide a valuable contribution to the successful delivery of the Group's strategic objectives. He was formerly chairman of the board of directors of Kazprombank JSC.

Andrew Southam, Chief Financial Officer

Appointed to the Board: 2014

Skills and experience: Andrew joined the Company in 2006 where he has held a number of senior positions, including Group Financial Controller and Deputy Chief Financial Officer. He was appointed Chief Financial Officer in 2013 and brings significant strategic and operational financial oversight. Andrew is a chartered accountant who began his career at Deloitte in London, where he provided audit and transaction services to a number of UK listed companies. Prior to joining the Company, Andrew worked in corporate development at GlaxoSmithKline plc.

Michael Lynch-Bell, Non-executive Director and Senior Independent Director
Appointed to the Board: 2013

Skills and experience: Michael gained extensive experience working with companies in the mining, oil and gas industries during his 38 year career with Ernst & Young. He played a key role in establishing Ernst & Young's practice in Kazakhstan and advised a number of major CIS companies on transactions. He retired as senior partner of Ernst & Young's transaction advisory practice for mining and metals and as an elected member of its global advisory council in 2012. He was previously a non-executive director of Equus Petroleum Plc. In his role as Senior Independent Director, Michael acts as a point of contact for shareholders and other stakeholders and serves as an intermediary for the other non-executive Directors.

Other appointments: Non-executive director of Seven Energy International Limited, Lenta Ltd, Transocean Partners LLC and Gem Diamonds Limited. He is also a trustee and treasurer of Action Aid International, a trustee of 21st Century Legacy and The Children of Sri Lanka Trust, and a member of the United Nations Expert Group on Resources Classification.

Committee memberships: Audit (Chair), Remuneration and Nomination.

Lynda Armstrong OBE, Non-executive Director
Appointed to the Board: 2013

Skills and experience: A geophysicist by training, Lynda had over 30 years' natural resources experience with Shell. During this time, she held a number of senior exploration and operational roles, including director of UK Exploration and New Business Development, exploration director of Petroleum Development Oman and technical vice president for Shell International. Lynda's technical and operational experience of the extractives industry and her clear commitment to health and safety provide valuable insight and guidance to the Group.

Other appointments: Chair of the trustees of the British Safety Council, a non-executive director of DONG Energy A/S and the Central Europe Oil Company Limited, a director of Calyx Consulting Ltd and a member of the supervisory board of SBM Offshore N.V.

Committee memberships: Remuneration (Chair), Nomination and Health, Safety and Environment.

Vladimir Kim, Non-executive Director
Appointed to the Board: 2005

Skills and experience: Vladimir joined the Group in 1995, when he was appointed managing director and chief executive officer of Zhezkazgantsvetmet JSC and was elected chairman of that company in 2000. He was appointed Chairman of the Company in 2005 prior to its listing on the London Stock Exchange. Vladimir stepped down as Chairman in 2013 but remains on the Board as a non-executive Director. With extensive knowledge of the mining industry, a thorough working knowledge of the CIS and an exemplary understanding of the political and regulatory environment in Kazakhstan, Vladimir brings valuable Kazakh mining experience and continues to perform a vital role in assisting and supporting the Company in its dealings with the Government and local authorities in Kazakhstan.

John MacKenzie, Non-executive Director
Appointed to the Board: 1 March 2015

Skills and experience: John is a senior mining executive with more than 23 years' experience in the metals and mining sector mostly acquired with the Anglo American group where he was CEO of Zinc from 2006 to 2009 and CEO of Copper from 2009 to 2013. John brings extensive international operating experience and a wealth of health and safety knowledge to the Group gained in Africa, South America, North America and Europe.

Other appointments: Executive chairman of Mantos Copper and chief executive officer of mining at Audley Capital Advisors LLP.

Committee memberships: Audit and Health, Safety and Environment.

Charles Watson, Non-executive Director
Appointed to the Board: 2011

Skills and experience: During his 29 years at Shell, Charles gained extensive experience in both operational management and major project delivery. At Shell he held a number of senior global executive positions, culminating in his appointment as executive vice president responsible for Russia and the CIS, including oversight of Shell's activities in Kazakhstan, chairman of Shell Russia and chairman of the board of directors for the Sakhalin Energy Investment Company. Charles' expertise in major project delivery and tenacity in the continued improvement in health and safety performance is of significant importance to the Group.

Other appointments: Non-executive director of Taipan Resources Inc. and JSOC Bashneft.

Committee memberships: Health, Safety and Environment (Chair), Audit and Remuneration.

GOVERNANCE FRAMEWORK

This section has been prepared in accordance with the UK Corporate Governance Code dated September 2014 (the 'Code') issued by the Financial Reporting Council (the 'FRC') which is available to view at www.frc.org.uk. The Code applies to the Company's Annual Report and Accounts for the year ended 31 December 2015.

Code compliance

During the year, the Company complied fully with the provisions of the Code.

Leadership

The role of the Board

The Board is accountable to shareholders as a whole for managing the Company in a way which promotes its success. The Board ensures that an appropriate balance between promoting long-term growth and delivering short-term objectives is achieved.

The Board is primarily responsible for: determining strategic direction and demonstrating leadership; focusing on matters that consistently add value for shareholders, both present and future; the governance and stewardship of the Group to provide protection and security for the shareholders' assets; the management of the Group's employees; setting the Group's standards and values, and ensuring that its obligations to shareholders and other stakeholders are understood and met. Other key responsibilities of the Board include determining the nature and extent of the principal risks the Group is willing to take to achieve its strategic objectives and maintaining a system of internal control that provides assurance of effective and efficient operations, suitable and sufficient financial controls and compliance with laws and regulations.

The Board has a formal schedule of matters specifically reserved for its decision which is reviewed regularly. A summary of the matters reserved for the Board is set out below. These are matters that are significant to the Group as a whole because of their potential strategic, financial and reputational implications or consequences. The Board has four principal committees to deal with specific aspects of the Group's affairs. The chairs of each committee provide detailed reports to the Board on the matters discussed at each committee meeting to ensure that all Directors have visibility of and the opportunity to discuss the matters being considered by each committee.

Directors are required to demonstrate honesty and integrity, a willingness to question, challenge and critique and a desire to understand and commit to the highest standards of governance. Each Director must ensure that no decision or action is taken that places his or her interests before the interests of the business and each Director commits to the collective decision-making process of the Board. The Chairman promotes a culture of open and constructive debate and individual Directors are encouraged to question or challenge the opinions of others.

Division of responsibilities

The Board has agreed a clear division of responsibilities between the Chairman and the Chief Executive. The roles of the Chairman, Chief Executive and other Directors are clearly defined so that no single individual has unrestricted powers of decision.

MATTERS RESERVED FOR THE BOARD

Key matters reserved for the Board include the approval of:

- the Group's strategy and business plans;
- material restructuring or reorganisation, including major acquisitions, mergers and disposals;
- changes to the Group's capital structure;
- major Group financing;
- major capital expenditure and projects;
- the annual production and financial budget;
- the Company's dividend policy;
- the Company's remuneration policy;
- material changes in principal accounting policies;
- the framework for the management of the Group's principal risks;
- Group-wide policies, including health and safety, environmental and anti-bribery and corruption;
- the appointment and removal of Directors or the Company Secretary;
- the authorisation of Directors' actual or potential conflicts of interest;
- the annual performance evaluation of the Board, its committees and individual Directors;
- annual and half-yearly reports, circulars and all other documents for shareholders;
- the principal regulatory filings with stock exchanges;
- the rules and procedures for dealing in the Company's shares; and
- the appointment or removal of the Company's external auditor and main financial, legal and technical advisers.

Roles and responsibilities

Chairman – Simon Heale

In addition to being a Board member accountable to the Company, the shareholders and other stakeholders, the key roles and responsibilities of the Chairman include ensuring that:

- the Board and its committees operate effectively and in accordance with the highest standards of corporate governance;
- the interests of the Company are promoted to secure the Group's future success, with special regard to Group planning and development;
- the Board has strong leadership;
- Board meetings are effective and open and constructive debate is promoted, the views of all Directors are taken into account and adequate time is available for discussion on all agenda items;
- shareholders and the Board receive relevant, accurate, timely and clear information;
- the Nomination Committee is chaired well and that an effective and complementary Board is assembled by initiating change and succession planning of Board and committee members;
- a comprehensive induction programme is put in place for new Directors and that the ongoing development needs of all Directors are identified and met;
- the performance of the Board, its committees and individual Directors is formally evaluated annually, and that an externally facilitated evaluation is performed every three years;
- effective and constructive communication takes place between non-executive Directors and executive Directors and senior management;
- non-executive Directors hold meetings without the executive Directors being present to discuss any concerns they may have;
- the views of shareholders are regularly sought and understood by the Board; and
- an effective working relationship with the Chief Executive is maintained.

Chief Executive – Oleg Novachuk

In addition to being a Board member accountable to the Company, shareholders and other stakeholders, the key roles and responsibilities of the Chief Executive include ensuring that:

- a safety-focused culture is adopted throughout the Group's operations through which safe working environments are created and maintained and the Group operates in compliance with all relevant health and safety requirements;
- activities are undertaken with special regard to environmental and social concerns in the countries and communities in which the Group operates;
- the management team is led effectively in the day-to-day running of the Group's business, including chairing meetings of the Executive Committee;
- the Group's objectives and strategy are developed in consideration of the Group's responsibilities to its shareholders, customers, employees and other stakeholders;
- an appropriate organisational structure is established and maintained to enable the Group's strategy to be implemented effectively;
- the Group's business is carried out in accordance with agreed plans, strategies and policies;
- an appropriate asset base is maintained for the Group to execute its strategy, including through appropriate investment and divestment;
- effective communication with shareholders and other interested parties is developed and promoted;
- the Group conducts its business in accordance with the legal requirements of the countries in which it operates or, if higher, the Group's standards;
- staff recruitment and development is effectively planned and carried out to ensure that the Group has the capabilities and resources required to achieve its plans;
- a strong senior management team is established with the knowledge, skills, attitude and motivation to achieve the Group's objectives, and with appropriate succession planning to ensure that this continues in the future;
- an effective framework of internal controls and risk management is developed and maintained;
- the Group's risk profile is managed in line with what is deemed acceptable by the Board;
- appropriate annual budgets and medium-term financial and production plans are recommended to the Board; and
- the flow of information to the Board is relevant, accurate, timely and clear.

Senior Independent Director – Michael Lynch-Bell

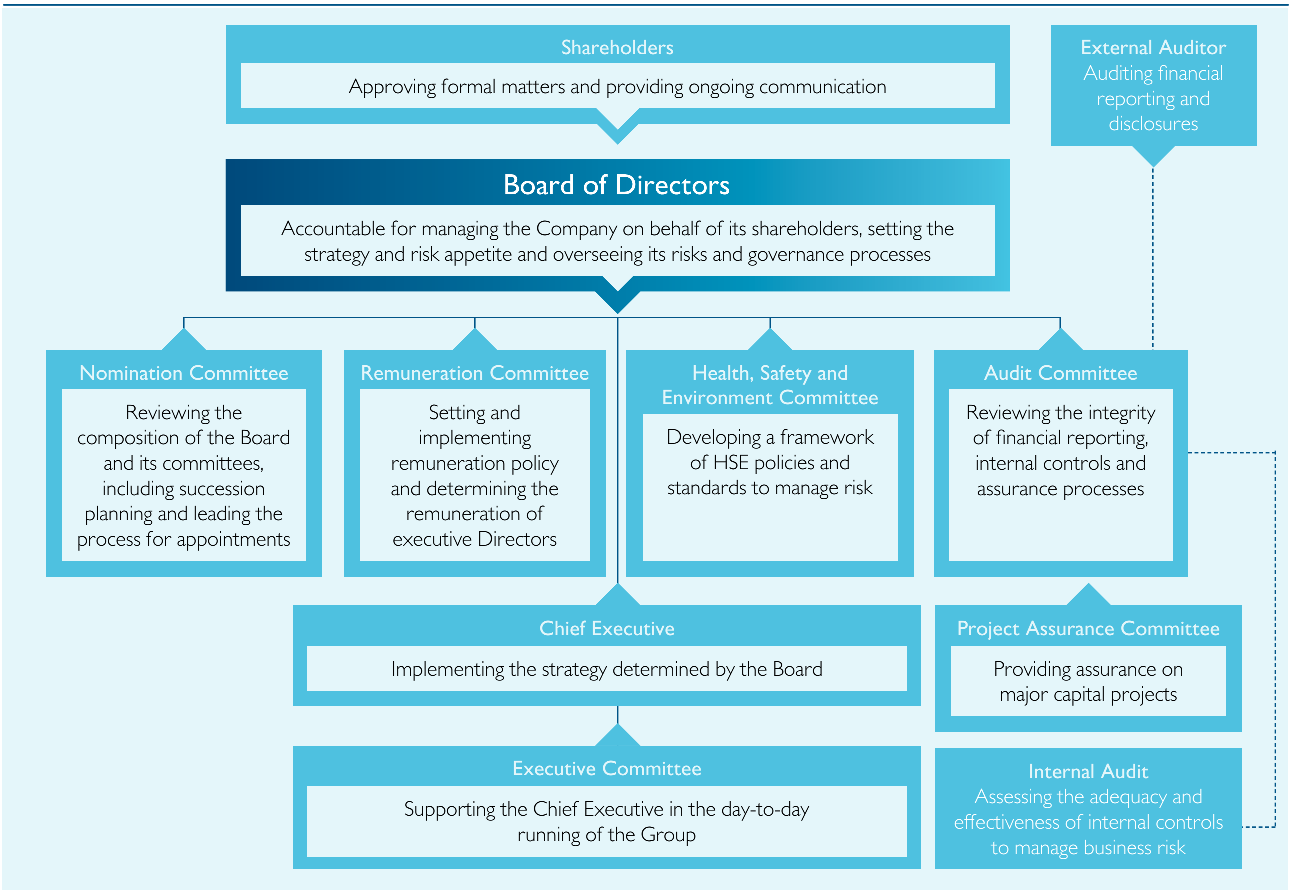
In addition to being a Board member accountable to the Company, shareholders and other stakeholders, the key roles and responsibilities of the Senior Independent Director include ensuring that he:

- acts as a point of contact for shareholders and other stakeholders to discuss matters of concern which would not be appropriate through the normal channels of communication with the Chairman, Chief Executive and Chief Financial Officer. No such matters of concern were raised by shareholders during the year ended 31 December 2015;
- acts as a sounding board for the Chairman and serves as an intermediary for the other Directors when necessary;
- meets with the non-executive Directors (without the Chairman being present) at least annually and leads the Board in the ongoing monitoring and annual performance evaluation of the Chairman;
- monitors the training and development requirements of Directors; and
- is available to meet with a range of major shareholders when requested, to develop a balanced understanding of their issues and concerns and report the outcome of such meetings at subsequent Board meetings.

Non-executive Directors

The non-executive Directors provide a strong independent element to the Board and a solid foundation for good corporate governance. Although all Directors are equally accountable under the law for the stewardship of the Company's affairs, the non-executive Directors fulfil a vital role in corporate accountability.

CORPORATE GOVERNANCE FRAMEWORK



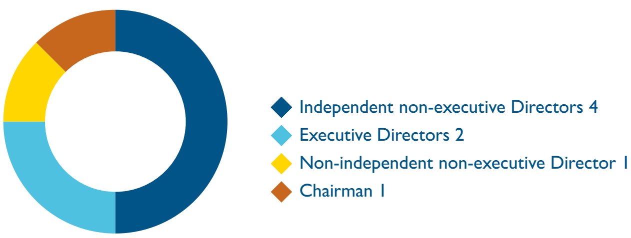
The non-executive Directors have responsibility for constructively challenging the strategies proposed by the executive Directors and scrutinising the performance of management in achieving agreed goals and objectives. They also play a key role in the functioning of the Board and its committees. Between them, the current non-executive Directors have an appropriate balance of skills, experience, knowledge and independent judgement to undertake their roles effectively. See pages 66 and 67 for a description of the skills and experience of each non-executive Director.

Effectiveness

Composition of the Board

Effective management and good stewardship of the Group are led by the Board. The Board is currently comprised of the Chairman, two executive Directors and five non-executive Directors. The balance of Directors on the Board ensures that no individual or small group of Directors can dominate the decision-making process and that the interests of minority shareholders are protected. Biographies of all Directors are set out on pages 66 and 67.

Board composition



It is the Company's policy that at least half the Board, excluding the Chairman, should be independent non-executive Directors. Other than Vladimir Kim, the Board considers each of its current non-executive Directors to be independent in character and judgement. In reaching its determination of independence, the Board has concluded that each of Lynda Armstrong, Michael Lynch-Bell, John MacKenzie and Charles Watson provides objective challenge to management, is willing to stand up and defend his or her own beliefs and viewpoints in order to support the ultimate good of the Company and has no business or other interests which are likely to, or could appear to, affect their judgement. The Board carries out a review of the independence of its Directors on an annual basis. Vladimir Kim is not considered by the Board to be independent due to his significant shareholding in the Company.

Commitment

Directors are expected to attend every Board meeting and every meeting of any committee of which they are a member, unless there are exceptional circumstances preventing their attendance. Scheduled Board and committee meetings are arranged at least a year in advance to allow Directors to manage other commitments.

Directors are provided with the relevant Board or committee papers for consideration around seven days in advance of each meeting via an electronic board portal. Regular agenda items this year included: reports on health, safety and environmental matters; cash forecasts; updates on Bozshakol, Aktogay and Bozymchak; requests for capital expenditure approval; reports on operational and financial performance, including cost optimisation measures; updates on the Group's principal risks and risk management processes; updates on business development projects; corporate communications; changes in corporate governance; and reports received from Board committees. If a Director is unable to attend a meeting due to exceptional circumstances, he or she still receives the papers in advance of the meeting and has the opportunity to discuss with the relevant chair or the Company Secretary any matters he or she wishes to raise and to follow up on the decisions taken at the meeting. The Chairman, Chief Executive and Company Secretary are always available to discuss issues relating to meetings or other matters with the Directors. Reasons for non-attendance are generally prior business or personal commitments that cannot be re-arranged or illness.

The number of scheduled Board meetings which each Director was eligible to attend, and the number of meetings attended during 2015, is shown below:

Directors during the year	Number of scheduled Board meetings eligible to attend	Number of scheduled Board meetings attended
Simon Heale	6	6
Oleg Novachuk	6	6
Andrew Southam	6	6
Lynda Armstrong	6	6
Clinton Dines	6	6
Vladimir Kim	6	5
Michael Lynch-Bell	6	6
John MacKenzie[1]	5	5
Lord Renwick[2]	2	2
Charles Watson	6	6

1 John MacKenzie was appointed as an independent non-executive Director on 1 March 2015.

2 Lord Renwick stepped down as a Director with effect from the conclusion of the Annual General Meeting on 7 May 2015.

Vladimir Kim missed one Board meeting due to a conflict in schedules. He provided any comments to the Chairman or Company Secretary on matters to be discussed in advance of the meeting he missed.

In addition to the six scheduled meetings of the Board during the year, one further meeting was held which focused solely on a review of the Group's strategy and associated principal risks.

Development

On appointment, all new Directors receive a comprehensive and structured induction, tailored to their individual requirements. The induction programme, which is arranged by the Company Secretary, includes visits to the Group's businesses and meetings with senior managers and external advisers, as appropriate. The programme is designed to facilitate their understanding of the Group, the key drivers of business performance, the role of the Board and its committees, and the Company's corporate governance practices and procedures, as well as providing them with appropriate training and guidance as to their duties, responsibilities and liabilities as a director of a public limited company listed on the London Stock Exchange, Hong Kong Stock Exchange and Kazakhstan Stock Exchange.

To assist Directors in the performance of their duties, there are procedures in place to provide them with appropriate and timely information, including receiving information between meetings regarding Group business development and financial performance. This enables the Directors to discharge their duties effectively on strategic, financial, operational, compliance and governance issues.

Where appropriate, additional training and updates on particular issues are provided. During the year, the Board received briefings on changes to the Listing Rules and the Disclosure Rules and Transparency Rules, amendments to the Companies Act 2006 and the Company's proposed approach to compliance with the requirement in the UK Corporate Governance Code to make a long-term viability statement in its Annual Report and Accounts.

All Directors are provided with the opportunity for, and encouraged to attend, training to ensure they are kept up to date on relevant legal and financial developments or changes in best practice. Typical training for Directors includes attendance at seminars, forums, conferences and working groups as well as receiving updates from relevant bodies or external advisers or specialists on various legal, regulatory and corporate governance matters.

The Board receives regular reports on shareholder sentiment from the Head of Investor Relations to ensure the Board as a whole remains informed of the current views of shareholders. All non-executive Directors can attend shareholder meetings and analyst presentations and shareholders may meet informally with all Directors at the Annual General Meeting.

Information and support

The Company Secretary, through the Chairman, is responsible for advising the Board on all governance matters and for ensuring that Board procedures are followed, applicable rules and regulations are complied with and that due account is taken of relevant codes of best practice. The Company Secretary is also responsible for ensuring communication flows between the Board and its committees, and between senior management and non-executive Directors. All Directors have access to the advice of the Company Secretary and, in appropriate circumstances, may obtain independent professional advice at the Company's expense. The appointment and removal of the Company Secretary is a matter reserved for the Board as a whole. The Company Secretary is Stephen Hodges, who joined the Group in 2007 as Deputy Company Secretary and was appointed to his current position in May 2014. Stephen Hodges is an Associate of the Institute of Chartered Secretaries and Administrators and is secretary to all of the Board committees, except the Audit Committee. The secretary to the Audit Committee is Susanna Freeman, Deputy Company Secretary.

Performance evaluation

As reported in last year's Annual Report and Accounts, in line with the Company's policy and in compliance with the provisions of the UK Corporate Governance Code, a full Board performance evaluation process of the Board and its committees, facilitated by an independent external consultant, was carried out during the year. An externally facilitated annual performance evaluation of the Board and its committees is carried out every three years, with internal annual performance evaluations carried out for the intervening years. The previous externally facilitated annual performance evaluation of the Board and its committees was conducted in 2012.

The externally facilitated annual performance evaluation conducted in 2015 was carried out by Independent Audit Limited, who has no other connection with the Company. The process was structured in order to assist in identifying potential areas of opportunity for the Board and its committees to improve their performance. Tailored questionnaires on the performance of the Board, its committees and individual Directors were completed by all Directors (excluding John MacKenzie, who was appointed to the Board on 1 March 2015, and Lord Renwick, who stepped down from the Board at the conclusion of the Annual General Meeting on 7 May 2015), and Independent Audit Limited attended a Board meeting to conduct a Board observation exercise.

The questionnaire on the performance of the Board focused on:

- approach to strategy and risk evaluation;
- leadership and accountability;
- composition and capability;
- organisational behaviour and culture;
- understanding of business drivers and monitoring of performance;
- risk management and internal control; and
- effectiveness of Board meetings.

Based on the responses received to the questionnaires and the results from the Board observation exercise, Independent Audit Limited prepared a thorough report which was presented to the Board at its meeting in October 2015. The overall conclusion was that the Board and its committees were operating effectively. A small number of potential improvement areas were identified and, where appropriate, are being incorporated into the Board and committee processes.

During the year, the Chairman held a number of meetings with non-executive Directors without executive Directors being present. The Senior Independent Director also led the non-executive Directors in evaluating the performance of the Chairman. Following the evaluation, the Board remains satisfied that the Chairman continues to be able to fulfil all of the commitments required of the role.

Re-election

Directors newly appointed by the Board are required to submit themselves for election by shareholders at the Annual General Meeting following their appointment. In accordance with best practice and the UK Corporate Governance Code, all current Directors will be submitted for re-election at the forthcoming Annual General Meeting.

Vladimir Kim (non-executive Director) and Eduard Ogay (former executive Director of the Company) are deemed to be acting in concert with each other by the Panel on Takeovers and Mergers. Together, they are taken to constitute a 'Concert Party' for the purposes of the City Code on Takeovers and Mergers. Under the Listing Rules, a concert party is classed as a 'controlling shareholder' of the Company. This means that the independent non-executive Directors of the Company must be elected or re-elected by a majority of votes cast by all shareholders. Therefore, at the forthcoming Annual General Meeting, the resolutions for the re-election of the independent non-executive Directors will be taken on a poll and passed only if a majority of votes cast by independent shareholders (which excludes the Concert Party), in addition to a majority of the votes cast by all shareholders, are in favour.

Conflicts of interest

Directors have a statutory duty to avoid situations in which they have or could have a direct or indirect interest that conflicts or may conflict with the interests of the Company. The Company's Articles of Association give the Directors authority to approve such situations and there is no breach of duty by a Director if the relevant situation has been authorised in advance. In addition, a Director has a duty to disclose to the Board any transaction or arrangement under consideration by the Company in which he or she has a personal interest.

The Board has a procedure for authorising conflicts or potential conflicts of interest. Under this procedure, Directors are required to declare all directorships or other appointments outside the Group which could give rise to a conflict or potential conflict of interest. In considering each conflict or potential conflict of interest declared by a Director, only independent Directors will be able to authorise the conflict. They may also decide not to authorise the conflict or to authorise it subject to certain appropriate limits or conditions. In taking these decisions the independent Directors must act in a way they consider to be in good faith and most likely to promote the success of the Company. The Company Secretary minutes the consideration of any conflict or potential conflict of interest that is raised and authorisations granted and maintains a register of conflicts of interest.

In addition to notifying the Company Secretary of any new, actual or potential conflict of interest that may arise, a Director must also notify the Company Secretary if there are any changes in circumstances that may affect any existing authorisation. Even when authorisation is given, a Director continues to have a duty to promote the success of the Company.

Furthermore, the Company's Articles of Association include provisions relating to the treatment of third-party confidential information and the circumstances in which a Director should absent himself or herself from Board meetings and/or refrain from reviewing Board papers where that Director is conflicted, in order to protect him or her from a breach of duty. These provisions will only apply where the circumstance giving rise to the potential conflict of interest has previously been authorised by the Directors.

UK Bribery Act 2010 (the 'Bribery Act')

The Bribery Act established criminal offences for bribing another person, receiving a bribe, bribing foreign officials and failure by commercial organisations to prevent bribery. In response to this legislation, in 2011 the Group implemented a Group Anti-Bribery and Corruption Compliance Programme (the 'Programme') to assist in the prevention of the involvement of individuals or Group entities in unlawful activities. The Board has a clear stance on bribery and corruption and attaches the utmost importance to the Programme in clarifying the standards expected of all employees of the Group wherever it conducts business.

The Programme includes a clear statement on anti-bribery and corruption, which is fully supported by the Board, by the use of: corruption risk assessments across the Group; clear and practical policies and procedures; due diligence of business partners; training; and monitoring and assurance by external advisers, as well as by the internal audit team. As part of the Programme, a number of Group policies were established including an Anti-Bribery and Corruption Code, a Facilitation Payments Policy, a Gifts and Hospitality Policy, a Third Party Due Diligence Compliance Programme, a Conflicts of Interest Policy and a Speak-Up Policy. Furthermore, to supplement the existing Group policies, additional Group policies have been established including a lobbying policy, a policy on dealing with public officials, a policy on sponsorship and a policy on charitable contributions.

Since 2012, the Company has engaged an external consultant, GoodCorporation, on an annual basis to perform an independent review of the adequacy of the Programme in meeting the requirements of the Bribery Act. The annual reviews in 2012, 2013 and 2014 concluded that many of the important key compliance milestones had been accomplished and a number of important positive changes had been made to procedures within the Group and provided recommendations for further improvement, which the Group has sought to implement.

In light of the change to the Group's business profile following the Restructuring in 2014, it has undertaken a review of the current Programme, including all policies and procedures, to ensure that it remains adequate in meeting the requirements of the Bribery Act. Following this review a number of actions have been taken to enhance and further embed the Programme, including re-conducting risk assessments across the Group's major business units to identify those areas of the business and those employees in positions which are at most exposure to bribery and corruption and reviewing the current training programme to ensure that the content remains appropriate and that there is a clear plan for the training of all Group employees.

GoodCorporation assisted with the development of a robust training programme, tailored to the Kazakhstan environment and the requirements of the Group, and training has been given to priority staff. It is planned that all staff, even those employees that are deemed to be low risk, will be trained during 2016.

Related party transactions policy

Following completion of the Restructuring in 2014, the Group implemented a policy on concluding transactions with the Kazakhmys group due to Vladimir Kim's substantial shareholdings in both the KAZ Minerals Group and the Kazakhmys group. The policy is to remind all KAZ Minerals employees of their obligations under the Listing Rules that all arrangements, contracts and transactions between any KAZ Minerals Group company and any Kazakhmys group company must be carried out on an arm's length basis and on normal commercial terms. The Related Party Transactions Policy was reviewed and updated during the year and the processes followed have been monitored and improvements made where required.

Competition policy

A competition policy was launched following completion of the Restructuring. The policy applies to any dealings between the KAZ Minerals Group and the Kazakhmys group and their employees as the two groups are competitors. The aim of the policy is to prevent anti-competitive behaviour. Prior approval is required internally within the KAZ Minerals Group before any Group company enters into any arrangement with a Kazakhmys group company.

Accountability

The Board considers the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and provides the necessary information required for shareholders to assess the Company's position and performance, business model and strategy, and that the business continues to operate as a going concern.

Internal control

The Board is responsible for determining the nature and extent of any significant risks the Group is willing to take in order to achieve its strategic objectives and maintain sound risk management and internal control systems to ensure that an appropriate culture is embedded throughout the Group. The Board has established a Group-wide system of risk management and internal control which identifies and enables management and the Board to evaluate and manage the Group's principal risks with a view to safeguarding the Group's stakeholders. This system is bespoke to the Company's particular needs and the risks to which it is exposed and is designed to manage rather than eliminate risk. Due to the limitations inherent in any system of internal control, this system provides robust, but not absolute, assurance against material misstatement or loss. The effectiveness of the Group's system of internal control is regularly reviewed by the Board.

The Board confirms that throughout the year ended 31 December 2015 and up to the date of approval of this Annual Report and Accounts, there have been rigorous processes in place to identify, evaluate and manage the principal risks faced by the Group, including those that would threaten its business model, future performance, solvency or liquidity in accordance with the Guidance on Risk Management and Internal Control published by the Financial Reporting Council.

To assist in the identification and management of the Group's principal risks, the Board has established a risk management framework, developed a system of regular reports from management and reserved specific key matters for its decision. The Board has authorised the Audit Committee to oversee the risk management framework and the effectiveness of the Group's financial reporting, internal control and assurance systems.

At each of its meetings the Board is presented with an update for its consideration on the Group's principal risks together with a risk map, highlighting any changes made since the previous update and the reasons for any changes. Each committee that reports regularly to the Board provides an update on the status of risks considered within its remit. Bi-annually, the Group's risk management framework is reviewed by the Board, together with the process for identifying and assessing risks and a detailed analysis of the risks identified in the previous six months.

All of the Group's internal control and corporate governance policies and procedures are contained in a single document entitled 'Group Policy Guidelines on Corporate Governance' with the aim of ensuring there is a good and clear awareness of the policies and procedures and their content amongst senior management.

Key elements of the Group's system of internal control which have operated throughout the year are:

- monitoring by the Board of a comprehensive reporting system, including monthly results, periodic short-term forecasts, annual budgets and medium-term plans;
- well-defined procedures for assessment, approval, control and monitoring of major capital projects, including acquisitions and disposals;
- an established methodology for ranking the level of risk in each of the Group's business operations and the principal risks associated therewith;
- implementation of appropriate strategies to deal with principal risks, including careful internal monitoring and ensuring that external specialists are consulted where necessary;
- a centrally coordinated internal audit programme to verify that policies and internal control procedures are being correctly implemented and to identify any risks at an early stage;
- financial, treasury, operating, compliance and administrative policies and procedures which incorporate statements of required behaviour;
- ongoing review of safety, operating and financial performance of the Group's businesses;
- regular reports to the Board and Health, Safety and Environment Committee on health, safety and environmental matters;
- reviewing the Speak-Up policy and monitoring the operation of the whistleblowing facilities in place to allow staff to raise concerns about possible legal, regulatory, financial reporting or any other improprieties;
- regular reports to the Audit Committee on the adequacy and effectiveness of internal control;
- regular reports to the Projects Assurance Committee on progress against targets of the Group's major growth projects at Bozshakol and Aktogay; and
- a remuneration policy for executives which motivates them appropriately, without encouraging excessive risk-taking.

The Board, in conjunction with management, continually reviews and develops the internal control environment. No significant internal control failings were identified during the year. Where any gaps are identified, processes are put in place to address them and these are continually monitored.

It is Group policy that all acquired businesses are brought within the Group's system of internal control as soon as practicable and in any event within 12 months of acquisition.

The Group's approach to risk management, the risks identified and how it profiles these risks is set out in the Risk Management Overview and Principal Risks on pages 23 to 34.

Internal audit

Internal audit advises management on the extent to which systems of internal control are adequate and effective to manage business risk, safeguard the Group's resources, and ensure compliance with the Group's policies and legal and regulatory requirements as well as advising on ways in which areas of risk can be addressed. It provides objective assurance on risk and controls to senior management, the Audit Committee and the Board. Internal audit's work is focused on the Group's principal risks and the Head of Internal Audit and the Group Risk Manager work together when considering the internal audits to be performed. The mandate and programme of work of the internal audit department is considered and approved by the Audit Committee. Based on the approved internal audit plan, a number of internal audits took place across the Group's operations and functions to facilitate improvement of the Group's internal controls and findings were reported to relevant operational management. Internal audit follows up on the implementation of recommendations and reports on progress to senior management and to the Audit Committee.

The Head of Internal Audit reports regularly to the chair of the Audit Committee and attends each Audit Committee meeting to present the internal control findings from the internal audits performed. The Audit Committee reviews and discusses the effectiveness of internal audits on an annual basis with the Head of Internal Audit and the chair of the Audit Committee is responsible for reviewing the remuneration of the Head of Internal Audit.

Modern Slavery Act 2015

The Board recognises the importance of the provisions of the Modern Slavery Act 2015 and the Directors aim to ensure that slavery and human trafficking have no part in the Group's supply chain. The Group has always been vigilant about employee welfare and aims to be transparent in its practices.

Relations with shareholders

Dialogue with shareholders

The Board endeavours to ensure good communication with all its shareholders and maintains an active dialogue with its key financial audiences including institutional shareholders, sell-side analysts, private individuals and potential new shareholders. The Head of Investor Relations is in communication with shareholders on a day-to-day basis and the Chief Executive and Chief Financial Officer are closely involved in planned investor relations activities at key times throughout the year. The Board is provided with shareholder and broader market feedback from the Head of Investor Relations at each Board meeting.

The executive Directors are available, through the Head of Investor Relations, to discuss the concerns of major shareholders at any time and the Chairman is available to discuss governance and strategy with them. Non-executive Directors make themselves available to attend meetings with shareholders when requested, in order to develop an understanding of their views. The Company responds as necessary to requests it receives from individual shareholders on a wide range of issues.

There is regular contact with key institutional shareholders, external financing providers and sell-side analysts to discuss the strategy, financial performance and investment activities of the Group. Meetings with management are also supplemented by visits to the Group's operations, which are well attended. During 2015, executive Directors and senior management held meetings with institutional investors in the United Kingdom, continental Europe and the United States of America and attended conferences in these locations, providing a comprehensive dialogue with shareholders.

During 2015, the Company issued quarterly production updates in January, April, July and October and interim management statements in April and October. These, together with copies of institutional analyst presentations each half year, the Group's preliminary and half-yearly results and all announcements issued to the London Stock Exchange and Hong Kong Stock Exchange (in English and in Chinese), are available on the Company's website (www.kazminerals.com).

Annual General Meetings

The Notice of Annual General Meeting is circulated to all shareholders at least 20 working days prior to such meeting and it is Company policy not to combine resolutions. All shareholders are invited to attend the Annual General Meeting where there is an opportunity for individual shareholders to question the Chairman and, through him, the chairs of the principal Board committees. After the Annual General Meeting, shareholders can meet informally with the Directors.

At the Annual General Meeting, the Chairman provides a brief summary of the Company's activities for the previous year to shareholders. All resolutions at the 2015 Annual General Meeting were voted on by way of a poll. The procedure for voting on a poll follows best practice and allows the Company to count all votes rather than just those of the shareholders attending the meeting.

