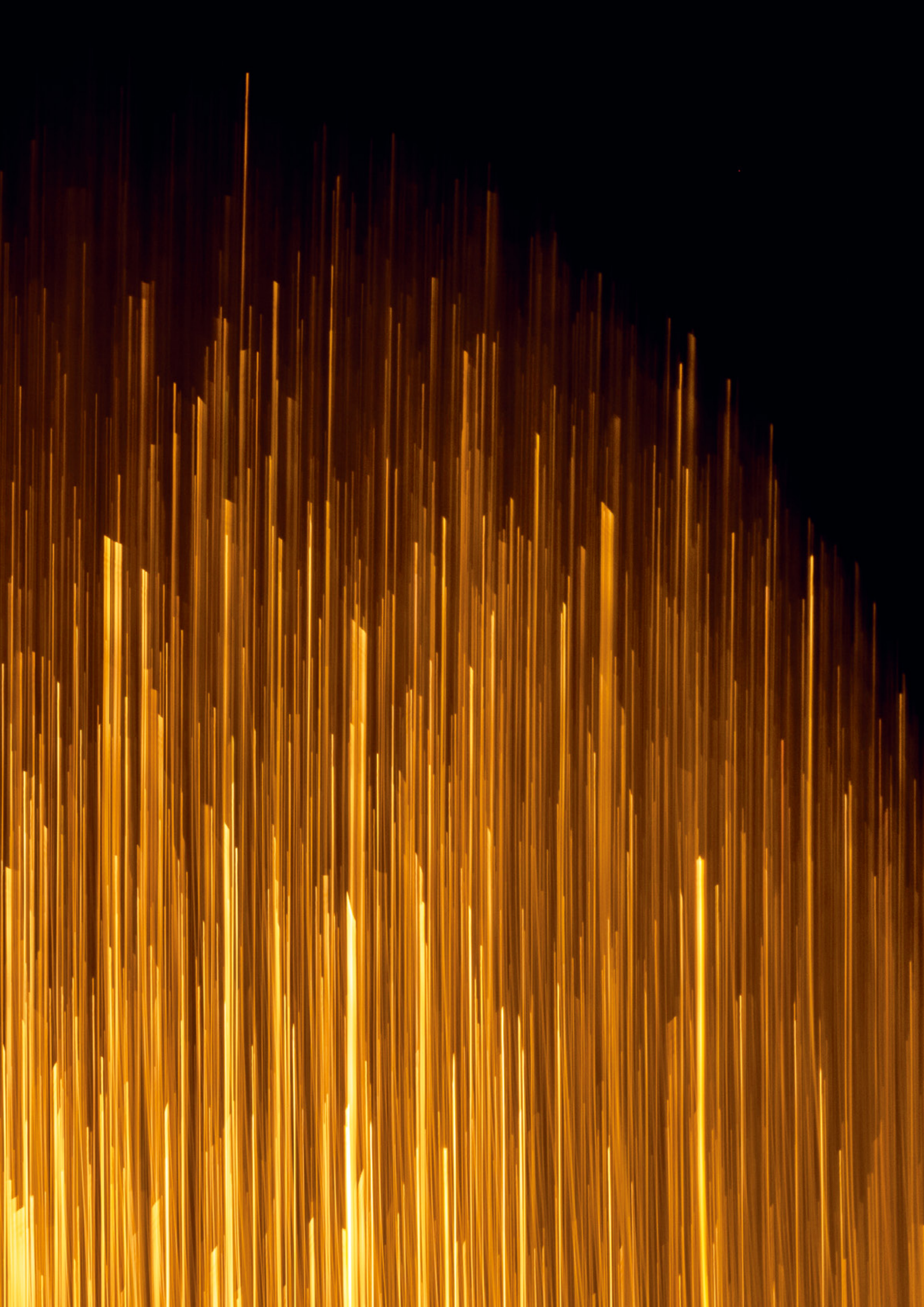
KAZ MINERALS
ANNUAL REPORT AND ACCOUNTS 2020

HIGH GROWTH IN COPPER



Our purpose

Copper is fundamental to a sustainable future. KAZ Minerals develops and operates large scale, low cost copper mines.

Strategic report

Directors' report

Financial statements

Supplementary information

COPPER IS KEY TO A SUSTAINABLE FUTURE

The copper market is forecast to enter a supply deficit in the medium term, as output from existing mines declines and demand from traditional and new sources continues to grow.

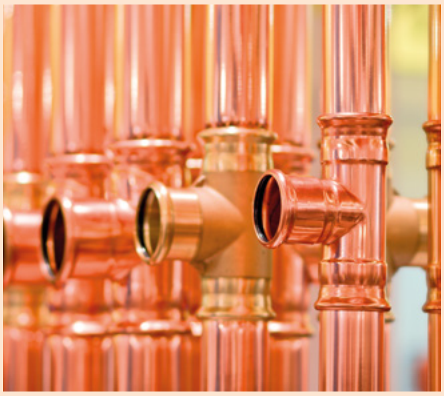
An increase in the supply of copper is needed for a sustainable future.

PLEASE SEE PAGES 24–31 FOR MORE DETAILS ON HOW WE ARE HELPING TO SHAPE THE FUTURE.

DELIVERING RENEWABLE ENERGY

DRIVING ELECTRIC VEHICLES

GLOBAL DECARBONISATION TARGETS



IMPROVING HYGIENE

DELIVERY IN 2020

> KAZ Minerals delivered outstanding operational and financial results in a difficult year

Andrew Southam Chief Executive Officer

FINANCIAL HIGHLIGHTS

Revenues
($ million)

+4%

20	2,355
19	2,266

EBITDA[1]
($ million)

+6%

20	1,431
19	1,355

Operating profit
($ million)

+9%

20	1,005
19	923

Profit before tax
($ million)

+11%

20	804
19	726

EPS – Basic
($)

+12%

20	1.35
19	1.21

EPS – Diluted
($)

+10%

20	1.29
19	1.17

Free Cash Flow[1]
($ million)

+68%

20	691
19	411

Net cash costs[1]
(USc/lb)

-17%

20	64
19	77

PRODUCTION HIGHLIGHTS

Copper production
(kt)

-2%

20	306
19	311

Gold production
(koz)

-3%

20	196
19	201

MINERAL RESOURCES

Copper resources
(Mt)[2]

+8%

20	20.7
19	19.1

Gold resources
(Moz)[2]

+11%

20	19.9
19	18.0

COMMODITY PRICES

LME copper price
($/t)

+3%

20	6,198
19	6,000

LBMA gold price
($/oz)

+27%

20	1,770
19	1,393

1 Alternative Performance Measures ('APMs') are used throughout this report. APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use and reconciliation to the closest equivalent IFRS measures, please refer to the APMs section on page 192.

2 Contained metal in measured and indicated mineral resources.

MEETING THE NEEDS OF OUR STAKEHOLDERS

"During the Covid-19 pandemic, KAZ Minerals has maintained operations, supported affected communities in our host countries and delivered for our stakeholders"

In 2020, KAZ Minerals extended its record of strong operational performance, with copper output exceeding the top end of the guidance range despite Covid-19. We have also progressed our growth pipeline as the Aktogay expansion project remains on track to commence production by the end of this year and we continued to advance the Bankable Feasibility Study for Baimskaya.

Values and purpose

KAZ Minerals' corporate purpose is to invest sustainably in increasing its copper production. This has benefits for society arising from the wide range of existing applications for copper central to our daily lives and the importance of copper for the development of clean energy generation and low emissions transportation. Whilst growing our business, we seek to minimise the impact of our operations on the environment and we support national and local social projects for the benefit of our host communities. We conduct our activities in line with five corporate values which we use to guide our decision making: Safety, Long-Term Efficiency, Teamwork, Professional Development and Integrity. By adhering to these values we aim to deliver sustainable growth for the benefit of all stakeholders.

Safety

Safety is the first priority amongst our corporate values and I am very disappointed to report that four fatalities occurred in the Group in 2020. We continue to invest in the required improvements to culture, process, training and working environment to achieve our goal of zero fatalities. The Group has achieved a long-term reduction in the number and frequency of fatalities as we have transitioned to open pit mining where we have established a strong safety culture from commencement and as we have raised safety standards at our underground operations.