As recommended by the UK Corporate Governance Code, all resolutions proposed at the 2015 Annual General Meeting were voted separately and the voting results, which included all votes cast for, against and those withheld, together with all proxies lodged prior to the meeting, were announced to the London Stock Exchange and Hong Kong Stock Exchange and made available on the Company's website as soon as practicable after the meeting. As in previous years, the Form of Proxy clearly advised that a 'vote withheld' is not a vote in law and is not used in calculating the votes for or against a resolution.

Board committees

The four principal committees of the Board are: Audit; Health, Safety and Environment; Nomination; and Remuneration. Board committee members are appointed by the Board upon the recommendation of the Nomination Committee, which reviews the composition of each committee regularly. The committee memberships are spread between the independent non-executive Directors, drawing on each of their relevant skills and experience.

Committee members are expected to attend each committee meeting, unless there are exceptional circumstances which prevent them from doing so. Only members of the committees are entitled to attend their meetings, but others may be invited to attend.

The terms of reference of each committee are reviewed annually and are available to view on the Company's website (www.kazminerals.com) and can be obtained on request from the Company Secretary at the Company's registered office.

Board committee membership

The current membership of the Board's committees is shown in the table below:

	Audit Committee	Health, Safety and Environment Committee	Nomination Committee	Remuneration Committee
Simon Heale	–	M	C	M
Oleg Novachuk	–	–	–	–
Andrew Southam	–	–	–	–
Lynda Armstrong	–	M	M	C
Vladimir Kim	–	–	–	–
Michael Lynch-Bell	C	–	M	M
John MacKenzie	M	M	–	–
Charles Watson	M	C	–	M

C: Chair of committee

M: Member of committee

AUDIT COMMITTEE

Dear shareholder,

I am chair of the Audit Committee and have extensive experience in the metals and mining sector, having spent 38 years with Ernst & Young developing and later leading its global mining and energy practices, providing me with recent and relevant financial experience.

The other members of the Committee are Charles Watson who has been a member since 2011 and John MacKenzie, who joined the Committee on 1 January 2016. Clinton Dines was also a member of the Committee throughout the year until he stepped down from the Board on 31 December 2015. I would like to thank Clinton on behalf of the Committee for his valuable contribution and for sharing the experience he gained during his career in several senior management positions in the global resources sector. I would like to welcome John as a member of the Committee who, with more than 23 years' experience as a senior mining executive, brings extensive operational knowledge of the copper mining industry to the Committee's deliberations.

During 2015, the Committee reviewed the Group's financial results, including significant financial reporting estimates and judgements, as well as the financial disclosures in the interim management statements, monitored the Group's system of internal control and management of the Group's risks and oversaw the relationship with the external auditor and with the internal audit function. This year, the Committee also considered the process through which the Company would make its first long-term viability statement in the Annual Report and Accounts.

In my role as chair of the Committee I meet regularly with our external auditor, KPMG, outside the normal meeting schedule and with various senior managers both in the UK and Kazakhstan to further understand the way in which the Group operates, the risks it faces and its internal control framework.

I would like to acknowledge the Projects Assurance Committee which assists the Committee in engaging independent consultants to perform operational and financial assessments of the Group's major growth projects at Bozshakol and Aktogay in order to identify activities that are critical to the successful delivery of the projects as well as any issues and risks that could prevent such delivery.

Michael Lynch-Bell
Chair, Audit Committee

Responsibilities

The Audit Committee reports to the Board on its assessment of effective governance in financial reporting, internal control and assurance processes and on the procedures in place for the identification and management of risk.

The current members of the Committee are:

Michael Lynch-Bell, Chair
John MacKenzie
Charles Watson

The primary responsibilities of the Committee are set out on the following page. Whilst the Committee has very specific duties set out in its terms of reference, it serves a much greater purpose in reassuring shareholders that their interests are properly protected in respect of the Company's financial management and reporting. The Committee regularly reports to the Board on matters discussed at its meetings. The Board has delegated responsibility to the Committee for reviewing the Company's procedures and system of internal control in relation to risk management, with a focus on the methodology used by management. It also oversees the internal and external audit processes which report to it.

The Chairman of the Board, Chief Executive, Chief Financial Officer, Company Secretary, Head of Internal Audit and the external auditor are normally invited to attend Committee meetings. At the end of each meeting the Committee meets separately with both the external auditor and Head of Internal Audit, without management being present, to discuss any matters relating to its remit and any issues arising from external and internal audits.

External auditor

Following a formal, competitive tender process for the provision of external audit services conducted in 2012, the Board approved the Committee's recommendation to appoint KPMG Audit Plc as external auditor of the Group. In 2014, KPMG Audit Plc formally changed the entity which conducts the Company's audit to KPMG LLP ('KPMG') and KPMG continues to be the Company's external auditor.

AUDIT COMMITTEE RESPONSIBILITIES

The appointment of KPMG is kept under annual review and the Committee reviewed the effectiveness of the external audit process during the year. Consideration was given to performance, objectivity, independence, resource and relevant experience of the external auditor and following discussion of improvement opportunities identified, the Committee recommended to the Board the re-appointment of KPMG as the Company's external auditor. The Group continues to benefit from the insight and knowledge that the external auditor has of its business processes and controls and therefore the Board has approved resolutions to be proposed at the forthcoming Annual General Meeting, to re-appoint KPMG as the Company's external auditor and to authorise the Directors to set KPMG's remuneration.

Mr Daboo is currently the lead audit engagement partner but his five year rotation period will be complete at the end of the 2016 financial year and his successor will be identified during the course of the year. In accordance with regulations on tendering audit contracts at least every 10 years, it is the current intention of the Committee that the external audit is put out to tender by 2022 at the latest, subject to any further regulatory change.

Attendance at Audit Committee meetings

During 2015, there were six scheduled meetings of the Audit Committee, including two meetings which were convened to discuss one item of business only, the financial disclosures in the interim management statements, with each member attending as shown below:

Members	Committee member since	Attendance at scheduled meetings during 2015
Michael Lynch-Bell	27 February 2013	6/6
Clinton Dines[1]	1 October 2009	6/6
John MacKenzie[2]	1 January 2016	N/A
Charles Watson	24 August 2011	6/6

1 Stepped down as a Director and member of the Committee on 31 December 2015.

2 Appointed as a member of the Committee on 1 January 2016.

Role of the Audit Committee

Key roles and responsibilities of the Audit Committee include:

- monitoring and challenging, where necessary, the integrity of the financial statements of the annual and half-yearly results, interim management statements and any other formal announcement relating to financial performance, including a review of the financial reporting judgements which they contain;
- reviewing and challenging, where necessary, the actions and judgements of management taking into account the views of the external auditor, in relation to the Company's financial statements, strategic report, financial review, governance statement (insofar as it relates to audit and risk management), half-yearly reports, preliminary announcements and related formal statements, including the going concern assumption and the long-term viability statement;
- reviewing the Company's internal controls, including financial controls and risk management systems;
- approving the three year internal audit plan and monitoring the role and effectiveness of the internal audit function;
- overseeing the work of the Projects Assurance Committee;
- overseeing the Company's relationship with the external auditor, including the monitoring of its independence and expertise, the terms of reference of its engagement and fees, and assessing the effectiveness of the audit process with due regard to relevant UK professional and regulatory requirements;
- agreeing the scope of the external auditor's annual audit plan and reviewing the output;
- reviewing and amending as necessary the policy on the provision of non-audit services by the external auditor with due regard to ethical guidance;
- reviewing annually the Committee's own performance, constitution and terms of reference; and
- reporting to the Board on how the Committee has discharged its responsibilities.

A copy of the Committee's terms of reference is available to view on the Company's website (www.kazminerals.com).

Activities in respect of the 2015 financial year

At its meetings in 2015, the Committee considered and discharged its responsibilities on the following matters:

Financial reporting

- reviewed annual and half-yearly results and interim management statements including the quality and acceptability of accounting policies, significant financial reporting estimates and judgements applied in preparing them and the transparency and clarity of the disclosures within them and compliance with financial reporting standards and governance;
- considered whether the Annual Report and Accounts, taken as a whole was fair, balanced and understandable and provided the necessary information for shareholders to assess the Company's position and performance, business model and strategy;
- received reports from management and the external auditor on accounting, financial reporting, regulatory and taxation issues;
- considered impairment reviews performed by management;
- reviewed the methodology for producing the disclosure of ore reserves and mineral resources and other relevant disclosures in the Annual Report and Accounts;
- reviewed the basis for preparing the Group accounts on a going concern basis; and
- received reports on and considered the new long-term viability statement to be made by the Company.

Internal control

- reviewed the structure and effectiveness of the Group's system of internal control as set out on pages 73 and 74 and the disclosures made in the Annual Report and Accounts on this matter;
- reviewed and recommended to the Board amendments to the Group Treasury Policy;
- reviewed the Group's processes for disclosing information to the external auditor and the statement concerning such disclosure in the Annual Report and Accounts; and
- received reports from the Projects Assurance Committee.

Risk management

- reviewed the risk management activities undertaken and the process and frequency of reporting on risks to the Committee in order to identify, measure and assess the Group's principal risks;
- reviewed and challenged the Group's principal risks identified by management in the Group risk map, and reviewed the effectiveness of the Group risk management framework as described on pages 23 and 24, and reports arising out of the risk management process; and
- monitored the Group's significant insurance arrangements.

Internal audit

- approved the annual operational plan and reviewed reports from the internal audit department relating to internal control matters;
- invited the Head of Internal Audit to present the internal control findings and recommendations at Committee meetings.

External auditor

- approved the terms of engagement of the external auditor, the fees paid to it and the scope of work carried out by it;
- performed an annual review of the policies on the independence and objectivity of the external auditor, the use of the external auditor for non-audit services, and the employment of former employees of the external auditor;
- reviewed the performance and effectiveness of the external auditor in respect of the previous financial year;
- assessed the independence and objectivity of the external auditor and in this process reviewed a report from the external auditor on all relationships that might reasonably have a bearing on its independence and the related safeguards and procedures;
- received reports on the findings of the external auditor during the half-yearly review and annual audit and reviewed the recommendations made to management by the external auditor and management's responses;
- reviewed the quality assurance processes of the external auditor;
- reviewed letters of representation to the external auditor; and
- recommended the re-appointment of the external auditor.

Other matters

- reviewed reports on changes to UK and Kazakhstan tax legislation;
- reviewed the Speak-Up policy as well as the independent and confidential arrangements in place by which staff may raise concerns about possible legal, regulatory or other improprieties in matters of financial reporting and other matters;
- received reports on matters raised via the Speak-Up facilities, the process for the investigation of those matters raised, the outcome of the investigation and any actions taken;
- reviewed and suggested updates and improvements to the Group's Anti-Bribery and Corruption Compliance Programme;
- received an update from management on the latest technical accounting, taxation and regulatory issues, including the new longer-term viability statement;
- received a presentation on the structure and composition of the Group's finance team;
- reviewed its terms of reference and the results of the performance evaluation of the Committee; and
- reviewed the training requirements of the Committee members.

Policy on the provision of non-audit services

The Committee's policy on the use of the external auditor for non-audit services includes the identification of non-audit services which may be provided and those prohibited, as well as a process through which other non-audit services may be approved.

Any project or engagement with the external auditor in excess of £20,000, that is not included in the list of those non-audit services which may be provided by the external auditor, must be approved in advance by the Committee or a sub-committee of any two members. Any services up to a limit of £20,000 must be approved by the Chief Financial Officer.

Any new engagement with the external auditor for non-audit services in excess of £100,000 must be approved in advance by the Chief Financial Officer and the Committee chair or a sub-committee of any two members, with any non-audit services up to a limit of £100,000 being approved by the Chief Financial Officer. In addition, any non-audit services in excess of £100,000 must be subject to a competitive tender process other than in respect of certain types of services.

The policy requires that non-audit services of the external auditor will only be used where the Group benefits in a cost-effective manner and the external auditor maintains the necessary degree of independence and objectivity. Details of all non-audit services are reported to the Committee. The policy is kept under review and is amended from time to time as necessary.

Details of the amounts paid to the external auditor for audit and non-audit services for the year ended 31 December 2015 and information on the nature of non-audit fees appear in note 10 to the consolidated financial statements on page 127.

Projects Assurance Committee

The Projects Assurance Committee procures third-party, independent operational and financial assessments of the Group's major growth projects at Bozshakol and Aktogay which this year, as in previous years, included site visits.

The Projects Assurance Committee currently comprises Charles Watson (chair), Oleg Novachuk, Lynda Armstrong and John MacKenzie and it met four times during 2015. The significant issues the Projects Assurance Committee considered during 2015 related to monitoring the health, safety and environmental performance during the construction phase of the projects, reviewing the performance of the contractors against the respective project's schedule and approved budget, assessing the health, safety and environmental procedures and process to be put in place and overall operational readiness, including the permitting process, and receiving details of the cause of the fire incident at Bozshakol, the initial assessment of the fire damage and mitigating actions to be taken and revised schedule to completion of construction. The Projects Assurance Committee also received a briefing on the mine development assessment work in relation to Koksay. The chair of the Projects Assurance Committee reported on its activities to the Audit Committee meeting following each of its meetings.

Significant judgements considered by the Audit Committee

The Committee considered, amongst other matters, a number of significant judgements in relation to the financial reporting of the Group, including:

Significant issue	Committee action
Going concern and viability statement	
It is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements for the year ended 31 December 2015. In reaching this conclusion, management took into account the financial position of the Group and its forecast cash flows and made certain assumptions and judgements as set out in the basis of preparation note to the financial statements on page 115 and in the Strategic Report on page 52. This Annual Report and Accounts also includes, for the first time, a long-term viability statement in compliance with the UK Corporate Governance Code. Management considered the Group's long-term viability statement, in addition to and together with the going concern statement, which is set out on page 101.	The Committee considered and approved the underlying assumptions used in the preparation of the long-term viability statement, together with the going concern assumption. After reviewing papers prepared by management and taking into account the external auditor's review of the papers and their assumptions, the Committee concluded that it was appropriate to prepare the accounts on a going concern basis. The Committee considered the long-term viability statement and going concern statement and approved management's disclosures.
Impairments – Group	
At 30 June 2015, the Group's net asset value was above its market capitalisation and in response management undertook impairment indicator reviews on certain of the Group's cash generating units. Following the review, no impairments were required. At 31 December 2015, the decline in the copper price was considered an impairment indicator for the Group's cash generating units. Accordingly, impairment reviews were performed on the cash generating units. Following the impairment reviews, no impairments were required.	The Committee considered papers setting out the results of the impairment reviews and management's assessment and assumptions. Having received input from the external auditor and challenged the appropriateness of key assumptions used by management in the discounted cash flow models and evaluated the sensitivity of the outcomes of the reviews, the Committee agreed with management's assessment and disclosures.
Impairments – KAZ Minerals PLC	
An impairment review of the investments held on the Company's stand-alone balance sheet at 31 December 2015 was performed, as the significant reduction in the Company's share price during the second half of the year was an impairment indicator. Following the review, KAZ Minerals PLC recognised an impairment charge on its stand-alone balance sheet.	The Committee considered papers setting out the results of the impairment review and management's assessment and assumptions. Having received input from the external auditor and challenged the appropriateness of key assumptions used by management in the discounted cash flow models and evaluated the sensitivity of the outcomes of the reviews, the Committee agreed with management's assessment and disclosures.
Impact of the tenge free float on goods and service contracts in Kazakhstan	
The Group's Kazakhstan entities have entered into various contracts for goods and services, including construction contracts for the major projects, which are settled in tenge but are indexed to the US dollar. These indexation clauses have been determined to be embedded derivatives that are closely related to the underlying contracts and have not been accounted for separately. This results in liabilities arising under these contracts being accounted for as though they were denominated in US dollars.	Having discussed and reviewed management's papers, the Committee concurred with the accounting treatment.
Consideration and assessment of tax matters of the Group	
Owing to the evolving nature of tax legislation and its application in Kazakhstan and Kyrgyzstan, management is required to make judgements and estimates in relation to tax risks, the outcomes of which can be less predictable than in other jurisdictions. Management has determined its best estimates for taxes payable and the likelihood and timing of taxes receivable, and accounted therefor accordingly.	The Committee considered papers prepared by management and, taking into account the external auditor's review of the papers and their assumptions, and having considered the tax development updates presented, concluded that taxes payable and receivable have been appropriately measured and disclosed.
Commercial production at Bozymchak	
The Bozymchak mine commenced production in 2014 following which it was considered to be in the "pre-commercial production" stage, with revenues and operating costs capitalised to fixed assets. Management assessed the current status of the mine and processing plant, its performance to date and the optimisation plans scheduled for later in 2015 and determined that Bozymchak had achieved commercial production on 1 July 2015.	The Committee considered papers prepared by management and, taking into account the external auditor's review of the papers and their assumptions, concluded that the judgement adopted and applied in identifying achievement of commercial production at Bozymchak was appropriate.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

Dear shareholder,

I chair the Health, Safety and Environment Committee. I have over 30 years of experience in the extractives industry. The other members of the Committee are Lynda Armstrong, Simon Heale and John MacKenzie, who joined the Committee on 1 March 2015 following his appointment as an independent non-executive Director. Clinton Dines was also a member of the Committee during the year until his resignation from the Board on 31 December 2015. I would like to thank Clinton on behalf of the Committee for his valuable insight and assistance in working to improve the Group's health and safety performance and would like to welcome John as a member of the Committee who has extensive international operating experience in the metals and mining sector.

Following completion of the Restructuring in October 2014, the Committee undertook a review of its future role and direction to ensure it was positioned to meet its remit in an effective manner. This resulted in a number of changes to the format of the Committee meetings.

During 2015, the Committee reviewed and evaluated reports on the implementation and effectiveness of a number of health, safety and environmental policies and procedures. The Committee also addressed leadership behaviour and cultural change issues during its meetings. Our Health, Safety and Environment team led by the Group Health and Safety Director has performed safety and environmental reviews at the operations in the East Region as well as working with the health and safety departments at Bozshakol and Aktogay as they move from the construction phase through to operations. The team has expert health and safety experience gained from working within the mining industry and has initiated important improvements to the processes in place.

In 2015, the Committee visited Bozshakol and Aktogay where we met with locally based staff and contractors to understand better the risks faced by employees, contractors, the environment and the Group facilities.

Charles Watson
Chair, Health, Safety and Environment Committee

Responsibilities

The current members of the Committee are:

Charles Watson, Chair
Lynda Armstrong
Simon Heale
John MacKenzie

The Committee is primarily responsible for keeping under review the development and maintenance of a framework of policies and standards which are used to assess, manage and report on health, safety and environmental risks and their impact on the Group's activities. All meetings of the Committee during the year were held in Kazakhstan and involved meetings with management responsible for health and safety at a number of the Group's sites, with all visits lasting for two or three days.

Attendance at Health, Safety and Environment Committee meetings

There were two scheduled meetings of the Health, Safety and Environment Committee during 2015, with each member attending as shown below:

Members	Committee member since	Attendance at scheduled meetings during 2015
Charles Watson	16 November 2011	2/2
Lynda Armstrong	21 October 2013	2/2
Clinton Dines	25 August 2010	2/2
Simon Heale	13 March 2013	2/2
John MacKenzie	1 March 2015	2/2

The Senior Independent Director is normally invited to participate in visits to the Group's sites and attend Committee meetings.

Role of the Health, Safety and Environment Committee

Key roles and responsibilities of the Health, Safety and Environment Committee include:

- keeping under review the development and maintenance of a framework of policies and standards for managing health, safety and environmental risks and their impact on the Group's activities;
- reviewing compliance by the Group with relevant health, safety and environmental legislation;
- assessing the impact of health, safety and environmental decisions and actions taken by the Group on its reputation, employees, communities and other stakeholders, and ensuring remedial action is taken where appropriate;
- monitoring and assessing the commitment and behaviour of management towards health, safety and environmental-related risks;
- reviewing significant safety incidents, considering the key causes thereof and ensuring actions are taken and communications made by management to prevent similar incidents occurring in the future;
- facilitating the promotion by management of a culture of care and sensitivity towards the environment and communities in which the Group operates;
- making proposals to the Remuneration Committee regarding appropriate health, safety and environmental performance objectives for executive Directors and certain senior managers and providing its assessment as to performance against such objectives;
- reviewing the findings of any internal or external reports on the Group's health, safety and environmental systems, assessing any strategies and action plans developed by management in response to issues raised and, where appropriate, making recommendations to the Board on such matters; and
- reviewing annually the Committee's own performance, constitution and terms of reference.

The Committee's terms of reference are available to view on the Company's website (www.kazminerals.com).

Activities in 2015

At its meetings in 2015, the Committee, amongst other matters:

- reviewed and evaluated fatal and serious incident reports through the Fatal and Serious Incidents Review Panel;
- considered the three year health and safety strategy focused on strengthening the long-term foundations for safe productive work, addressing priority safety risks and addressing priority health risks;
- reviewed the revised HSE Management Systems Standards;
- noted the quarterly week-long, site-wide internal safety inspections being carried out at operations in the East Region;
- discussed the underground geotechnical and operational review conducted by AMC Consultants;
- noted the re-definition of incident classifications and definitions adopted from ICMM and the re-implementation of the EMEX health and safety reporting system across the Group;
- considered the three year environmental strategy focused on strengthening the long-term foundations for environmental protection and addressing priority environmental risks and legacy issues;
- received a preliminary report on the review of the environmental risks across the Group and considered a report on the environmental improvement programme in the East Region;
- monitored compliance with changing environmental legislation and emission levels;
- evaluated the proposed approach to operational health and safety in the new operations, Bozshakol and Aktogay, to develop a strong safety culture based on world class safety standards, with the operations in the East Region and Bozymchak leveraging this where possible;
- reviewed the emergency response preparedness at Bozshakol and Aktogay;
- reviewed and agreed changes in the Group's corporate responsibility reporting, including its key performance indicators;
- noted that, following a review of the current 'Cardinal Rules', these had been revised and adjusted in a positive light to create Life Saving Behaviours;
- reviewed its terms of reference and the results of the performance evaluation of the Committee; and
- reviewed the future role and direction of the Committee.

Plans for 2016

The Committee will seek assurance that health, safety and environmental systems, procedures and behaviours are well established as Bozshakol and Aktogay move into operations. There will also be continued focus on the existing mines in the East Region.

NOMINATION COMMITTEE

Dear shareholder,

I am chairman of the Nomination Committee, a position which I assumed following my appointment as Chairman of the Company in May 2013. The other members of the Committee are Lynda Armstrong and Michael Lynch-Bell.

During 2015, the Committee secured the appointment of an independent non-executive Director, John MacKenzie, and recommended to the Board changes to the composition of the Board committees. We are delighted that John has joined the Board.

Following Lord Renwick stepping down as an independent non-executive Director of the Company, chair of the Remuneration Committee and member of the Nomination Committee with effect from the conclusion of the Annual General Meeting on 7 May 2015, the Committee reviewed the composition of the Board committees.

After noting the requirements of the UK Corporate Governance Code on the composition of the Remuneration Committee, it was agreed to recommend to the Board the appointment of Lynda Armstrong, member of the Remuneration Committee, as chair of the Remuneration Committee and the appointment of Michael Lynch-Bell as a member of the Remuneration Committee with effect from the conclusion of the Annual General Meeting on 7 May 2015. Furthermore, it was agreed to recommend to the Board Linda Armstrong's appointment as a member of the Nomination Committee, also with effect from the conclusion of the Annual General Meeting on 7 May 2015.

Following Clinton Dines stepping down as an independent non-executive Director of the Company on 31 December 2015 and having assessed the balance of skills, experience and knowledge on the Audit Committee, it was agreed to recommend to the Board the appointment of John MacKenzie as a member of the Audit Committee with effect from 1 January 2016.

Simon Heale
Chairman, Nomination Committee

Responsibilities

The current members of the Committee are:

Simon Heale, Chairman
Lynda Armstrong
Michael Lynch-Bell

The Committee is primarily responsible for leading the process for Board and committee appointments and for keeping under review the balance of skills, experience, independence, knowledge and general diversity on the Board to ensure the balance and composition of the Board and its committees remains appropriate.

The Committee, which provides a rigorous, formal and transparent procedure for the appointment of new Directors to the Board, generally consults with external consultants and advisers on prospective Board appointments. The Committee keeps under review the planned and progressive refreshing of the Board and its committees. Under its recruitment process, the Committee prepares a description of the specific experience and skills needed for an appointment, considers candidates put forward by external consultants, and recommends to the Board the appointment of any new Directors after having met short-listed candidates. It also supervises and puts in place succession planning for non-executive Directors and certain senior managers and, where appropriate, makes recommendations to the Board on Directors' conflicts of interest for authorisation.

Governance

The Committee is chaired by the Chairman of the Company and, whilst he is not deemed to be independent, the majority of the members of the Committee are independent non-executive Directors in accordance with the provisions of the UK Corporate Governance Code. If a matter were to concern the Chairman, then he would leave the meeting and Michael Lynch-Bell would instead take the chair. The other significant commitments of the Chairman of the Company are set out in his biography on page 66.

Attendance at Nomination Committee meetings

There were two scheduled meetings of the Nomination Committee during 2015 with each member attending as shown below:

Members	Committee member since	Attendance at scheduled meetings during 2015
Simon Heale	1 January 2007	2/2
Lynda Armstrong	7 May 2015	1/1
Michael Lynch-Bell	1 September 2013	2/2
Lord Renwick[1]	1 December 2005	1/1

1 Stepped down as a Director and member of the Committee with effect from the conclusion of the Annual General Meeting on 7 May 2015.

Diversity

The Group takes account of diversity when recruiting, including when considering Board appointments. However, whilst we see significant benefit to our business in having a Board drawn from a diverse range of backgrounds, which brings the required expertise, cultural diversity and different perspectives to Board discussions, we do not believe this is achieved through simple quotas, whether it be gender or otherwise, and will continue to appoint candidates based on merit and relevant experience in accordance with the requirements of the UK Corporate Governance Code.

The Board recognises the need to create conditions that foster talent and encourage all employees to achieve their full career potential in the Group. As part of the Group's overall approach to human resource management it encourages employee diversity and aims to ensure that KAZ Minerals' future senior leadership team reflects the demographics of the countries in which it operates and the general employee base.

The Board consists of Directors with a wide range of skills and business experience drawn from a number of industries, which is critical for bringing both the expertise required and to enable different perspectives to be brought to Board discussions. Furthermore, the Board comprises a range of nationalities, which brings cultural diversity as well as different geographical experiences and viewpoints. The combination of these factors means that the Board benefits from a diverse range of competencies, perspectives and thoughts, which provides a dynamic environment for decision making.

Role of the Nomination Committee

Key roles and responsibilities of the Nomination Committee include:

- regularly reviewing the structure, size and composition (including skills, experience, independence, knowledge and general diversity) of the Board and making recommendations to the Board with regard to any changes;
- overseeing succession planning for Directors and certain senior managers, taking into account the challenges and opportunities facing the Company, and the skills and expertise that will be needed on the Board in the future;
- before any appointment is made by the Board, evaluating the balance of skills, experience, independence, knowledge and general diversity on the Board and preparing a description of the role and capabilities required for a particular appointment;
- responsibility for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- keeping under review Directors' existing and any new conflicts of interest and making recommendations as to whether a conflict should be authorised;
- reviewing the results of the Board performance evaluation process in relation to the composition of the Board and reviewing annually the time commitment required from the non-executive Directors to fulfil their duties;
- reviewing annually the Committee's own performance, constitution and terms of reference;
- recommending to the Board suitable candidates for the role of Senior Independent Director, and membership of the Audit, Health, Safety and Environment, and Remuneration Committees;
- recommending the re-appointment of any non-executive Director at the conclusion of their specified term of office having given regard to their length of tenure, performance and ability to continue to contribute to the Board in the light of the skills, experience, independence and knowledge required; and
- recommending the re-election by shareholders of any Director in accordance with the provisions of the UK Corporate Governance Code, having due regard to his or her performance and ability to continue to contribute to the Board, taking into consideration the skills, experience and knowledge required and the need for progressive refreshing of the Board.

The Committee's terms of reference are available to view on the Company's website (www.kazminerals.com).

Activities in 2015

At its meetings in 2015, the Committee considered, amongst other matters:

- the appointment of John MacKenzie as an independent non-executive Director and a member of the Health, Safety and Environment Committee following extensive research into potential candidates;
- Lord Renwick and Clinton Dines stepping down as Directors of the Company;
- the appointment of Lynda Armstrong as chair of the Remuneration Committee and as a member of the Nomination Committee, Michael Lynch-Bell as a member of the Remuneration Committee and John MacKenzie as a member of the Audit Committee;
- in accordance with the Company's Articles of Association, recommended to the Board the election of Andrew Southam and John MacKenzie and re-election of all other Directors by shareholders at the 2015 Annual General Meeting having due regard to the performance and ability of each Director to continue to contribute to the Board and its committees;
- the time commitment required by non-executive Directors to fulfil their duties; and
- its terms of reference and the results of the performance evaluation of the Committee.

Recruitment process

For the recruitment of John MacKenzie, Spencer Stuart, who specialise in the recruitment of high calibre executive and non-executive candidates and have no other connection with the Company, were engaged to ensure the widest possible pool of candidates was available to choose from. A formal, rigorous and transparent search process was put in place with a candidate profile and position specification prepared, including time commitment expected and experience required. Interviews were then conducted by the Chairman, the other members of the Committee and the Chief Executive. John MacKenzie was then recommended by the Committee to the Board for approval on the basis that he fully met the criteria required, including having sufficient time to meet the requirements of the role.

The key stages of the recruitment process are set out below.

RECRUITMENT PROCESS

Vacancy identified

Prepare candidate profile and position specification

Enlist search agency

Long list of candidates

Short list of candidates selected by the Chairman

Interviews of short-listed candidates by members of the Nomination Committee and Chief Executive

Recommendation by the Nomination Committee to the Board

Appointment approved by Board

REMUNERATION REPORT

Dear shareholder,

On behalf of the Board, I am pleased to present my first Directors' Remuneration Report as chair of the Remuneration Committee. The 2015 Directors' Remuneration Report sets out details of the remuneration policy for executive and non-executive Directors, describes how the remuneration policy is implemented and discloses the amounts paid relating to the year ended 31 December 2015.

The report includes an Annual Report on Remuneration (pages 86 to 95) which describes how the remuneration policy was implemented for the year ended 31 December 2015 and how we intend to apply the policy for 2016. The Annual Report on Remuneration together with this annual statement will be put to an advisory shareholder vote at the 2016 Annual General Meeting.

To maximise clarity and transparency, for reference, we have also republished our Remuneration Policy Report in an abridged form (pages 96 to 99). Our remuneration policy received binding shareholder approval at the 2014 Annual General Meeting. The Committee is satisfied that the policy remains appropriate and fit for purpose and intends that it will cover a three year period to the 2017 Annual General Meeting.

Objectives of the Committee

The Committee's objective is to design a remuneration framework which promotes the long-term success of the Company. It focuses executives on delivery of the Group's strategic and business objectives, while relating reward to performance in the context of appropriate risk and safety management. Aligning the interests of executive Directors and senior managers with those of shareholders will help build a sustainable performance culture.

The Group is focused on safely delivering its major growth projects, optimising its existing assets and taking advantage of natural resource opportunities principally in the Central Asia region. The Committee believes that achievement against these objectives will deliver strong long-term financial performance and shareholder value on a sustainable basis. Therefore, in determining the levels of executive reward, the Committee continues to place emphasis on ensuring a strong and demonstrable link between actual remuneration received and the achievement of KAZ Minerals' strategic and business objectives.

Remuneration structure

In order to provide a straightforward and transparent remuneration structure, the remuneration of executive Directors is made up of base salary, pension (other than for the Chief Executive), plus some benefits-in-kind and, subject to stretching performance conditions, cash awarded under an annual bonus plan and shares awarded under a Long Term Incentive Plan (LTIP).

Incentive pay is subject to withholding and recovery provisions. For executive Directors, other than the Chief Executive (who is a major shareholder in the Company), part of any annual bonus payment is required to be invested in the Company's shares and held for a period of time. We operate a post-vesting holding period for LTIP shares and significant share ownership guidelines apply. These features enhance the alignment of interest between executive Directors and shareholders and contribute to an appropriate level of risk mitigation.

Remuneration for 2016

During 2015, the Committee reviewed overall levels of pay and the operation of the incentive arrangements to ensure they remain appropriate in light of the current business strategy and the interests of shareholders. The key points in relation to how we are implementing our policy for 2016 are as follows:

- salaries will not be increased from 2015 levels;
- the Chief Executive will continue to not receive any pension provision;
- maximum bonus opportunity will continue to be 150% of salary for the executive Directors (lower than the normal limit allowed for within our remuneration policy); and
- LTIP award levels for the Chief Executive and Chief Financial Officer will be 150% of salary and 125% of salary, respectively, (lower than the normal limit allowed for within our remuneration policy).

The incentive opportunity of the Chief Executive was reduced significantly for 2014 and further for 2015 in order to reflect the reduction in size and scale of the Group following the Restructuring in 2014. The Chief Executive's incentive opportunity will be maintained at the reduced level for 2016.

For more information, see pages
20 Key Performance Indicators
64 Corporate Governance Overview

Furthermore, the Committee reviewed a number of aspects of executive Director remuneration to ensure they continue to be aligned with the Group's strategy, support the Group's business objectives and motivate beneficiaries. The main purpose of the review was to better align the annual bonus plan with the Group's key business focus of delivery of the Group's major growth projects at Bozshakol and Aktogay, and operational and financial performance, including cost optimisation. From 2016, the number of discrete elements of the annual bonus plan will be reduced from three to two:

- operational and financial performance, which will include a number of key business performance measures, including cost optimisation; and
- strategic developments, which will incorporate project delivery.

The operational and financial performance element will represent 70% of the maximum bonus potential and the strategic developments element will represent 30% of the maximum bonus potential.

2015 performance and reward

Despite the challenging market conditions, the executive management team was able to deliver solid operational performance with copper cathode production in line with external guidance supported by good silver, zinc and gold by-product production. The net cash cost of copper was lower than forecast due to management's success in cost optimisation and strong silver by-product production. Financial performance was affected by lower commodity prices, with EBITDA (excluding special items) below forecast as the lower costs in 2015 were not sufficient to offset the impact of reduced metals prices. Group Free Cash Flow was marginally ahead of forecast. Bozshakol commenced commissioning in December 2015, with the production of first copper concentrate in February 2016. Pre-production mining operations commenced at Aktogay oxide in June 2015, with first copper cathode produced on 1 December 2015. The construction of the clay plant at Bozshakol and the sulphide plant at Aktogay are progressing well and on schedule and on budget. There was considerable improvement in the safety performance during the year with a number of initiatives rolled out across the Group. However, although there had been a reduction in fatalities for a sixth consecutive year, there is still progress to be made and the Committee has therefore applied a scale back to resulting bonuses. The overall level of performance achieved resulted in annual bonus awards of 67% of maximum potential for both Oleg Novachuk and Andrew Southam.

It is expected that the 2013 Long Term Incentive Plan awards, measuring performance from 1 January 2013 to 31 December 2015 and 1 June 2013 to 31 May 2016 (combined 41 month performance period) will lapse on 1 June 2016 on failing to achieve the required total shareholder return target.

EXECUTIVE DIRECTOR REMUNERATION STRUCTURE

Summary of remuneration structure

Fixed remuneration

- Base salary
- Pension
- Benefits

Variable remuneration

- **Short term – Annual**
  Annual bonus plan – linked to Group performance
- **Long term – Five years**
  Long Term Incentive Plan linked to relative TSR performance against comparator group, with combined five year vesting and holding period

Total remuneration

Shareholder engagement

The Committee is committed to an open and transparent dialogue with shareholders on the issue of executive remuneration. The Annual Report on Remuneration and this annual statement will be subject to an advisory vote at the forthcoming Annual General Meeting and I have no hesitation in recommending it to shareholders. The members of the Committee will be happy to answer any questions on remuneration matters at the Annual General Meeting and are available at any other time to discuss feedback on the remuneration policy and its implementation.

Lynda Armstrong OBE
Chair of the Remuneration Committee

DIRECTED BY STRATEGY

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Financial Conduct Authority's Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the Annual General Meeting on 5 May 2016.

Putting our remuneration policy into practice

KAZ Minerals' approach towards executive performance, reward and benefits supports and drives its strategy and business objectives and reinforces its values in the context of appropriate risk management.

The Committee seeks to ensure that the Company's remuneration policies and practices:

- provide a strong and demonstrable link between incentives and the Group's strategy and business objectives;
- facilitate the recruitment, retention and motivation of high calibre executives with the appropriate skills to implement the Group's strategy and business objectives;
- set a performance-biased framework for remuneration which is consistent with the Group's scale and unique circumstances, and which enables executive Directors and certain senior managers to share in the long-term success of the Group, without delivering excessive benefits or encouraging short-term measures or excessive risk-taking; and
- are aligned to shareholders' interests.

The strategy for executive Director remuneration is to provide a balanced package with a high proportion of total remuneration being awarded through performance-related elements.

The current intention is that the approved remuneration policy will operate in its present form until at least the 2017 Annual General Meeting. However, the Committee has reviewed the policy and made some changes to how it will be implemented for 2016 to ensure the principles above continue to effectively underpin its operation. How the policy will be implemented for 2016 is described below, along with details of the changes.

For clarity, the key parts of the Remuneration Policy Report that was approved by shareholders at the 2014 Annual General Meeting have been appended to this report on pages 96 to 99.

Implementation of remuneration policy for 2016

Salary

The base salaries for Oleg Novachuk and Andrew Southam with effect from 1 January 2016 will not be increased from 2015 levels and will remain at £856,000 and £410,000, respectively. For context, no increases were made to executive Directors' base salaries in any of the financial years from 2012 to 2015.

Pension and benefits

The Company does not provide pension benefits on behalf of Oleg Novachuk. The absence of any pension provision is taken into account when setting his base salary and other elements of remuneration. Andrew Southam receives Company pension contributions and/or a cash allowance with a total value of up to 10% of base salary.

Benefits include health insurance and, where appropriate, car and driver, and relocation assistance, all in line with entitlements provided for executives in similar positions in comparable companies.

Annual bonus

The maximum annual bonus opportunity remains at 150% of salary for both Oleg Novachuk (following a reduction from 200% of salary in respect of 2014 and henceforth) and Andrew Southam. The target bonus is set at 75% of salary for both Oleg Novachuk and Andrew Southam. The Committee will continue to review the maximum bonus level to ensure it remains appropriate.

Following the Restructuring that took place in 2014, the Committee took the opportunity during 2015 to review the measures and targets for the annual bonus plan. As a result, some changes have been made for 2016 to ensure that the measures and targets used more closely align with the business strategy and with shareholders' interests post-Restructuring. In addition, the changes are intended to enhance simplicity and to promote greater clarity for investors.

For 2016, in line with the Company's key strategic priorities, the annual bonus plan will seek to incentivise the achievement of: (i) improvement in safety performance through improved processes; (ii) improvement in operational performance through volume and cost of production measures; (iii) financial profitability through EBITDA (excluding special items) and Free Cash Flow; and (iv) strategic developments. The structure of the bonus will be weighted such that 70% will be based on operational and financial measures and 30% based on strategic developments. A summary of the structure is provided in the table below:

Measure	Weighting
Operational/financial	
Group EBITDA	25%
Free Cash Flow	5%
Own copper concentrate production	20%
Gross cash cost of copper	20%
Sub-total	**70%**
Strategic developments	
Satisfaction of various milestones set in relation to the development of the Bozshakol and Aktogay projects and other actions taken to assist in meeting the Company's strategic objectives	30%
Sub-total	**30%**
Total	**100%**
Total will be scaled back in the event that the Committee considers that there has been insufficient improvement in safety over the prior year	

For each element, 0% is payable at threshold rising to 50% payable at target and 100% payable at stretch.

Specific targets will not be disclosed in advance as they would give a clear indication of the Group's business objectives which are commercially sensitive. Performance against specific targets will be disclosed when they cease to be commercially sensitive.

For executive Directors other than Oleg Novachuk, bonus payments are conditional upon an undertaking to invest at least one third of the bonus earned, after payment of income tax and national insurance, in the Company's shares and to retain those shares for a minimum period of two years.

To take account of any serious problems that the Company may become aware of in the years after awards have been made, awards under the annual bonus plan will be subject to withholding and recovery provisions. Under these provisions, the Committee has discretion in exceptional circumstances to determine that where there has been continuity of executive responsibility (between initiation of a serious adverse event and its emergence as a problem), the serious adverse event may result in an amount of the original bonus paid being withheld or recovered. Such circumstances may include a material restatement of the Group's financial statements, the discovery of endemic problems in financial or operational reporting, or where, as a result of financial and operational losses, a material breach of regulatory guidelines has occurred or is likely to occur.

Long-term incentives

Following a review of incentive pay potential during the year, LTIP award levels for 2016 will remain at 150% of salary for Oleg Novachuk (following a reduction to this level from 200% of salary in respect of awards made in 2015 and henceforth) and 125% of salary for Andrew Southam. The value of the award will be based on a five day average share price commencing immediately after the announcement of the Group's preliminary results. The Committee will continue to review the award level to ensure it remains appropriate.

The awards will continue to be granted as nil-cost options. The number of shares that vest will continue to be dependent on KAZ Minerals' Total Shareholder Return (TSR) performance compared to a comparator group of UK and international mining companies. If KAZ Minerals' TSR is ranked median or above, an award will vest as follows:

TSR ranking of KAZ Minerals	Vesting percentage
Upper quartile ranking	100%
Between median and upper quartile ranking	Straight line vesting between 30% and 100% based on ranking plus interpolation between rankings
Median ranking	30%
Below median ranking	0%

Awards are split into two sub-awards each with three year vesting periods. This will not have any impact on the expected value of the awards, but will help to mitigate the impact that the cyclical nature of the copper industry has on KAZ Minerals' share price.

For awards to be granted in 2016 the performance period for the sub-awards will be:

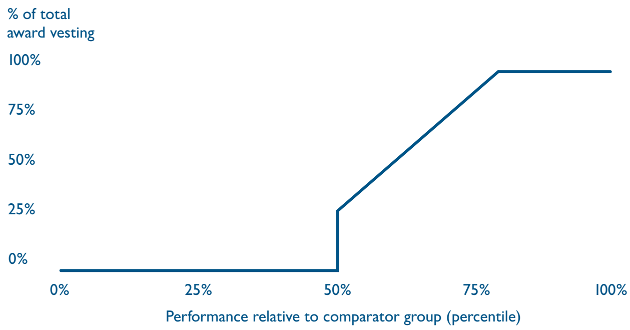
- sub-award 1: 1 January 2016 to 31 December 2018; and
- sub-award 2: 1 June 2016 to 31 May 2019.

As the performance period of the first sub-award commences prior to the date of grant and that of the second sub-award commences after the date of grant, the performance period for the entire award will be 41 months.

In addition, a holding period applies such that any awards vesting are required to be held by the executive Director for a period of two years from the vesting date.

The averaging period for calculating TSR will be three months leading up to the start and the end of the performance period of each sub-award. Under this phased approach KAZ Minerals' TSR for a period of six months at the start and the end of the performance period of the entire award will have an impact on the performance outturn. This phased approach is designed to increase the number of months the share price has an impact on the performance target and to reduce the impact of the volatility of KAZ Minerals' share price on the vesting of awards, whilst not materially changing the average vesting level over the medium term (and hence not increasing the expected value of awards).

TSR Performance Vesting Schedule



The comparator group applicable for awards to be granted in 2016 will comprise:

Anglo American plc	Antofagasta plc
BHP Billiton plc	Boliden AB
First Quantum Minerals Ltd	Freeport-McMoran Copper & Gold Inc
Fresnillo plc	Glencore plc
KGHM Polska Miedz S.A.	Lundin Mining Corporation
Rio Tinto plc	Southern Copper Corporation
Teck Resources Ltd 'B'	Vedanta Resources plc

In the event of one or more constituents undergoing a takeover, merger, dissolution, variation in capital or any other event that would materially affect the calculation of a ranking, the Committee shall determine how this should be reflected in the ranking calculation.

In the event of a change of control, awards will normally vest on a pro-rata basis by reference to the length of time since the award was granted, and only if the performance conditions can effectively be regarded as having been satisfied at that time, although the Committee may decide not to pro-rate an award if it is inappropriate to do so in the particular circumstances.

Withholding and recovery provisions operate for LTIP awards granted from 2015 and henceforth along similar lines as for the annual bonus plan, as described above.

Executive share option plan (ESOP)

The ESOP is an HMRC approved discretionary company share option plan that provides for the grant of market value options up to a value of £30,000 to executive Directors and certain selected UK-based senior executives. Options will normally vest at least three years from the date of grant, subject to the satisfaction of performance conditions and the participant being a Director or employee of KAZ Minerals at that time.

Options granted to executive Directors and senior management under the ESOP will count towards the individual limits under the LTIP and will normally be subject to the same performance conditions and periods as awards granted under the LTIP.

No executive Director currently participates in the ESOP.

All employee share schemes

Executive Directors are eligible to participate in the Company's UK and International Sharesave and Share Incentive Plans on the same terms as other eligible employees.

Service contracts

Oleg Novachuk has a service contract dated 26 September 2005 which is terminable by the Company or by the executive Director on three months' notice and Andrew Southam has a service contract dated 18 May 2013, when he became Chief Financial Officer, which is terminable by the Company on 12 months' notice or by the executive Director on six months' notice. 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 departing executive Director to seek new employment.

Chairman and other non-executive Directors' remuneration

The fees paid to the non-executive Directors for chairing and being members of committees and of the Senior Independent Director were reviewed in August 2013 and decreased, with the changes taking effect from 1 September 2013. These changes resulted in the total fees payable to non-executive Directors being reduced by around 4% per annum. Non-executive Director fees were further reviewed during 2015 and it was determined that fees would not be increased for 2016. The fee structure (per annum) from 1 January 2016 remains as follows:

- Non-executive Director base fee: £84,000
- Senior Independent Director: £12,000
- Chairs of the Audit and HSE Committees: £15,000
- Chair of the Projects Assurance Committee: £12,000
- Chair of the Remuneration Committee: £8,000
- Member of the HSE Committee: £9,000
- Member of the Audit Committee: £7,500
- Member of the Projects Assurance Committee: £6,000
- Member of the Remuneration Committee: £4,000

The non-executive Chairman's fee was set at £300,000 per annum on his appointment on 17 May 2013. The fee was, at his request, reduced to £275,000 per annum from 1 April 2014. The fee may be varied during the remainder of the three year period that the remuneration policy operates to ensure it continues to appropriately recognise the requirements of the role.

In addition to the fee of £84,000 he receives as a non-executive Director, Vladimir Kim receives an advisory fee of £370,000 per annum for assisting and supporting the Company in its dealings with the Government and regional authorities in Kazakhstan.

For the Chairman and each non-executive Director who served during 2015, the effective date of their letter of appointment is shown in the table below:

Name	Letter of appointment
Lynda Armstrong OBE	21 October 2013
Clinton Dines	1 October 2009
Simon Heale[1]	27 February 2013
Vladimir Kim[2]	17 May 2013
Michael Lynch-Bell	27 February 2013
John MacKenzie	25 February 2015
Lord Renwick of Clifton, KCMG[3]	1 December 2005
Charles Watson	24 August 2011

1 Prior to his appointment as Deputy Chairman and Chairman designate, 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 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 Stepped down as a Director at the conclusion of the Annual General Meeting on 7 May 2015.

Directors' remuneration for 2015

Executive Directors' remuneration

	Oleg Novachuk		Andrew Southam[4]		Eduard Ogay[5]	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Salary	856	856	410	68	–	419
Benefits[1]	3	3	3	1	–	–
Pension	–	–	34	7	–	–
Sub-total – fixed remuneration	859	859	447	76	–	419
Annual performance bonus[2]	856	728	410	410	–	–
Long Term Incentive Plan	–	–	–	–	–	–
Sub-total – variable remuneration	856	728	410	410	–	–
Other[3]	–	–	6	5	–	–
Total	1,715	1,587	863	491	–	419

1 Benefits for Oleg Novachuk and Andrew Southam relate to the provision of private medical insurance.

2 Annual performance bonus relates to bonus amounts paid in 2016 and 2015 in respect of the prior year performance period.

3 Includes the value of the 20% discount offered in relation to the annual invitation under the UK Sharesave Plan and the market value of the matching shares received following the monthly purchase of partnership shares under the UK Share Incentive Plan.

4 For 2014, fixed remuneration covers the period from his appointment to the Board on 1 November 2014 to 31 December 2014 and annual performance bonus relates to the full year.

5 Stepped down from the Board on 31 October 2014 and did not receive any payments for loss of office. Eduard Ogay's salary was set in US dollars and paid in tenge.

Executive Directors' annual bonus awards (performance period 1 January 2015 to 31 December 2015)

For 2015, the annual bonus plan comprised the following three discrete elements, with the first two elements each representing 25% of maximum bonus potential and the third element representing 50% of maximum bonus potential:

- operational performance;
- financial performance; and
- strategic developments (including development of the major growth projects and objectives relating to restructuring of the core business).

The maximum bonus potential for Oleg Novachuk and Andrew Southam for 2015 was 150% of salary.

The Committee assessed each discrete element of the annual bonus plan separately as part of an overall balanced scorecard of measures. Within each element the Committee considered a number of sub-elements and formed a rounded assessment of the performance of executive Directors at the end of the year.

Awards were also subject to a safety override enabling them to be scaled back to reflect the Group's safety performance.

Performance assessment for 2015

Despite the challenging market conditions, the executive management team was able to deliver solid operational performance with copper cathode production in line with external guidance supported by good silver, zinc and gold by-product production. The net cash cost of copper was lower than forecast due to management's success in cost optimisation and strong silver by-product production. The Committee assessed this to warrant 17% out of the maximum 25% available. Financial performance was affected by lower commodity prices, with EBITDA (excluding special items) below forecast as the lower costs in 2015 were not sufficient to offset the impact of reduced metals prices. Group Free Cash Flow was marginally ahead of forecast. The Committee assessed this to warrant 12% out of the maximum 25% available. Bozshakol commenced commissioning in December 2015, with the production of first copper concentrate in February 2016. Pre-production mining operations commenced at Aktogay oxide in June 2015, with first copper cathode produced on 1 December 2015. The construction of the clay plant at Bozshakol and the sulphide plant at Aktogay are progressing well and are on schedule and on budget. The Committee assessed this to warrant 38% out of the maximum 50% available. The Committee's assessment above includes the result of a scale back across each of the three elements to reflect safety performance.

The overall level of performance achieved resulted in annual bonus awards of 67% of maximum potential for both Oleg Novachuk and Andrew Southam. The Committee is satisfied that this level of bonus is appropriate given the performance achieved across this scorecard and the safety assessment. The Committee has not disclosed details of the 2015 targets as they are felt to be commercially sensitive, but will do so when they cease to be considered commercially sensitive.

Executive Directors' Long Term Incentive Plan awards (performance period 1 June 2012 to 31 May 2015 and 1 January 2013 to 31 December 2015)

Awards granted to executive Directors under the LTIP on 4 April 2012 (with performance measured partly over the period 1 June 2012 to 31 May 2015) and on 5 April 2013 (with performance measured partly over the period 1 January 2013 to 31 December 2015) were subject to a relative TSR performance condition with TSR measured against a bespoke group of global mining companies over a three year period, consistent with the approach and vesting schedule described on page 88.

For the sub-award measured over the period 1 June 2012 to 31 May 2015, the Company was ranked below median ranking. This sub-award has therefore lapsed in full having failed to reach the threshold median positioning.

For the sub-award measured over the period 1 January 2013 to 31 December 2015, the Company was ranked below median ranking. This sub-award has therefore lapsed in full having failed to reach the threshold median positioning.

The sub-award measured over the period 1 June 2013 to 31 May 2016 is also expected not to reach the threshold median positioning and is also expected to lapse in full.

LTIP awards granted in the year

During 2015, awards were made to Oleg Novachuk and Andrew Southam at 150% of salary and 125% of salary, respectively. The face value of the awards was based on a five day average share price commencing immediately after the announcement of the Group's preliminary results of 243.98 pence. The awards were made on 6 March 2015 on the following basis:

Executive Director	Type of award	Basis of award granted	Share price at date of grant	Number of shares awarded	Face value of award £000	% of face value which vests at threshold
Oleg Novachuk	Nil-cost option	150% of salary	225.60p	526,272	1,284	30
Andrew Southam	Nil-cost option	125% of salary	225.60p	210,058	513	30

The awards were made subject to a TSR performance condition which requires the Company to deliver a median ranking (30% vests) rising on a straight-line basis to an upper quartile TSR ranking (100% vests) relative to a peer group of mining companies. The awards were split into two sub-awards measured over two separate performance periods, i.e. 1 January 2015 to 31 December 2017 and 1 June 2015 to 31 May 2018. The averaging period for calculating TSR will be three months leading up to the start and the end of the performance period of each sub-award.

Executive Directors' interests in the Long Term Incentive Plan

Executive Director	Date of award	Date of vesting	Number of shares conditionally awarded as at 1 January 2015	Market price at date of grant	Awards made during the year	Awards vested during the year	Awards lapsed during the year	Number of shares under award as at 31 December 2015[1]
Oleg Novachuk	4 April 2012	1 June 2015	188,359	887p	–	–	188,359	–
	5 April 2013	1 June 2016	455,998	365p	–	–	–	455,998[2]
	7 March 2014	1 June 2017	570,933	293p	–	–	–	570,933
	6 March 2015	1 June 2018	–	226p	526,272	–	–	526,272
Andrew Southam	4 April 2012	1 June 2015	17,878	887p	–	–	17,878	–
	5 April 2013	1 June 2016	85,333	365p	–	–	–	85,333[2]
	2 September 2013	2 September 2016	62,597	306p	–	–	–	62,597[2]
	7 March 2014	1 June 2017	170,913	293p	–	–	–	170,913
	6 March 2015	1 June 2018	–	226p	210,058	–	–	210,058

1 The table shows the maximum number of shares that could be released if awards were to vest in full. Participants do not receive dividends on unvested shares.

2 Half of the award lapsed on 1 January 2016 on failing to satisfy the performance condition.

Payments for loss of office

No payments for loss of office and no payments to any former Directors were made during the year ended 31 December 2015.

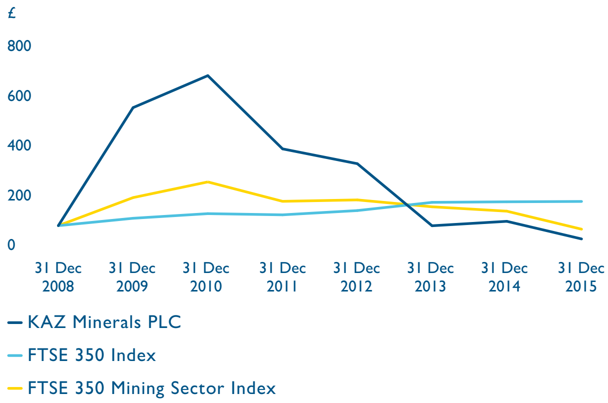
External appointments

No executive Director held a non-executive directorship of another company during 2015.

Performance graph

The following graph shows the value, at 31 December 2015, of £100 invested in KAZ Minerals PLC shares on 31 December 2008 compared with an equivalent investment in the FTSE 350 Index and FTSE 350 Mining Sector Index. These indices were chosen as they are broad-based indices and are widely recognised performance comparisons for large UK mining companies.

Total Shareholder Return



Source: Thomson Reuters

During 2015, the total shareholder return of the Company's shares was -60%. This compares to the negative return on the FTSE 350 Mining Sector Index of 46%.

Remuneration of highest paid executive Director

The table below shows the total remuneration figure for the highest paid executive Director (i.e. the Executive Chairman for 2009 to 2012 and the Chief Executive for 2013 to 2015) during each of those financial years. The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance in those years. The annual bonus and LTIP percentages show the payout for each year as a percentage of the maximum.

	2009[1]	2010[1]	2011[1]	2012[1]	2013[2]	2014[2]	2015[2]
Total remuneration (£000)	1,801	1,736	1,768	1,676	1,458	1,587	1,715
Annual bonus (%)	71	58	50	40	35	57	67
LTIP vesting (%)	–	–	–	–	–	–	–

1 Relates to the remuneration of Vladimir Kim, Executive Chairman at that time.

2 Relates to the remuneration of Oleg Novachuk, Chief Executive.

Remuneration of other senior managers

The base salaries of those senior managers immediately below the level of the Board who were employed in the Group as at 31 December 2015 were as shown in the table below:

Salary range	Number of senior managers
£600,000 – £699,999	1
£500,000 – £599,999	–
£400,000 – £499,999	–
£300,000 – £399,999	1
£200,000 – £299,999	1
£100,000 – £199,999	2

Percentage change in remuneration levels

The following table shows the movement in the salary, benefits and annual bonus for the Chief Executive between the current and previous financial year compared to that for the average UK employee. The Committee has chosen this comparator as it feels that it provides a more appropriate reflection of the earnings of the average worker than the movement in the Group's total wage bill, which is distorted by movements in the number of employees and variations in wage practices in Kazakhstan. For the benefits and bonus per employee, this is based on those employees eligible to participate in such schemes.

Change in remuneration levels	% change
Chief Executive	
Salary	Nil
Benefits	(6)
Bonus[1]	6
Average per employee	
Salary	(2)
Benefits	(26)
Bonus[1]	23

1 Bonus relates to percentage change in bonus amounts paid in 2014 and 2015 in respect of the prior year performance period.

Relative importance of spend on pay

The table below shows the movement in the total cost of remuneration in the Group, the total cost of remuneration for Directors as well as dividend distributions to shareholders and capital expenditure.

Spend on pay	**2015 £ million**	2014 £ million	% change
Overall expenditure on Group employees' pay	**124**	107	16
Overall expenditure on pay for executive Directors	**1**	2	(48)
Distribution by way of dividends	**–**	–	N/A
Capital expenditure	**738**	722	2

Information for 2014 relates solely to the continuing operations and has been adjusted to include £28 million of employment costs capitalised within property, plant and equipment and mining assets which were omitted from the previous year's disclosure. Capital expenditure is shown in the table above as Directors have a choice of whether to distribute profits and cash flows by way of dividend, or reinvest these in the asset base to maintain or improve the Group's operations.

Non-executive Directors' fees and expenses

Fees and expenses paid to non-executive Directors during the year ended 31 December 2015 are set out below:

Non-executive Directors' fees and expenses	Fees	Expenses	Total 2015 £000	Fees	Expenses	Total 2014 £000
Lynda Armstrong OBE[1]	106	2	108	103	1	104
Clinton Dines[2]	101	52	153	101	19	120
Simon Heale	275	–	275	281	–	281
Vladimir Kim[3]	454	–	454	84	–	84
Michael Lynch-Bell	114	–	114	111	–	111
John MacKenzie[4]	83	–	83	–	–	–
Lord Renwick of Clifton, KCMG[5]	32	–	32	92	–	92
Charles Watson	123	–	123	123	–	123

1 Includes £2,000 (2014: £1,000) in travel and accommodation expenses for travel to attend Board and committee meetings.

2 Includes £52,000 (2014: £19,000) in flight and accommodation expenses for travel to the UK to attend Board and committee meetings.

3 In 2015, in addition to his fee of £84,000 as a non-executive Director, Vladimir Kim received an advisory fee of £370,000 for assisting and supporting the Company in its dealings with the Government and regional authorities in Kazakhstan. During 2014, Vladimir Kim was paid a fee of £84,000 as a non-executive Director plus £649,240 as executive chairman of Kazakhmys Corporation LLC for the period to the completion of the Restructuring on 31 October 2014.

4 Appointed to the Board on 1 March 2015.

5 Stepped down as a Director at the conclusion of the Annual General Meeting on 7 May 2015.

Directors' interests in ordinary shares

The beneficial interests of the Directors and their connected persons who held office at 31 December 2015 in the Company's ordinary shares as at that date and 1 January 2015 are shown in the table below:

Directors' interests in ordinary shares	Ordinary shares beneficially owned at 1 January 2015 or date of appointment	Ordinary shares beneficially owned at 31 December 2015	Outstanding LTIP awards	Outstanding DSBP awards	Outstanding UK Sharesave Plan options	% of shareholding guideline as at 31 December 2015
Lynda Armstrong OBE	4,000	4,000	–	–	–	–
Clinton Dines	3,000	3,000	–	–	–	–
Simon Heale	53,000	228,655	–	–	–	–
Vladimir Kim	149,306,795	149,306,795	–	–	–	–
Michael Lynch-Bell	7,000	7,000	–	–	–	–
John MacKenzie	–	5,000	–	–	–	–
Oleg Novachuk	34,923,423	34,923,423	1,553,203	–	–	100
Andrew Southam	22,881	137,422	528,901	113,220	13,432	17
Charles Watson	3,624	3,624	–	–	–	–

1 The ordinary shares beneficially owned by Oleg Novachuk have been pledged to support loans. The voting rights in respect of the pledged ordinary shares have been retained by him.

2 No changes in Directors' interests occurred in the period 1 January 2016 to 24 February 2016, save for the purchase of 167 partnership shares by Andrew Southam under the UK Share Incentive Plan.

3 The closing market price of the Company's shares at 31 December 2015 was 102.25p and the range for the year was 73p to 270p.

4 Of the ordinary shares beneficially owned by Andrew Southam at 31 December 2015, 2,315 ordinary shares relate to the partnership shares purchased and held in trust under the UK Share Incentive Plan.

Executive Directors are required to build up a holding of ordinary shares in the Company worth at least 200% of salary within a five year period from their date of appointment. As set out in the table above, Oleg Novachuk has met and exceeded the shareholding requirement and Andrew Southam has currently met 17% of the shareholding requirement, although he has five years from his date of appointment on 1 November 2014 to achieve the shareholding requirement.

Dilution of share capital
The Company's share-based incentive plans currently operate with market purchase shares that are held in an Employee Benefit Trust. Therefore, there is no dilution of existing shareholders on the vesting of awards. In the event of the Company deciding to use shares held in treasury, such shares will count towards the limits on the number of new shares which may be issued under the rules of the relevant share-based incentive plan pursuant to institutional shareholder guidelines.

Employee Benefit Trust
The Employee Benefit Trust has been established to acquire ordinary shares in the Company, by subscription or purchase, from funds provided by the Group to satisfy rights to shares arising on the exercise of awards under the Group's share-based incentive plans. The trustees of the Employee Benefit Trust have informed the Company that their intention is to abstain from voting in respect of the KAZ Minerals shares held in the trust.

As at 31 December 2015, 211,405 shares were held by the Employee Benefit Trust to hedge outstanding awards of 3,349,578. This means that the trust holds 6% of outstanding awards.

Role of the Remuneration Committee
The Committee is primarily responsible for determining and recommending to the Board the framework for executive remuneration and for determining, on behalf of the Board, the remuneration of executive Directors and certain senior managers.

The Committee's full terms of reference are available to view on the Company's website (www.kazminerals.com). The Committee's principal responsibilities are summarised below:

- determining and agreeing with the Board the framework for executive remuneration that ensures executive Directors and certain senior managers are provided with appropriate incentives to encourage enhanced performance and are rewarded in a fair and responsible manner for their individual contribution towards the success of the Company;
- ensuring that the remuneration policy is appropriate and consistent with effective risk management;
- within the agreed framework, setting and determining the total individual remuneration arrangements for executive Directors and certain senior managers, giving due regard to individual and Company performance, and remuneration trends across the Group;
- approving the design of, and determining the targets for, any performance-related plans and the total annual payments made under such plans to executive Directors and certain senior managers;
- determining any share incentive plan performance targets; and
- determining the terms of employment and remuneration of each executive Director and certain senior managers, including recruitment and termination arrangements.

Composition of the Remuneration Committee
The members of the Committee during 2015 were Lord Renwick, Lynda Armstrong, Simon Heale, Michael Lynch-Bell and Charles Watson. Lord Renwick stepped down as a Director and chair of the Committee at the conclusion of the Annual General Meeting on 7 May 2015 at which point Lynda Armstrong took over as chair of the Committee. The Chief Executive is normally invited to attend meetings to provide information and advice to the Committee to enable it to make informed decisions. He is, however, specifically excluded from any matter concerning his own remuneration. Representatives of New Bridge Street, the Committee's retained adviser, also attend meetings by invitation. The Company Secretary attends meetings as secretary to the Committee.

Attendance at Remuneration Committee meetings
The Committee met three times in 2015, with each member attending as follows:

Members	Committee member since	Attendance at scheduled meetings during 2015
Lord Renwick of Clifton, KCMG[1]	1 December 2005	1/1
Lynda Armstrong OBE	21 October 2013	3/3
Simon Heale	1 January 2007	3/3
Michael Lynch-Bell	7 May 2015	2/2
Charles Watson	17 May 2013	3/3

1 Stepped down as a Director and chair of the Committee at the conclusion of the Annual General Meeting on 7 May 2015.

After each meeting, the chair of the Committee presented a report on its activities to the full Board.

Committee activities
During the year, the Committee considered, amongst other matters, the following:

- reviewed current trends in remuneration practice and institutional investors' current guidelines on executive compensation;
- reviewed Annual General Meeting outcome and feedback from institutional shareholders and shareholder bodies, giving consideration to the implications for future remuneration policy and its implementation;
- set, reviewed and agreed to approve individual remuneration arrangements for executive Directors and certain senior managers;
- performed an oversight role on the remuneration of certain senior managers immediately below Board level;
- reviewed the performance elements of the annual bonus plan for 2016;
- assessed the level of achievement against objectives under the annual bonus plan and LTIP;
- considered and approved plan design, performance measures and targets to be used under the LTIP;
- reviewed the list of comparator companies for the LTIP;
- reviewed and approved the Directors' Remuneration Report; and
- reviewed the Committee's performance and its terms of reference.

Priorities for 2016
For the coming year, it is anticipated that the Committee will focus on the following areas:

- supporting the Group's strategy and business objectives;
- ensuring compliance with regulatory requirements;
- reviewing and assessing the ongoing appropriateness of current executive remuneration plan design and targets;
- ongoing training of Committee members;
- ensuring that remuneration arrangements continue to promote the long-term success of the Company, and to reward Company performance, with a focus on maintaining the link between performance and reward, whilst maintaining a prudent approach to cost and the risk to the business; and
- reviewing the competitiveness and effectiveness of the external adviser.

Management of risk in remuneration arrangements
The Committee periodically commissions a detailed assessment of the risk environment surrounding the Company's current remuneration arrangements for executive Directors and certain senior managers. The latest assessment determined that whilst remuneration arrangements were broadly compatible with the Company's risk policies and systems, a number of areas could be considered further, including keeping under review the performance condition of the LTIP. Overall, the Committee remains satisfied that the remuneration policy is aligned with the long-term needs of the business and that incentive quantum, structure and objectives do not encourage short-term measures or excessive risk-taking.

The Committee draws upon the relevant experience and knowledge of its members to ensure that it benefits from the positions they hold at the Company. These include the fact that Simon Heale is Chairman of the Company, Michael Lynch-Bell is chair of the Audit Committee and Charles Watson is chair of the Health, Safety and Environment Committee and the Projects Assurance Committee. The Chief Executive, who attends Committee meetings by invitation, also provides a link to the Executive Committee. The leveraging of such experience and knowledge enables the Committee to have an oversight of risk factors that may be relevant to remuneration arrangements and target setting specifically.

External adviser
The Committee has authority to obtain the advice of external independent remuneration consultants. It is solely responsible for their appointment, retention and termination and for approval of the basis of their fees and other terms. During 2015, the Committee received advice on executive compensation, performance-related pay schemes and equity-based incentive schemes from New Bridge Street, a trading name of Aon Hewitt Limited (part of the Aon plc group). New Bridge Street also provides advice to the Company on remuneration matters for senior employees including benchmarking of remuneration and equity-based incentives and on remuneration matters relating to non-executive Directors. No other company within the Aon plc group provides other services to the Company. The terms of engagement between the Committee and New Bridge Street are available on request. The total fees paid to New Bridge Street in respect of its services during the year were £58,131. New Bridge Street is a signatory to the Remuneration Consultants Group Code of Conduct. The Committee regularly reviews the external adviser relationship and is comfortable that New Bridge Street's advice remains objective and independent.

Statement of shareholder voting
At the Annual General Meeting held on 7 May 2015, the advisory vote on the Annual Report on Remuneration received the following votes from shareholders:

	Annual Report on Remuneration	
Votes for	275,144,668	97%
Votes against	8,495,470	3%
Total votes cast	283,640,138	100%
Votes withheld	1,439,257	

Shareholder engagement
When reviewing the remuneration framework of executive Directors and certain senior managers, during 2015 the Committee took into account the views and guidance expressed by institutional shareholders and shareholder bodies. In addition, the Committee considered feedback forthcoming at the Annual General Meeting held on 7 May 2015, along with other feedback received during the year, as part of the annual review of the implementation of remuneration policy.

Audit requirements
The Group's auditor, KPMG LLP, has audited the information contained in the tables headed Executive Directors' remuneration, LTIP awards granted in the year, Executive Directors' interests in the Long Term Incentive Plan, Remuneration of other senior managers, Non-executive Directors' fees and expenses, and Directors' interests in ordinary shares.

On behalf of the Board

Lynda Armstrong OBE
Chair, Remuneration Committee

Policy Report

Key parts of the Policy Report that was approved by shareholders at the 2014 Annual General Meeting have been included again in this report for the purposes of clarity and transparency. The original Policy Report, approved at the 2014 Annual General Meeting, can be found on pages 76 to 81 in the 2013 Annual Report and Accounts on the Company's website (www.kazminerals.com).

The remuneration policy table has been annotated to additionally include details of how the policy will be implemented in 2016.

Remuneration Policy table

The table below summarises the key aspects of the Company's remuneration policy for executive Directors.

	Salary	Benefits
Purpose and link to strategy	To attract and maintain high calibre executives taking account of market levels at the date of appointment and on subsequent review	Provide market competitive benefits to help recruit and retain high calibre executives
Operation	Reviewed annually, effective 1 January Any increases take account of: • Company and individual performance • Skill set and experience of the executive • External indicators such as inflation and market conditions • Remuneration levels of Group employees, particularly in the UK Where no pension provision is provided an adjustment will be made to salary *2016: Salaries will not be increased from 2015 levels*	Provision of benefits such as: • Private medical insurance • Car and driver • Relocation assistance • All employee share schemes • Travel and related expenses Additional benefits such as pension and life assurance may be provided from time to time. The Committee will consider whether the payment of any additional benefits is appropriate and in line with market practice when determining whether and at what level they are paid *2016: There is no current plan to provide any pension benefits to the Chief Executive*
Maximum	No prescribed maximum annual increase Salary reviews take account of Company and individual performance The Committee is guided by the general increase for the broader employee population, particularly in the UK, but on occasions may need to recognise, for example, development in role, change in responsibility and/or specific retention issues as well as the market context The Committee has the flexibility to set the salary of a new hire at a discount to the market level initially, with a series of planned increases implemented over the following few years to bring the salary to the desired positioning, subject to individual performance	Cost of benefits is not pre-determined

Annual Bonus Plan	Long Term Incentive Plan	All Employee Share Plans
Incentivise the delivery of annual objectives consistent with the Group's strategy, without encouraging short-term measures or excessive risk-taking	Incentivise long-term value creation and alignment with longer-term returns to shareholders	Encourages long-term shareholding in the Company Provides all employees with the opportunity to become owners in the Company on similar terms
Not pensionable Clawback facility to take account of material and exceptional adverse circumstances which may arise after the payment of the bonus which makes the payment of that bonus unwarranted Payments determined on the basis of: • Operational performance • Financial performance • Strategic developments Payments scaled back in the absence of an improvement in the Group's safety performance Targets set by reference to the financial and operating plans	Normally granted annually, awards under the Long Term Incentive Plan are rights to receive nil-cost shares, subject to continued employment and relative TSR performance measured over a minimum three year period Shares arising from an LTIP award must be held for a period of five years from the date of grant The Committee obtains independent external advice to assess whether the Company has met the TSR performance condition at the end of the relevant period The composition of the TSR comparator group is reviewed at least annually by the Committee	Opportunity to participate in UK and International Sharesave and Share Incentive Plans on the same terms as other eligible employees Significant tax benefits in the UK subject to satisfying certain HMRC requirements Plans can only operate on an "all employee"/equal terms basis. The plan operates on a non-tax favoured basis outside the UK as appropriate There are no post grant performance targets applicable to awards
From 2014, the maximum bonus potential is 150% of salary for the achievement of stretching performance objectives with a target bonus of 75% of salary Target bonus no higher than 100% of salary Bonus starts to earn at a threshold level (where 0% of salary is payable) and rises on a straight-line basis	Maximum of 250% of salary per annum Normal award policy currently set at 200% of salary per annum *2016: Awards will be made at up to 150% of salary*	The maximum participation level (for UK-based employees) is as per HMRC limits

Annual bonus plan and Long Term Incentive Plan (LTIP) flexibility

The Committee will operate the annual bonus plan and LTIP according to the rules of each respective plan and consistent with normal market practice and the Listing Rules, including flexibility in a number of regards.