Recommended Offer

On 4 February 2021, Nova Resources and the Independent Committee announced the terms of a recommended cash offer to be made by Nova Resources to acquire the issued and to be issued share capital of KAZ Minerals. Further details of the Recommended Offer are set out in the Offer Document on the Group's website.

Copper and climate change

Investors and other stakeholders rightly demand action from companies, governments and individuals to combat climate change. The Group's strategy to sustainably grow its copper production is based on its long-held view that a transition to a lower carbon economy will have a positive impact on the copper market and that an increase in the supply of copper will be essential for bringing about a reduction in global CO_2 emissions. Renewable energy generation is many times more copper intensive than power generated from conventional energy sources and further copper supplies are expected to be required to support the growing adoption of electric vehicles. Our values and purpose are clearly aligned with the challenges and opportunities presented by climate change and we are committed to reducing the carbon intensity of our own operations as we develop new copper growth projects to increase production of this essential natural resource.

Consultation, diversity and equality

KAZ Minerals strongly believes in the benefits of regular consultation with its employees, who have direct access to senior management. The Deputy Chair, who is our Designated Non-Executive Director for the workforce, also meets with groups of employees and with labour union representatives during site visits with the Group Director of Human Resources, to maintain a line of communication with the Board.

I am pleased that KAZ Minerals has amongst the highest female representation in its workforce compared to its mining peers, at 21%, and this level of female representation is consistent across all levels of employees. Excluding roles which are restricted by law in Kazakhstan from being carried out by female workers, the proportion of female workers is 41%. However, there is more to do and we are working to increase the opportunities for women to start and advance their careers with KAZ Minerals, ranging from apprentice training schemes at our Aktogay and Bozshakol sites through to senior management roles. Many of our senior female managers have forged successful careers within the Group and are excellent role models for the next generation.

In Kazakhstan, Russia and Kyrgyzstan we prioritise recruitment and training for local workers and around 97% of our employees are nationals of those countries. Our expatriate employees bring extensive mining experience to the Group from all over the world, support training and development and provide valuable technical skills to our operations.

Dividends

Under the terms of the Recommended Offer, Nova Resources has the right to reduce the consideration payable to shareholders by any dividend payments made during the Offer Period. The Board has therefore not recommended the payment of a final dividend in respect of the 2020 financial year.

Board changes

Charles Watson was due to retire from the Board during 2020 after nine years as a Director. The Nomination Committee of the Board, comprised of independent Directors, requested that Charles extend his term for the duration of the Offer Period. Charles is expected to retire from the Board following the conclusion of the Offer Period. We are very grateful for Charles' contribution over his time with us.

Summary

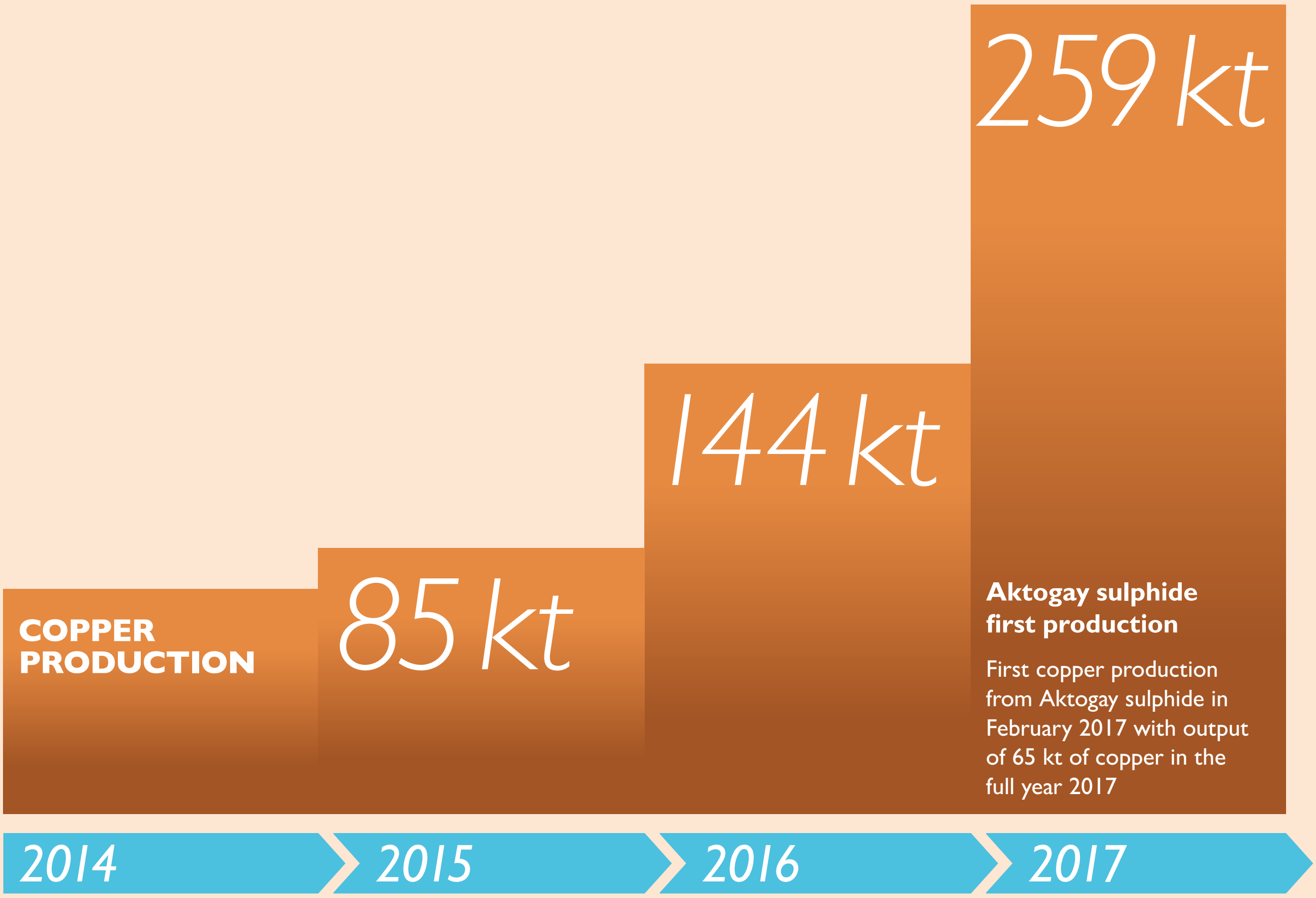
During the Covid-19 pandemic we took comprehensive measures to protect the safety of our employees and contractors, and preserved full employment. With the support of our workforce, we maintained operations, achieving our production and financial targets. I am also proud that KAZ Minerals was able to support affected communities in Kazakhstan, Kyrgyzstan and Russia through the provision of financial and medical assistance. In 2020, KAZ Minerals has delivered for its stakeholders.

Oleg Novachuk
Chair

OUR STORY SO FAR

TRANSFORMATION

The Group has grown its copper production from 85 ktpa in 2015 to around 300 ktpa, with operating costs amongst the lowest in the industry. The Group continues to progress its growth pipeline, with the Aktogay expansion project on track to start-up by the end of 2021 and the feasibility study for the longer term Baimskaya copper project due for completion in the first half of the year.



Aktogay sulphide first production

First copper production from Aktogay sulphide in February 2017 with output of 65 kt of copper in the full year 2017

Restructuring

A major restructuring is undertaken, including the disposal of mining, smelting and power assets in the Zhezkazgan and Central Regions of Kazakhstan. Retained high grade East Region mines. The Company is renamed 'KAZ Minerals PLC'

Aktogay oxide start-up

The Group's major growth project at Aktogay commenced production of copper cathode from oxide ore in December 2015

Bozshakol commences production

First copper production from Bozshakol project in February 2016. The mine produced 48 kt of copper and 64 koz of gold in the full year 2016

295 kt

311 kt

306 kt

Acquisition of the Baimskaya copper project

The Group completed the acquisition of the Baimskaya copper project, one of the world's largest undeveloped copper deposits

2018

2019

2020

Work begins on Aktogay expansion

Construction of a second concentrator begins, to double sulphide ore processing capacity at the Aktogay site

Track record of delivery

The Group faced significant challenges arising from Covid-19 in 2020 but continued its track record of delivery, achieving its annual copper production guidance for the 12th consecutive year

OUR STORY SO FAR

SUSTAINABILITY

KAZ Minerals is a responsible developer and operator of mining assets in the CIS region. We have continually improved the sustainability of our operations as we have grown our business and transitioned to modern, large scale open pit mining.