The Committee will consult with shareholders in the event of material application of discretion.

Shareholding guidelines

All executive Directors are expected to hold shares equivalent in value to a minimum of 200% of their base salary within a five year period from their date of appointment. The relevant salary is the salary at the date of appointment and the market value is measured at the current date.

Executive Directors are required (where permitted from a technical perspective) to hold shares arising from an LTIP award for a period of five years from the date of grant, with only those shares required to cover a tax liability on exercise of an LTIP award permitted to be sold.

Recruitment and appointment policy

The remuneration package for a new executive Director will be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment. The Committee may offer, in addition, certain cash or share-based elements for the sole purpose of buying out existing awards. Any such payments would be based solely on remuneration relinquished when leaving the former employer and would be used for the specific purpose of recruiting an executive Director key to the operation of the Company. These payments would not exceed what is felt to be a fair estimate of remuneration lost when leaving the former employer and would reflect (as far as possible) the nature and time horizons attaching to that remuneration and the impact of any performance conditions. Shareholders will be informed of any such payments at the time of appointment.

In the case of an internal executive appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its existing terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment will continue.

The Committee has the flexibility to set the salary of a new hire at a discount to the market level initially, with a series of planned increases implemented over the following few years to bring the salary to the desired positioning, subject to individual performance.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as appropriate. In addition, the Committee may agree to provide tax equalisation for any new appointment.

For the appointment of a new Chairman or non-executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

Service contracts

Service contracts normally continue until the executive Director's agreed retirement date or such other date as the parties agree. 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. The Committee will, consistent with best practice and in the interests of the Company and its shareholders, seek to minimise termination payments.

A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums earned up to the date of termination, on the occurrence of certain events, such as gross misconduct. The circumstances of the termination (taking into account the individual's performance) are taken into account by the Committee when determining amounts payable as a result of termination. The Committee's normal policy on termination is to make phased compensatory payments and to stop or reduce such payments to former executive Directors where they receive remuneration from other employment during the notice period (where this is consistent with local employment legislation and market practice).

Any share-based entitlements granted under the Company's share plans will be determined on the basis of the relevant plan rules.

Provision	Summary terms
Notice period	Up to 12 months
Termination payment	Base salary plus benefits. Payments will normally be paid monthly and be subject to mitigation (where this is consistent with local employment legislation and market practice)
Remuneration entitlements	A pro-rata bonus may also become payable for the period of active service along with, under the rules, vesting of outstanding share awards (in certain circumstances). In all cases performance targets will apply

Chairman and other non-executive Directors' letters of appointment

The Chairman and other 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 other than for the Chairman, who has 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 to progressively refresh the Board.

Chairman's fee

The fee for the Chairman is determined by the Committee, with the Chairman abstaining from any discussion or decision on his fee, and reflects the commitment, demands and responsibility of the role. The fee is paid monthly in cash inclusive of all committee roles and is not performance-related or pensionable. Limited benefits relating to travel, accommodation and meals for the Chairman and his spouse may also be payable in certain circumstances.

Non-executive Director fees

Fees for the non-executive Directors are determined by the Board as a whole, upon the recommendation of the executive Directors.

The policy on non-executive Directors' fees is:

Purpose and link to strategy	To be sufficient to attract, motivate and retain world class talent necessary to contribute to a high-performing Board
Operation	Fees are determined by the Board, within the limits set out in the Company's Articles of Association, with non-executive Directors abstaining from any discussion or decision on their fees The Board takes account of recognised best practice standards for such positions when determining the fee level and structure Fees are paid monthly in cash. Non-executive Directors do not participate in any of the Company's incentive arrangements or receive any pension provision The non-executive Directors receive a base fee, with additional fees payable for chairing and being a member of the Company's key committees and for performing the Senior Independent Director role. In addition to his base fee, Vladimir Kim receives an advisory payment for the vital role he plays in terms of the Company's relationship with the Government and regional authorities in Kazakhstan The fee levels are reviewed on a periodic basis, with reference to the time commitment and responsibilities of the role and market levels in companies of comparable size and complexity Limited benefits relating to travel, accommodation and meals for non-executive Directors and their spouses may also be payable in certain circumstances

Directors

The Directors of the Company who served during the year were as shown on pages 66 and 67, together with Clinton Dines who stepped down from the Board on 31 December 2015. Details of Directors' interests in shares can be found in the Directors' Remuneration Report on page 93.

In accordance with the UK Corporate Governance Code, all Directors will retire and submit themselves for re-election at the Company's forthcoming Annual General Meeting. Details of Directors' contracts or letters of appointment are included in the Directors' Remuneration Report. The performance of each Director was reviewed and it was found that each of them continues to make an effective and valuable contribution to the deliberations of the Board and demonstrate commitment to the role. The performance of the Chairman was reviewed by the Senior Independent Director.

During the year, no Director had any interest in any shares or debentures in the Company's subsidiaries, or any material interests in any contract with the Company or a subsidiary being a contract of significance in relation to the Company's business.

Directors' indemnity and insurance

KAZ Minerals maintains liability insurance for its Directors and Officers. The Company has also granted indemnities to each of the Directors, the Chief Financial Officer and the Company Secretary to the extent permitted by law. These indemnities are uncapped in amount, in relation to certain losses and liabilities which they may incur to third parties in the course of acting as a Director (or Officer or Company Secretary as the case may be) of the Company or any of its associated companies. Neither the indemnity nor insurance cover provides cover in the event that a Director (or Officer or Company Secretary as the case may be) is proved to have acted fraudulently or dishonestly.

The indemnity is categorised as a 'qualifying third-party indemnity' for the purposes of the Companies Act 2006 and will continue in force for the benefit of Directors (or Officers or Company Secretary as the case may be) on an ongoing basis.

Annual General Meeting

The Company's Annual General Meeting will be held at 12.15pm on Thursday 5 May 2016 at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED, United Kingdom. Details of the meeting venue and the resolutions to be proposed, together with explanatory notes, are set out in a separate Notice of Annual General Meeting which accompanies this Annual Report and Accounts. A summary of the business carried out at the Annual General Meeting will be published on the Company's website (www.kazminerals.com).

Share capital

As at 31 December 2015, the Company's issued share capital was 458,379,033 ordinary shares of 20 pence, each credited as fully paid. As at the date of this Directors' Report, the Company holds 11,701,830 ordinary shares in treasury and the issued share capital of the Company which carries voting rights of one vote per share comprises 446,677,203 ordinary shares (excluding treasury shares). Further details of the Company's issued share capital are shown in note 23 commencing on page 134.

The Company's shares are listed on the London, Hong Kong and Kazakhstan stock exchanges.

A list of the Group's subsidiary undertakings and their principal activity is given in note 36 (m) commencing on page 161.

Purchase of own shares

The Company was authorised by shareholders at the 2015 Annual General Meeting to purchase its own shares on the market within certain limits. In the period since the 2015 Annual General Meeting, the Company did not purchase any shares under this authority. The Board will seek shareholders' approval to renew the authority to make market purchases of the Company's shares at the forthcoming Annual General Meeting.

Major shareholdings

As at 24 February 2016, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the Financial Conduct Authority of the following interests in its total voting rights of 3% or more:

Name of holder	Number of ordinary shares of 20 pence each held	Percentage of total voting rights held as at 24 February 2016
Cuprum Holding Limited[1]	135,944,325	30.43
Lafonda Holding Pte Limited	31,293,781	7.00
Harper Finance Limited[2]	29,706,901	6.65

1 Vladimir Kim holds a 100% interest in Cuprum Holding Limited.

2 Oleg Novachuk holds a 100% interest in Harper Finance Limited.

Relationship agreements

As required by Listing Rule 9.2.2AR(2)(a), on 23 July 2014, the Company entered into: (i) an amended and restated relationship agreement (originally entered into on 26 September 2005) with Cuprum Holding Limited, Perry Partners S.A. and Vladimir Kim; and (ii) a relationship agreement with Stansbury International Limited and Eduard Ogay.

In accordance with Listing Rule 6.1.4DR, each 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 relationship agreement with Vladimir Kim, 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.

Each 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 the relevant shareholder cease to be a 'controlling shareholder' as defined in the Listing Rules.

The Company has complied with the independence provisions included in the relationship agreements and, so far as the Company is aware, such provisions have been complied with during the period under review by the controlling shareholders and their associates.

Although Eduard Ogay stepped down from the Board with effect from 31 October 2014, as he continues to be considered to be acting in concert with Vladimir Kim for the purposes of the Code, details of the relationship agreement between the Company, Stansbury International Limited and Eduard Ogay have been included.

Political donations

The Group did not give any money for political purposes in the United Kingdom nor did it make any donations to EU political organisations or incur any EU political expenditure during the year.

Policy on derivatives and financial instruments

The Group's objectives and policies on financial risk management, and information on the Group's exposures to foreign exchange, counterparty credit, commodity price, liquidity and interest rate risks can be found in note 31 commencing on page 140.

Legal proceedings

Neither the Company nor any of its subsidiaries is a defendant in any proceedings which the Directors believe will have a material effect on either the Company's financial position or profitability. Commitments and contingencies are disclosed in note 32 commencing on page 147.

Significant agreements – change of control

The following significant agreements contain certain termination and other rights for the counterparties upon a change of control of the Company.

Each of a $1.34 billion facility agreement and a RMB1.0 billion facility agreement dated 16 December 2011 between KAZ Minerals Aktogay Finance Limited as borrower and China Development Bank Corporation as lender, contain terms which give the lender the right to cancel any of the commitments provided to KAZ Minerals Aktogay Finance Limited and declare all outstanding loans, together with accrued interest, and all other amounts accrued and outstanding immediately due and payable on 30 business days' notice if the Company ceases to hold (directly or indirectly) more than 50 per cent of the issued share capital of KAZ Minerals Aktogay Finance Limited and/or certain other named subsidiaries.

The terms of a pre-export finance debt facility dated 20 December 2012, as amended and restated on 29 October 2014, between KAZ Minerals Finance PLC and a syndicate of banks, provide that if any person (excluding Vladimir Kim and Oleg Novachuk) or group of people acting in concert secures control of the Company: (i) a lender under the facility shall not be obliged to fund a loan; and (ii) if a body of lenders representing more than two-thirds of the amount of the facility so require, the parties shall enter into negotiations for a period of not more than 30 days with a view to agreeing alternative terms for continuing the facility. If no alternative basis has been agreed during such period then the lenders may cancel the commitments of the lenders to lend the facility and declare all outstanding amounts due and payable.

Each of a $1,844 million facility agreement and a $148.5 million facility agreement dated 29 December 2014 between KAZ Minerals Finance PLC as borrower and China Development Bank Corporation as lender, contain terms which give the lender the right to cancel any of the commitments provided to KAZ Minerals Finance PLC and declare all outstanding loans, together with accrued interest, and all other amounts accrued and outstanding immediately due and payable on 30 business days' notice if the Company ceases to hold (directly or indirectly) more than 50 per cent of the issued share capital of KAZ Minerals Finance PLC and/or certain other named subsidiaries.

The terms of a borrowing base debt facility dated 14 August 2015 between KAZ Minerals Finance PLC as borrower and Caterpillar Financial Services (UK) Limited as original lender, provide that if any person (excluding Vladimir Kim and Oleg Novachuk) or group of people acting in concert secures control of the Company: (i) a lender under the facility shall not be obliged to fund a loan; and (ii) if a body of lenders representing more than two-thirds of the amount of the facility so require, the parties shall enter into negotiations for a period of not more than 30 days with a view to agreeing alternative terms for continuing the facility. If no alternative basis has been agreed during such period then the lender(s) may cancel the commitments of the lender(s) to lend the facility and declare all outstanding amounts due and payable.

Going concern

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (which is for this purpose a period of at least 12 months from the date of approval of these financial statements). Accordingly, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Articles of Association

The following description summarises certain provisions of the Company's Articles of Association and applicable English law concerning companies (the Companies Act 2006). This summary is qualified in its entirety by reference to the Company's Articles of Association and the Companies Act 2006. The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

Rights attaching to shares

The rights attaching to the ordinary shares of the Company are defined in the Company's Articles of Association.

Voting rights

Members may attend any general meeting of the Company. On a show of hands every member (or his/her representative) who is present in person or by proxy has one vote on each resolution and on a poll every member (or his/her representative) who is present in person or by proxy shall have one vote on each resolution for each share of which he/she is the holder.

As a result of changes introduced by the Companies Act 2006 to allow multiple proxies appointed by a single member to vote on a show of hands, all substantive resolutions at general meetings will normally be put to a poll vote. Employees who participate in the Company's Share Incentive Plans (SIP) and hold shares in the SIP trusts, provide directions to the trustee to vote on their behalf by way of a form of direction.

The Company is not aware of any agreements between shareholders that may result in restrictions on voting rights.

Dividend rights

Shareholders may by ordinary resolution declare dividends but the amount of the dividend may not exceed the amount recommended by the Board.

Transfer of shares

There are no restrictions on the transfer of shares other than certain restrictions as set out in the Company's Articles of Association. Transfers of uncertificated shares must be carried out using CREST and the Board can refuse a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares.

Powers of the Directors

The Directors are responsible for the management of the business of the Company and may exercise all powers of the Company subject to applicable legislation and regulation and the Company's Articles of Association.

Appointment and retirement of Directors

The Board shall have the power at any time to appoint any person who is willing to act as a Director, so long as the total number of Directors shall not exceed the maximum number prescribed in the Articles. Any Director so appointed shall retire at the next Annual General Meeting following such appointment. Each Director shall retire at the Annual General Meeting held in the third calendar year following the year in which he/she was elected or last re-elected by the Company. A Director who retires at an Annual General Meeting (whether by rotation or otherwise) may, if willing to act, be re-appointed.

Audit information

The Directors who held office at the date of approval of this Directors' Report confirm that so far as they each are aware, there is no relevant audit information (being information needed by the auditors in connection with preparing their audit report), of which the Company's auditors are unaware, and each Director has taken all steps that he ought to have reasonably taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Having reviewed the independence, objectivity and performance of the auditors, the Audit Committee has recommended to the Board that the existing auditors, KPMG, be re-appointed. Ordinary resolutions re-appointing them as auditors and authorising the Directors to set their remuneration will be proposed at the 2016 Annual General Meeting.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the Group and parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities, and have adopted a control framework for application across the Group.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

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

- the Group and parent company accounts, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report, Directors' Report and Governance Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Strategic Report comprising pages 2 to 61 and the Directors' Report comprising pages 64 to 103, and including the sections of the Annual Report and Accounts referred to in these pages, have been approved by the Board and signed on its behalf by:

Stephen Hodges
Company Secretary

24 February 2016

Registered Office
6th Floor, Cardinal Place
100 Victoria Street
London
SW1E 5JL

Registered in England and Wales No. 05180783

SHARING KNOWLEDGE

"A skilled workforce is critical to the future of our business. We ensure that international best practice is shared between our employees and applied at our local projects in Kazakhstan."

Jeremy Allen
Head of Projects (Operations)

We are committed to training and developing employees, incentivising them to stay with the business and ensuring good working conditions. We employ a small number of foreign nationals in Kazakhstan to address skill shortages in the short term, or to draw on their particular expertise and experience. We aim to build knowledge and skills among existing employees, to benefit the local workforce and we strongly encourage a knowledge sharing culture at our operations.

Bozshakol is a prime example of a successful cooperation between international mining experts and a highly skilled local workforce.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAZ MINERALS PLC ONLY

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of KAZ Minerals PLC for the year ended 31 December 2015 set out on pages 110 to 163. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance in IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

We summarise below the risks of material misstatement that had the greatest effect on our audit, our key audit procedures to address those risks and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. Our findings are the result of procedures undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and consequently are incidental to that opinion, and we do not express discrete opinions on separate elements of the financial statements.

Following the sale of a large part of the Group's business comprising relatively mature mining and power operations primarily located in the Zhezkazgan and Central Regions of Kazakhstan on 31 October 2014, the risks relating to these operations are no longer relevant to our audit in 2015.

Disclosure relating to going concern — Risk rating: ↑

Refer to page 115 (note 2(a) – Basis of preparation – Going concern), page 52 – Financial Review and page 79 – Audit Committee Report

- The risk The Group's cash flow projections have been impacted by low prices for the Group's products, especially copper, and are characterised by capital expenditure and interest relating to its major growth projects exceeding its operating cash inflows. The Group is therefore dependent on its existing cash resources and available borrowing facilities to fund this expenditure until the first of these projects, Bozshakol, delivers sufficient positive cash flow to service its debt.

Note 2(a) to the financial statements explains how the Directors have formed a judgement that use of the going concern basis is appropriate in preparing the financial statements. The Directors have considered the Group's forecast cash flows over the period ending 31 March 2017 and have concluded that the range of possible outcomes they have considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern. In particular, the Directors have concluded that (1) the Group's borrowing facilities will all remain available throughout that period because it will be able to secure waivers of covenants on facilities totaling approximately $300 million when tested at 31 December 2016 which otherwise are forecasted as likely to be breached ("the Covenants") and (2) the Group will be able to raise additional finance and/or restructure its existing debt if necessary.

The combination of (1) the current low prices for the Group's production, (2) the dependence on cash flows from the Bozshakol project which is only now beginning to ramp-up production and (3) the forecast likely breach of the Covenants where there is a risk that repayment of the amounts outstanding would be required if a waiver could not be obtained, constitute conditions that may cast significant doubt on the Group's ability to continue as a going concern. As this assessment involves consideration of future events, many of which are outside the control of the Group, there is a risk that the Directors' judgement is inappropriate and that there is a material uncertainty, in which case additional disclosures would have been required.

The significance of this risk has increased since the prior year because of (1) the lower price outlook for the Group's products over the forthcoming year and (2) the date at which covenants are forecast to be breached has come into the going concern period.

- Our response Our audit procedures included challenging the appropriateness of key assumptions in the cash flow projections (including commodity prices, production costs, inflation, foreign exchange, production volumes, committed capital expenditure and the availability of borrowing facilities) based on historical production information and internal mine plans, together with market and other externally available information. We tested the mathematical accuracy of the projections. We evaluated the sensitivity of the projected available cash by considering downside scenarios against a set of reasonably plausible changes to the key assumptions. We recalculated the forecast covenant calculations.

We read the terms of the Group's borrowing facilities focusing on any terms that could result in those facilities not being available throughout the period to 31 March 2017. With regard to the plans to obtain a waiver of the debt covenants which otherwise would be breached when tested at 31 December 2016, we examined evidence of discussions held to date with the providers of the relevant facilities and assessed the likelihood that a waiver would be granted. With regard to the plans to raise additional finance and/or restructure its existing debt if necessary, we examined evidence of discussions held to date with potential providers of finance and assessed the likelihood that additional finance could be raised.

We considered the appropriateness of the relevant disclosure.

Finally to supplement this and to ensure that the matter had received appropriate attention from the Board, we sought and received written representations from the Directors that their plans to obtain a waiver of covenants and to raise further finance and/or restructure the existing debt, if necessary, as described in note 2(a) to the financial statements are feasible.

- Our findings We found that the Group's going concern assessment and the key assumptions used therein to be balanced. We found the Directors' plans to negotiate a waiver of covenants and, if necessary, for raising additional finance and/or restructuring the existing debt to be feasible and therefore that their judgement that there is no material uncertainty to be disclosed to be balanced and the disclosure in note 2(a) to the financial statements to be proportionate.

Impairment of Bozymchak — Risk rating: ↑

Refer to page 118 (note 3 – significant accounting judgements and key sources of estimation uncertainty – Impairment of assets)

- The risk In the prior year, the Group recorded a significant impairment on the Bozymchak asset in Kyrgyzstan to write it down to its estimated recoverable amount, being its fair value less costs of disposal. Having identified the fall in copper and gold prices throughout 2015 and the reduction in short and medium term price expectations as an impairment trigger, the recoverability of the Bozymchak asset is considered to be a risk.

The significance of this risk has increased since the prior year due to (1) the significant impairment recorded in 2014 and (2) the further reduction in medium term copper and gold price expectations, notwithstanding the significant depreciation of the Kyrgyz som during the year reducing the carrying value of the assets under review and the cost base of the operations.

- Our response Our audit procedures included testing the control designed and applied by the Group to ensure that its impairment analysis was appropriately undertaken and reviewed. We considered the fair value less costs of disposal for Bozymchak which the Group derived, as is common in the industry, on a discounted cash flow basis. We challenged the appropriateness of key assumptions underlying the discounted cash flows (including commodity prices, production costs, inflation, foreign exchange, production volume, capital expenditure, discount rates, interpretation of the tax regime, life of assets and ore reserves) based on historical production information and internal mine plans, together with market and other externally available information. We used our valuation specialist to assess the discount rates used. We tested the mathematical accuracy of the discounted cash flow models. We evaluated the sensitivity of the outcomes by considering downside scenarios against reasonable plausible changes to the key assumptions, primarily the impact of lower copper prices, a higher discount rate, and alternative interpretations of the direct and indirect tax regimes.
- Our findings We found that the valuation used to support the Group's conclusion is within a range of acceptable outcomes but that it is based on somewhat optimistic assumptions as future copper prices will need to be in the upper part of our assessed acceptable range to support the current carrying value.

Impairment of the East Region and growth project assets — Risk rating: ↓

Refer to page 118 (note 3 – significant accounting judgements and key sources of estimation uncertainty – Impairment of assets)

- The risk Having identified the fall in product prices throughout 2015 and the reduction in short and medium term price expectations as an impairment trigger, the recoverability of the East Region assets and the Bozshakol and Aktogay development projects is considered to be a risk.
- The significance of this risk has reduced since the prior year due to the significant depreciation of the Kazakhstan tenge reducing the carrying value of the assets under review. At 31 December 2014, the net asset value of the Group exceeded its market capitalisation by $0.3 billion whereas at 31 December 2015 market capitalisation exceeded the net asset value by $0.4 billion.
- Our response We assessed the Group's impairment analysis for the East Region assets and the Bozshakol and Aktogay development projects in the context of the significant headroom identified. With respect to the audit procedures over the control, key assumptions, discount rates and mathematical accuracy of the models, we performed the same procedures as set out in the Bozymchak risk response. We evaluated the sensitivity of the outcome of the impairment assessments by considering reasonable possible downside scenarios.
- Our findings We found that the Group's impairment reviews over the East Region and growth project assets were, based on a balanced set of assumptions. We found that the fair value less costs of disposal for the development projects exceeded net book value by more than it did in 2014, indicating that the reduced product price expectations had less of an impact than the devaluation of the Kazakhstan tenge. We found that reasonable downside sensitivities applied to the outcome of each impairment assessment did not result in the net book value exceeding fair value less costs of disposal.

Bribery and corruption — Risk rating: ←→

- The risk The Group's business involves mining activities in Kazakhstan and Kyrgyzstan. Transparency International's Corruption Perceptions Index 2015 indicates that corruption risks remain significant in both countries. In addition, companies in the mining sector are inherently at higher risk from corruption due to the significant level of government regulation and their procurement profile. This could result in material losses to the Group and material improper payments not being appropriately disclosed.
- Our response Our audit procedures included considering the Group's policies and procedures to prevent the risk of corruption. We evaluated the tone set by the Board and by senior management. We evaluated the Group's policies and procedures and tested controls over the selection of suppliers and the process over acknowledging acceptance of services/equipment provided by suppliers. We tested samples of payments made to suppliers and considered any transactions which we considered unusual in the context of the Group's operations. We considered dealings with government agencies with a view to identifying indicators of corruption. Where we identified individual transactions that at face value appeared as though they might have been outside the normal course of business, we enquired about these transactions from senior operational management and executive management. We corroborated explanations given by investigating the nature of the transactions and evaluating the business rationale for the transactions, taking account of our experience in the mining and other industries in Kazakhstan and Kyrgyzstan. We discussed our findings with senior operational management, the Audit Committee and the Board. We also enquired as to whether they had knowledge of any improper payments. We involved our own forensic accounting specialists to assist with the design

of our procedures and we remained alert to indications of the existence of bribery and corruption throughout our performance of other audit procedures.

- Our findings We did not identify any instances of improper payments or indications of bribery or corruption.

In reaching our audit opinion on the financial statements we took into account the findings that we describe above and those for other, lower risk areas. Overall the findings from across the whole audit are that the financial statements have been prepared on the basis of appropriate accounting policies, reflect balanced judgements and estimates (2014 audit finding: balanced), and provide proportionate disclosure (2014 audit finding: proportionate). Having assessed these findings, evaluated uncorrected misstatements in the context of materiality and considered the qualitative aspects of the financial statements as a whole, we have not modified our opinion on the financial statements.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole has reduced in line with the reduction in the Group's total assets due largely to the devaluation of the Kazakhstan tenge and was set at $25 million (2014: $29 million) and was, as last year, determined with reference to a benchmark of Group total assets. This materiality measure represents 0.6% (2014: 0.5%) of the benchmark. We consider Group total assets to be the most appropriate benchmark as it provides a more stable measure following the sale of the Disposal Assets and the focus on the Group's major growth projects.

We report to the Audit Committee: (i) corrected identified misstatements exceeding $25 million (2014: $29 million), (ii) uncorrected identified misstatements exceeding $1.25 million (2014: $1.30 million) for income statement items, and (iii) other identified misstatements that warrant reporting on qualitative grounds.

Audits for Group reporting purposes were carried out at four reporting components located in the Kazakhstan and Kyrgyzstan (all of which are individually significant reporting components) and eight reporting components in the United Kingdom (of which three represent an individually significant reporting component). This represents a reduction of one reporting unit since last year due to the disposal described above. Audits for Group reporting purposes covered 99% of revenue (2014: 98%); 99% of the total of the profits and losses that make up the net profit before taxation (2014: 100% of loss before tax); and 97% of total assets (2014: 99%).

The audits of the eight components located in the United Kingdom were performed by the Group audit team. Detailed audit instructions were sent to the KPMG member firm carrying out the audits of the reporting components in Kazakhstan and Kyrgyzstan. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported to the Group audit team. The Group audit team visited all the Kazakhstan and Kyrgyzstan component teams on three (2014: six) separate occasions during the year for oversight of the planning and performance of the audits in Kazakhstan and Kyrgyzstan, and to attend meetings with key management personnel in Kazakhstan.

The audits undertaken at the reporting components of the Group were largely performed to local materiality levels as the majority of components also prepare local statutory accounts. The audits undertaken for Group reporting purposes at the key reporting components were all performed to materiality levels set by, or agreed with, the Group audit team. These materiality levels were set individually for each component and ranged from $0.6 million to $20 million (2014: $1.5 million to $26 million).

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 63 to 103 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' viability statement on pages 24 to 25, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the three years to 31 December 2018; or
- the disclosures on pages 26 to 34 and in note 2(a) of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading. In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or
- the Audit Committee report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the Directors' statements, set out on pages 101 and 24 to 25 respectively, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 68 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 103, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014b, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Jimmy Daboo (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London, E14 5GL

24 February 2016

$ million (unless otherwise stated)	Notes	2015	2014
Continuing operations			
Revenues	4(b)	665	846
Cost of sales	5(a)	(429)	(456)
Gross profit		236	390
Selling and distribution expenses	5(b)	(27)	(25)
Administrative expenses	5(c)	(126)	(139)
Net other operating income	5(d)	22	5
Impairment losses	6	(15)	(137)
Operating profit		90	94
Analysed as:			
Operating profit (excluding special items)		88	226
Special items	7	2	(132)
Finance income	11	192	136
Finance costs	11	(270)	(399)
Profit/(loss) before taxation		12	(169)
Analysed as:			
Profit before taxation (excluding special items)		10	144
Special items	7	2	(313)
Income tax expense	12(a)	(24)	(65)
Loss for the year from continuing operations		(12)	(234)
Discontinued operations			
Loss for the year from discontinued operations	30(c)	–	(2,128)
Loss for the year		(12)	(2,362)
Attributable to:			
Equity holders of the Company		(12)	(2,362)
Non-controlling interests		–	–
		(12)	(2,362)
Earnings per share attributable to equity holders of the Company – basic and diluted			
From continuing operations ($)	13(a)	(0.03)	(0.52)
From discontinued operations ($)	13(a)	–	(4.76)
		(0.03)	(5.28)
EPS based on Underlying Profit – basic and diluted			
From continuing operations ($)	13(b)	(0.02)	0.19
From discontinued operations ($)	13(b)	–	(0.18)
		(0.02)	0.01

$ million	Notes	2015	2014
Loss for the year		(12)	(2,362)
Other comprehensive (expense)/income for the year after tax:			
Items that will never be reclassified to the income statement:			
Actuarial losses on employee benefits, net of tax	25	–	(1)
		–	(1)
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on retranslation of foreign operations	2(g)	(1,773)	(430)
Recycling of capital reserves and non-controlling interests on disposal of subsidiaries	30(a)	–	647
Recycling of exchange differences on disposal of joint venture	30(b)	–	24
		(1,773)	241
Other comprehensive (expense)/income for the year		(1,773)	240
Total comprehensive expense for the year		(1,785)	(2,122)
Attributable to:			
Equity holders of the Company		(1,785)	(2,121)
Non-controlling interests		–	(1)
		(1,785)	(2,122)
Total comprehensive expense attributable to equity holders of the Company arising from:			
Continuing operations		(1,785)	(413)
Discontinued operations		–	(1,708)
		(1,785)	(2,121)

$ million	Notes	2015	2014
Assets			
Non-current assets			
Intangible assets	14	7	11
Property, plant and equipment	15	2,019	2,264
Mining assets	16	374	476
Other non-current assets	17	256	429
Deferred tax asset	12(b)	59	42
		2,715	3,222
Current assets			
Inventories	18	113	147
Prepayments and other current assets	19	55	49
Income taxes receivable		1	2
Trade and other receivables	20	23	168
Investments	21	400	400
Cash and cash equivalents	22	851	1,730
		1,443	2,496
Total assets		4,158	5,718
Equity and liabilities			
Equity			
Share capital	23(a)	171	171
Share premium		2,650	2,650
Capital reserves	23(c)	(2,072)	(299)
Retained earnings		(430)	(421)
Attributable to equity holders of the Company		319	2,101
Non-controlling interests		3	3
Total equity		322	2,104
Non-current liabilities			
Borrowings	24	3,201	2,911
Deferred tax liability	12(b)	31	17
Employee benefits	25	13	22
Provisions	26	18	26
		3,263	2,976
Current liabilities			
Trade and other payables	27	254	435
Borrowings	24	303	181
Income taxes payable		12	20
Employee benefits	25	2	2
Provisions	26	2	–
		573	638
Total liabilities		3,836	3,614
Total equity and liabilities		4,158	5,718

These financial statements were approved by the Board of Directors on 24 February 2016.

Signed on behalf of the Board of Directors

Oleg Novachuk
Chief Executive Officer

Andrew Southam
Chief Financial Officer

$ million	Notes	2015	2014
Cash flows from operating activities			
Cash flow from operations before interest and income taxes	28	5	407
Interest paid		(147)	(150)
Income taxes paid		(40)	(55)
Net cash flows (used in)/from operating activities		(182)	202
Cash flows from investing activities			
Interest received		7	12
Proceeds from disposal of property, plant and equipment and mining assets		7	7
Purchase of intangible assets		(4)	(10)
Purchase of property, plant and equipment		(1,026)	(1,062)
Investments in mining assets, including licences		(96)	(366)
Licence payments for subsoil contracts		(1)	(3)
Acquisition of non-current investments		(1)	(3)
Proceeds from disposal of long-term investments		–	16
Movement in short-term bank deposits	29	–	195
Disposal of subsidiaries, net of cash disposed	30(a)	–	(170)
Proceeds from disposal of joint venture	30(b)	–	1,249
Net cash flows used in investing activities		(1,114)	(135)
Cash flows from financing activities			
Proceeds from borrowings		590	647
Repayment of borrowings		(181)	(673)
Net cash flows from/(used in) financing activities	29	409	(26)
Net (decrease)/increase in cash and cash equivalents	29	(887)	41
Cash and cash equivalents at the beginning of the year		1,730	1,715
Effect of exchange rate changes on cash and cash equivalents	29	8	(26)
Cash and cash equivalents at the end of the year	22	851	1,730

For the year ended 31 December 2014, the consolidated statement of cash flows includes cash flows from both continuing and discontinued operations (see note 30). There were no discontinued operations in the year ended 31 December 2015.

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		Attributable to equity holders of the Company					Non-controlling interests	
$ million	Notes	Share capital	Share premium	Capital reserves[1]	Retained earnings	Total		Total equity
At 1 January 2014		171	2,650	(541)	1,937	4,217	4	4,221
Loss for the year		–	–	–	(2,362)	(2,362)	–	(2,362)
Exchange differences on retranslation of foreign operations		–	–	(430)	–	(430)	–	(430)
Recycling of capital reserves and non-controlling interests on disposal of subsidiaries	30(a)	–	–	648	–	648	(1)	647
Recycling of capital reserves on disposal of joint venture	30(b)	–	–	24	–	24	–	24
Actuarial losses on employee benefits, net of tax	25	–	–	–	(1)	(1)	–	(1)
Total comprehensive income/(expense) for the year		–	–	242	(2,363)	(2,121)	(1)	(2,122)
Share-based payments	34	–	–	–	5	5	–	5
At 31 December 2014		171	2,650	(299)	(421)	2,101	3	2,104
Loss for the year		**–**	**–**	**–**	**(12)**	**(12)**	**–**	**(12)**
Exchange differences on retranslation of foreign operations		**–**	**–**	**(1,773)**	**–**	**(1,773)**	**–**	**(1,773)**
Total comprehensive expense for the year		**–**	**–**	**(1,773)**	**(12)**	**(1,785)**	**–**	**(1,785)**
Share-based payments	34	**–**	**–**	**–**	**3**	**3**	**–**	**3**
At 31 December 2015		**171**	**2,650**	**(2,072)**	**(430)**	**319**	**3**	**322**

1 Refer to note 23(c) for an analysis of 'Capital reserves'.

1. Corporate information

KAZ Minerals PLC (the 'Company') is a public limited company incorporated in England and Wales. The Company's registered office is 6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, United Kingdom. The Group comprises the Company and its consolidated divisions as set out below. The Restructuring which completed on 31 October 2014 resulted in the divestment of a number of the Group's relatively mature mining and power operations, primarily located in the Zhezkazgan and Central Regions (the 'Disposal Assets'). On completion, the Company, which was previously known as Kazakhmys PLC, changed its name to KAZ Minerals PLC. Following the Restructuring, the Group consists of the East Region operations, Bozymchak and the Mining Projects – which consists of Aktogay, Bozshakol and Koksay before the commissioning of the respective concentrators. Once commissioned they will be disclosed as individual operating segments when managed separately from Mining Projects.

Operating division	Principal activity	Primary country of operations
East Region operations	Mining and copper processing operations	Kazakhstan
Mining Projects	Mining and copper processing development projects	Kazakhstan
Bozymchak	Mining and copper-gold processing operation	Kyrgyzstan

The legal names of the constituent companies within the above divisions are shown in note 36(m).

2. Basis of preparation

The financial statements set out on 110 to 163 have been prepared using accounting policies consistent with IFRSs as adopted by the EU. The Company has taken the exemption under section 408 of the Companies Act 2006 and has not published the Company's income statement and related notes.

(a) Going concern

The Group's business activities, together with the factors likely to impact its future growth and operating performance, are set out in the Operating Review on pages 38 to 44 The financial performance and position of the Group, its cash flows and available debt facilities are described in the Financial Review on pages 45 to 54. In addition, note 31 commencing on page 140 sets out the Group's objectives, policies and processes for managing its capital structure, liquidity position and financial risks arising from exposures to commodity prices, interest rates, foreign exchange and counterparties.

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level of the Group taking into consideration the expected outlook of the Group's financial position, cash flows and future capital commitments. The Group adopts a prudent approach in managing its liquidity risk, reflecting the volatility in commodity prices.

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

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

- $1,881 million of the CDB-Bozshakol and Bozymchak facilities which amortises over the period to 2025;
- $1,228 million of the $1.5 billion loan facility with CDB, which matures over 15 years in 2028;
- the amended PXF facility, which was fully drawn at $345 million, whose principal repayments will amortise over a three year period until final maturity in December 2018; and
- $50 million under the revolving credit facility provided by CAT.

These consolidated financial statements have been prepared on a going concern basis. In making the assessment that the Group is a going concern the Board has considered the Group's cash flow forecasts for the period to 31 March 2017, which reflect the significant liquidity on hand at 31 December 2015, including cash and investments of $1,251 million and undrawn committed borrowing facilities of $250 million, and the significant capital expenditure planned. The Board has identified the successful ramp up of production at Bozshakol and realised commodity prices as the most sensitive variables to expected cash flows.

At current market commodity prices and on the basis that the current borrowing facilities remain available, the Board considers that the Group has adequate liquidity over the going concern period, even in the event of a moderate delay in the assumed ramp up of production at Bozshakol. (The Group's PXF facility and CAT facility are subject to financial covenants in particular the net debt to EBITDA covenant which is suspended until 1 July 2016. In the absence of a material improvement in commodity prices from current levels this covenant will be breached when tested for the period ending 31 December 2016. Based on discussions with its banks, the Board is confident that the banks will view favourably a waiver or temporary suspension request of a technical covenant breach, provided the Group's debt service obligations are maintained, which the forecasts indicate is likely to be the case. This conclusion is supported by the short term nature of the breach as well as the quality of the Group's assets, in particular the Bozshakol and Aktogay mines which have long operational lives and provide large scale output at first quartile cash costs. The Board's analysis therefore assumes that the existing debt facilities continue throughout the going concern assessment period.)

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

Accordingly the Board is satisfied that it is appropriate to adopt the going concern basis of accounting in the preparation of these consolidated financial statements.

2. Basis of preparation continued

(b) Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in US dollars ($) and all financial information has been rounded to the nearest million dollars ($ million) except where otherwise indicated.

(c) Basis of consolidation

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

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

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

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

Refer to note 36(m) for a list of all the Company's subsidiaries.

(d) Statement of compliance

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the European Union (EU), and in accordance with the provisions of the Companies Act 2006.

(e) Adoption of standards and interpretations

In preparing the consolidated financial statements, the Group did not apply new standards. The Group has not early adopted any standards, interpretations or amendments that were issued but are not yet effective.

(f) New standards and interpretations not yet adopted

In preparing the consolidated financial statements, the Group has not applied the following relevant standards and interpretations. The Group's adoption of these standards and interpretations is dependent on the date they become effective for application in the EU:

- IFRS 9 *'Financial Instruments'*: the IASB effective date is 1 January 2018 however, the standard has yet to be endorsed by the EU. Based on the nature of the Group's financial assets, the adoption of the standard is not expected to have a material impact on the financial position or performance of the Group.
- IFRS 15 *'Revenue from Contracts with Customers'*: the standard was issued in 2014 with an IASB effective date of 1 January 2018. The standard has yet to be endorsed by the EU. The Group has reviewed its major contracts and identified the accounting relating to provisional prices as the key area of potential impact arising from IFRS 15 on its financial position and reporting of performance. There remains uncertainty over the accounting for provisionally priced contracts, which affects almost all of the Group's sales contracts under the new standard. The mining industry is currently consulting with the IASB on this matter. The new disclosure requirements, subject to their endorsement by the EU, will be included in the Group's 2018 financial statements.
- IFRS 16 *'Leases'*: the standard was issued in January 2016 with an IASB effective date of 1 January 2019. The standard has yet to be endorsed by the EU. The standard changes how leases will be recognised, measured, presented and disclosed by lessees. The Group will be assessing the impact of IFRS 16 on its financial position and reporting of performance to determine the impact thereof, if any. Under these new requirements, certain leases, where material, may be recognised on the balance sheet.
- Improvements to IFRSs: There are a number of amendments to certain standards following the 2014 annual improvements project which have not yet been endorsed by the EU. The impact of any changes to the consolidated financial statements is not expected to be significant.

(g) Devaluation of the tenge

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

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

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

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

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

(h) Comparative information

Where a change in the presentation format of the consolidated financial statements has been made during the year, comparative figures have been restated accordingly. Figures may have been restated to conform with the current basis of understanding.

3. Significant accounting judgements and key sources of estimation uncertainty

In the course of preparing these financial statements, the Directors make necessary judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Judgements are based on the Directors' best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements.

Estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions applied are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

(a) Critical accounting judgements

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

Achievement of commercial production

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

3. Significant accounting judgements and key sources of estimation uncertainty continued

(a) Critical accounting judgements continued

Prior periods

Assets held for sale and discontinued operations

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

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

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

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

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

(b) Key sources of estimation uncertainty

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

Impairment of assets

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

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

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

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

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

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

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

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

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

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

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

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

Taxes

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

4. Segment information

Information provided to the Group's Board of Directors for the purposes of resource allocation and the assessment of segmental performance is prepared in accordance with the management and operational structure of the Group. For management and operational purposes, the Group is organised into three separate businesses as shown below, according to the nature of their operations, end products and services rendered. Each of these business units represents an operating segment in accordance with IFRS 8 '*Operating segments*'.

The Group's operating segments are:

East Region operations

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

Bozymchak

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

Mining Projects

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

Managing and measuring operating segments

The key performance measure of the operating segments is EBITDA (excluding special items), which is defined as profit before interest, taxation, depreciation, depletion, amortisation, the non-cash component of the disability benefits obligation, mineral extraction tax and royalties, as adjusted for special items. Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business (see note 7).

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

Segmental information is also provided in respect of revenues, by destination and by product. Segmental information relating to employees is provided in note 8.

4. Segment information continued

(a) Operating segments

(i) Income statement information

	Year ended 31 December 2015					
			Mining Projects			
$ million	East Region operations	Bozymchak	Aktogay	Bozshakol	Corporate Services	Total
Revenues						
Gross sales	649	28	–	–	–	677
Pre-commercial production sales capitalised to property, plant and equipment [1]	–	(12)	–	–	–	(12)
Revenues – income statement	649	16	–	–	–	665
Gross EBITDA (excluding special items)	235	11	(3)	(10)	(25)	208
Pre-commercial production EBITDA capitalised to property, plant and equipment [1,2]	–	(6)	–	–	–	(6)
EBITDA (excluding special items)	235	5	(3)	(10)	(25)	202
Less: depreciation, depletion and amortisation	(48)	(3)	–	–	(1)	(52)
Less: mineral extraction tax and royalties [2]	(61)	(1)	–	–	–	(62)
Operating profit/(loss) (excluding special items)	126	1	(3)	(10)	(26)	88
Special items – note 7:						
Less: impairment charges	(12)	–	–	–	–	(12)
Add: NFC deferral benefit (see note 5(d))	–	–	16	–	–	16
Less: gain/(loss) on disposal of assets	1	–	–	–	(3)	(2)
Operating profit/(loss) – income statement	115	1	13	(10)	(29)	90
Net finance costs						(78)
Income tax expense						(24)
Loss for the year						(12)

$ million	East Region operations	Bozymchak	Mining Projects Aktogay	Mining Projects Bozshakol	Corporate Services	Continuing operations	Discontinued operations[4]
							Year ended 31 December 2014
Revenues							
Gross sales	846	–	–	–	–	846	1,609
Inter-segment sales	–	–	–	–	–	–	(75)
Sales to external customers	846	–	–	–	–	846	1,534
Gross EBITDA (excluding special items)	403	(4)	(6)	(8)	(30)	355	201
Less: non-cash component of the disability benefits obligation[3]	(1)	–	–	–	–	(1)	(92)
Less: depreciation, depletion and amortisation	(39)	(2)	–	–	(1)	(42)	(110)
Less: mineral extraction tax[2]	(86)	–	–	–	–	(86)	(65)
Operating profit/(loss) (excluding special items)	277	(6)	(6)	(8)	(31)	226	(66)
Special items – notes 7 and 30:							
Less: provisions released against historic tax claims	–	–	–	–	–	–	15
Less: impairment charges	(4)	(128)	–	–	–	(132)	(15)
Less: loss on disposal of assets[5]	–	–	–	–	–	–	(2,066)
Operating profit/(loss) – income statement	273	(134)	(6)	(8)	(31)	94	(2,132)
Net finance costs						(263)	–
Income tax (expense)/credit						(65)	4
Loss for the year						(234)	(2,128)

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

2 MET and royalties have been excluded from the key financial indicator of EBITDA. The Directors believe that MET and royalties are a substitute for a tax on profits, hence its exclusion provides a more informed measure of the operational performance of the Group. The MET incurred at Bozshakol and Aktogay (oxide) during the pre-commercial production stage of $17 million and $3 million respectively has been capitalised to property, plant and equipment.

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

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

5 On 31 October 2014 the Group divested the Disposal Assets recognising a loss on disposal of $2,273 million (see note 30(a)). In addition, on 1 April 2014 the Group completed the sale of the Group's investment in Ekibastuz GRES-1 joint venture and Kaz Hydro recognising a gain on disposal of $207 million (see note 30(b)).

(ii) Balance sheet information

$ million	East Region operations	Bozymchak	Mining Projects Aktogay	Mining Projects Bozshakol	Mining Projects Koksay	Corporate Services	Total
							At 31 December 2015
Assets							
Property, plant and equipment, mining assets and intangible assets[1]	190	47	756	1,166	239	2	2,400
Intragroup investments	–	–	–	–	–	6,855	6,855
Other non-current assets[2]	6	17	74	158	1	–	256
Operating assets[3]	127	31	20	18	–	149	345
Inter-segment loans	–	–	–	–	–	1,579	1,579
Current investments	–	–	–	–	–	400	400
Cash and cash equivalents	22	4	31	6	–	788	851
Segment assets	345	99	881	1,348	240	9,773	12,686
Deferred tax asset							59
Income taxes receivable							1
Elimination							(8,588)
Total assets							4,158
Liabilities							
Employee benefits and provisions	19	2	7	4	3	–	35
Inter-segment borrowings	16	135	568	860	–	–	1,579
Operating liabilities[4]	50	74	43	156	1	84	408
Segment liabilities	85	211	618	1,020	4	84	2,022
Borrowings							3,504
Deferred tax liability							31
Income taxes payable							12
Elimination							(1,733)
Total liabilities							3,836

4. Segment information continued

(ii) Balance sheet information continued

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

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

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

3 Operating assets comprise inventories, prepayments and other current assets and trade and other receivables, including intragroup receivables.

4 Operating liabilities comprise trade and other payables, including intragroup payables.

(iii) Capital expenditure[1]

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

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

1 The capital expenditure presented by operating segment reflects cash paid and is aligned with the Group's internal capital expenditure reporting. The comparative information, previously reflected on an accruals basis, has been restated.

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

3 Capital expenditure includes non-current advances paid for items of property, plant and equipment (see note 17).

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

(b) Segmental information in respect of revenues

Revenues by product earned by continuing operations are as follows:

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

4. Segment information continued

(b) Segmental information in respect of revenues continued

Revenues by destination earned by continuing operations are as follows:

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

Year ended 31 December 2015

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

Year ended 31 December 2014

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

Information in respect of discontinued operations is included in note 30.

5. Cost of sales, selling and distribution expenses and administrative expenses

(a) Cost of sales

$ million	2015	2014
Raw materials	76	95
Purchased cathode	28	–
Employee salaries and payroll taxes	68	72
Depreciation, depletion and amortisation	47	36
Refining services	81	85
Production overheads	89	100
Mineral extraction tax	61	86
Other taxes	2	1
Change in work in progress and finished goods	(23)	(19)
	429	456

The table above relates to continuing operations only.

(b) Selling and distribution expenses

$ million	2015	2014
Transportation expenses	23	19
Royalties	1	–
Other	3	6
	27	25

The table above relates to continuing operations only.

(c) Administrative expenses

$ million	2015	2014
Employee salaries and payroll taxes	54	57
Social responsibility costs	14	6
Legal and professional	14	17
Utilities	8	11
Transportation	2	6
Business travel	5	5
Personal injury claims	2	3
Levies and charges	5	7
Depreciation and amortisation	5	6
Supplies	6	3
Other	11	18
	126	139

The table above relates to continuing operations only.

(d) Net other operating income

For the year ended 31 December 2015, the net other operating income included the following items:

NFC deferral benefit

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

Impact of fire at Bozshakol

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

6. Impairment losses

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

1 These impairments are considered to be special items for the purposes of determining the Group's key financial indicator of EBITDA (excluding special items) and Underlying Profit (see note 7). In 2014, $128 million of the total impairment charges related to the impairment of Bozymchak.

The table above relates to continuing operations only.

Year ended 31 December 2015

(a) East Region operations – impairment charges

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

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

Year ended 31 December 2014

(a) Mining Projects – impairment charges

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

7. Special items

Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business. The table below shows the special items in respect of continuing operations. The disclosures relating to discontinued operations is presented in note 30.

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

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

8. Employee information

$ million	2015	2014
Wages and salaries	165	149
Social security costs	22	24
Employee benefits – note 25	2	3
	189	176

The table above relates to continuing operations only.

Employee costs includes $64 million (2014: $44 million) capitalised to mining and other fixed assets primarily related to the major growth projects and $125 million (2014: $132 million) recognised in the income statement.

Other non-monetary employee benefits (including sanatorium visits, medical services and treatment expenses) are also provided by Vostoktsvetmet LLC, and are included in the income statement in the expense line relating to the nature of the cost.

The average monthly number of employees within continuing operations during the year was as follows (discontinued operations are presented in note 30):

	2015	2014
East Region operations	7,734	7,424
Bozymchak	940	827
Mining Projects	1,153	469
Central services including Corporate	376	452
	10,203	9,172

Analysed as:

	2015	2014
Central Asia [1]	10,161	9,126
UK	35	32
Netherlands	1	1
China	6	13
	10,203	9,172

1 Includes Kazakhstan and Kyrgyzstan.

9. Key management personnel

In accordance with IAS 24 'Related party disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. For the year ended 31 December 2015 and the period from 1 November 2014 to 31 December 2014, key management personnel were deemed to be the Directors of the Company, including the Chief Financial Officer, the Head of Projects (construction), the Head of Projects (operations), the East Region General Director, the Bozymchak General Director and the Head of Government Relations and Legal.

For the 10 month period ended 31 October 2014, prior to the completion of the sale of the Disposal Assets, key management included the Directors of the Company, the Chief Financial Officer, the Chief Operating Officer, the Head of Projects, and the Director of Strategy.

Compensation for key management personnel (including Directors) comprises the following:

$ million	2015	2014
Salaries	6.2	7.0
Annual bonuses	2.8	2.3
Share awards [1]	1.9	3.4
Benefits	0.5	0.2
	11.4	12.9

1 Share awards are long term in nature and may be awarded after a three year vesting period.

The aggregate amount paid and accrued in respect of Directors was £5.1 million (2014: £5.5 million). Details are included in the Directors' Remuneration Report.

10. Auditor's remuneration

The auditor's remuneration for services provided to the Group during the year ended 31 December 2015 was $1.4 million (2014: $2.9 million), comprised as follows:

$ million	2015	2014
Audit and other services:		
Amounts receivable by the Company's auditor and its associates for the audit of these financial statements	0.7	1.4
Amounts receivable by the Company's auditor and its associates in respect of:		
– – the audit of financial statements of subsidiaries of the Company	0.5	0.2
– – audit-related assurance services	0.2	0.5
– – regulatory reporting services pursuant to legislation as reporting accountants	–	0.8
Total remuneration	1.4	2.9

In the year ended 31 December 2014, the total auditor remuneration included $0.6 million of audit fees relating to the Disposal Assets.

11. Finance income and finance costs

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

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

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

The table above relates to continuing operations only.

12. Income taxes

(a) Income statement

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

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

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

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

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

1 For 2015, the UK statutory rate for January to March 2015 was 21.0% and for April to December 2015 is 20.0%, giving a weighted average full year rate of 20.25%. For 2014, the UK statutory rate for January to March 2014 was 23.0% and for April to December 2014 was 21.0%, giving a weighted average full year rate of 21.5%.

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

Effective tax rate

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

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

Unrecognised tax losses

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

Other non-deductible expenses

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

(b) Recognised deferred tax assets and liabilities

The amounts of deferred taxation assets/(liabilities) provided in the consolidated financial statements are as follows:

$ million	At 1 January 2015	Charged to income statement	Net exchange translation	At 31 December 2015
Intangible assets	(1)	–	1	–
Property, plant and equipment	24	7	(17)	14
Mining assets	9	1	(5)	5
Inventories	–	(1)	–	(1)
Trade and other receivables	1	(3)	(1)	(3)
Provisions and employee benefits	6	2	(3)	5
Trade and other payables	(16)	(19)	16	(19)
Tax losses	–	29	(3)	26
Share-based payment schemes	2	(1)	–	1
Deferred tax asset, net	25	15	(12)	28
Analysed as:				
Deferred tax asset	42	29	(12)	59
Deferred tax liability	(17)	(14)	–	(31)

$ million	At 1 January 2014	Charged to income statement continuing operations	Attributed to discontinued operations	Disposal of subsidiaries	Net exchange translation	At 31 December 2014
Intangible assets	(7)	–	1	4	1	(1)
Property, plant and equipment	(66)	29	(4)	53	12	24
Mining assets	14	(1)	5	(8)	(1)	9
Trade and other receivables	15	–	(5)	(8)	(1)	1
Provisions and employee benefits	18	5	16	(31)	(2)	6
Trade and other payables	25	(4)	11	(40)	(8)	(16)
Tax losses	5	(2)	(1)	–	(2)	–
Share-based payment schemes	3	(1)	–	–	–	2
Deferred tax asset/(liability), net	7	26	23	(30)	(1)	25
Analysed as:						
Deferred tax asset	21	29	23	(30)	(1)	42
Deferred tax liability	(14)	(3)	–	–	–	(17)

(c) Unrecognised deferred tax assets

Deferred tax assets not recognised in the consolidated financial statements are as follows:

$ million	2015 Temporary difference	2015 Deferred tax asset	2014 Temporary difference	2014 Deferred tax asset
Continuing operations: Kyrgyzstan – tax losses				
Losses carried forward	145	15	97	10
Other deductible temporary differences	39	4	190	19
Continuing operations: UK – tax losses				
Losses carried forward	45	9	58	12

Details of the Group's tax losses arising in the jurisdictions in which it operates are as follows:

(i) Kyrgyzstan

At 31 December 2015 KAZ Minerals Bozymchak LLC had accumulated tax losses which remained unrecognised. These losses can be utilised against future taxable profits within the statute of limitations period, which for tax losses is currently five years. The previous impairments attributed to Bozymchak indicate that utilisation of these losses may extend beyond the five year period and therefore they were not recognised.

(ii) United Kingdom

Certain companies in the UK have tax losses that can be carried forward and used against future taxable profits in these companies. There is no time restriction over the utilisation of tax losses. Where there is sufficient certainty that a taxable profit will arise in these companies against which the losses can be offset, deferred tax assets are recognised.

12. Income taxes continued

(d) Unrecognised deferred tax liability

The gross temporary differences in respect of the undistributed reserves of the Group's subsidiaries, as shown in their statutory accounts prepared in accordance with applicable accounting standards, are as follows:

$ million	2015	2014
Undistributed reserves of subsidiaries	**3,903**	3,919

The Group has not recognised all of the deferred tax liability in respect of the distributable reserves of its subsidiaries because it controls them and only part of the temporary differences are expected to reverse in the foreseeable future.

13. Earnings per share

(a) Basic and diluted EPS

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

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

(b) EPS based on Underlying Profit

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

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

$ million (unless otherwise stated)	2015	2014
Net loss attributable to equity shareholders of the Company from continuing operations	**(12)**	(234)
Special items – note 7	**2**	320
Underlying Profit from continuing operations	**(10)**	86
Net loss attributable to equity shareholders of the Company from discontinued operations	**–**	(2,128)
Special items – note 30(e)	**–**	2,047
Underlying Profit from discontinued operations	**–**	(81)
Total Underlying Profit	**(10)**	5
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	**446,261,874**	446,838,267
EPS based on Underlying Profit – basic and diluted ($)		
From continuing operations	**(0.02)**	0.19
From discontinued operations	**–**	(0.18)
	(0.02)	0.01

14. Intangible assets

$ million	2015	2014
Cost		
At 1 January	15	41
Additions	4	9
Disposals	–	(1)
Disposal of subsidiaries	–	(27)
Net exchange adjustment	(8)	(7)
At 31 December	11	15
Amortisation		
At 1 January	4	15
Amortisation charge	3	3
Disposal of subsidiaries	–	(12)
Net exchange adjustment	(3)	(2)
At 31 December	4	4
Net book value		
At 31 December	7	11

15. Property, plant and equipment

$ million	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Cost					
At 1 January 2014	1,153	2,085	464	1,700	5,402
Additions	3	65	15	1,153	1,236
Capitalised borrowing costs	–	–	–	122	122
Capitalised depreciation	–	–	–	7	7
Transfers	67	54	11	(132)	–
Disposals	(38)	(6)	(6)	–	(50)
Disposal of subsidiaries	(815)	(1,685)	(332)	(371)	(3,203)
Net exchange adjustment	(174)	(282)	(73)	(290)	(819)
At 31 December 2014	196	231	79	2,189	2,695
Additions	3	18	12	1,077	1,110
Capitalised borrowing costs	–	–	–	129	129
Capitalised depreciation	–	–	–	16	16
Transfers [1]	463	198	13	(674)	–
Disposals	(8)	(9)	(1)	(6)	(24)
Net exchange adjustment	(189)	(166)	(38)	(1,203)	(1,596)
At 31 December 2015	465	272	65	1,528	2,330
Depreciation and impairment					
At 1 January 2014	724	1,484	262	178	2,648
Depreciation charge	28	80	22	–	130
Disposals	(37)	(5)	(5)	–	(47)
Impairment [2]	1	2	1	112	116
Disposal of subsidiaries	(534)	(1,237)	(209)	(76)	(2,056)
Net exchange adjustment	(102)	(186)	(40)	(32)	(360)
At 31 December 2014	80	138	31	182	431
Depreciation charge	20	24	9	–	53
Transfers [2]	150	24	(6)	(168)	–
Disposals	(7)	(9)	(1)	(1)	(18)
Impairment	7	–	–	1	8
Net exchange adjustment	(76)	(72)	(4)	(11)	(163)
At 31 December 2015	174	105	29	3	311
Net book value					
At 31 December 2015	291	167	36	1,525	2,019
At 31 December 2014	116	93	48	2,007	2,264

1 Transfers principally relate to Bozymchak which reached commercial production on 1 July 2015 and certain Aktogay and Bozshakol assets which were commissioned for use in the second half of the year.

2 In 2014, of the total impairment against property, plant and equipment of $116 million, $107 million related to the impairment of Bozymchak. The transfer of $168 million in 2015 reflects the allocation of historical impairments on Bozymchak transferred to the appropriate categories in conjunction with the transfer of the related assets as described above.

16. Mining assets

$ million	Mineral licences and properties	Exploration cost	Mine development costs	Mine stripping costs	Construction in progress	Total
Cost						
At 1 January 2014	39	238	600	76	131	1,084
Additions	228	11	12	28	58	337
Capitalised borrowing costs	–	–	3	–	(1)	2
Capitalised depreciation	–	–	1	5	–	6
Transfers	–	1	41	(1)	(41)	–
Disposals	(3)	(8)	–	(25)	–	(36)
Disposal of subsidiaries	(22)	(59)	(268)	(61)	(88)	(498)
Net exchange adjustment	(5)	(40)	(96)	(7)	(21)	(169)
At 31 December 2014	237	143	293	15	38	726
Additions	**46**	**4**	**10**	**15**	**11**	**86**
Capitalised borrowing costs	**–**	**–**	**3**	**–**	**–**	**3**
Capitalised depreciation	**–**	**–**	**4**	**–**	**–**	**4**
Transfers	**–**	**(33)**	**45**	**–**	**(12)**	**–**
Disposals	**–**	**–**	**(4)**	**–**	**–**	**(4)**
Net exchange adjustment	**(44)**	**(29)**	**(165)**	**(5)**	**(22)**	**(265)**
At 31 December 2015	**239**	**85**	**186**	**25**	**15**	**550**
Depletion and impairment						
At 1 January 2014	13	118	310	43	16	500
Depletion charge	1	3	19	9	–	32
Disposals	(3)	(8)	–	(25)	–	(36)
Impairment [1]	–	16	(7)	13	–	22
Disposal of subsidiaries	(7)	(24)	(123)	(25)	(12)	(191)
Net exchange adjustment	(2)	(18)	(50)	(4)	(3)	(77)
At 31 December 2014	2	87	149	11	1	250
Depletion charge	**–**	**–**	**24**	**1**	**–**	**25**
Disposals	**–**	**–**	**(1)**	**–**	**–**	**(1)**
Impairment	**–**	**–**	**2**	**–**	**2**	**4**
Net exchange adjustment	**(1)**	**(19)**	**(77)**	**(2)**	**(3)**	**(102)**
At 31 December 2015	**1**	**68**	**97**	**10**	**–**	**176**
Net book value						
At 31 December 2015	**238**	**17**	**89**	**15**	**15**	**374**
At 31 December 2014	235	56	144	4	37	476

1 In 2014, $18 million of the total impairment against mining assets of $22 million, related to the impairment of Bozymchak.

17. Other non-current assets

$ million	2015	2014
Advances paid for property, plant and equipment	**83**	273
Non-current VAT receivable	**159**	161
Non-current inventories [1]	**17**	–
Long-term bank deposits [2]	**2**	1
Gross value of other non-current assets	**261**	435
Provision for impairment	**(5)**	(6)
	256	429

1 Non-current inventories comprise ore stockpiles that are expected to be processed in the medium term i.e. in excess of 12 months from the balance sheet date.

2 Long-term bank deposits include long-term deposits placed in escrow accounts with financial institutions in Kazakhstan as required by the Group's site restoration obligations.

18. Inventories

$ million	2015	2014
Raw materials and consumables	38	59
Work in progress	49	65
Finished goods	30	31
Gross value of inventories	117	155
Inventories provision	(4)	(8)
	113	147

The carrying amount of inventory that has been written down to net realisable value is $4 million (2014: $8 million).

19. Prepayments and other current assets

$ million	2015	2014
Advances paid for goods and services	11	15
VAT receivable	22	11
Amounts due from related parties	6	10
Other	17	14
Gross value of prepayments and other current assets	56	50
Provision for impairment of prepayments and other current assets	(1)	(1)
	55	49

20. Trade and other receivables

$ million	2015	2014
Trade receivables	23	168
Amounts due from related parties	8	15
Amounts due from third parties	15	153
Interest receivable	1	1
Gross value of trade and other receivables	24	169
Provision for impairment of receivables	(1)	(1)
	23	168

21. Current investments

$ million	2015	2014
At 1 January	400	625
Additions	–	10
Disposals	–	(195)
Disposal of subsidiaries [1]	–	(40)
At 31 December [2]	400	400

1 Reflects the amount of current investments held by the discontinued operation on 15 August 2014, when the Disposal Assets were classified as an asset held for sale. On completion of the Restructuring on 31 October 2014, current investments disposed of was $30 million (see note 30).

2 At 31 December 2015, current investments and cash and cash equivalents include approximately $224 million of cash drawn down under the CDB-Aktogay financing facility (2014: $252 million). At 31 December 2014, approximately $2 million of cash drawn down under the CDB-Bozshakol and Bozymchak financing facilities was included in current investments and cash and cash equivalents.

Current investments consist of bank deposits with initial terms of maturities of between three and 12 months held with institutions in the UK and Kazakhstan.

22. Cash and cash equivalents

$ million	2015	2014
Cash deposits with initial maturities of less than three months [1]	550	750
Cash at bank [1]	301	980
	851	1,730

1 At 31 December 2015, current investments and cash and cash equivalents include approximately $224 million of cash drawn down under the CDB-Aktogay financing facility (2014: $252 million). At 31 December 2014, approximately $2 million of cash drawn down under the CDB-Bozshakol and Bozymchak financing facilities was included in current investments and cash and cash equivalents.

23. Share capital and reserves

(a) Allotted share capital

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

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

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

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

(c) Capital reserves

$ million	Reserve fund	Currency translation reserve	Capital redemption reserve	Total
At 1 January 2014	42	(614)	31	(541)
Exchange differences on retranslation of foreign operations [1]	–	(430)	–	(430)
Recycling of capital reserves on disposal of subsidiaries – note 30(a)	(42)	690	–	648
Recycling of capital reserves on disposal of joint venture – note 30(b)	–	24	–	24
At 31 December 2014	–	(330)	31	(299)
Exchange differences on retranslation of foreign operations	**–**	**(1,773)**	**–**	**(1,773)**
At 31 December 2015	**–**	**(2,103)**	**31**	**(2,072)**

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

(i) Reserve fund

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

(ii) Currency translation reserve

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

(iii) Capital redemption reserve

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

24. Borrowings

	Maturity	Average interest rate during the year	Currency of denomination	Current $ million	Non-current $ million	Total $ million
31 December 2015						
CDB-Bozshakol and Bozymchak – US$ LIBOR + 4.50%	2025	4.97%	US dollar	**183**	**1,698**	**1,881**
CDB-Aktogay facility – PBoC 5 year	2028	3.93%	CNY	**13**	**140**	**153**
CDB-Aktogay facility – US$ LIBOR + 4.20%	2029	4.64%	US dollar	**–**	**1,075**	**1,075**
Pre-export finance facility – US$ LIBOR + 3.00% – 4.50%	2018	3.69%	US dollar	**107**	**238**	**345**
CAT revolving credit facility – US$ LIBOR + 4.25%	2019	4.70%	US dollar	**–**	**50**	**50**
				303	**3,201**	**3,504**
31 December 2014						
CDB/Samruk-Kazyna facility – US$ LIBOR + 4.80%	2025	5.21%	US dollar	181	1,875	2,056
CDB-Aktogay facility – PBoC 5 year	2028	5.42%	CNY	–	112	112
CDB-Aktogay facility – US$ LIBOR + 4.20%	2029	4.53%	US dollar	–	580	580
Pre-export finance facility – US$ LIBOR + 3.00%	2018	2.98%	US dollar	–	344	344
				181	2,911	3,092

CDB-Bozshakol and Bozymchak facilities

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

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

CDB-Aktogay finance facility

At 31 December 2015, the Group had fully drawn down the CNY 1.0 billion facility at $153 million (2014: CNY 697 million; $112 million). In order to protect the Group from currency risks arising on the CNY denominated debt, the Group has entered into CNY/US$ cross currency swaps. This derivative instrument provides a hedge against any movement in the CNY exchange rate against the US dollar and also swaps the interest basis from a CNY interest rate into a US$ LIBOR interest basis. The fair value of the swap at 31 December 2015, included within payables, is $10 million (2014: $3 million).

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

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

Pre-export finance facility ('PXF')

On 29 October 2014, the Group signed an amendment to its PXF debt facility. The amended facility restated the PXF facility signed in December 2012. At signing, commitments from the syndicate of lending banks totalled $334 million and a net payment of $166 million was paid to exiting banks. On 5 December 2014, the facility was increased to $349 million by means of an accordion feature which allowed existing lenders to increase their commitments, or new lenders to join, until 31 December 2015.

Under the facility, principal repayments amortise in equal monthly instalments over a three year period commencing from January 2016 until final maturity on 31 December 2018. The margin payable on the amended facility is variable, ranging from 3.0% to 4.5% above US$ LIBOR, dependent on the ratio of net debt to EBITDA which will be tested semi-annually. KAZ Minerals PLC, Vostoktsvetmet LLC and KAZ Minerals Sales Limited act as guarantors of the loan. The amended facility resulted in certain changes to the covenant package including the suspension of the net debt to EBITDA ratio covenant, until 1 July 2016, and changes to the balance sheet gearing covenants to make these more aligned to the Group's projected financial profile until completion of the Bozshakol major growth project.

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

Revolving credit facility

On 14 August 2015, the Group entered into a new $50 million revolving credit facility provided by Caterpillar Financial Services (UK) Limited, a subsidiary of Caterpillar Inc. The CAT Facility is available for three years from the date of signing, following which the facility is repayable in four equal quarterly instalments. An interest rate of US$ LIBOR plus 4.25% is payable on amounts outstanding under the CAT Facility. The financial covenants on the CAT Facility are identical to those applicable to the Group's existing PXF. At 31 December 2015 the facility was fully drawn.

Undrawn project and general and corporate purpose facilities

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

25. Employee benefits

Vostoktsvetmet LLC and Kazakhmys LLC (until its disposal on 31 October 2014) provide post-retirement benefits and other long-term benefits in Kazakhstan which are unfunded. The largest portion of the employee benefits provision is for other long-term benefits, of which the most significant is for the long-term disability allowances. The other benefits provided include one-time retirement grants, financial aid, dental care, medical benefits, sanatorium visits, annual financial support to pensioners and funeral aid.

25. Employee benefits continued

The amounts recognised in the income statements are as follows:

$ million	2015	2014
Employer's share of current service cost	–	–
Employer's share of past service cost	(1)	(1)
Actuarial losses recognised in the period	3	4
Interest cost on benefits obligation	2	1
Income statement charge attributable to continuing operations	4	4
Income statement charge attributable to discontinued operations	–	64
	4	68

The expense is recognised in the following line items of the income statements:

$ million	2015	2014
Administrative expenses	2	3
Finance costs	2	1
Income statement charge attributable to continuing operations	4	4
Income statement charge attributable to discontinued operations	–	64
	4	68

The movement in the defined employee benefits obligation is as follows:

$ million	2015	2014
At 1 January	24	543
Employer's share of current service cost	–	–
Employer's share of past service cost	(1)	(1)
Net actuarial losses arising in the income statement	3	4
Income statement charge attributable to discontinued operations	–	64
Net actuarial loss recognised in other comprehensive income	–	1
Interest cost on benefit obligation	2	1
Benefits paid	(2)	(27)
Disposal of subsidiaries	–	(474)
Net exchange adjustment	(10)	(87)
Defined benefit obligation at 31 December	**16**	24

The movement in the plan asset is as follows:

$ million	2015	2014
At 1 January	–	13
Contributions by employer	3	27
Benefits paid	(2)	(27)
Disposal of subsidiaries	–	(13)
Fair value of plan assets at 31 December	**1**	–

The employee benefits obligation of $15 million (2014: $24 million), consists of $5 million (2014: $8 million) related to post-employment benefits and $10 million (2014: $16 million) related to other long-term benefits.

The net liability and expected settlement of the defined benefit obligation is as follows:

$ million	2015	2014
Defined benefit obligation	16	24
Less fair value of plan assets	1	–
Net liability recognised at 31 December	**15**	24
Current	2	2
Non-current	13	22
	15	24

The principal actuarial assumptions used in determining the employee benefit obligation are as follows:

	2015	2014
Discount rate at 31 December	8.3%	8.0%
Future salary increases	3.8%	3.6%
Medical and other related cost increases	5.6%	5.0%

In addition, mortality rates were determined with reference to the 2012 mortality table of Kazakhstan as published by the Government.

The Group continues to pay the non-monetary benefits described in note 8.