SAFETY & HEALTH

The number and frequency of occupational injuries and fatalities at the Group's operations has been on a long-term downward trend. Open pit mining is inherently safer than underground mining and the Group's safety performance has improved as these new operations have ramped up to represent the majority of the Group's production

As the Group has grown production from its new open pit mines, the use of large scale processing facilities has improved efficiency and reduced the energy intensity of its operations

The Group continues its focus on improving safety and health with the launch of enhanced management standards

Energy intensity[1]

2014	2015	2016
0.61	0.86	0.46

1 TJ/kt sulphide ore processed.

SUSTAINABILITY

Apprentices benefit from skills transfer and real-world experiences, whilst the Group benefits from establishing a pipeline of future employees with relevant qualifications and an existing relationship with KAZ Minerals

Apprentice scheme launched at Aktogay

Yubileyno-Snegirikhinsky closure process begins to restore and rehabilitate the land used for the mining site

Invested in Leica 'GeoMos' system to monitor pit wall stability

0.24

Pre-split drilling and blasting at Aktogay to preserve pit wall stability

0.22

Goal Zero launched

goalzero Incident & Injury free

In 2019, the Group launched a comprehensive new safety initiative, 'Goal Zero' aimed at reducing safety, health, and environmental incidents to zero. KAZ Minerals is committed to implementing further improvements to its robust safety management systems, training and risk management to achieve the ambitions of the Goal Zero initiative

0.20

Transition to in-pit tailings disposal at Nikolayevsky

Switching from above ground to in-pit disposal improves safety and reduces environmental impact

0.20

2017 | 2018 | 2019 | 2020

East Region Environmental Waste Improvement Initiatives

Yubileyno-Snegirikhinsky closure plan completed, including rehabilitation of the site and forestry reclamation

Apprentice scheme launched at Bozshakol

PROVEN DELIVERY

KAZ Minerals exceeded copper production guidance in 2020 and maintained its industry leading cost position. The Group's cash generative assets provide a strong platform for investment in further copper growth projects.

FUTURE GROWTH PIPELINE

AKTOGAY EXPANSION PROJECT

KAZ Minerals is currently investing in a $1.2 billion expansion at Aktogay which will double sulphide ore processing capacity by the end of 2021 to 50 Mtpa.

	Low capital intensity ($/t[1])	**Low net cash cost ranges** (USc/lb)
Delivered projects		
Aktogay[2]	17,700	100 – 120
Bozshakol[2]	17,200	70 – 90
Future growth projects		
Aktogay II[3]	15,000	100 – 120
Baimskaya[4]	18,400	60 – 80

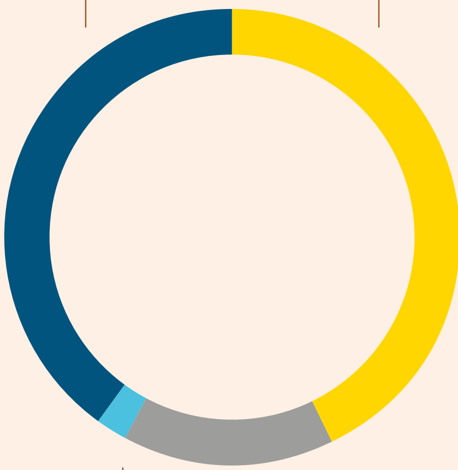
1 Approximate capital expenditure per ktpa copper equivalent, calculated as capital expenditure divided by forecast annual copper equivalent production.
2 For first 10 years of operations, net cash cost in 2016 US dollar terms.
3 For first 5 years of operations 2022-2027, net cash cost in 2016 US dollar terms.
4 For first 10 years of operations, net cash cost in 2020 US dollar terms. Based on current feasilbility study work.

Bozshakol

- Large scale open pit mine
- 1,123 Mt of mineral resources[1] with a copper grade of 0.35%
- Copper production of 122 kt in 2020
- Gold, silver and molybdenum by-products

Aktogay

- Large scale open pit mine
- 1,915 Mt of mineral resources[1] with a copper grade of 0.33%
- Copper production of 131 kt in 2020
- Expansion underway to double sulphide processing capacity to 50 Mtpa



Bozymchak

- Copper-gold open pit mine in Kyrgyzstan
- 13 Mt of mineral resources[1] with a copper grade of 0.82% and gold grade of 1.39 g/t
- Produced 5 kt copper and 31 koz gold in 2020
- Underground phase being developed

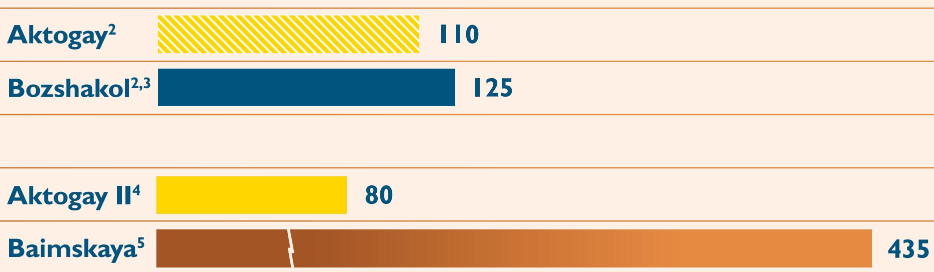
East Region

- Underground operations
- Three mines and associated concentrators
- 33 Mt of mineral resources[1] with a copper grade of 2.29%
- Copper production of 47 kt in 2020

BAIMSKAYA COPPER PROJECT

The Group acquired the Baimskaya copper project in the Chukotka region of Russia for $900 million in January 2019. Baimskaya is one of the world's most significant undeveloped copper assets, with the potential to become a large scale, low cost, open pit copper mine.

Transformational volume growth (Copper equivalent production, ktpa)



1 Measured and indicated mineral resources.
2 For first 10 years of operations.
3 Consisting of copper production plus gold production converted into copper units assuming average price forecasts of $6,700/t for copper and $1,300/oz for gold.
4 For first 5 years of operations 2022-2027.
5 For first 10 years of operations. Consisting of copper production plus gold, silver and molybdenum production converted into copper units assuming long-term average price forecasts of $6,700/t for copper, $1,500/oz for gold, $18/oz for silver and $20,000/t for molybdenum. Based on current feasilbility study work.

CREATING VALUE

KAZ Minerals develops natural resources in partnership with its stakeholders. We create value through the construction and operation of low cost, open pit copper mining projects.

KEY INPUTS

Access to the key inputs required for the mining and processing of copper is the source of our competitive advantage and enables us to generate value for our stakeholders.

Natural resources

We have access to 5,168 Mt of measured and indicated mineral resources at our mining assets, with an average copper grade of 0.40%. The ore also contains by-products of gold, silver and zinc.

Power

Our operations in Kazakhstan benefit from competitive power tariffs and a domestic power surplus, enabling us to operate large scale facilities at low cost.

Water

We have access to readily available fresh water from groundwater and surface water sources. Our modern processing facilities recycle a high proportion of water consumed.

Transport

Our operations are connected to existing national rail networks which enable us to efficiently deliver our products to customers in China and Europe.

Labour

We employ approximately 16,000 people in our business. There is a skilled mining workforce in Kazakhstan.

Finance

KAZ Minerals increased its PXF facility by $700 million in January 2020 and $229 million was drawn against the DBK-Aktogay expansion facility.

Low cost operations

The Group's net cash cost in 2020 of 64 USc/lb was amongst the lowest of any pure-play listed copper miner.

DEVELOPMENT

The Group seeks to develop natural resources, focusing on copper assets located in Kazakhstan and the CIS region.