26. Provisions

$ million	Site restoration and clean up	Payments for licences	Total
At 1 January 2014	67	36	103
Arising/(reversing) during the year	8	(1)	7
Utilised	(1)	(3)	(4)
Unwinding of discount	4	2	6
Disposal of subsidiaries	(52)	(23)	(75)
Net exchange adjustment	(11)	–	(11)
At 31 December 2014	15	11	26
Reversing during the year	**(2)**	**–**	**(2)**
Utilised	**–**	**(1)**	**(1)**
Unwinding of discount	**1**	**1**	**2**
Net exchange adjustment	**(5)**	**–**	**(5)**
At 31 December 2015	**9**	**11**	**20**
Current	**–**	**2**	**2**
Non-current	**9**	**9**	**18**
At 31 December 2015	**9**	**11**	**20**
Current	–	–	–
Non-current	15	11	26
At 31 December 2014	15	11	26

(a) Site restoration and clean up

The costs of decommissioning and reclamation of mines and processing facilities within the Group are based on the amounts included in the Group's contracts for subsoil use. The provision represents the discounted values of the estimated costs to decommission and reclaim the mines at the dates of depletion of each of the deposits. The present value of the provision has been calculated using the following discount rates: Kazakhstan 8.8% (2014: 8.0%) per year and Kyrgyzstan 10.3% (2014: 9.8%). The liability becomes payable at the end of the useful life of each mine which ranges from one to 48 years. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives, and the levels of discount and inflation rates.

(b) Payments for licences for mining assets

In accordance with its contracts for subsoil use, the Group is liable to repay the costs of geological information provided by the Government of Kazakhstan for licensed deposits. The total amount payable by the Group is discounted to its present value using a discount rate of 8.8% (2014: 8.0%). The uncertainties include estimating the amount of the payments and their timing.

27. Trade and other payables

$ million	2015	2014
Payables for non-current assets	**101**	229
Trade payables	**23**	18
Interest payable	**57**	53
Payables under social obligations	**1**	3
Salaries and related payables	**14**	17
Mineral extraction tax and royalties payable	**25**	10
Other taxes payable	**5**	13
Amounts payable to related parties	**5**	63
Payments received in advance	**12**	8
Other payables and accrued expenses	**11**	21
	254	435

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

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

The consolidated statement of cash flows includes cash flows from both continuing and discontinued operations (see note 30).

Non-cash transactions

There were the following non-cash transactions:

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

29. Movement in net debt

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

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

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

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

30. Discontinued operations

For the year ended 31 December 2014, discontinued operations comprised the results of the Disposal Assets for the period up to 31 October 2014 (including the loss on disposal), the date on which it was sold, and the gain on the disposal of the Group's investments in Ekibastuz GRES-1 and Kaz Hydro. There were no discontinued operations in the year ended 31 December 2015.

(a) Disposal Assets

Following the independent shareholders' approval on 15 August 2014, the Board concluded that the Disposal Assets were available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such disposal groups and its sale was 'highly probable'. Accordingly, the Disposal Assets were classified as assets held for sale and shown within discontinued operations from that date.

On reclassification to assets held for sale, the Group recognised a charge of $1.6 billion from the remeasurement of these assets to fair value less costs to sell of nil. Upon completion, a further charge of $648 million (including $1 million relating to non-controlling interests) was recognised arising from the recycling to the income statement of the cumulative foreign exchange losses previously recognised in equity of $690 million and a credit of $42 million in relation to the recycling of other reserves. The Group recognised a total loss on disposal of $2.3 billion for the year ended 31 December 2014.

On completion of the Restructuring, the Group transferred $158 million of cash and cash equivalents, and incurred $12 million of transaction costs totalling $170 million. In addition, the Group also transferred $30 million in short-term liquid investments.

(b) Ekibastuz GRES-1

On 5 December 2013, the Board accepted an offer from Samruk-Energo, an investment vehicle of the Government of Kazakhstan, for the sale of the Group's 50% joint venture in Ekibastuz GRES-1 and the Group's investment in Kaz Hydro for $1,249 million, after transaction costs of $2 million and an additional $49 million being the cost of acquiring the remaining shares held in Kaz Hydro. The offer was approved by shareholders on 7 January 2014 with completion dependent on certain conditions precedent. The sale completed on 1 April 2014, with the Group recognising a profit on disposal of $207 million after the recycling to the income statement of the cumulative foreign exchange losses previously recognised in equity of $24 million.

(c) Financial performance of discontinued operations

The summary of results from discontinued operations as presented in the consolidated income statement is shown below:

$ million	2014
Revenues	1,534
Cost of sales	(997)
Operating costs	(603)
Loss before tax from discontinued operations	(66)
Income tax credit	4
Loss for the year	(62)
Net loss on disposal of subsidiaries and investments	(2,066)
Loss for the year from discontinued operations	(2,128)

1 The loss on disposal of $2,066 million includes the $207 million gain on the disposal of Ekibastuz GRES-1 and the $2.3 billion loss on the divestment of the Disposal Assets.

(d) Revenues

Revenues by product earned by discontinued operations are as follows:

$ million	2014
Copper cathode	587
Copper rod	67
Copper in concentrate	536
Silver (including silver in concentrate)	128
Gold	70
Other by-products	70
Electricity and heating	63
Other revenue	13
	1,534

Revenues by destination earned by discontinued operations are as follows:

$ million	2014
Europe	32
China	1,072
Kazakhstan	276
Other	154
	1,534

30. Discontinued operations continued

(e) Special items

Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business.

$ million	2014
Special items within loss before tax from discontinued operations	
Provisions released against historic tax claims	(15)
Impairment charges	15
Net foreign exchange gain arising on the devaluation of the tenge in 2014	(24)
	(24)
Special items within loss for the year	
Taxation related special items	5
	(19)
Special items within loss for the year from discontinued operations	
Net loss on disposal of subsidiaries and investments	2,066
	2,066
	2,047

The loss on disposal of subsidiaries and investments in 2014 represents the loss on the sale of the Disposal Assets (see note 30(a)) and the gain on disposal of Ekibastuz GRES-1 (see note 30(b)).

(f) Cash flows

Net cash flows from discontinued operations included within the consolidated cash flow statement are shown below:

$ million	2014
Operating activities	8
Investing activities	(228)
Financing activities [1]	61
Net cash outflow	(159)

1 Cash flows from financing activities within the discontinued operations reflected intercompany financing arrangements which eliminated on consolidation.

(g) Employee information

The average monthly number of employees within discontinued operations in 2014 was 40,274 people all located in Kazakhstan.

31. Financial risk management

The financial information disclosed in the tables represents continuing operations only.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk, interest rate risk, foreign exchange risk and commodity price risk. These risks arise from exposures that occur in the normal course of business and are managed by the Group's Treasury department in close cooperation with the Group's business divisions under oversight of a Treasury Committee, which is chaired by the Chief Financial Officer. The responsibilities of the Treasury Committee include the monitoring of financial risks, management of the Group's cash resources, debt funding programmes and capital structure, approval of treasury counterparties and relevant transaction limits, and oversight of all significant treasury activities undertaken by the Group. The Treasury department operates as a service centre to the business divisions of the Group and not as a profit centre.

A Group Treasury Policy has been approved by the Board and is periodically updated to reflect developments in the financial markets and the financial exposures facing the Group. The Treasury Policy covers specific areas of financial risk management, in particular, liquidity risk, credit risk, interest rate risk, foreign exchange risk and commodity price risk. The Group's Treasury Committee and the Group's Internal Audit department monitor compliance with the Treasury Policy on a regular basis.

The Group's Treasury department prepares monthly treasury reports for senior management which monitor all major financial exposures and treasury activities undertaken by the Group. In addition, a treasury report is prepared for each Board meeting which includes a summary of the credit markets and their impact on the implementation of the Group's strategy, progress on the Group's financing initiatives and the significant financial exposures faced by the Group.

The Group's principal financial instruments comprise borrowings, cash and cash equivalents, current investments and derivatives used for risk management purposes. The Group's borrowings, surplus liquidity and derivative financial instruments are controlled and managed centrally by the Group's Treasury department. Liquidity retained within Kazakhstan is only held for working capital purposes.

The Group's accounting policies with regard to financial instruments are detailed in note 35(w).

(a) Derivatives, financial instruments and risk management

The Group periodically uses derivative financial instruments to manage certain exposures to fluctuations in commodity prices, interest rates and exchange rates. The Group's philosophy is generally not to hedge its core revenue streams. In periods of significant market volatility or uncertainty, the Group may use derivative instruments as a means of reducing volatility and any negative impact on its operating cash flows. Limits on the size and type of any derivative hedge transaction are laid down by the Board and subject to strict internal controls.

(b) Categories of financial assets and financial liabilities

The carrying amounts of financial assets and liabilities by categories are as follows:

$ million	Notes	2015	2014
Loans and receivables [1]	17,20,21,22	1,276	2,299
Financial liabilities measured at amortised cost [2]	24,26,27	(3,727)	(3,507)

1 Loans and receivables comprise long-term deposits within long-term bank deposits (see note 17), trade and other receivables, current investments and cash and cash equivalents.

2 Financial liabilities measured at amortised cost comprise borrowings, provision for cash payments (payments for licences) and trade and other payables (excluding payments received in advance, other taxes payable and MET and royalties payable that are not regarded as financial instruments).

(c) Foreign exchange risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by a Group company in currencies other than that company's functional currency. The functional currency of the Kazakh entities within the Group is the Kazakhstan tenge, the Bozymchak project in Kyrgyzstan is the Kyrgyz som and KAZ Minerals Services Limited UK sterling. The Company, the Group's main financing and holding companies and also the Group's sales entities have a US dollar functional currency. The functional currency of the Group's intermediary project financing companies used for funding the Kazakhstan based development projects is the tenge. The currencies giving rise to this foreign currency risk are primarily the US dollar, the CNY and the Rouble. Exchange gains and losses arise principally from bank deposits, trade and other receivables, certain intercompany funding balances that exist within the Group and trade and other payables.

The Central Bank of Kazakhstan ended its management of the KZT/US$ exchange rate within a stated trading range in August 2015 allowing the tenge to become a freely floating currency. As a result of this, any volatility in the tenge will result in volatility in the Group's earnings and net assets.

Where possible, the Group attempts to conduct its business, maintains its monetary assets and seeks to source corporate debt capital in US dollars so as to minimise its exposure to other currencies. The Group retains surplus cash balances in US dollars for capital expenditure, acquisitions and returns to shareholders. Working capital balances are maintained in a mix of US dollars and local currencies depending on the short-term requirements of the business. Whilst there is a strong correlation between many mining input costs and the US dollar, a significant portion of the mining business' operating costs are denominated in local currencies, particularly the Kazakhstan tenge. Rates of exchange for these currencies relative to the US dollar could fluctuate significantly and may materially impact the profitability of the underlying operations and the net assets of the Group.

The Group generally does not enter into hedging positions in respect of its exposure to foreign currency risk. From time to time, acquisitions and capital investments may expose the Group to movements in other currencies and the Group will consider hedging such exposures on a case-by-case basis.

To protect the Group from currency risks arising on the CDB Aktogay CNY denominated debt, the Group has entered into a CNY/US$ cross currency swap. This derivative instrument provides a hedge against any movement in the CNY exchange rate against the US dollar and also swaps the interest basis from a CNY interest rate into a US$ LIBOR interest basis.

(i) Foreign currency exposure by company profile

The analysis in the table below of the net monetary assets and liabilities (including intercompany amounts) indicates the Group's exposure to currencies other than the functional currency of a company. These exposures represent the transactional exposures that may give rise to net currency gains and losses recognised in the income statement. As at 31 December 2015 and 2014 these exposures were as follows:

$ million	US dollar	UK sterling	Euro	KZT	KGS	CNY	Other
2015							
Company	n/a	2	–	–	–	–	1
Vostoktsvetmet LLC	63	–	–	n/a	–	–	–
KAZ Minerals Bozymchak LLC	(202)	–	–	–	n/a	–	–
KAZ Minerals Bozshakol LLC	3	–	(1)	n/a	–	–	–
KAZ Minerals Aktogay LLC	11	–	(1)	n/a	–	–	(1)
Other trading companies	3	1	–	n/a	–	–	1
Non-trading or holding companies	102	1	–	1	–	(162)	–
	(20)	4	(2)	1	–	(162)	1

$ million	US dollar	UK sterling	Euro	KZT	KGS	CNY	Other
2014							
Company	n/a	(2)	–	–	–	–	–
Vostoktsvetmet LLC	255	–	–	n/a	–	–	–
KAZ Minerals Bozymchak LLC	(365)	–	–	–	n/a	–	–
KAZ Minerals Bozshakol LLC	41	–	(1)	n/a	–	–	20
KAZ Minerals Aktogay LLC	24	–	(1)	n/a	–	–	(1)
Other trading companies	(2)	–	–	n/a	–	–	(3)
Non-trading or holding companies	108	–	–	1,928	–	(114)	–
	61	(2)	(2)	1,928	–	(114)	16

31. Financial risk management continued

(ii) Foreign currency exposure by balance sheet account profile

The Group's exposure to foreign currency risk based on gross amounts is shown below:

$ million	US dollar	UK sterling	Euro	KZT	CNY	Other	Total
2015							
Trade and other receivables	**149**	**5**	**–**	**1**	**–**	**1**	**156**
Cash and cash equivalents	**66**	**1**	**1**	**–**	**–**	**5**	**73**
Provisions for cash payments	**(7)**	**–**	**–**	**–**	**–**	**–**	**(7)**
Borrowings	**(134)**	**–**	**–**	**–**	**(153)**	**–**	**(287)**
Trade and other payables	**(94)**	**(2)**	**(3)**	**–**	**(9)**	**(5)**	**(113)**
	(20)	**4**	**(2)**	**1**	**(162)**	**1**	**(178)**

$ million	US dollar	UK sterling	Euro	KZT	CNY	Other	Total
2014							
Trade and other receivables	224	–	(1)	1,929	–	1	2,153
Cash and cash equivalents	385	–	1	1	–	23	410
Provisions for cash payments	(11)	–	–	–	–	–	(11)
Borrowings	(312)	–	–	–	(112)	–	(424)
Trade and other payables	(225)	(2)	(2)	(2)	(2)	(8)	(241)
	61	(2)	(2)	1,928	(114)	16	1,887

(iii) Foreign currency sensitivity analysis

In accordance with IFRS 7, the impact of foreign currencies has been determined based on the balances of financial assets and liabilities at 31 December 2015. This sensitivity does not represent the income statement impact that would be expected from a movement in exchange rates over the course of a period of time. In addition, the analysis assumes that all other variables remain constant. A 10% strengthening of the US dollar against the following currencies at 31 December would have decreased profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015:

	Impact on profit	
$ million	**2015**	2014
KZT	**8**	(161)
KGS	**(20)**	(37)
UK sterling	**10**	11
CNY	**(16)**	(11)

A 10% weakening of the US dollar against the above currencies at 31 December would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(d) Commodity price risk

The Group's mining revenues and earnings are directly impacted by fluctuations in the prices of the commodities it produces. The Group's principal commodities (copper, zinc, gold and silver) are priced via reference to global metal exchanges, upon which pricing is derived from global demand and supply and influenced by macroeconomic considerations and financial investment cash flows. The pricing of the Group's principal commodities may also include a pre-determined margin or discount depending on the terms of sales contracts. Commodity prices, particularly those derived from global metal exchanges, may fluctuate significantly and may have a material impact on the Group's financial results.

Management closely monitors the impact of fluctuations in commodity prices on the business and uses conservative pricing assumptions and sensitivity analysis for its forecasting and investment appraisals.

In accordance with IFRS 7, the impact of commodity prices has been determined based on the balances of financial assets and liabilities at 31 December 2015. This sensitivity does not represent the income statement impact that would be expected from a movement in commodity prices over the course of a period of time. In addition, the analysis assumes that all other variables remain constant. A 10% increase/(decrease) in commodity prices after the period end would have no impact on (loss)/profit after tax (2014: $nil). This analysis assumes that all other variables, in particular costs, remain constant and was performed on the same basis as 2014.

(e) Interest rate risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates primarily impact borrowings by changing their future cash flows (floating rate debt) or their fair value (fixed rate debt) and deposits. The Group's interest rate management policy is generally to borrow and invest at floating rates of interest. In some circumstances, an element of fixed rate funding may be considered appropriate. A limited amount of fixed rate hedging using interest rate swaps may be undertaken during periods where the Group's exposure to movements in short-term interest rates is more significant, or in periods when interest rates are perceived to be below long-term historical levels. At 31 December 2015, the Group had outstanding interest rate swaps on the CDB Aktogay facility of $10 million (2014: $3 million).

At 31 December 2015 and 2014 all borrowings were at floating rates. The exposure of the Group's financial assets and liabilities to interest rate risk is as follows:

	At 31 December 2015			
$ million	Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets				
Non-current investments	–	2	–	2
Trade and other receivables	–	–	23	23
Current investments	–	400	–	400
Cash and cash equivalents	275	550	26	851
Total financial assets	275	952	49	1,276
Financial liabilities				
Provisions for cash payments	–	11	–	11
Borrowings	3,504	–	–	3,504
Trade and other payables [1]	–	–	212	212
Total financial liabilities	3,504	11	212	3,727

	At 31 December 2014			
$ million	Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets				
Non-current investments	–	1	–	1
Trade and other receivables	–	–	168	168
Current investments	–	400	–	400
Cash and cash equivalents	941	750	39	1,730
Total financial assets	941	1,151	207	2,299
Financial liabilities				
Provisions for cash payments	–	11	–	11
Borrowings	3,092	–	–	3,092
Trade and other payables [1]	–	–	404	404
Total financial liabilities	3,092	11	404	3,507

1 Trade and other payables exclude payments received in advance, other taxes payable and MET and royalties payable that are not regarded as financial instruments.

The interest charged on floating rate financial liabilities is based on the relevant benchmark rate (such as LIBOR). Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

In accordance with IFRS 7, the impact of interest rates has been determined based on the balances of financial assets and liabilities at 31 December 2015. This sensitivity does not represent the income statement impact that would be expected from a movement in interest rates or outstanding borrowings over the course of a period of time. In addition, the analysis assumes that all other variables remain constant. The effect on profit after tax of a 1% movement in US$ LIBOR rates, based on the year-end net debt position and with all other variables held constant, is estimated to be $25 million (2014: $16 million).

(f) Credit risk

Exposure to credit risk arises as a result of transactions in the Group's ordinary course of business and is applicable to all financial assets and commitments due from third parties. The Group has adopted policies and procedures to control and monitor the distribution of these exposures to minimise the risk of loss in the event of non-performance by counterparties. The maximum exposure with respect to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

Credit risk relating to trade receivables

Given the number and geographical spread of the Group's ultimate customers and the solvency of major trade debtors, credit risk is believed to be limited in respect of trade receivables. The Group regularly monitors its exposure to bad debts in order to minimise this exposure.

Customer credit risk is managed by each division but is subject to Group oversight to ensure that each division's customer credit risk management system operates in a prudent and responsible manner. Credit evaluations are performed for all major customers and credit limits are established based on internal or external rating criteria. The credit quality of the Group's significant customers is monitored on an ongoing basis, and receivables that are neither past due nor impaired are considered of good credit quality.

Letters of credit are obtained where customer credit quality is not considered strong enough for open credit.

31. Financial risk management continued

(f) Credit risk continued

Credit risk relating to trade receivables continued

Within East Region operations, cash is received prior to delivery and transfer of title of the goods for sales to European customers. Sales to Chinese customers are predominantly made under letters of credit which are obtained prior to delivery and transfer of title of the goods. For all sales made to Chinese customers without letters of credit cash is received prior to delivery and transfer of title of the goods.

Debtor balances from European and Chinese customers are subject to provisional pricing and then final pricing adjustments. The Group is therefore exposed to the residual final pricing adjustment for each sales transaction although such amounts are not considered material in the context of the Group's overall revenues.

East Region operations also provide certain social services to municipal authorities in the communities in which it operates as part of its contractual obligations under its subsoil licences. For most receivable balances due from municipal authorities, full provision is recognised in light of past payment history.

As at 31 December 2015, 10 (2014: 10) customers accounted for 97% (2014: 86%) of the trade and other receivables balance of East Region operations. By 23 February 2016, 84% (23 February 2015: 100 %) of year-end balances due from these customers had been received in full.

(i) Risk for trade receivables by geographical regions

The maximum exposure to credit risk for trade receivables at 31 December by geographic areas was:

$ million	2015	2014
Europe	2	3
China	9	73
Kazakhstan	12	25
Other	–	67
	23	168

(ii) Impairment losses

The ageing of trade receivables at 31 December was:

	2015		2014	
$ million	Gross	Impairment	Gross	Impairment
Not past due	22	–	166	–
Past due 0-90 days	1	–	1	–
Past due 91-180 days	–	–	1	–
Past due 181-270 days	–	–	–	–
More than 270 days	1	(1)	1	(1)
	24	(1)	169	(1)

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

$ million	2015	2014
At 1 January	1	52
Charged to income statement	2	3
Written off	(1)	(15)
Disposal of subsidiaries	–	(29)
Net exchange adjustment	(1)	(10)
At 31 December	1	1

Credit risk related to financial instruments

Credit risk relating to the Group's other financial assets, comprising principally cash and cash equivalents, current investments and derivative financial instruments arises from the potential default of counterparties. Credit risk arising from balances with banks and financial institutions is managed by the Group's Treasury Committee in accordance with a Board approved Treasury Policy. The Group's cash management policies emphasise security and liquidity ahead of investment return. Investments of cash and deposits are made only with approved counterparties of high credit worthiness and within credit limits assigned to each counterparty. Exposures are measured against maximum credit limits assigned to each approved counterparty to ensure credit risk is effectively managed. The limits are set to minimise the concentration of risks and therefore mitigate any financial loss through potential counterparty failure.

In order to manage counterparty and liquidity risk, surplus funds within the Group are held predominantly in the UK and funds remaining in Kazakhstan are utilised mainly for working capital purposes. The Group must maintain a level of cash and deposits in Kazakhstan with local branches of international financial institutions and well established local Kazakhstan banks. The surplus funds in the UK are held primarily with major European and US financial institutions with minimum ratings of Standard & Poor's 'A-' and Moody's 'A3' and 'AAA' rated liquidity funds. These limits are reviewed on a regular basis to take account of developments in financial markets and updated accordingly.

No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to derivative financial instruments.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

$ million	2015	2014
Non-current investments	2	1
Trade and other receivables	23	168
Current investments	400	400
Cash and cash equivalents	851	1,730
	1,276	2,299

(g) Liquidity risk

The Group's objective is to maintain a balance between availability of funding and maximising investment return on its liquid resources through the use of liquid cash investments and debt facilities of varying maturities. Management regularly reviews the funding requirements of the Group in selecting appropriate maturities for its liquid cash investments.

The Group's policy is to centralise debt and surplus cash balances to the maximum extent possible.

Maturity of financial assets and liabilities

The table below analyses the Group's financial assets and liabilities, which will be settled on a gross basis, into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

$ million	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
2015						
Provisions for cash payments [1]	–	–	(2)	(4)	(7)	(13)
Borrowings [2]	–	(119)	(353)	(2,181)	(1,870)	(4,523)
Trade and other payables [3]	–	(212)	–	–	–	(212)
	–	(331)	(355)	(2,185)	(1,877)	(4,748)
Non-current investments	–	–	–	2	–	2
Trade and other receivables	–	23	–	–	–	23
Current investments	–	–	400	–	–	400
Cash and cash equivalents	301	550	–	–	–	851
	301	573	400	2	–	1,276
	301	242	45	(2,183)	(1,877)	(3,472)

$ million	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
2014						
Provisions for cash payments [1]	–	–	–	(10)	(2)	(12)
Borrowings [2]	–	(84)	(247)	(2,053)	(1,687)	(4,071)
Trade and other payables [3]	–	(404)	–	–	–	(404)
	–	(488)	(247)	(2,063)	(1,689)	(4,487)
Non-current investments	–	–	–	1	–	1
Trade and other receivables	–	168	–	–	–	168
Current investments	–	–	400	–	–	400
Cash and cash equivalents	980	750	–	–	–	1,730
	980	918	400	1	–	2,299
	980	430	153	(2,062)	(1,689)	(2,188)

1 Provisions for cash payments are presented on an undiscounted gross basis.

2 Borrowings include expected future interest payments based on contracted margins and prevailing LIBOR rates at the balance sheet date.

3 Trade and other payables exclude payments received in advance, other taxes payable and MET and royalties that are not regarded as financial instruments.

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31. Financial risk management continued

(h) Fair value of financial assets and liabilities

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

$ million	2015 Carrying value	2015 Fair value	2014 Carrying value	2014 Fair value
Non-current investments	**2**	**2**	1	1
Trade and other receivables	**23**	**23**	168	168
Current investments	**400**	**400**	400	400
Cash and cash equivalents	**851**	**851**	1,730	1,730
Provisions for cash payments	**(11)**	**(11)**	(11)	(11)
Borrowings	**(3,504)**	**(3,748)**	(3,092)	(3,119)
Trade and other payables [1]	**(212)**	**(212)**	(404)	(404)
	(2,451)	**(2,695)**	(1,208)	(1,235)

1 Trade and other payables exclude payments received in advance, other taxes payable and MET and royalties payable that are not regarded as financial instruments.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, current investments and trade and other receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. They are classified as level 3 fair values in the fair value hierarchy.
- Provisions for cash payments are discounted to their present value using the expected cash flows for the project and applicable discount rate for individual country and are classified as level 3 in the fair value hierarchy.
- The fair value of borrowings is estimated by discounting future cash flows using rates currently available for debt of similar maturities. They are classified as level 3 fair values in the fair value hierarchy.

(i) Capital management

The over-riding objectives of the Group's capital management policy are to safeguard and support the business as a going concern through the commodity cycle, to maximise returns to shareholders (either through dividends or share buy-backs) and benefits to other stakeholders and to maintain an optimal capital structure in order to reduce the Group's cost of capital.

At 31 December 2015, total capital employed (which comprises equity holders' funds, non-controlling interests and borrowings) of the Group amounted to $3,826 million, compared to $5,196 million at 31 December 2014. Total capital employed is the measure of capital that is used by the Directors in managing capital.

At 31 December 2015, the Group is in a net debt position of $2,253 million (2014: $962 million).

The Group does not have a target debt/equity ratio, but has determined a maximum debt capacity based on a ratio of long-term 'normalised' EBITDA which the Board believes establishes a sustainable level of gearing through the commodity cycle. This ratio is reviewed in conjunction with market conditions and prevailing commodity prices in order to ensure an efficient capital structure that is balanced against the risks of carrying excessive leverage.

The Group manages net debt to ensure that it does not exceed two times 'normalised' EBITDA through the commodity cycle with flexibility to allow for up to 2.5 times during periods of major capital investment, where 'normalised' EBITDA excludes special items. In the medium term, following the Restructuring and during the development and ramp up of the Group's major projects, when a higher net debt to EBITDA ratio is expected, the Group has suspended this internal ratio. Included within the debt facilities are financial covenants related to maximum borrowing levels of the Group (determined by reference to net debt to EBITDA and debt to equity ratios), minimum tangible net worth of individual Group entities and consolidated gross assets to gross liabilities ratios, for which compliance certificates are produced. All financial covenants were fully complied with during the year and up to the date of approval of the financial statements. As discussed in note 2 (a) to the consolidated financial statements and in the viability statement, the Group is currently in negotiations with the PXF banks over possible amendments to the terms of these loans as certain covenants may be in breach in late 2016.

32. Commitments and contingencies

(a) Legal claims

In the ordinary course of business, the Group is subject to legal actions and complaints. The Directors believe that the ultimate liability, if any, arising from such actions or complaints will not have a materially adverse effect on the financial condition or results of operations of the Group. As of 31 December 2015 and 2014, the Group was not involved in any significant legal proceedings, including arbitration, which may crystallise a financial loss for the Group.

(b) Kazakhstan and Kyrgyzstan taxation contingencies

(i) Inherent uncertainties in interpreting tax legislation

The Group is subject to uncertainties relating to the determination of its tax liabilities and the timing of recovery of tax refunds. Kazakhstan and Kyrgyzstan tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and changes which may be applied retrospectively. The Directors' interpretation of tax legislation as applied to the transactions and activities of the Group may not coincide with that of the tax authorities. As a result, the tax authorities may challenge transactions and the Group may be assessed with additional taxes, penalties and fines or refused refunds, which could have a material adverse effect on the Group's financial performance or position.

(ii) Tax audits

Historical tax years relating to various companies within the Group remain open for inspection during a future tax audit. Consequently, the tax figures recorded in the financial statements for these years may be subject to change.

The tax authorities in Kazakhstan are able to raise additional tax assessments for five years after the end of the relevant tax period in respect of all taxes, except for excess profits tax. In respect of excess profits tax, they are able to raise additional tax assessments for five years after the expiration of the terms of the relevant subsoil contract. In Kyrgyzstan, tax authorities are able to raise additional tax assessments for a period of six years after the end of the relevant tax period.

(iii) Transfer pricing

The Kazakhstan transfer pricing legislation provides clarity on various aspects of transfer pricing, including the use of LME and LBMA prices as the basis of market prices, quotation periods to be used for the sale and purchase of traded commodities and the acceptability of discounts with reference to LME/LBMA prices when transacting in traded commodities. Notwithstanding these amendments, the Directors have recognised a provision for the amounts that represent the Directors' best estimate of the probable cash payments that will be required to settle any residual transfer pricing exposures based on the Directors' interpretation of the transfer pricing legislation and the prevailing status of discussions with the tax authorities. The risk remains that the tax authorities may take a different position with regard to the interpretation of the transfer pricing legislation, and amendments thereof, and the outcome of discussions with the Kazakhstan tax authorities may be materially different from the Directors' expectations.

(iv) Possible additional tax liabilities

The Directors believe that the Group is in substantial compliance with the tax laws promulgated in Kazakhstan and Kyrgyzstan and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional material tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant tax authorities may take a differing position with regard to the interpretation of contractual provisions or tax law (inclusive of corporate income taxes, value added tax and subsoil use legislation).

The resulting effect of any positions taken by the tax authorities that differ from those of the Directors is that additional tax liabilities may arise or the timing of refunds due may take longer than expected. However, due to the range of uncertainties described above in assessing any potential additional tax liabilities and the timing of refunds, it is not practical for the Directors to estimate the financial effect in terms of the amount of additional tax liabilities, if any, together with any associated penalties and charges for which the Group may be liable.

(c) Environmental contingencies

Environmental regulations, including emissions legislation, in Kazakhstan and Kyrgyzstan are continually evolving. The outcome of environmental regulations under proposal or any future environmental legislation cannot be reliably estimated at present. As obligations are determined, they will be provided for in accordance with the Group's accounting policies. The Directors believe that there are no significant liabilities under current legislation not accrued for in the Group's consolidated financial statements, however they recognise that the environmental regulators in Kazakhstan and Kyrgyzstan may take a differing position with regard to the interpretation of environmental legislation. The resulting effect is that additional environmental liabilities may arise, however, due to the range of uncertainties, it is not practical for the Directors to estimate any further potential exposures.

The provision that has been made for costs associated with restoration and abandonment of mine sites upon depletion of deposits (see note 26), is based upon the estimation of the Group's specialists. Where events occur that change the level of estimated future costs for these activities, the provision will be adjusted accordingly.

(d) Use of subsoil and exploration rights

In Kazakhstan, all subsoil reserves belong to the State, with the Ministry of Investments and Development (the 'Ministry') granting exploration and production rights to third party bodies. Subsoil and exploration rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or licence. These rights may be terminated by the Ministry if the Group does not satisfy its contractual obligations.

32. Commitments and contingencies continued

In the Kyrgyz Republic, all subsoil reserves belong to the State, with the State Agency for Geology and Mineral Resources of the Kyrgyz Republic (the 'competent body') granting exploration and production rights to third party bodies. Subsoil and exploration rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or licence. These rights may be terminated by the competent body if the Company does not satisfy its contractual obligations.

(e) Capital expenditure commitments

The Group has capital expenditure commitments for the purchase of property, plant and equipment as well as commitments under its mining subsoil agreements. Committed expenditure under the subsoil agreements typically relates to investments in community-related projects, and includes investments in social sphere assets, infrastructure and public utilities. The total commitments for property, plant and equipment as at 31 December 2015 amounted to $634 million (2014: $150 million).

(f) Operating lease commitments

The operating lease expense for the year was $2 million (2014: $5 million). At 31 December 2015 and 2014, the Group had the following total commitments under non-cancellable operating leases:

$ million	2015	2014
Within one year	2	2
After one year but not more than five years	6	7
More than five years	1	4
	9	13

33. Related party disclosures

(a) Transactions with related parties

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

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial period:

$ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties[1]	Amounts owed to related parties
Cuprum Holding and related entities				
2015[2]	**23**	**168**	**14**	**5**
2014	6	97	23	57
Companies under trust management				
2015	**–**	**–**	**–**	**–**
2014	10	13	–	–
Other				
2015	**–**	**–**	**–**	**–**
2014	4	11	2	6

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

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

(i) Cuprum Holding and the Disposal Assets

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

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

(ii) Companies under trust management agreements

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

(iii) Other

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

(b) Terms and conditions of transactions with related parties

Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction.

34. Share-based payment plans

The Company's share-based payment plans consist of a Long Term Incentive Plan (LTIP), an Executive Share Option Plan (ESOP) and a Deferred Share Bonus Plan (DSBP). The total expense for the year ended 31 December 2015 arising from these plans was $3 million (2014: $5 million). The total number of shares outstanding under these schemes as at 31 December 2015 was 3,214,305 (2014: 3,653,331). The total number of shares exercisable under these schemes as at 31 December 2015 was 190,643 (2014: 258,580).

These plans are discretionary benefits offered by the Company for the benefit of its employees. The main purpose is to increase the interest of the employees in KAZ Minerals' long-term business goals and performance through share ownership. They represent incentives for employees' future performance and commitment to be aligned to the goals of the Group. The shares issued under these plans are dilutive ordinary shares. For any future awards, the Company may issue new shares rather than purchase the shares in the open market through the Employee Benefit Trust.

35. Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied across the Group.

(a) Foreign currency translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions translated at the rate prevailing at the date of the transactions, or the translation of monetary assets and liabilities at period end exchange rates, are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction.

The functional currency of the Company, the Group's main financing and holding companies and KAZ Minerals Sales Limited is the US dollar ($) as the majority of the operating activities are conducted in US dollars. The functional currency of the Group's Kazakh entities and the UK based project finance companies is the Kazakhstan tenge (KZT), with the Bozymchak project being the Kyrgyz som (KGS). On consolidation, income statements of subsidiaries are translated into US dollars, at average rates of exchange. Balance sheet items are translated into US dollars at period end exchange rates. Exchange differences on the retranslation are taken to a separate component of equity. All other exchange differences are charged or credited to the income statement in the year in which they arise.

The following foreign exchange rates against the US dollar have been used in the preparation of the consolidated financial statements:

	31 December 2015		31 December 2014	
	Spot	Average	Spot	Average
Kazakhstan tenge	**339.47**	**221.73**	182.35	179.19
Kyrgyz som	**75.90**	**64.44**	58.89	53.64
UK pounds sterling	**0.68**	**0.65**	0.64	0.61

(b) Business combinations

The Group applies the purchase method to account for business combinations. On the acquisition of a subsidiary, the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair values at the date of acquisition. Those mining rights, mineral reserves and resources that are able to be reliably valued are recognised in the assessment of fair values on acquisition. Other potential reserves, resources and mineral rights, for which in the Directors' opinion, values cannot be reliably determined, are not recognised.

The consideration transferred (cost of acquisition) is the aggregate of: (a) the fair values at the date of exchange, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Group; and (b) the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred in the income statement.

When the cost of acquisition exceeds the fair value attributable to the Group's share of the identifiable net assets, the difference is treated as purchased goodwill.

If the fair value attributable to the Group's share of the identifiable net assets exceeds the fair value of the consideration, the Group reassesses whether it has correctly identified and measured the assets acquired and liabilities assumed and recognises any additional assets or liabilities that are identified in that review. If that excess remains after reassessment, the Group recognises the resulting gain in the income statement on the acquisition date.

When a subsidiary is acquired in a number of stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

Similar procedures are applied in accounting for the purchases of interests in associates and joint ventures. Any goodwill arising on such purchases is included within the carrying amount of the investment in the associate, but not thereafter amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included in the income statement in the period of the purchase.