0.40%

Average grade of copper in ore in mineral resources

5,168 Mt

Mineral resources (measured and indicated)

PRODUCTION

The Group operates six copper concentrators with a total sulphide ore processing capacity of c.60 Mtpa. 11 Mt of oxide ore was also placed on heap leach cells in 2020.

How we run our business

Safety and health

Safety is our highest priority. Our target is zero fatalities and a reduction in the rate of injuries (TRIFR) at our operations.

Environment

We seek to minimise the impact of our activities on the environment. We report all material impacts in our Sustainability report, see pages 54 to 73 for details.

Local communities

KAZ Minerals is a responsible operator and we seek to share the benefits of the development of natural resources with local communities.

SALES

VALUE CREATION

77 Mt
Ore mined in 2020

0.60%
Copper grade of sulphide ore processed in 2020 (2019: 0.60%)

The majority of the Group's copper concentrate is supplied to smelter customers in China.

Zinc concentrate from the East Region is sold to customers in Kazakhstan, China and the CIS.

Treatment and refining

East Region and Bozymchak copper concentrate (and some material from Aktogay and Bozshakol) is toll processed into cathode in Kazakhstan at the Balkhash smelter.

Sale of finished metals

The Group sells finished metals from the Balkhash smelter and copper cathode produced from oxide ore at Aktogay.

Shareholders

We seek to maximise value for our shareholders over the long term by investing in the construction of large scale, low cost copper mines with long mine lives that will generate value through the commodity cycle.

Customers

Our customers in China and Europe rely on our supplies of metal and concentrate. The copper we produce is used to construct power and transport infrastructure and housing, generate clean energy and manufacture consumer goods.

Suppliers

We prioritise local content where possible and require suppliers to meet our codes of conduct. Our Suppliers' Charter sets out the standards that we require of our suppliers. (see page 71 for further details).

Communities

We create jobs and business opportunities for local communities. We support local and national social projects. We engage with communities close to our operations to minimise harm and to share in the benefits of natural resource extraction (see page 72 for further details).

Our people

We invest in our people, helping them to further their careers. Professional development is one of our core corporate values (see page 69 for further details). We are committed to offering equality of opportunity to all, regardless of gender. 21% of our employees are female compared with an average of 17% for peers.

Governments

We are a major economic contributor to Kazakhstan. Our tax contributions support the Kazakhstan government in providing public services and infrastructure. The Group is working with the Russian Government to develop an infrastructure plan for the Baimskaya copper project. The Group funds social projects at local and national level.

Employees

KAZ Minerals respects the right to freedom of association and we regularly consult with our employees and trade unions representing them.

Risk management

We closely monitor the risks associated with our activities.
Please see pages 76 to 81 for a detailed analysis of the key risks to our business.

Corporate governance

KAZ Minerals adheres to the highest standards of corporate governance.

ENGAGED IN COMMUNICATION

Stakeholder interests are key to the long-term sustainable success of the Company. The Board and the Group's stakeholders engage with each other on a continuous basis, raising the Board's awareness and understanding of a diversity of interests and perspectives, shaping the Group's strategy and decision making.

Shareholders

Why we engage

Shareholder equity in the Company and the benefits of being a premium listed company, enable us to deliver the Group's strategy. We create value for shareholders, whilst being mindful of our purpose, values and wider responsibilities. As owners of our business, shareholders need to understand our strategy and performance, as well as how we apply corporate governance and risk management processes and sustainability initiatives. We encourage our shareholders to communicate their views on the business and our strategy and we consider these in our decision making.

Impact of engagement on decisions and actions

- During the Offer Period, in assessing the proposals from Nova Resources, the Independent Committee together with its financial advisors considered investor feedback
- Investor expectations were considered when setting the Group's sustainability strategy, which included the development of the Baimskaya copper project
- The views of investors formed part of the decision making in setting the level of final dividend for the 2019 financial year and the interim dividend for the 2020 financial year
- Investor feedback on the draft 2020 remuneration policy was sought to ensure that the final remuneration policy would receive wide support

How we engage

- Throughout the Offer Period the Chair of the Independent Committee and the Chief Executive Officer have held a number of meetings with institutional shareholders, including a consultation process immediately prior to the announcement on 4 February 2021 of the Recommended Offer. The Independent Committee's financial advisors have received investor feedback throughout the Offer Period which has been presented to the Independent Committee
- The Chief Financial Officer, Chief Executive Officer, Chair and Investor Relations team are normally available to meet investors around the world in relevant geographies, however during 2020 for logistical reasons, most of this engagement has been by telephone or video conference
- The Company Secretary, Chair of the Remuneration Committee and Deputy Chair engage with institutional investors and proxy advisors when required on governance matters
- Equity analysts, who provide research to investors, meet management at results presentations, where they also have the opportunity to ask questions. These meetings are open to investors to watch, via the Company's website. We also maintain a dialogue with equity analysts during the year and following major announcements
- Shareholders ordinarily have the opportunity to meet all Directors at the Annual General Meeting, although this was not possible in 2020
- The website, Annual Report and Accounts, stock exchange announcements and press releases, keep investors informed of our strategic progress, operational performance, our governance structure and other news

Customers

Why we engage

Customers provide the revenue our business requires; our product sustains their businesses. The Board gains an understanding of customer sentiment and customers receive clear information on the Company they are transacting with.

Impact of engagement on decisions and actions

The sales strategy for 2021 which includes a high level allocation of products between markets and customers, was approved by the Board after considering market conditions and having gained an understanding of customer expectations.

How we engage

The directors of the UK Sales operations including the Chief Executive Officer, maintain ongoing relationships with customers over the year. Reports are presented to the Board on customers, the sales strategy and market conditions.

Section 172 Statement

The Board leads the business in accordance with our corporate purpose of "growth in copper for a sustainable future" and we believe that this purpose serves all our stakeholders. The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duties over the course of the year and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

Read more about our stakeholder engagement on pages 68 to 73 and 97 to 98

Read more about how we manage risks on pages 74 to 81

Read more about the environment on pages 60 to 67

Read more about governance on pages 84 to 110

Suppliers

Why we engage

Our suppliers provide us with the materials and services required to build and operate our assets. By engaging with each other, we gain mutual assurance of each other's standards of business conduct, including that there are appropriate corporate governance standards and values in place with our business partners. We gain assurance on the quality of product in our operations and that services are carried out in line with our standards and policies, including safety and health and human rights.

Impact of engagement on decisions and actions

- We have worked closely with our suppliers to ensure they have been able to continue to provide the goods and services we require, during a period of significant restrictions on the movement of goods and people, due to the Covid-19 pandemic
- We worked with two of the Group's largest international suppliers to establish facilities in Kazakhstan aimed to enhance service, availability of spares and training
- Strategic cooperation agreements were put in place with key suppliers

How we engage

The General Directors, Projects Director and the Group Procurement Director and team have an ongoing dialogue, carry out due diligence and regularly meet with suppliers. They report to the Executive Committee and also present reports directly to the Board and its Committees during the year.

Governments

Why we engage

Governments permit us to operate and develop our projects by providing the necessary licences and support for our infrastructure. We pay taxes, create employment, support local suppliers, provide training and invest in social spend.

Impact of engagement on decisions and actions

- The Group engaged with the Kazakhstan Government to agree a simplification in procurement processes during the Covid-19 pandemic and to devise algorithms for employee work patterns so that site based staff could safely resume shift rotations during this period
- We worked with the Kazakhstan authorities to set up a PCR testing laboratory at Aktogay
- The Group is working with the Russian Government to develop a mutually beneficial infrastructure plan for the Baimskaya copper project

How we engage

- Meetings are held between the Group and local and national governments throughout the year on a range of issues
- The Board receives updates from the Chair as well as from Vladimir Kim and from third parties, on overseas government sentiment and the political climate

Employees

Why we engage

Our workforce is a key asset and determines our ability to operate successfully. The Board needs to understand the views of our employees, as they form an important part of our considerations when making decisions. Engagement with the workforce helps us to improve the lives of our employees and make KAZ Minerals a better place to work. It enables the Board to assess the Group's culture and employee understanding of our values and training, so that we learn what motivates them and can address any gaps.

Staff are regularly trained especially in safety and health and other Group policies in line with our corporate values and we check that wages are aligned with inflation in living costs, particularly for lower paid employees and that all staff are paid above the living wage in Kazakhstan.

Impact of engagement on decisions and actions

- Close engagement with the Group's workforce has been vital during the Covid-19 pandemic, with the priority being safety. Employee feedback has helped shape the Group's approach, with measures such as revised shift patterns and testing only possible with their support. This has enabled the Group to protect its workforce and maintain operations
- Engagement on safety such as on the new hazard identification system and the roll out of the Emex mobile application, has improved reporting and consequently the safety of our workers
- The employee values competition provides the Group with many new ideas and inventions generated by our employees, ranging from suggested production process improvements or green initiatives, to enhancements to facilities at site, leading to positive changes in a number of areas
- Many quality of life initiatives were undertaken at our sites, with permanent camps improved following employee feedback

How we engage

- Directors, including independent non-executive Directors, typically visit our site-based operations twice a year and engage with staff at all levels on safety and health, construction, operations and personal welfare of staff
- The Designated Non-Executive Director for the workforce (our Deputy Chair), undertakes site visits and meets groups of employees and representatives of trade union and collective committees to gather feedback which he conveys to the Board
- General Directors hold quarterly meetings with their staff on site
- Trade union representatives provide feedback to General Directors and to the Group HR Director and this is reported to the Executive Committee, which is attended by the Chair and Chief Executive Officer
- The Nomination Committee oversees the development of a pipeline for succession, the Leadership Development Programme and diversity statistics and initiatives
- The 'Direct Line' to the Chair allows employees at all levels of seniority from across the Group to engage directly with the Chair
- HR and Corporate Communications engage with staff and report into the Executive Committee on employee sentiment
- We have a corporate newsletter and use various social media channels to communicate news to employees and we organise various different corporate competitions over the course of the year
- The Remuneration Committee has oversight of workforce pay and policies
- There is a Speak Up facility in the event that employees wish to raise any issues confidentially, with calls received reported to the Audit Committee together with the results of investigations

Local communities

Why we engage

Local communities support our operations, providing the infrastructure, suppliers and the workforce required for our business. We provide them with employment, we pay taxes and provide social investment and communicate regularly with them to explain our plans and to understand their priorities and concerns.

Impact of engagement on decisions and actions

- An Environmental and Social Impact Assessment was completed for the Baimskaya copper project in 2020, which identified significant benefits which the project will bring to communities, as well as mitigation strategies to prevent potential negative impacts
- The Group provides social investment in the areas of healthcare, education, infrastructure, culture and sport. Social investment was approved during 2020 to support local communities affected by Covid-19, local to its operations
- New targets were approved to reduce the Group's environmental impacts (CO_2 and water consumption). See Sustainability
- The Group held meetings with representatives of local indigenous communities around the Baimskaya copper project site in Chukhotka, Russia to understand local issues and to establish an open dialogue

How we engage

- Major consultations are undertaken during construction projects, many of which are attended by the Chair
- The Chair and Chief Executive Officer regularly update the Board on local issues which affect business decisions
- Public meetings are regularly held by our operations with the local community
- We aim to employ local populations in our operations and we provide sponsorship for local schools and colleges, including scholarships and training programmes, with the aim of developing a skilled local workforce for our business
- Non-executive Directors including the Deputy Chair have visited and reported back to the Board on several of the Group's social projects

Lenders

Why we engage

Banks and other lenders provide finance to support our growth and help us to maintain an efficient capital structure. They benefit from partnering with a responsible and sustainable company.

Impact of engagement on decisions and actions

The Group has fostered and maintained a strong track record with its lenders in the execution of its financing strategy, which has been critical to its growth and to financing its operations. Throughout the Offer Period, the Group Treasurer has maintained an active dialogue with lenders to keep them informed of the transaction and any potential implications on financing arrangements.

How we engage

The Group Treasurer, Chief Financial Officer and Chief Executive Officer meet with lenders regularly to update them on our operations and to discuss existing or future financing requirements. The Board receives updates on financial markets, reviews the Group's liquidity and financing requirements and approves the financing strategy.

DELIVERING GROWTH AND VALUE

"In a challenging year, our low cost copper mining operations have proved resilient, enabling KAZ Minerals to report strong production and financial results"

Track record of delivery

Following the Restructuring at the end of 2014, the Group has been transformed into a high growth, low cost copper producer. The construction and ramp up of Bozshakol and Aktogay has delivered production growth from 85 kt over the past six years to over 300 kt, a compound annual growth rate of approximately 30%, positioning the Group consistently amongst the lowest cost copper miners globally. This operational and financial performance has been reflected in a total shareholder return over the five years to 31 December 2020 of 576%, compared to a FTSE 350 mining return of 266%.

2020 has been a challenging year for miners globally as the industry responded to the Covid-19 pandemic. Thanks to the hard work and dedication of our workforce, KAZ Minerals was successful in maintaining operations throughout 2020, exceeding the copper guidance set at the start of the year.

Safety and health

In 2020, the Group continued its focus on occupational safety and health improvements. This included our 'Goal Zero' programme, which has been targeting hazard identification and other leading indicators, aiming to prevent incidents from occurring. These safety and health improvements have contributed to the Group reporting a TRIFR of 1.14 for 2020, 17% below the prior year and the lowest in our history. I am however saddened that in 2020 there were three fatalities at our underground operations in the East Region and one contractor fatality at the Aktogay expansion project. No fatality is acceptable to us and we believe that all such incidents are avoidable. Each incident has been fully investigated and the findings used to help prevent similar occurrences in the future.

KAZ Minerals has supported its staff through the provision of on-site mental health and wellbeing services at its permanent camp locations. These services were established prior to the onset of the pandemic and have proven particularly welcome to staff during the year given the additional pressures that Covid-19 has brought and has contributed to maintaining the health, wellbeing and productivity of our workforce.

Review of operations

The Aktogay and Bozshakol concentrators performed broadly in line with design capacity in 2020, processing 24.1 Mt and 25.8 Mt of sulphide ore respectively. The Bozshakol clay plant also processed 5.8 Mt of ore, 16% ahead of its design capacity of 5 Mtpa.

Group copper production of 306 kt (2019: 311 kt) was 2% above the guidance range of 280-300 kt set at the start of the year. Output of 131 kt at Aktogay benefited from a stronger than expected average copper grade of 0.56% (2019: 0.58%). Higher ore throughput and average copper grades at Bozshakol supported production of 122 kt, above the top end of the 110-120 kt guidance range.

Gold production was at the top end of original guidance at 196 koz (2019: 201 koz), with strong output of 152 koz from Bozshakol (2019: 145 koz), supported by high ore throughput volumes. Gold production later in the year was however impacted by the suspension of operations at the Bozymchak mine from 7 October to 26 December 2020, following a period of political instability in Kyrgyzstan and low gold grades and recoveries at Bozshakol. Gold output from Bozymchak in 2020 was 31 koz and combined production from the East Region and Bozymchak was 44 koz, in line with guidance of 40-50 koz.

Silver and zinc production of 3,374 koz (2019: 3,382 koz) and 50 kt (2019: 38 kt) were both in line with the revised guidance given in the Group's third quarter production report and above the guidance issued at the start of 2020.

Production guidance

The Group's production expectations in 2021 are mainly driven by the outlook for grades with the Aktogay and Bozshakol concentrators expected to operate around design capacity. Copper production is guided to be 275-295 kt, with Bozshakol contributing 110-120 kt, Aktogay 115-125 kt, including a minimal contribution from the Aktogay expansion project, and c.50 kt from the East Region and Bozymchak. The Aktogay expansion project is expected to commence production by the end of 2021, with updates on progress to be provided during the year.

Gold production from Bozshakol in 2021 is expected to be 120-130 koz and 40-50 koz at the East Region and Bozymchak, as gold grades decline in line with mine plan expectations. Group gold production guidance is set at 160-180 koz for 2021.