35. Summary of significant accounting policies continued

(c) Intangible assets

(i) Non-mining intangible assets

Non-mining intangible assets relate largely to software purchases, which are acquired by the Group and which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses. Cost comprises purchase price plus any directly attributable costs of preparing the asset for intended use. The cost of intangible assets acquired in a business combination is its fair value which can be measured reliably as at the date of acquisition.

(ii) Amortisation

Amortisation of intangible assets, which have expected useful lives of three to 10 years, is computed under the straight-line method over the estimated useful lives of the assets.

(d) Property, plant and equipment

(i) Initial measurement

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Costs which are necessarily incurred and revenues earned whilst commissioning new assets, in the period before they are capable of operating in the manner intended by management, are capitalised. For mining and processing facility assets, capable of operating in the manner intended by management requires judgement based on the facts and circumstances of the operation and is considered to be when these assets have reached commercial levels of production. Commercial production represents production in reasonable commercial quantities and refers to the level of output and not profit or loss and is generally considered to have been achieved when the operation is consistently operating at over 60% of its intended capacity for a continuous and sustained period of around three months.

(ii) Depreciation

The cost of each item of property, plant and equipment is depreciated over its useful life. Each item's estimated useful life has due regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, plant and equipment, with annual reassessments for major items. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of the individual asset or on a unit of production basis depending on the type of asset.

The unit of production method is the ratio of commodity production in the period to the estimated quantities of commercial reserves over the life of the mine (using proven and probable mineral reserves as determined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 ('JORC Code') on an annual basis) based on the estimated economically recoverable reserves to which they relate. Changes in estimates, which affect unit of production calculations, are accounted for prospectively.

Depreciation commences on the date the assets are ready for use within the business. Freehold land is not depreciated.

The expected useful lives are as follows:

- Buildings 15-40 years
- Plant and equipment 4-25 years
- Other 3-15 years

(iii) Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category.

Construction in progress is not depreciated.

(iv) Repairs and maintenance

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Repairs and maintenance expenditure is capitalised if additional future economic benefits will arise from the expenditure. All other repairs and maintenance expenditure is recognised in the income statement as incurred.

(v) Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor and not transferred to the Group are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(e) Mining assets

(i) Mineral licences and properties

Costs of acquiring mineral licences and properties are capitalised on the balance sheet in the year in which they are incurred. Costs associated with a start-up period for significant developments are capitalised during the commissioning period (development expenditure) where the asset is incapable of operating at normal levels without a commissioning period. Mineral licences and properties are amortised over the remaining life of the mine using a unit of production method.

(ii) Mine development costs

Mine development costs are incurred to obtain access to proved reserves or mineral-bearing ore deposits and to provide facilities for extracting, lifting and storing minerals. Such costs are, upon commencement of production, amortised over the remaining life of the mine using a unit of production method.

(iii) Mine stripping costs

Mine stripping costs incurred in order to access the mineral-bearing ore deposits are deferred prior to the commencement of production. Such costs are amortised over the remaining life of the mine using a unit of production method.

The cost of removal of the waste material during a mine's production phase is deferred if the stripping activity permits an increase in the output of the mine in future periods through providing access to additional sources of reserves that will be produced in future periods. Capitalised stripping costs are amortised in a systematic manner over the reserves that directly benefit from the specific stripping activity.

(iv) Exploration and evaluation costs

Exploration and evaluation expenditure for each area of interest once the legal right to explore has been acquired, other than that acquired through a purchase transaction, is carried forward as an asset, within mining assets, provided that one of the following conditions is met:

- such costs are expected to be recouped through successful exploration and development of the area of interest or, alternatively, by its sale;
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration expenditure which fails to meet at least one of the conditions outlined above is written off. Administrative and general expenses relating to exploration and evaluation activities are expensed as incurred.

Identifiable exploration and evaluation assets acquired in a purchase transaction are recognised as assets at their cost, or fair value if purchased as part of a business combination. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met.

Exploration and evaluation assets attributable to producing interests are amortised over the remaining life of the mine on a unit of production basis.

(f) Impairment

The carrying values of mining assets, capitalised exploration and evaluation expenditure and property, plant and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount to its recoverable amount.

Impairment losses related to continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash generating unit to which the asset belongs. The Group's cash generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

(ii) Reversals of impairment

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior years. Such reversals are recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in the recoverable amount.

35. Summary of significant accounting policies continued

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. Cost is determined on the following bases:

- Raw materials and consumables are valued at cost on a first-in, first-out (FIFO) basis; and
- Work in progress and finished goods are valued at the cost of production, including the appropriate proportion of depreciation, labour and overheads based on normal operating capacity. The cost of work in progress and finished goods is based on the weighted average cost method.

Net realisable value represents estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

(h) Trade and other receivables

Trade and other receivables do not generally carry any interest and are normally stated at their nominal value less any impairment. Impairment losses on trade receivables are recognised within an allowance account unless the Group considers that no recovery of the amount is possible, in which case the carrying value of the asset is reduced directly.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits held on call or with maturities less than three months at inception and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(j) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal groups are available for immediate sale in their present condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year of the date of classification.

Non-current assets (or disposal groups) held for sale are carried at the lower of the carrying amount prior to being classified as held for sale, and the fair value less costs to sell. A non-current asset is not depreciated while classified as held for sale. A non-current asset held for sale is presented separately in the balance sheet. The assets and liabilities of a disposal group classified as held for sale are presented separately as one line in the assets and liabilities sections on the face of the balance sheet.

An asset or business is considered to be a discontinued operation if it has been sold or is classified as held for sale and is part of a single co-ordinated plan to dispose of either a separate major line of business or is a subsidiary acquired exclusively with a view to sale. Once an operation has been identified as discontinued, its net profit is presented separately from continuing operations. Comparative information is reclassified so that the net profit of the prior period is also presented separately.

(k) Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

(l) Employee benefits

(i) Long-term employee benefits

The Group's entities located in Kazakhstan remit contributions to defined contribution pension plans on behalf of its employees. Contributions to be paid by the Group are withheld from employees' salaries and are recognised as part of the salary expense in the income statement as incurred.

The Group's defined benefit plans, including the death and disability plans for current and former employees, are accounted for in accordance with IAS 19 'Employee Benefits (Revised)', such that the plan liabilities and assets are measured by actuarial valuations using the projected unit credit method.

The future benefit that employees have earned is discounted to determine the present value. The discount rate is determined by reference to the US Treasury bond rate adjusted for country specific inflation and risk. The treasury bond used approximates the average maturity profile of the Group's benefit obligations. The calculation is performed by a qualified independent actuary on a rotational basis.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise for defined benefit plans not considered to be other long-term employee benefits. In respect of other long-term employee benefit plans, namely the Group's disability benefits obligation, all actuarial gains and losses are recognised in the income statement in the period in which they arise. The expense in relation to all long-term employee benefits is charged to the income statement so as to match the cost of providing these benefits to the period of service of the employees.

(ii) Share-based payments

Certain employees of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions is determined using the Monte Carlo method and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

(m) Own shares

Own equity instruments which are re-acquired either by the Employee Benefits Trust for the purposes of the Group's employee share-based payment plans or by the Company as part of any share buy-back programmes are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration paid to acquire such equity instruments is recognised within equity.

(n) Trust activities

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in the consolidated financial statements. Transactions entered into with these trust activities are expensed in the consolidated financial statements.

(o) Social responsibility costs

The Group contributes towards social programmes for the benefit of the local community at large. The Group's contributions towards these programmes are expensed to the income statement at the point when the Group is committed to the expenditure.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Site restoration costs

Site restoration provisions are made in respect of the estimated future costs of closure and restoration, and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted where material and the unwinding of the discount is included in finance costs. Over time, the discounted provision is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over the remaining life of the mine to which it relates using a unit of production method. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Any change in restoration costs or assumptions will be recognised as additions or charges to the corresponding asset and provision when they occur. For permanently closed sites, changes to estimated costs are recognised immediately in the income statement.

(ii) Payments for licences

In accordance with the terms of subsoil use contracts, provision is made for future licence payments when the Group has a present obligation to repay the costs of geological information provided for licensed deposits. The amount payable is discounted to its present value.

(iii) Other

Other provisions are accounted for when the Group has a legal or constructive obligation for which it is probable there will be an outflow of resources and for which the amount can be reliably estimated.

(q) Revenue

Revenue represents the value of goods and services supplied to third parties during the year. Revenue is measured at the fair value of consideration receivable, and excludes any applicable sales tax. MET is included within cost of sales.

All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue associated with the sale of goods is recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title and any insurance risk has passed to the customer and the goods have been delivered in accordance with the contractual delivery terms or when any services have been provided.

Almost all sales agreements for copper cathodes, copper rods and copper and zinc concentrate are provisionally priced (i.e. the selling price is subject to final adjustment at the end of a quotation period, typically the average price either for the month or the month following delivery to the customer), based on the LME market price for the relevant quotation period stipulated in the contract. Such a provisional sale contains an embedded derivative which is not required to be separated from the underlying host contact, being the sale of the commodity. At each reporting date, the provisionally priced metal sales are marked-to-market using forward prices, with adjustments (both gains and losses) being recorded in revenue in the income statement and in trade receivables or trade payables in the balance sheet.

35. Summary of significant accounting policies continued

(r) Finance income

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues, calculated in accordance with the effective interest rate method.

(s) Finance costs

Finance costs comprise interest on borrowings which are not capitalised under the borrowing costs policy (see 35(t) below), the unwinding of interest cost on provisions and foreign exchange losses.

(t) Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time as the assets are considered substantially ready for their intended use, i.e. when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the year. All other borrowing costs are recognised in the income statement in the period in which they are incurred using the effective interest rate method.

Borrowing costs that represent avoidable costs not related to the financing arrangements of the development projects and are therefore not directly attributable to the construction of these respective assets are expensed in the period as incurred. These borrowing costs generally arise where the funds are drawn down under the Group's financing facilities, whether specific or general, which are in excess of the near term cash flow requirements of the development projects for which the financing is intended, and the funds are drawn down ahead of any contractual obligation to do so.

(u) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity. Excess profits tax is treated as income tax and forms part of the income tax expense.

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- those arising on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit; and
- investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(v) Dividends

Dividends are recognised as a liability in the period in which they are approved by shareholders. Dividends receivable are recognised when the Group's right to receive payment is established.

(w) Financial instruments

The Group recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

When financial assets are initially recognised, they are measured at fair value being the consideration given or received plus directly attributable transaction costs. Any gain or loss at initial recognition is recognised in the income statement.

The Group's financial assets include cash and short-term investments, trade and other receivables, loans and other receivables, quoted and unquoted investments and derivative financial instruments.

The Group's most significant financial assets, within the scope of IAS 39, are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are typically loans and receivables created by the Group in providing money to a debtor.

Subsequent measurement

After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method ('EIR'). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Allowance for impairment is estimated on a case-by-case basis.

Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts and derivative financial instruments.

The Group's most significant financial liabilities, within the scope of IAS 39, are classified as loans and borrowings.

Subsequent measurement

Interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method after initial recognition. Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(iii) Derivative financial instruments

Where the Group enters into derivative contracts that are not hedging instruments in hedge relationships as defined by IAS 39, these are carried in the balance sheet at fair value with changes in fair value recognised in finance income or finance costs in the income statement.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would have been expected.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured is provided in note 31(h).

36. Company financial statements

(a) Company balance sheet

$ million	Notes	2015	2014
Assets			
Non-current assets			
Investments	36(e)	1,883	3,334
Deferred tax asset		1	1
		1,884	3,335
Current assets			
Prepayments and other current assets		2	2
Income taxes reclaimable		–	–
Intercompany loan	36(f)	66	184
Trade and other receivables	36(g)	3	14
Cash and cash equivalents	36(j)	1	–
		72	200
Total assets		1,956	3,535
Equity and liabilities			
Equity			
Share capital	23(a)	171	171
Share premium		2,650	2,650
Capital reserves	36(h)	27	21
Retained earnings		(993)	586
Total equity		1,855	3,428
Current liabilities			
Trade and other payables	36(i)	2	2
Intercompany payables	36(l)	99	105
Total liabilities		101	107
Total equity and liabilities		1,956	3,535

These financial statements were approved by the Board of Directors on 24 February 2016.

Signed on behalf of the Board of Directors

Oleg Novachuk
Chief Executive Officer

Andrew Southam
Chief Financial Officer

(b) Company statement of cash flows

$ million	Notes	2015	2014
Cash flows from operating activities			
Loss before taxation		(1,576)	(3,305)
Interest income		–	–
Share-based payments	34	2	3
Impairment loss	36(e)	1,552	3,301
Dividends received		–	(50)
Operating cash flows before changes in working capital		(22)	(51)
Decrease in prepayments and other current assets		–	1
Decrease/(increase) in trade and other receivables		11	(1)
Decrease in trade and other payables		–	(5)
Increase in intercompany payables		–	6
Cash flows from operations before interest, income taxes and dividends received		(11)	(50)
Income taxes (paid)/received		(6)	5
Dividends received		–	50
Net cash flows (used in)/from operating activities		(17)	5
Cash flows from investing activities			
Capital contributions into subsidiary undertakings	36(e)	–	(2)
Net cash flows used in investing activities		–	(2)
Cash flows from financing activities			
Amounts repaid/(paid) under intercompany loans		18	(3)
Net cash flows from/(used in) financing activities		18	(3)
Net increase in cash and cash equivalents	36(j)	1	–
Cash and cash equivalents at the beginning of year	36(j)	–	–
Cash and cash equivalents at the end of year	36(j)	1	–

(c) Company statement of changes in equity

$ million	Notes	Share capital	Share premium	Capital reserves [1]	Retained earnings	Total equity
At 1 January 2014		171	2,650	798	3,098	6,717
Total comprehensive expense for the year		–	–	(779)	(2,515)	(3,294)
Share-based payments	34	–	–	–	3	3
Employee share awards exercised		–	–	2	–	2
At 31 December 2014		171	2,650	21	586	3,428
Total comprehensive expense for the year		–	–	–	(1,576)	(1,576)
Share-based payments	34	–	–	–	(3)	(3)
Employee share awards exercised		–	–	6	–	6
At 31 December 2015		171	2,650	27	(993)	1,855

1 Refer to note 36(h) for an analysis of 'Capital reserves'.

36. Company financial statements continued

(d) Company accounting policies

Basis of preparation

The KAZ Minerals PLC parent company balance sheet, statement of cash flows, statement of changes in equity and related notes have been prepared in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 2006. The financial information has been prepared on a historical cost basis. The financial statements have been prepared on a going concern basis.

The functional currency of the Company and the presentational currency adopted is US dollars.

Principal accounting policies

The principal accounting policies are consistent with those applied in the consolidated financial statements (refer to notes 2 and 35) except for the additional accounting policy relating to non-current investments set out below. There were no changes to the accounting policies during the year.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, following implementation of these standards, actual results may differ from those estimates.

Non-current investments

Non-current investments are held at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

(e) Company non-current investments

$ million	2015	2014
Cost		
At 1 January	7,728	7,576
Additions	101	152
At 31 December	7,829	7,728
Provision for impairment		
At 1 January	4,394	1,093
Impairment charges	1,552	3,301
At 31 December	5,946	4,394
Net book value	1,883	3,334

(i) KAZ Minerals Investments Limited

As a result of a decline in the short and medium term commodity price expectations, the value of the Group's underlying assets has fallen such that the carrying values of these investments are above their currently estimated fair value less costs to sell. The determination of the fair value less costs to sell is subject to the key sources of estimation uncertainty as disclosed in note 3(b). Consequently, an impairment charge of $1,552 million has been recognised. Following the impairment, the updated carrying value is supported by a range of internal valuations that have been prepared using a discounted cash flow model using assumptions relating to short, medium and long-term pricing and other assumptions based on the Group's expectations of the assets. The internal valuation range is outside the range of recent analyst valuations as these applied discounts for perceptions relating to project execution risk on delivery of the Group's major projects and near term liquidity risks. The Group believes that these discounts are excessive given the status and low cost profile of the projects. On removal of the applied discount factors, the carrying value of the investments, following the impairment, falls within the range of the adjusted analyst values.

Any positive changes in the amount or timing of estimated future cash flows or in the discount rate such that the fair value of the Company's investments increases, consideration will be given to whether the previously recognised impairments should be reversed.

In 2014, following the divestment of the Disposal Assets and the subsequent loss on disposal of $2.3 billion recognised by the Group, the Company impaired its investment in KAZ Minerals Investments Limited, the intermediary owner of the company that ultimately owned the Disposal Assets, by $3,301 million. The impairment charge arose as the holding company of the Disposal Assets sold the respective companies for nil proceeds.

(ii) KAZ Minerals Services Limited

In 2015, an additional investment of $1 million (2014: $2 million) relating to capital contributions made by the Company to KAZ Minerals Services Limited was recognised in respect of the share awards issued by the Company on behalf of employees of KAZ Minerals Services Limited.

(iii) KAZ Minerals Finance PLC

During 2015, the Company waived $100 million of the intercompany loan receivable due from KAZ Minerals Finance PLC as a capital contribution to KAZ Minerals Finance PLC (2014: $150 million).

(iv) Other companies
The Company holds its interests in other subsidiaries in the Group either directly or via intermediate holding companies for those businesses in Central Asia.

(f) Company intercompany loan
The intercompany loan receivable comprises $50 million due from KAZ Minerals Finance PLC (2014: $169 million) and $16 million (2014: $15 million) from KAZ Minerals Sales Limited and has been advanced by the Company for general corporate purposes. This balance is repayable on demand and accrues interest at US$ LIBOR minus 10 bps. As at 31 December 2015, interest receivable of $3 million (2014: $3 million) had accrued on this loan balance and is included within intercompany receivables (note 36(g)).

(g) Company trade and other receivables

$ million	2015	2014
Intercompany receivables	3	3
Group tax relief receivable	–	11
	3	14

At 31 December 2014, group tax relief was due from KAZ Minerals Sales Limited of $11 million as all UK Group companies are considered part of a tax group for corporation tax purposes. The Company was in a loss-making position for tax purposes and therefore in a net receivable position.

(h) Company capital reserves

$ million	Capital reserve	Capital redemption reserve	Treasury shares	Total
At 1 January 2014	779	31	(12)	798
Own shares issued upon exercise of options	–	–	2	2
Impairment charge recognised against investments	(779)	–	–	(779)
At 31 December 2014	–	31	(10)	21
Own shares issued upon exercise of options	–	–	6	6
At 31 December 2015	**–**	**31**	**(4)**	**27**

(i) Capital reserve
The capital reserve is a non-distributable reserve created when the shares issued pursuant to the share exchange agreements prior to the Company's listing were recorded at fair value. To the extent the Company received dividends from Kazakhmys LLC's profits created in the period prior to the share exchange, the capital reserve was realised through a transfer to distributable retained earnings. Prior to the divestment of the Disposal Assets, the Company recognised an impairment charge of $3.3 billion against the carrying value of its investments (see note 36(e)) and utilised the capital reserve, which related to Kazakhmys LLC and arose pursuant to the share exchange arrangements, to reflect part of the impairment.

(ii) Capital redemption reserve
As a result of the share buy-back programme undertaken in 2008 and the re-purchase of KAZ Minerals PLC shares received from the ENRC disposal in 2013, transfers were made from share capital to the capital redemption reserve based on the nominal value of the shares cancelled.

(iii) Treasury shares
The treasury shares reserve represents the cost of the Company's shares purchased by the Employee Benefit Trust to satisfy the share options awarded under the Company's share-based payment schemes.

(i) Company trade and other payables

$ million	2015	2014
Salaries and related payables	2	2
Other payables and accrued expenses	–	–
	2	2

(j) Company movement in net liquid funds

$ million	At 1 January 2015	Cash flow	At 31 December 2015
Cash and cash equivalents	–	1	1
Borrowings	–	–	–
Net liquid funds	–	1	1

$ million	At 1 January 2014	Cash flow	At 31 December 2014
Cash and cash equivalents	–	–	–
Borrowings	–	–	–
Net liquid funds	–	–	–

36. Company financial statements continued

(k) Company financial risk management

The Company, as a holding company, has limited exposure to foreign exchange, credit and interest rate risks and these are shown below. The Company has no exposure to commodity, liquidity or price risks.

(i) Foreign exchange risk

The Company has transactional currency exposures principally arising from transactions relating to corporate costs which are denominated in currencies other than the Company's functional currency, being the US dollar. Corporate costs are primarily denominated in UK sterling. The Company generally does not enter into hedging positions in respect of its exposure to foreign currency risk.

(ii) Credit risk

Credit risk for the Company relates to cash and cash equivalents. Balances within intercompany loans and trade and other receivables mostly relate to amounts owed by Group undertakings resulting in reduced credit risk for these balances.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

$ million	2015	2014
Intercompany loans	66	184
Trade and other receivables	3	14
Cash and cash equivalents	1	–
	70	198

The exposure to credit risk for intercompany loans and trade and other receivables at 31 December 2015 and 2014 by geographic areas was all European.

(iii) Interest rate risk

The Company has limited balances subject to interest rate risk. The exposure of the Company's financial assets and liabilities to interest rate risk is as follows:

	At 31 December 2015			
$ million	Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets				
Intercompany loans	66	–	–	66
Trade and other receivables	–	–	3	3
Cash and cash equivalents	1	–	–	1
Total financial assets	67	–	3	70
Financial liabilities				
Trade and other payables	–	–	(2)	(2)
Intercompany payables	–	–	(99)	(99)
Total financial liabilities	–	–	(101)	(101)

	At 31 December 2014			
$ million	Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets				
Intercompany loans	184	–	–	184
Trade and other receivables	–	–	14	14
Total financial assets	184	–	14	198
Financial liabilities				
Trade and other payables	–	–	(2)	(2)
Intercompany payables	–	–	(105)	(105)
Total financial liabilities	–	–	(107)	(107)

All the Company's interest bearing monetary assets are denominated in US dollars and have a maturity of less than one year.

(iv) Fair value of financial assets and liabilities

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements:

$ million	2015 Carrying value	2015 Fair value	2014 Carrying value	2014 Fair value
Intercompany loans	66	66	184	184
Trade and other receivables	3	3	14	14
Cash and cash equivalents	1	1	–	–
Trade and other payables	(2)	(2)	(2)	(2)
Intercompany payables	(99)	(99)	(105)	(105)
	(31)	(31)	91	91

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Cash and cash equivalents, trade and other receivables, trade and other payables and intercompany loans and payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

(v) Capital management

The over-riding objectives of the Company's capital management policy are to safeguard and support the business as a going concern through the commodity cycle, to maximise returns to shareholders (either through dividends or share buy-backs) and benefits to other stakeholders and to maintain an optimal capital structure in order to reduce the Company's cost of capital (see note 31(i)).

(l) Company related party disclosures

(i) Transactions with related parties

Transactions with related parties comprise interest received from KAZ Minerals Finance PLC of $0.1 million (2014: $0.1 million) and management fees to KAZ Minerals Services Limited for services provided on behalf of the Company during the year under a management service agreement of $21 million (2014: $52 million).

The amounts outstanding from subsidiary companies are provided in notes 36(f) and 36(g).

The intercompany payables amount of $99 million is due to KAZ Minerals Services Limited for management fees discussed above and other services (2014: $105 million). The balance is payable on demand and is interest free.

The Company did not receive any dividends from KAZ Minerals Sales Limited (2014: $50 million) during the year.

An additional investment of $1 million relating to capital contributions was made to KAZ Minerals Services Limited during 2015 (2014: $2 million) (see note 36(e)).

As explained in note 36(e), in 2015 the Company waived its right to receive repayment of $100 million of the outstanding intercompany loan receivable due from KAZ Minerals Finance PLC (2014: $150 million).

(ii) Terms and conditions of transactions with related parties

Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction.

(m) Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed in the following table:

	Principal activity	Operating division	Country of incorporation	Equity interest at 31 December 2015 %	Equity interest at 31 December 2014 %
KAZ Minerals Aktogay B.V.	Holding company	Mining Projects	The Netherlands	100.0[1]	100.0[1]
KAZ Minerals Aktogay Finance Limited	Group project financing company	Corporate services	England and Wales	100.0[1]	100.0[1]
KAZ Minerals Aktogay LLC	Copper mine development	Mining Projects	Kazakhstan	100.0[1]	100.0[1]
KAZ Minerals Aktogay Project Finance Limited	Holding company	Corporate services	England and Wales	100.0[1]	100.0[1]
KAZ Minerals Bozshakol B.V.	Holding company	Mining Projects	The Netherlands	100.0[1]	100.0[1]
KAZ Minerals Bozshakol LLC	Copper mine development	Mining Projects	Kazakhstan	100.0[1]	100.0[1]

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36. Company financial statements continued

(m) Subsidiaries continued

	Principal activity	Operating division	Country of incorporation	Equity interest at 31 December 2015 %	Equity interest at 31 December 2014 %
KAZ Minerals Bozymchak LLC	Copper/gold mine development	Bozymchak	Kyrgyzstan	100.0[1]	100.0[1]
KAZ Minerals Copper B.V.	Holding company	Corporate services	The Netherlands	100.0[1]	100.0[1]
KAZ Minerals Copper Finance Limited	Holding company	Holding company	England and Wales	100.0[1]	100.0[1]
KAZ Minerals Finance PLC	Group financing company	Corporate services	England and Wales	100.0	100.0
KAZ Minerals Gold B.V.	Holding company	Corporate services	The Netherlands	100.0[1]	100.0[1]
KAZ Minerals Holding B.V.	Holding company	Corporate services	The Netherlands	100.0[1]	100.0[1]
KAZ Minerals Holdings International B.V.	Holding company	Corporate services	The Netherlands	100.0[1]	100.0[1]
KAZ Minerals Investments Limited	Holding company	Corporate services	England and Wales	100.0	100.0
KAZ Minerals Koksay B.V.	Holding company	Mining Projects	The Netherlands	100.0[1]	100.0[1]
KAZ Minerals Koksay Holding B.V.	Holding company	Mining Projects	The Netherlands	100.0[1]	100.0[1]
KAZ Minerals Kupfer B.V.	Holding company	Corporate services	The Netherlands	100.0[1]	100.0[1]
KAZ Minerals Management LLP	Management and services company	Corporate services	Kazakhstan	100.0[1]	100.0[1]
KAZ Minerals Marketing and Logistics Limited	Group's marketing and logistics company	All	Hong Kong	100.0[1]	100.0[1]
KAZ Minerals Mining B.V.	Holding company	Corporate services	The Netherlands	100.0[1]	100.0[1]
KAZ Minerals One Limited	Holding company	Corporate services	England and Wales	100.0[1]	100.0[1]
KAZ Minerals Power B.V.	Holding company	Corporate services	The Netherlands	100.0[1]	100.0[1]
KAZ Minerals Projects Finance Limited	Group project financing company	Corporate services	England and Wales	100.0[1]	100.0[1]
KAZ Minerals Sales Limited	Sales and logistics	East Region operations	England and Wales	100.0	100.0
KAZ Minerals Service LLP	Group management services company	Corporate services	Kazakhstan	100.0[1]	100.0[1]
KAZ Minerals Services Limited	Management and services company	Corporate services	England and Wales	100.0	100.0
KAZ Minerals Thirteen B.V.	Holding company	Corporate services	The Netherlands	100.0[1]	100.0[1]
Kazakhmys Projects B.V.	Project management company	All	The Netherlands	100.0[1]	100.0[1]
KM Trading LLP	Kazakhstan sales company	All	Kazakhstan	100.0[1]	100.0[1]
Konsolidirovannaya Stroitelnaya Gornorudnaya Kompaniya LLP	Koksay copper mine development	Mining Projects	Kazakhstan	100.0[1]	100.0[1]
Kytco B.V.	Holding company	Corporate services	The Netherlands	100.0[1]	100.0[1]
Vostokenergo LLC	Copper mining and concentrating	East Region operations	Kazakhstan	99.9[1]	0.0
Vostoktsvetmet LLC	Copper mining and concentrating	East Region operations	Kazakhstan	99.9[1]	99.9[1]

1 Indirectly held by the Company.

(n) Guarantees

The Company is the guarantor for the following:

- as explained in note 24, the Company, together with Vostoktsvetmet LLC and KAZ Minerals Sales Limited, is a guarantor of the $349 million PXF debt facility signed in October 2014;
- the Company was the guarantor of the loan facilities signed between KAZ Minerals Finance PLC and Samruk-Kazyna under the CDB/Samruk-Kazyna financing line. Following an amendment which was signed on 20 December 2014, the CDB/Samruk-Kazyna financing facilities became bilateral between KAZ Minerals and CDB, with no further guarantees to Samruk-Kazyna. The amendment became effective in March 2015 such that at 31 December 2015 the Company was then a guarantor of the loan facilities with the CDB only. As at 31 December 2015, KAZ Minerals Finance PLC had signed loan facilities amounting to $1.9 billion which were fully drawn at that date;
- in 2014 the Company was also party to a several but not joint guarantee to CDB under the loan facilities between CDB and Samruk-Kazyna which is capped at $1.7 billion of principal plus 8.5% of any interest and other duly payable costs and expenses. A right of set-off existed under the loan facilities between Samruk-Kazyna and KAZ Minerals Finance PLC in the event of any payment being made by the Company to CDB under this guarantee. Following an amendment which was signed on 20 December 2014, the CDB/Samruk-Kazyna financing facilities became bilateral between KAZ Minerals and CDB and no further guarantees were given to Samruk-Kazyna. The amendment became effective in March 2015 and therefore at 31 December 2015 the joint and several guarantee no longer existed;
- as explained in note 24, the Company is a guarantor of the CDB Aktogay finance facilities totalling $1.5 billion for the Aktogay project signed in December 2011 with CDB;
- the $50 million CAT revolving credit facility signed in August 2015; and
- the operating lease on the Company's head office in London.

$ million (unless otherwise stated)	2015	2014	2013	2012 [2]	2011 [2]
Results					
Revenues [1]	665	846	931	3,353	3,563
Profit before finance items and taxation [1]	90	94	191	242	1,125
Profit/(loss) before taxation [1]	12	(169)	138	151	1,057
(Loss)/profit after taxation [1]	(12)	(234)	90	65	836
(Loss)/profit for the year from discontinued operations	–	(2,128)	(2,122)	(2,335)	94
(Loss)/profit attributable to equity shareholders	(12)	(2,362)	(2,030)	(2,271)	930
Assets employed					
Non-current assets	2,715	3,222	4,032	6,699	8,355
Current assets	1,443	2,496	4,587	3,294	3,376
Non-current liabilities	(3,263)	(2,976)	(3,197)	(2,870)	(1,648)
Current liabilities	(573)	(638)	(1,201)	(858)	(1,251)
Net assets	322	2,104	4,221	6,265	8,832
Financed by					
Equity	319	2,101	4,217	6,259	8,825
Minority interests	3	3	4	6	7
	322	2,104	4,221	6,265	8,832
Key statistics					
EBITDA (excluding special items) [1]	202	355	359	1,364	1,959
Group EBITDA (excluding special items)	202	556	1,149	1,912	2,925
Underlying Profit [1]	(10)	86	102	492	1,498
Free Cash Flow	(145)	(31)	(171)	85	824
Free Cash Flow excluding interest payments	2	119	(15)	170	890
EPS – basic and diluted ($) [1]	(0.03)	(0.52)	0.18	(4.33)	1.75
EPS based on Underlying Profit ($) [1]	(0.02)	0.19	0.20	0.94	2.80
Dividends per Share (US cents)	–	–	–	11.0	28.0
Maintenance spend per tonne of own copper cathode ($/t) [1]	827	631	935	2,065	1,237

1 2015, 2014 and 2013 reflect continuing operations only.

2 Not restated to remove Disposal Assets and as presented in the 2013 consolidated five year summary.

1. Summary of significant production and sales figures

kt (unless otherwise stated)	2015	2014
Continuing operations		
Ore mined	14,537	4,628
Copper content in ore mined (%)	1.10	2.35
Copper cathode own production	81	84
Copper cathode sales [1]	83	78
Zinc in concentrate production	94	121
Silver granule production (koz)	3,135	3,435
Gold bar production (koz)	35	35
Discontinued operations		
Ore mined	–	27,119
Copper content in ore mined (%)	–	0.83
Copper cathode production	–	90
Copper cathode equivalent production [2]	–	171
Copper cathode equivalent sales	–	179
Silver granule equivalent production [3] (koz)	–	6,039
Gold bar production (koz)	–	51
Gold doré production (koz)	–	3
Electricity power generation sales [4] (GWh)	–	4,129

1 Excludes volumes and revenues relating to the period prior to Bozymchak achieving commercial production on 1 July 2015.

2 Includes production of copper cathode equivalent of copper in concentrate sold and cathode converted into rod.

3 Includes a small volume of by-product production from the former Kazakhmys Gold's mines, and silver granule equivalent in copper concentrate sold.

4 Represents captive power stations.

2. Mining

(a) Metal mining

	Ore mined		Copper		Zinc		Gold		Silver	
	2015 kt	2014 kt	2015 %	2014 %	2015 %	2014 %	2015 g/t	2014 g/t	2015 g/t	2014 g/t
Continuing operations										
East Region										
Orlovsky	1,417	1,548	3.69	3.66	4.52	5.48	1.18	1.35	64.4	74.8
Irtyshsky	655	637	1.67	1.49	3.13	3.21	0.28	0.29	62.2	49.6
Yubileyno-Snegirikhinsky	625	659	1.94	2.13	0.98	1.65	0.28	0.43	16.4	21.6
Artemyevsky	1,289	1,358	1.62	1.78	2.96	4.04	0.38	0.64	35.1	63.8
Total East Region	3,986	4,202	2.42	2.48	3.23	4.07	0.63	0.82	47.0	59.1
Bozymchak	449	426	0.97	1.00	–	–	1.77	1.83	10.0	10.1
Aktogay	3,003	–	0.37	–	–	–	–	–	–	–
Bozshakol	7,099	–	0.69	–	–	–	0.31	–	2.1	–
Total continuing operations	14,537	4,628	1.10	2.35	3.23	4.07	0.48	0.91	17.9	54.5
Discontinued operations										
Zhezkazgan Region										
North	–	1,396	–	0.74	–	–	–	–	–	6.5
South (incl. Stepnoy)	–	6,903	–	0.71	–	–	–	–	–	14.6
East (incl. West)	–	5,511	–	0.83	–	–	–	–	–	9.8
Zhomart	–	3,147	–	0.98	–	–	–	–	–	8.5
Total Zhezkazgan Region	–	16,957	–	0.80	–	–	–	–	–	11.3
Central Region										
Konyrat	–	3,995	–	0.31	–	–	–	–	–	1.7
Shatyrkul	–	536	–	1.92	–	–	–	0.30	–	2.1
Sayak	–	1,275	–	0.95	–	–	–	0.45	–	5.4
Akbastau	–	1,786	–	1.99	–	1.38	–	0.63	–	16.6
Nurkazgan	–	2,570	–	0.71	–	–	–	0.29	–	2.0
Total Central Region	–	10,162	–	0.87	–	1.38	–	0.42	–	4.9
Total discontinued operations	–	27,119	–	0.83	–	1.38	–	0.42	–	8.9

(b) Coal mining

	Coal mined		Waste stripped		Strip ratio	
	2015 kt	2014 kt	2015 kbcm	2014 kbcm	2015 bcm:t	2014 bcm:t
Discontinued operations						
Molodezhny	–	5,534	–	12,326	–	2.23
Kusheki	–	404	–	3,551	–	8.79
Total discontinued operations	–	5,938	–	15,877	–	2.67

3. Copper processing

(a) Concentrating

	Copper concentrate produced 2015 kt	2014 kt	Copper in concentrate 2015 %	2014 %
Continuing operations				
East Region				
Orlovsky	254	279	18.6	18.2
Nikolaevsky	134	137	21.7	20.3
Belousovsky	54	50	18.8	18.1
Third-party processor	–	6	–	27.3
Total East Region	442	472	19.6	18.9
Bozymchak	13	3	23.7	25.9
Total continuing operations	455	475	19.7	18.9
Discontinued operations				
Zhezkazgan	–	338	–	33.7
Central Region				
Balkhash	–	221	–	15.3
Karagaily (Abyz)	–	35	–	2.7
Karagaily (Akbastau)	–	224	–	10.1
Nurkazgan	–	81	–	18.9
Total Central Region	–	561	–	12.9
Total discontinued operations	–	899	–	20.7

(b) Heap leaching

	Ore to leach pad 2015 kt	2014 kt	Copper grade 2015 %	2014 %
Continuing operations				
Aktogay	3,003	–	0.37	–
Total continuing operations	3,003	–	0.37	–

4. Zinc and precious metals processing

	Zinc concentrate produced		Zinc in concentrate		Silver[1]		Gold[1]	
	2015 kt	2014 kt	**2015 %**	2014 %	**2015 g/t**	2014 g/t	**2015 g/t**	2014 g/t
Continuing operations								
East Region								
Orlovsky	**100**	135	**45.7**	46.6	**168.2**	191.7	**1.7**	2.1
Belousovsky	**30**	27	**48.9**	46.2	**515.4**	447.9	**2.1**	2.2
Irtyshsky	**–**	–	**–**	43.8	**–**	3,429.9	**–**	4.5
Nikolaevsky	**70**	90	**48.3**	46.5	**197.2**	274.5	**1.6**	2.9
Artemyevsky (KazZinc)	**–**	9	**–**	50.8	**–**	932.3	**–**	4.5
Total East Region	**200**	261	**47.1**	46.7	**219.2**	243.7	**1.7**	2.3
Bozymchak	**–**	–	**–**	–	**280.3**	288.9	**41.9**	45.8
Total continuing operations	**200**	261	**47.1**	46.7	**221.0**	243.9	**2.9**	2.6
Discontinued operations								
Zhezkazgan	**–**	–	**–**	–	**–**	524.4	**–**	–
Central Region								
Balkhash	**–**	–	**–**	–	**–**	70.9	**–**	3.4
Karagaily	**–**	–	**–**	–	**–**	62.3	**–**	2.7
Nurkazgan	**–**	–	**–**	–	**–**	37.1	**–**	5.7
Total Central Region	**–**	–	**–**	–	**–**	62.1	**–**	3.4
Total discontinued operations	**–**	–	**–**	–	**–**	235.8	**–**	3.4

1 Grade in grammes per tonne of copper concentrate.

5. Copper cathode production

	Concentrate smelted 2015 kt	Concentrate smelted 2014 kt	Copper in concentrate 2015 %	Copper in concentrate 2014 %	Copper cathodes 2015 kt	Copper cathodes 2014 kt
Continuing operations						
Balkhash Smelter	**438**	472	**19.6**	19.1	**81**	84
Discontinued operations						
Zhezkazgan Smelter	–	13	–	24.0	–	–
Balkhash Smelter						
Own concentrate	–	590	–	15.1	–	90
Other [1]	–	1	–	44.5	–	–
Total Balkhash Smelter	–	591	–	15.1	–	90
Total discontinued operations (excluding tolling)	–	604	–	15.3	–	90
Tolling	–	87	–	6.6	–	4
Total discontinued operations	–	691	–	14.2	–	94

1 Includes materials (slag, scrap, etc.) and ore used directly in smelting process reprocessed at the Balkhash Smelter.

6. Precious metal production

	Silver 2015 koz	Silver 2014 koz	Gold bars 2015 koz	Gold bars 2014 koz	Gold doré 2015 koz	Gold doré 2014 koz
Continuing operations	**3,135**	3,435	**35**	35	–	–
Discontinued operations [1]	–	6,039	–	51	–	3
Tolling	–	–	–	9	–	–
Total discontinued operations (including tolling)	–	6,039	–	60	–	3

1 Includes a small volume of production from former Kazakhmys Gold's mines and silver granule equivalent in copper concentrate sold.