Silver grades are also expected to be lower in 2021 and Group silver production guidance is set at c.2,800 koz. Zinc in concentrate output is expected to be c.40 kt as lower zinc grades are expected in 2021.

Responding to Covid-19


On-site PCR testing facility, Aktogay

KAZ Minerals introduced infection control measures at all sites in the early stages of the Covid-19 outbreak and increased stocking of critical spares and consumables. Access to the Bozshakol and Aktogay sites was closed from 22 March until the end of May 2020 to protect the safety of workers and contractors who live in close proximity in permanent camps at these locations. We are grateful to those workers who completed overtime shifts and also to those who remained at home for this period. When some of the restrictions in Kazakhstan were lifted in May we introduced a revised shift pattern to reduce the number of staff rotations and implemented a system of testing, isolation and extended shifts for new arrivals to mitigate the risk of Covid-19 infections. A dedicated PCR testing facility was installed at the Aktogay site in July.

As a result of the Group's actions and the combined efforts of our workforce and contractors, Covid-19 did not result in any material disruption to production volumes in 2020. The total additional cost of changes to shift patterns, testing and on-site isolation during the year was approximately $40 million. Whilst the Group has so far proven resilient, the risk of disruption to our activities resulting from Covid-19 is still present. In recent months the Group has experienced minor delays to shipments, both of supplies to our operations and of our concentrate to China which resulted in a limited build-up of unsold finished goods inventory at the year end.

Growth projects

Baimskaya

KAZ Minerals completed the acquisition of the Baimskaya copper project in January 2019. The Peschanka deposit, within the Baimskaya licence area in Russia, is one of the world's most significant undeveloped copper assets with JORC resources of 9.9 Mt of copper at an average grade of 0.39% and 16.6 Moz of gold at an average grade of 0.21 g/t.

The Group is currently progressing a Bankable Feasibility Study for the Baimskaya project, the completion of which was postponed from 2020 to the first half of 2021 due to changes in the required infrastructure. Completion of the Bankable Feasibility Study remains dependent on the finalisation of infrastructure plans.

During 2020, a number of updates on the project were provided to the market. Due to the delay to the Bankable Feasibility Study, to provide shareholders with current information on the project, a comprehensive update of the key project parameters was released in November 2020. This included expectations for annual copper production of 320 kt, gold production of 540 koz and an average net cash cost of 45 USc/lb (in 2020 real terms) over the first five year period following the initial ramp up. The expected capital expenditure budget for the project had increased and is now expected to be close to $8 billion in nominal terms. This incorporates additional costs for KAZ Minerals to contribute to the construction of road and port infrastructure for the project, as part of a multi-party Complex Development Plan for the Chukotka region established by the Russian Government. Further agreements, expected to include significant take or pay contracts, will be required to secure the construction of the infrastructure for the project.

The Board approved $190 million of capital expenditure in 2020 for pioneer works and to progress the Bankable Feasibility Study. The site camp was expanded to accommodate 350 people, airfield earthworks have commenced, and the runway is expected to be operational in the first half of 2022. Temporary fuel storage facilities have been installed and the 110 kV power connection is complete. However, total capital expenditure during 2020 was lower than guided at $159 million, mainly due to the timing of payments which will be carried over into 2021.

Capital expenditure guidance for continuing detailed engineering, pioneer works and completing the Bankable Feasibility Study, including expenditure deferred from 2020, is set at around $175 million for the first half of 2021. Additional expenditure may be approved following the completion of the Bankable Feasibility Study.

Aktogay expansion

Construction works at the Aktogay expansion project were affected by reduced staff availability in the first half of 2020, however works progressed according to plan in the second half of the year as Covid-19 related restrictions were eased and the Group's testing and isolation measures enabled shift changes to take place safely.

Construction of the crusher, conveyor, ore reclaim, mills and flotation sections of the concentrator is complete and the focus is now on equipment installations, electrical and pipeline connections and testing. The new electrical supply for the second concentrator has been completed and energised. Construction work is continuing on the tailings thickeners and pump house, pebble crusher, HPGR and bagging plant. The new camp facilities are 75% complete. Initial production from the Aktogay expansion is on track to commence by the end of 2021, as previously guided.

Capital expenditure on the Aktogay expansion project in 2020 was $244 million against guidance of $300 million, with around $50 million of expenditure deferred into the first quarter of 2021 due to the timing of payments. The $1.2 billion project budget is unchanged and circa $250 million of the remaining project expenditure is expected to be incurred in 2021, with around $50 million of final retention payments falling in 2022.

Koksay

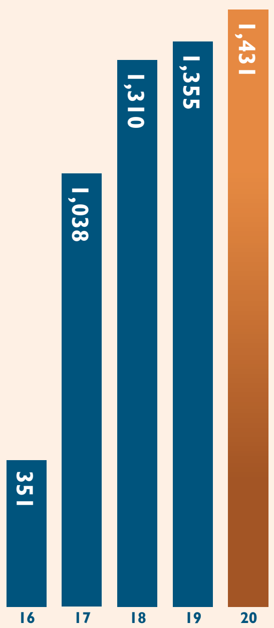
The feasibility study to assess the Koksay project was progressed in 2020. When completed, the results of the study will be reviewed by the Board before assessing how and when to proceed with the project. Expenditure on study work and drilling during 2020 was $4 million and a further $10 million of expenditure for this purpose has been approved for 2021.

Financial performance

The impact of the Covid-19 pandemic on commodity prices in 2020 was significant, as weak demand and economic disruption in the first half was followed by a strong recovery in key markets in the second half of the year, combined with ongoing supply disruptions. This resulted in the average LME copper price of $5,516/t in the first six months of 2020, increasing to $6,853/t in the second half and an average price of $6,198/t over the full year (2019: $6,000/t). Production and sales were weighted towards the second half and higher prices offset the 5% reduction in annual sales volumes to 300 kt (2019: 317 kt), contributing to a 4% increase in Group revenues to $2,355 million (2019: $2,266 million).

Gold prices were also a key driver of the increase in revenues, with LBMA prices averaging $1,770/oz (2019: $1,393/oz) as investors sought safe haven assets. Higher prices more than offset the decrease in gold sales to 205 koz (2019: 225 koz) resulting in a 16% increase in gold revenues to $370 million (2019: $318 million).

EBITDA[1] 2016-20 ($ million)



CAGR 2016-20:

42%

1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 192.

> The Group maintained its competitive position on the industry cost curve and recorded EBITDA of $1,431 million

The Group maintained its competitive position on the industry cost curve and recorded EBITDA of $1,431 million (2019: $1,355 million), representing an EBITDA margin of 61% (2019: 60%). Operating profit increased by 9% to $1,005 million (2019: $923 million), with an operating profit margin of 43% (2019: 41%). Free Cash Flow increased by 68% to $691 million (2019: $411 million) and cash flow from operations increased by 58% to $807 million (2019: $512 million).

Unit costs

A weaker tenge to US dollar exchange rate and continuing cost reduction initiatives offset lower sales volumes and additional costs incurred due to Covid-19 resulting in a Group gross cash cost of 143 USc/lb, in line with the prior year (2019: 140 USc/lb). Strong by-product revenues supported a net cash cost of 64 USc/lb (2019: 77 USc/lb), amongst the lowest globally.

Gross cash costs at Aktogay increased to 121 USc/lb (2019: 102 USc/lb) and net cash costs rose, as expected, to 116 USc/lb (2019: 98 USc/lb), due to lower copper sales volumes of 130 kt (2019: 148 kt).

At Bozshakol, increased copper sales volumes drove a decrease in gross cash costs to 126 USc/lb (2019: 137 USc/lb) whilst higher realised gold prices significantly boosted by-product credits and resulted in a net cash cost of just 12 USc/lb (2019: 31 USc/lb).

In the East Region and Bozymchak, gross cash costs increased to 244 USc/lb (2019: 234 USc/lb), as the benefit of a weaker tenge was offset by the impact of lower sales volumes of 50 kt (2019: 62 kt), a 19% reduction compared with 2019, which included sales from finished goods inventory. Net cash costs of 56 USc/lb (2019: 104 USc/lb) benefited from higher by-product prices for gold and silver and increased zinc in concentrate volumes.

Balance sheet

Net debt decreased to $2,601 million (2019: $2,759 million) due to strong operating cash flows in the second half and lower than guided capital expenditure over the full year of $584 million (2019: $860 million). Some projects that were expected to be incurred in 2020 have been deferred into 2021 because of Covid-19.

The Group made a total of $366 million of scheduled debt repayments and made drawings of $950 million from new facilities during the year, resulting in borrowings of $3,900 million at 31 December 2020 (31 December 2019: $3,300 million). An amended and extended facility was agreed with the Group's existing syndicate of PXF lenders in January 2020 for $1,000 million (a net increase in the facility size of $700 million) and $229 million was drawn against the $600 million DBK-Aktogay expansion facility during the year. Gross liquid funds increased to $1,299 million at 31 December 2020 (31 December 2019: $541 million).

Financial guidance

Gross cash cost guidance for Aktogay in 2021 is set at 120-140 USc/lb, as copper production is guided to reduce to 115-125 kt from the 131 kt produced in 2020.

At Bozshakol, copper production volumes are forecast to be broadly in line with 2020 and gross cash cost guidance is set at 130-150 USc/lb, in line with the range given at the beginning of 2020.

At the East Region and Bozymchak, 2021 gross cash costs are expected to be between 260-280 USc/lb (2020: 244 USc/lb), incorporating local inflation as well as a full year of production from the higher cost Bozymchak operations.

Sustaining capital expenditure at Aktogay and Bozshakol is expected to be $80 million and $70 million, respectively, whilst $50 million of expenditure is anticipated in the East Region and Bozymchak in 2021.

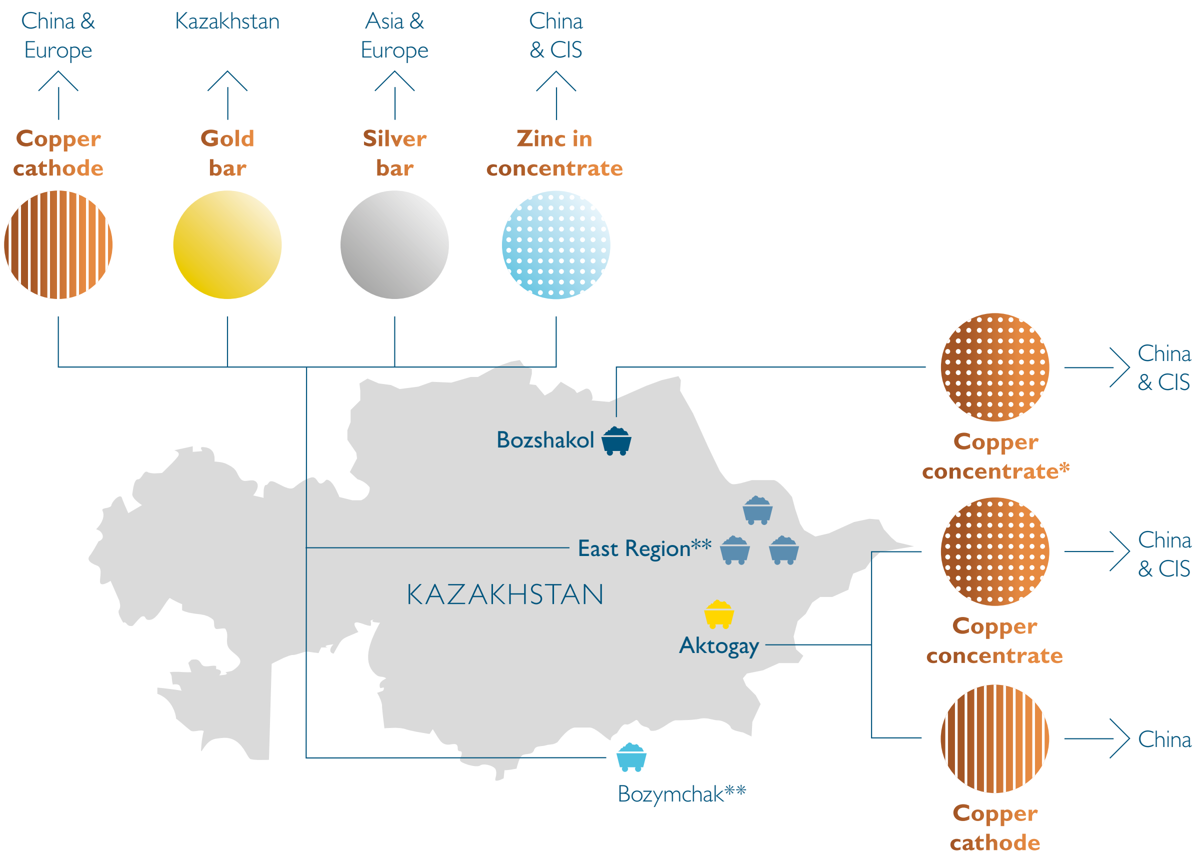
Expansionary capital expenditure is guided at $175 million at Baimskaya, $250 million for the Aktogay expansion project, $70 million in the East Region and Bozymchak and $10 million on other items including Koksay, amounting to total expansionary capital expenditure of $505 million for 2021. Additional capital expenditure may be approved for Baimskaya following the completion of the Bankable Feasibility Study.

Outlook

In a challenging year, our low cost copper mining operations have proved resilient, enabling KAZ Minerals to report strong production and financial results. The Aktogay expansion project remains on track to commence production by the end of 2021 and will generate near-term production growth. Baimskaya is expected to deliver longer-dated growth and we are currently focused on completing the Bankable Feasibility Study in the first half of this year.

Andrew Southam
Chief Executive Officer

CLOSE TO CORE MARKETS



* Contains by-products of gold and silver in concentrate.
** Copper cathode, gold bar and silver bar are produced under a tolling arrangement with the Balkhash smelter.

Our products

The Group's revenues are primarily derived from the sale of copper, with additional revenues from by-products of gold, silver and zinc. The Group's performance is therefore dependent on commodity prices, which reflect global supply and demand fundamentals, as well as market sentiment and the activities of financial investors. Commodity prices can be volatile and cyclical as a result of dependence upon geopolitical and macroeconomic factors. The outlook for the Chinese economy is of particular significance as it is the largest consumer of copper and the main physical market for the Group.

Around 56% of the Group's revenues arise from the sale of copper concentrate, primarily to China, with some material sold to smelters in the CIS region. Copper concentrate is sold at a provisional LME copper price less TC/RCs, which is adjusted to a final price, typically two months after delivery. A further 32% of Group revenue is derived from the sale of copper cathode, mainly to Chinese and European customers. Sales are made at a provisional LME price, which is adjusted to a final price, typically one month after delivery. Remaining revenues derive from by-products of gold, silver and zinc.

The Group has not experienced any significant disruptions to the export and delivery of its products to customers during the Covid-19 pandemic, with restrictions to control the virus resulting in only minor delays at border crossings at certain points during the year, including at the 2020 year end.

Copper

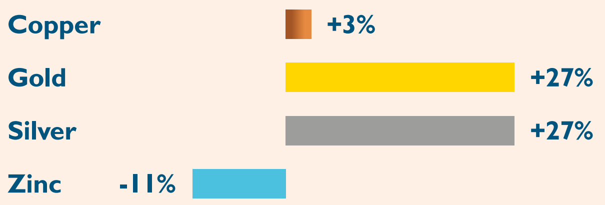
Uses of copper

Copper's excellent electrical and thermal conductivity make it essential for all modern infrastructure, energy generation and transmission, transportation, communications, industrial machinery and electrical appliances.

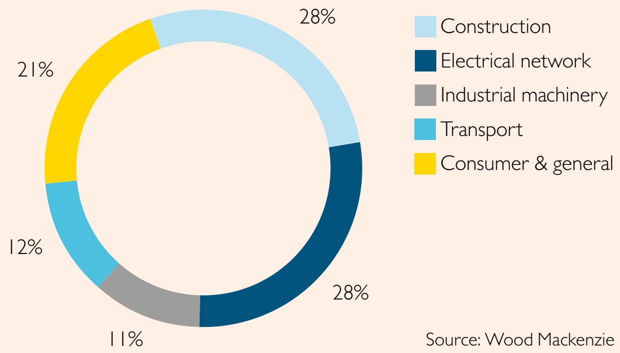
Construction and electrical network infrastructure are two important sources of copper demand, making it a key material supporting the urbanisation of Asia and Africa. Consumer products, air conditioning and refrigeration are also important sources of demand for copper, which may increase as developing economies transition to consumption led growth.