7. Other production

	2015 kt	2014 kt
Continuing operations		
Acid	**449**	387
Lead dust	**4**	7
Discontinued operations		
Copper rod	–	9
Acid	–	510
Enamel wire	–	1
Lead dust	–	1

8. Sales

	2015		2014	
	kt[1]	$ million	kt[1]	$ million
Continuing operations				
Copper cathode[2]	**83**	**459**	78	550
Zinc metal in concentrate	**96**	**102**	122	144
Silver (koz)[2]	**3,015**	**46**	4,224	78
Gold bar (koz)[2]	**29**	**35**	36	44
Discontinued operations				
Copper cathode	**–**	**–**	80	587
Copper rod	**–**	**–**	10	67
Copper in concentrate (cathode equivalent)	**–**	**–**	89	536
Copper cathodes equivalent sales	**–**	**–**	179	1,190
Silver (koz)[3]	**–**	**–**	2,262	58
Silver granule equivalent in copper concentrate sold (koz)	**–**	**–**	3,608	70
Total silver granule equivalent sales (koz)	**–**	**–**	5,870	128
Gold bar (koz)	**–**	**–**	53	69
Gold doré (koz)	**–**	**–**	1	1

1 Kilotonnes (unless otherwise stated).

2 Excludes volumes and revenues relating to the period prior to Bozymchak achieving commercial production on 1 July 2015.

3 Sales include production from the former Kazakhmys Gold's mines.

9. Average realised prices

	2015	2014
Continuing operations		
Copper ($/t)	**5,515**	7,040
Zinc concentrate ($/t)	**1,061**	1,185
Silver ($/oz)	**15.5**	18.6
Gold ($/oz)	**1,185**	1,226
Discontinued operations		
Copper ($/t)	**–**	6,642
Silver ($/oz)	**–**	21.7
Gold ($/oz)	**–**	1,301

10. Power – production and sales

	2015	2014
Discontinued operations		
Captive power stations		
Electricity power generation (GWh)	**–**	4,779
Net power generated (GWh)	**–**	4,129
Heating power (KGcal)	**–**	1,953
Realised tariff prices (tenge/kWh)	**–**	5.50

Ore reserves and mineral resources estimation methods

The Republic of Kazakhstan inherited the classification system and estimation methods for minerals established by the Former Soviet Union ('FSU'). Updated "Regulations for the Classification of Non-ferrous Metals Reserves" became law in Kazakhstan in 2006. In practice, this means that the statements of resources and reserves developed by KAZ Minerals PLC (and the mining plans to which they relate) must be submitted for approval to the corresponding committees of the Ministry for Investment and Development, for which adherence to the standardised national system of resource and reserve estimation is mandatory.

Mineral deposits are classified according to their degree of geological complexity into one of three deposit categories (for copper deposits), which determine the density of exploration sampling and the proportions and classifications of GKZ (State Commission on Mineral Reserves) reserves that must be estimated. As part of the exploitation licence for each mineral deposit, a set of "Conditions for Estimation of Reserves" is prepared by a Kazakhstan licensed design institute and submitted for approval to the State. The Conditions for each deposit specify the minimum thickness for exploitation of the ore body and cut-off grades, plus special considerations which may apply where the conditions for mineral extraction are exceptional or present difficulties.

Resources and reserves have traditionally been estimated by KAZ Minerals, according to the FSU's "Classification and Estimation Methods for Reserves". It is apparent that there is a growing trend towards greater flexibility and discussion between state authorities and mining companies with respect to resource estimation methods. This has been reflected in the increased use of computers and associated software by KAZ Minerals in order to maintain records about reserves at the operating mines and using databases linked to modelling software to assist in exploration and preliminary resource estimation. DMT Consulting Ltd ('DMT') recognises that this is an important step towards achieving verifiable and internally consistent resource and reserve estimates.

For the operating mines in the East Region and Kyrgyzstan, DMT has reviewed the reserves statements of KAZ Minerals and has presented them in accordance with the criteria required to meet JORC standards. "Guidelines on the Alignment of Kazakh minerals reporting standards and the CRIRSCO Template" were published during 2015 as a joint initiative of the Committee for Mineral Reserves International Reporting Standards ('CRIRSCO') and the Kazakh Committee of Geology and Subsoil Use and State Reserves Committee. The guidelines have been used to align categories of reserves (A, B, C_1 and C_2) with appropriate Mineral Resource categories (Measured, Indicated and Inferred). The JORC Competent Person, however, remains responsible for any estimate that is reported.

Mineral Resources, by definition, must have reasonable prospects for eventual economic extraction. In general, therefore, the total active balance reserve, where no unresolvable problems are foreseen, is considered as the Mineral Resource. Balanced reserves in categories B and C_1 are assigned to the Measured Mineral Resource category and the C_2 category is assigned to the Indicated Mineral Resource category. Ore Reserves in Proved and Probable categories are then converted from the Resources, after consideration of mining plans and after the application of appropriate modifying factors for loss and dilution. Legal approval for the exploitation of a particular reserve block is also taken into consideration.

For KAZ Minerals' major development projects at Aktogay, Bozshakol and Koksay, DMT has based the assessment of Mineral Resources and Ore Reserves on estimates derived from computer modelling that are estimated in accordance with the guidelines of JORC, typically by external consultants. The JORC Code specifies that a Pre-feasibility Study is the minimum level of engineering design required before a Mineral Resource can be converted to an Ore Reserve. Each of these projects is being developed following international best practice, which includes the creation of a computerised geological model linked to an electronic database. GKZ estimates of tonnage and metal content will continue to be undertaken to comply with national Kazakh requirements. DMT, however, believes that these projects will be best understood by potential investors if the resources and reserves are reported along conventional international lines from the outset, using the JORC Code.

DMT's visit to KAZ Minerals' Almaty office for this year's audit took place in November 2015. Mine production data for the operating assets has therefore been based on actual figures until October 2015 and then based on forecasts to arrive at end-of-year results.

The assessment of Inferred Resources for KAZ Minerals is incomplete. The mines do not keep records of "prognosticated reserves" (as defined in Kazakhstan), categories P1, P2 and P3 under GKZ, which may include material that could be considered equivalent to JORC category of Inferred Resources. Inferred Resources are shown in the tabulations for Aktogay, Bozshakol and Koksay where model based estimates have been used and Inferred Resources have been categorised as such by a Competent Person under the JORC Code.

All Ore Reserves quoted in the following tables are discounted for ore losses and dilution and refer to estimates of tonnes and contained metal grades at the point of delivery to the processing plant. Mineral Resources are not discounted for losses and dilution and are inclusive of Ore Reserves. All figures in reserves and resources are in dry metric tonnes and are dated as at 31 December 2015.

KAZ Minerals

Summary of ore reserves

		Reserves[1] kt		Copper %		Zinc %		Gold g/t		Silver g/t		Lead %		Molybdenum %	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
East Region	Proved	16,289	18,087	2.53	2.40	5.28	4.84	0.91	0.78	71.66	62.65	1.15	1.05	–	–
	Probable	3,600	2,357	2.72	2.21	3.83	2.04	0.51	0.32	70.92	34.63	0.81	0.54	–	–
	Total	19,889	20,444	2.57	2.38	5.02	4.52	0.84	0.73	71.53	59.42	1.09	0.99	–	–
Bozymchak	Proved	9,831	10,250	0.75	0.76	–	–	1.25	1.27	8.05	8.08	–	–	–	–
	Probable	5,881	5,882	0.75	0.75	–	–	1.15	1.15	7.20	7.20	–	–	–	–
	Total	15,712	16,132	0.75	0.76	–	–	1.21	1.23	7.73	7.76	–	–	–	–
Aktogay[2]	Proved	884,000	887,100	0.35	0.35	–	–	–	–	–	–	–	–	0.007	0.007
	Probable	628,900	628,900	0.34	0.34	–	–	–	–	–	–	–	–	0.008	0.008
	Total	1,512,900	1,516,000	0.35	0.35	–	–	–	–	–	–	–	–	0.007	0.007
Bozshakol[3]	Proved	118,000	118,000	0.38	0.38	–	–	–	–	–	–	–	–	–	–
	Probable	455,000	455,000	0.38	0.38	–	–	–	–	–	–	–	–	–	–
	Total	573,000	573,000	0.38	0.38	–	–	–	–	–	–	–	–	–	–
Total KAZ Minerals	**Proved**	1,028,120	1,033,437	0.39	0.39	0.08	0.08	0.03	0.03	1.21	1.18	0.02	0.02	0.006	0.006
	Probable	1,093,381	1,092,139	0.37	0.36	0.01	0.00	0.01	0.01	0.27	0.11	0.00	0.00	0.005	0.005
	Total	2,121,501	2,125,576	0.38	0.38	0.05	0.04	0.02	0.02	0.73	0.63	0.01	0.01	0.005	0.005
Analysed as:															
Operating Mines[4]	Proved	26,120	28,337	1.86	1.81	3.30	3.09	1.04	0.96	47.72	42.91	0.72	0.67	–	–
	Probable	9,481	8,239	1.50	1.17	1.45	0.58	0.91	0.91	31.40	15.05	0.31	0.16	–	–
	Total	35,601	36,576	1.77	1.66	2.80	2.53	1.00	0.95	43.37	36.64	0.61	0.56	–	–
Development projects	Proved	1,002,000	1,005,100	0.35	0.35	–	–	–	–	–	–	–	–	0.006	0.006
	Probable	1,083,900	1,083,900	0.36	0.36	–	–	–	–	–	–	–	–	0.005	0.005
	Total	2,085,900	2,089,000	0.36	0.36	–	–	–	–	–	–	–	–	0.005	0.005

1 Includes discounts for ore loss and dilution. Reserves = Resources – Ore Loss + Dilution.

2 The molybdenum grade at Aktogay shown in the Proved Reserve is estimated to the Probable Reserve level of confidence.

3 The Bozshakol gold and silver grades of 0.15 g/t and 1.13 g/t respectively are estimated to the Inferred Resource level of confidence and are therefore excluded from the table above.

4 Mine extensions are included within the original ore body as part of operating mines.

Summary of mineral resources

		Resources[1] kt		Copper %		Zinc %		Gold g/t		Silver g/t		Lead %		Molybdenum %	
		2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
East Region	Measured	**30,512**	22,872	**2.79**	2.90	**5.54**	4.71	**1.04**	0.83	**86.95**	61.93	**1.44**	1.03	**–**	–
	Indicated	**9,747**	20,924	**2.97**	2.08	**3.21**	5.05	**0.58**	0.80	**59.05**	91.63	**0.83**	1.54	**–**	–
	Total	**40,259**	43,796	**2.83**	2.50	**4.98**	4.87	**0.93**	0.82	**80.20**	76.12	**1.29**	1.27	**–**	–
	Inferred	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Bozymchak	Measured	**10,935**	11,331	**0.86**	0.87	**–**	–	**1.43**	1.45	**9.24**	9.26	**–**	–	**–**	–
	Indicated	**6,387**	6,387	**0.86**	0.86	**–**	–	**1.31**	1.31	**8.19**	8.18	**–**	–	**–**	–
	Total	**17,322**	17,718	**0.86**	0.87	**–**	–	**1.39**	1.40	**8.85**	8.87	**–**	–	**–**	–
	Inferred	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Aktogay[2]	Measured	**930,756**	933,600	**0.35**	0.35	**–**	–	**–**	–	**–**	–	**–**	–	**0.007**	0.007
	Indicated	**785,250**	785,250	**0.32**	0.32	**–**	–	**–**	–	**–**	–	**–**	–	**0.008**	0.008
	Total	**1,716,006**	1,718,850	**0.34**	0.34	**–**	–	**–**	–	**–**	–	**–**	–	**0.007**	0.007
	Inferred	**487,550**	487,550	**0.30**	0.30	**–**	–	**–**	–	**–**	–	**–**	–	**0.007**	0.007
Bozshakol[3]	Measured	**489,000**	116,000	**0.35**	0.40	**–**	–	**0.13**	0.13	**1.10**	1.10	**–**	–	**0.005**	0.005
	Indicated	**447,000**	713,000	**0.40**	0.37	**–**	–	**0.16**	0.16	**1.36**	0.90	**–**	–	**0.006**	0.005
	Total	**936,000**	829,000	**0.37**	0.37	**–**	–	**0.14**	0.16	**1.22**	0.93	**–**	–	**0.006**	0.005
	Inferred	**284,000**	341,000	**0.32**	0.31	**–**	–	**0.17**	0.16	**0.83**	0.74	**–**	–	**0.003**	0.004
Koksay[4]	Measured	**246,500**	282,062	**0.41**	0.46	**–**	–	**–**	–	**–**	–	**–**	–	**0.004**	0.005
	Indicated	**340,800**	419,355	**0.45**	0.43	**–**	–	**–**	–	**–**	–	**–**	–	**0.003**	0.003
	Total	**587,300**	701,417	**0.43**	0.44	**–**	–	**–**	–	**–**	–	**–**	–	**0.003**	0.004
	Inferred	**148,700**	436,779	**0.37**	0.36	**–**	–	**–**	–	**–**	–	**–**	–	**0.002**	0.003
Total KAZ Minerals	Measured	**1,707,703**	1,365,865	**0.41**	0.42	**0.10**	0.08	**0.06**	0.04	**1.93**	1.21	**0.03**	0.02	**0.006**	0.006
	Indicated	**1,589,184**	1,944,916	**0.39**	0.38	**0.02**	0.05	**0.05**	0.07	**0.78**	1.34	**0.01**	0.02	**0.006**	0.006
	Total	**3,296,887**	3,310,781	**0.40**	0.40	**0.06**	0.06	**0.06**	0.06	**1.37**	1.29	**0.02**	0.02	**0.006**	0.006
	Inferred	**920,250**	1,265,329	**0.32**	0.32	**–**	–	**0.05**	0.04	**0.26**	0.20	**–**	–	**0.005**	0.005
Analysed as:															
Operating Mines[5]	Measured	**41,447**	34,203	**2.28**	2.22	**4.08**	3.15	**1.14**	1.04	**66.45**	44.48	**1.06**	0.69	**–**	–
	Indicated	**16,134**	27,311	**2.13**	1.79	**1.94**	3.87	**0.87**	0.92	**38.92**	72.11	**0.50**	1.18	**–**	–
	Total	**57,581**	61,514	**2.24**	2.03	**3.48**	3.47	**1.07**	0.99	**58.73**	56.75	**0.90**	0.91	**–**	–
	Inferred	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Development projects	Measured	**1,666,256**	1,331,662	**0.36**	0.38	**–**	–	**0.04**	0.01	**0.32**	0.10	**–**	–	**0.006**	0.006
	Indicated	**1,573,050**	1,917,605	**0.37**	0.36	**–**	–	**0.05**	0.06	**0.39**	0.33	**–**	–	**0.006**	0.006
	Total	**3,239,306**	3,249,267	**0.36**	0.37	**–**	–	**0.04**	0.04	**0.35**	0.24	**–**	–	**0.006**	0.006
	Inferred	**920,250**	1,265,329	**0.32**	0.32	**–**	–	**0.05**	0.04	**0.26**	0.20	**–**	–	**0.005**	0.005

1 Resources include undiscounted Reserves. No ore loss or dilution has been included.

2 The molybdenum grade at Aktogay shown in the Measured Resource is estimated to the Indicated Resource level of confidence.

3 The Bozshakol gold, silver and molybdenum grades are not reported to Measured and Indicated levels of confidence, but are only estimated to the Inferred Resource level of confidence.

4 As gold is concentrated within a portion of the Koksay deposit, the gold tonnage and grade is reported separately. The Measured and Indicated Resource containing gold is 249.5 MT at a grade of 0.07 g/t.

5 Mine extensions are included within the original ore body as part of operating mines.

Revision of ore reserves and mineral resources statement to 31 December 2015

DMT Consulting Ltd ('DMT' or the 'Consultant') has undertaken a review of the estimate of Mineral Resources and Ore Reserves prepared by KAZ Minerals PLC (the 'Company'), as the basis for the preparation of a statement of Mineral Resources and Ore Reserves for the Company as at 31 December 2015. Tabulations of Mineral Resources and Ore Reserves, comparisons with the previous annual statement and short technical descriptions are provided for the Company's copper and gold assets.

DMT's technical understanding of the mines and projects held by KAZ Minerals is largely based on the Competent Person's Reports that IMC (prior to changing name to DMT) prepared for the Company in 2005, for the London listing, and again in 2010, for the Hong Kong listing. Additional technical site visits have been made since 2010 when IMC/DMT considered them necessary, either to look at new assets or where material changes have taken place e.g. new exploration drilling. As part of the 2015 review, DMT consultants visited the underground operation at Orlovsky and the new open pit mine at Aktogay. Technical familiarity with the Company's mines and projects is a critical aspect of the annual review, in support of what is primarily a desktop exercise.

The annual review of Mineral Resources and Ore Reserves, carried out by DMT, is predominantly focused on mine reserve reports, depletion through production, analysis of Company plans, new exploration results, new technical reports and other changes affecting the Mineral Resources and Ore Reserves.

The Statement of Mineral Resources and Ore Reserves is restated in accordance with the criteria of the 2012 version of the 'Australasian Code for Reporting Mineral Resources and Ore Reserves', published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and collaborating institutions (the 'JORC Code').

The consideration of Mineral Resources is based on the JORC definition which says that a "Mineral Resource is an occurrence of minerals in such form, quality and quantity that there are reasonable prospects for eventual economic extraction". In converting Mineral Resources to Ore Reserves in accordance with the JORC Code, DMT considers a number of "Modifying Factors". Consequently, the Code defines an Ore Reserve as "the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate, at the time of reporting, that extraction could reasonably be justified."

The term "economically mineable" has no fixed definition in the JORC Code, and short-term fluctuations in factors such as metal prices or operating expenditure do not warrant the re-classification from Ore Reserves to Mineral Resources. If, however, the changes are expected to be long term or permanent in nature, then such re-classification is required.

For the sake of clarity in this report, references to the JORC categories "Ore Reserve" and "Mineral Resource" are capitalised. The non-capitalised term "reserve" refers to the Kazakh use of the word which can, depending on the context, be synonymous with both JORC terms "Ore Reserve" and "Mineral Resource".

DMT is satisfied, from the audit undertaken, that the recently revised estimates of resources and reserves prepared by the Company for the East Region and Kyrgyz operating mines are in accordance with the classification system required by law in the Republic of Kazakhstan and that, correspondingly, the estimates have a consistent basis for expressing the degree of confidence for stating quantities of exploitable minerals at specific grades of metal content. On the basis of the estimates supplied by the Company, DMT has applied the same technical criteria as used in the 2010 audit, for preparation of the restatement of Ore Reserves and Mineral Resources as at 31 December 2015, in accordance with the reporting criteria of the JORC Code.

Guidelines for the alignment of Russian minerals reporting standards and the JORC Code were published in 2010 and these have been applied in the preparation of the Mineral Resource and Ore Reserve statement for the East Region and Kyrgyz operating mines. This is considered appropriate as all of the mineral deposits currently being mined by KAZ Minerals were explored during the Soviet era and reserves approved during that era are still referenced. The aim of the guidelines is to provide a standard reporting terminology for use in disclosure of the assets of mining companies to stock markets.

David JF Smith
Director – Mining, DMT Consulting Ltd
22 February 2016

DMT Consulting Ltd
Pure Offices
Lake View Drive
Sherwood Park
Nottinghamshire NG15 0DT
United Kingdom

Annual General Meeting
The Annual General Meeting of the Company will be held at 12.15pm on Thursday 5 May 2016 at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED, United Kingdom. The Notice of Annual General Meeting and Form of Proxy are enclosed with this Annual Report and Accounts. The Notice of Annual General Meeting can also be found in the Investors & Media section on the KAZ Minerals website (www.kazminerals.com).

Electronic shareholder communications
KAZ Minerals uses its website (www.kazminerals.com) as its primary means of communication with its shareholders provided that the individual shareholder has agreed or is deemed to have agreed that communications may be sent or supplied in that manner. Electronic communications allow shareholders to access information instantly as well as helping KAZ Minerals reduce its costs and its impact on the environment. Shareholders can sign up for electronic communications via Computershare's Investor Centre website at www.investorcentre.co.uk. Shareholders that have consented or are deemed to have consented to electronic communications can revoke their consent at any time by contacting the Company's UK or Hong Kong registrar. In addition to enabling shareholders to register to receive communications by email, Computershare's Investor Centre website provides a facility for shareholders to manage their shareholding online by allowing them to:

- view their share balance;
- change their address;
- view payment and tax information; and
- update payment instructions.

Computershare's Investor Centre website also offers a share dealing service for shareholders on the UK register. Please contact Computershare to obtain further information.

Electronic voting
Shareholders can submit proxies for the 2016 Annual General Meeting electronically by logging on to www.investorcentre.co.uk/eproxy. Electronic proxy appointments must be received by the Company's UK or Hong Kong registrar no later than 12.15pm UK time (7.15pm Hong Kong time) on Tuesday 3 May 2016 (or not less than 48 hours before the time fixed for any adjourned meeting).

Website
A wide range of information on KAZ Minerals is available at www.kazminerals.com including:

- financial and operational information – annual and half-yearly reports as well as quarterly production reports;
- share price information – current trading details and historical charts;
- shareholder information – dividend information, Annual General Meeting results and details of the Company's UK and Hong Kong registrars; and
- press releases – current and historical.

Registrars
For information about proxy voting, dividends and to report changes in personal details, shareholders should contact:

For shareholders holding their shares on the UK register:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom
Tel: +44 (0)370 707 1100
Fax: +44 (0)370 703 6101
Email: web.queries@computershare.co.uk

For shareholders holding their shares on the Hong Kong register:

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong
Tel: +852 2862 8555
Fax: +852 2865 0990
Email: hkinfo@computershare.com.hk

For shareholders holding their shares on the Kazakhstan Stock Exchange:

Shareholder Enquiries
KAZ Minerals PLC
6th Floor, Cardinal Place
100 Victoria Street
London SW1E 5JL
United Kingdom
Tel: +44 (0)20 7901 7898
Email: shareholder@kazminerals.com

Unsolicited telephone calls and correspondence
Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. These are typically from overseas based 'brokers' who target US or UK shareholders, offering to sell them what often turn out to be worthless or high risk shares. These operations are commonly known as 'boiler rooms' and the 'brokers' can be very persistent and extremely persuasive. If shareholders receive any unsolicited investment advice, they can check if the person or organisation is properly authorised by the Financial Conduct Authority (FCA) at www.fca.org.uk/register and the matter may be reported to the FCA by using the share fraud reporting form at www.fca.org.uk/scams or by calling 0800 111 6768 (UK) or +44 20 7066 1000 (international). Details of any share dealing facilities that the Company endorses will be included in Company mailings or on our website.

Currency option and dividend mandate

The Company declares dividends in US dollars. For those shareholders who hold their shares on the UK register the default currency for receipt of their dividends is US dollars, although they can elect to receive their dividends in UK pounds sterling. Those shareholders who wish to receive their dividend in UK pounds sterling, they should contact the Company's UK registrar to request a currency election form. For those shareholders who hold their shares on the Hong Kong register the default currency for receipt of their dividends is Hong Kong dollars, although they can elect to receive their dividends in US dollars. Shareholders on the Hong Kong register of members can contact the Company's Hong Kong registrar to request a currency election form.

Shareholders on the UK register of members can arrange for dividends to be paid directly into a UK bank or building society account. To take advantage of this facility, you should contact the Company's UK registrar to request a dividend mandate form or register online at www.investorcentre.co.uk. The arrangement is only available in respect of dividends paid in UK pounds sterling.

Company Secretary

Stephen Hodges
Tel: +44 (0)20 7901 7800
Email: stephen.hodges@kazminerals.com

Registered office

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6th Floor, Cardinal Place
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United Kingdom
Tel: +44 (0)20 7901 7800

Registered number: 05180783

Joint corporate brokers

J.P. Morgan Cazenove Limited
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Citigroup Global Markets Limited
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Auditors

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL
United Kingdom

Shareholder interests at 31 December 2015

Number of shareholders: 1,656

Number of shares in issue: 458,379,033

By size of holding	No. of accounts	% of total accounts	% of ordinary share capital
1,000 and under	863	52.12	0.07
1,001 to 5,000	365	22.04	0.19
5,001 to 10,000	106	6.40	0.17
10,001 to 100,000	189	11.41	1.56
Over 100,000	133	8.03	98.01
Total	**1,656**	**100.00**	**100.00**

By category of shareholder	No. of accounts	% of total accounts	% of ordinary share capital
Private shareholders	841	50.79	0.50
Banks/nominees	771	46.56	95.16
Pension funds	1	0.06	0.00
Investment/unit trusts	1	0.06	0.00
Insurance companies	2	0.12	0.00
Corporate holders	36	2.17	1.56
Hong Kong Share Register	1	0.06	0.23
Share Plan Control Account	1	0.06	0.00
Treasury Account	1	0.06	2.55
Vested Share Account	1	0.06	0.00
Total	**1,656**	**100.00**	**100.00**

Events calendar

Q1 Interim Management Statement	April 2016
Annual General Meeting	5 May 2016
Half-yearly results announced	August 2016
Q3 Interim Management Statement	October 2016

bcm:t
bank cubic metres excavated to recover one metric tonne of coal

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

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

CAT
Caterpillar Financial Services (UK) Limited

CDB or China Development Bank
the China Development Bank Corporation

CIS
Commonwealth of Independent States, comprised of former Soviet Republics

CIT
corporate income tax

CNY
Chinese yuan, basic unit of the renminbi

CO_2
carbon dioxide

CO_2e
carbon dioxide equivalent

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

continuing operations
the Group following completion of the Restructuring

CREST
an electronic means of settling share transactions and registering investors on a company's register of members

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

Directors
the directors of the Company

Disposal Assets
the Disposal Assets comprised the mining, processing, auxiliary, transportation and heat and power assets of the Group in the Zhezkazgan and Central Regions. The Disposal Assets include 12 copper mines, mine development opportunities, four concentrators, two smelters, two coal mines and three captive heat and power stations, all of which were disposed of as a result of the Restructuring

dollar or $ or US$
United States dollars, the currency of the United States of America

EBITDA
earnings before interest, taxation, the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation, mineral extraction tax and royalties and adjusted for special items

Ekibastuz GRES-1
Ekibastuz GRES-1 LLP

EPS
earnings per share

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

EPT
excess profits tax

Euro
the currency of certain member states of the European Union

Free Cash Flow
net cash flow from operating activities before capital expenditure and non-current VAT associated with expansionary and new projects less sustaining capital expenditure

GHG
greenhouse gas

g/t
grammes per metric tonne

Government or State
the Government of the Republic of Kazakhstan

GRI4
Global Reporting Initiative Sustainability Guidelines version 4

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

the Group
KAZ Minerals PLC and its subsidiary companies

Group EBITDA
earnings before interest, taxation, the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation, mineral extraction tax and royalties adjusted for special items and including the share of EBITDA of the joint venture and associate

GWh
gigawatt-hour, one gigawatt-hour represents one hour of electricity consumed at a constant rate of one gigawatt

HSE
Health, Safety and Environment

IAS
International Accounting Standards

IASB
International Accounting Standards Board

ICMM
International Council on Mining and Metals

IFRIC
International Financial Reporting Interpretations Committee

IFRS or IFRSs
International Financial Reporting Standards

JORC
Joint Ore Reserves Committee

Kaz Hydro
Kazhydrotechenergo LLP, a hydro power development project company

KAZ Minerals or the Company
KAZ Minerals PLC

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

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

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

Kazakhstan
the Republic of Kazakhstan

koz
thousand ounces

KPI
key performance indicator

kt
thousand metric tonnes

kWh
kilowatt hour, one kilowatt hour represents one hour of electricity consumed at a constant rate of one kilowatt

Kyrgyzstan
the Kyrgyz Republic

lb
pound, unit of weight

LBMA
London Bullion Market Association

LIBOR
London Interbank Offered Rate

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

LME
London Metal Exchange

LTIFR
lost time injury frequency rate

major growth projects
Bozshakol, Aktogay and Koksay

megalitre
thousand cubic metres

MET
mineral extraction tax

MT
million metric tonnes

MW
megawatt, a unit of power equivalent to one million watts

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

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

NO_x
nitrogen oxides

ounce or oz
a troy ounce, which equates to 31.1035 grammes

petajoule
a standard unit of energy, work and heat equal to 10^{15} joules

PXF
pre-export finance debt facility

Recordable Case
a Recordable Injury case or a Recordable Disease case

Recordable Disease
A new disease in the categories of occupational respiratory disorders, occupational hearing loss, musculoskeletal disorders, occupational cancers and other occupational medical disorders

Recordable Injury
A new occupational injury of sufficient severity that it requires medical treatment beyond first aid or results in the worker's inability to perform his or her routine function on the next calendar day

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

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

$/t or $/tonne
US dollars per metric tonne

Samruk-Energo
Joint Stock Company "Samruk-Energo", an entity owned and controlled by Samruk-Kazyna and therefore the Government of Kazakhstan

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

Scope 1 emissions
direct greenhouse gas emissions from sources that are owned by the Group

Scope 2 emissions
indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam

Scope 3 emissions
indirect emissions not included in Scope 2

silver in copper concentrate sold
the silver granule equivalent of silver in copper concentrate sold

SO_2
sulphur dioxide

som or KGS
the official currency of Kyrgyzstan

special items
those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business. Special items are set out in note 7 to the consolidated financial statements

SX/EW
solvent extraction and electrowinning, a two-stage metallurgy process used for the extraction of copper

t
metric tonnes

TC/RCs
treatment charges and refining charges paid for smelting and refining services

tenge or KZT
the official currency of the Republic of Kazakhstan

Total Recordable Case Frequency Rate
the number of Recordable Cases occurring per million hours worked

TRI
Total Recordable Injuries

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

UK
United Kingdom

Underlying Profit/Loss
profit/loss for the year after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resultant tax and non-controlling interest effects. Underlying Profit/Loss is set out in note 13(b) to the consolidated financial statements

US
United States of America

USc/lb
US cents per pound

Cautionary comment concerning forward-looking statements

This Annual Report and Accounts includes forward-looking statements with respect to the business, strategy and plans of KAZ Minerals and its current goals, assumptions and expectations relating to its future financial condition, performance and results.

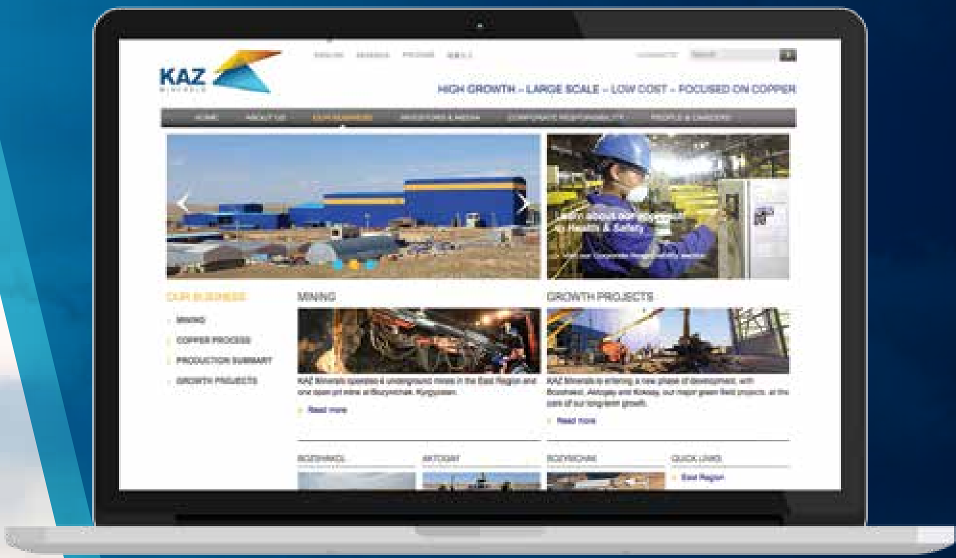
By their nature, forward-looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause actual results, performance or achievements of KAZ Minerals to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in KAZ Minerals PLC or any other entity and shareholders are cautioned not to place undue reliance on the forward-looking statements. Except as required by the UK Listing Rules and applicable law, KAZ Minerals does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this Annual Report and Accounts.

FOR ALL THE LATEST INFORMATION AND TO FIND OUT MORE ABOUT THE COMPANY, PLEASE VISIT OUR WEBSITE

WWW.KAZMINERALS.COM

Our corporate website houses the most up-to-date information about KAZ Minerals as well as detailed investor and media sections.



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www.fsc.org
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This report is printed on Chorus White Silk a mixed source paper produced at a mill that has been awarded the ISO 14001 certificate for environmental management. The pulp is bleached using a totally chlorine free (TCF) process. This report has been produced using vegetable based inks.

Designed and produced by Black Sun Plc

Printed by Sterling

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