Copper plays a central role in the global transition to low carbon energy generation and low emissions transportation. Solar and wind power and the adoption of electric and hybrid vehicles and associated infrastructure are highly copper intensive.

Average price movement in 2020



Global copper consumption in 2020 by market sector



Source: Wood Mackenzie

2020 market performance

The average LME copper price during 2020 was $6,198/t, a 3% increase compared with $6,000/t in 2019.

The copper price ended 2019 on an upward trend following a trade deal between the US and China, but this was tempered in January 2020 as Middle Eastern geopolitical concerns weighed on the market. The emergence of Covid-19 then led to an abrupt reduction in prices due to the threat to economic growth, initially in Asia and then globally.

Thereafter in 2020, the market has been dominated by the impact of the Covid-19 pandemic on the global economy. Copper reached a low of $4,612/t in late March as the virus spread and the economic outlook worsened. The copper price recovered slightly in April following more positive economic data from China, which had taken steps to control the virus. The copper price was also supported by disruptions to copper supply, notably in Latin America, and by stimulus packages rolled-out by governments worldwide. By the end of June 2020, the market price for copper surpassed $6,000/t.

Copper prices continued to strengthen in the third quarter, as economic sentiment improved on the back of strong Chinese GDP growth figures. The announcement of several Covid-19 vaccines and the conclusion of the US presidential election, provided a further boost to the global economic outlook. This, in addition to a weaker dollar, saw a sharp rise in copper prices to a peak of $7,994/t on 18 December 2020, the highest level since 2013.

Market outlook

Movements in copper prices during 2020 were strongly driven by macroeconomic sentiment which is closely tied to the impact of the Covid-19 pandemic. This trend is likely to continue in 2021, as early progress in the distribution of vaccines is set against the impact of ongoing virus-related restrictions. In January 2021, the copper market continued its upward trend, with prices passing $8,000/t. Government stimulus packages may also target the development of infrastructure, including low carbon energy projects, which are copper intensive and would be supportive of prices in the medium and longer term.

In the short term, the copper market is expected to remain tight as a recovery in demand is offset by supply growth, with additional output expected to come online in 2022 from a number of expansion projects and established mines. As a result, copper prices will continue to be volatile and susceptible to market sentiment.

There are a number of analysts who believe the market for copper will enter a period of supply deficit in the medium term. Copper supply is expected to be restricted by declining ore grades at established mines and insufficient investment in growth projects.

Large scale copper projects with the potential to fill the supply gap are scarce, with many projects facing significant economic, political and environmental challenges. Long lead times are required to bring new production to market, supporting a period of elevated copper prices.

By-products

2020 market performance

Gold prices performed strongly during 2020 as prevailing macroeconomic concerns and the perception of gold as a safe haven asset led to price increases. The average price in 2020 of $1,770/oz represented an increase of 27% compared with 2019. The move for emerging markets to diversify their dollar exposures, in addition to the impact of negative real yields on other asset classes, could continue to benefit gold prices. Silver prices were on average 27% higher in 2020 than 2019, at $20.5/oz, also primarily a result of global economic uncertainty driving demand for precious metals as a safe haven. Zinc traded poorly compared to other metals during 2020 due to a surplus in the refined zinc market during the year. The average price of $2,267/t was 11% lower than 2019.

Market fluctuations: how we respond

KAZ Minerals continually monitors commodity market and industry research. When performing business planning or assessing investment opportunities, the Group considers a range of commodity price cases and performs sensitivity analysis. The Group has cost competitive assets which can generate positive cash flow in a lower commodity price environment. The Group's operations are also located in close proximity to its key Chinese market.

The Group is not currently and does not normally hedge commodity prices but may enter into a hedge programme where the Board determines it is appropriate to provide greater certainty over future cash flows. In periods of lower prices, the Group has successfully reduced costs and been able to defer non-critical expenditures.

Sensitivity analysis on prices

The approximate effect on EBITDA resulting from a 10% movement in the average realised commodity prices on the Group's results is shown below, assuming all other variables remain constant:

	Average realised price (2020)[1]	Impact of 10% price movement on EBITDA ($m)
Copper sales ($/t)	6,092	183
Gold sales ($/oz)	1,806	37
Silver sales ($/oz)	21	7
Zinc sales ($/t)	1,270	6

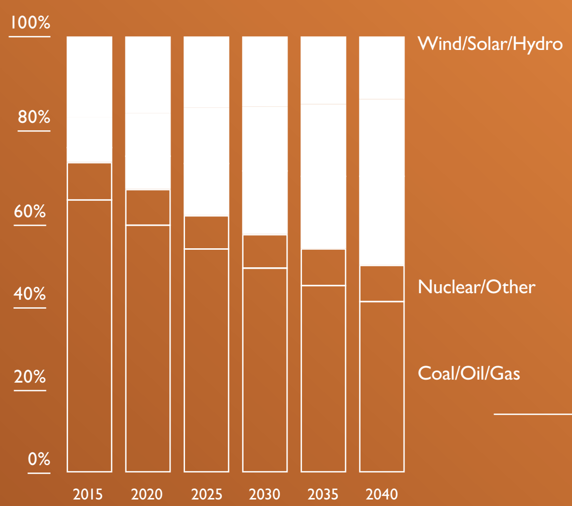
1 Copper, gold and silver sales reflect finished metal and payable metal in concentrate. Zinc sales reflect sales of zinc in concentrate.

DELIVERING RENEWABLE ENERGY

Renewable energy generation is many times more copper intensive than power generated from conventional energy sources.

"Increasing penetration of renewables in the energy mix and carbon neutrality targets announced by various countries augur well for copper intensive green end-use sectors"

Wood Mackenzie, Global copper long-term outlook Q4 2020



POWER GENERATION CAPACITY BY FUEL SOURCE

Wood Mackenzie LTD

"The US Energy Information Administration (EIA) projects that renewables will collectively increase to 49% of global electricity generation by 2050"

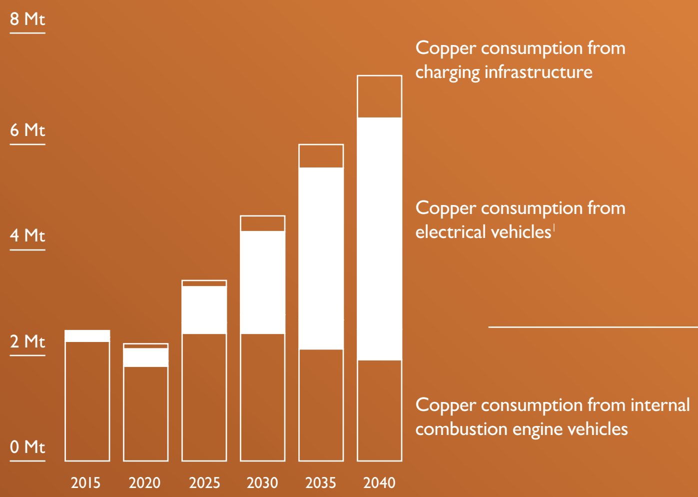
Source: US Energy Information Administration (Oct 2019)

DRIVING ELECTRIC VEHICLES

Additional supplies of copper will be required to support the growing adoption of electric vehicles, which require more copper than internal combustion vehicles.

"Achieving carbon neutrality means a much higher rate of electrification, a higher share of renewable power and more electric vehicles on the road. This will provide significant upside to copper demand"

Wood Mackenzie, Global copper long-term outlook Q4 2020



COPPER CONSUMPTION GROWS FROM ELECTRICAL VEHICLES

Wood Mackenzie LTD

1. Consists of hybrid electric vehicles, battery electric vehicles and plug-in hybrid electric vehicles.

GLOBAL DECARBONISATION TARGETS

China

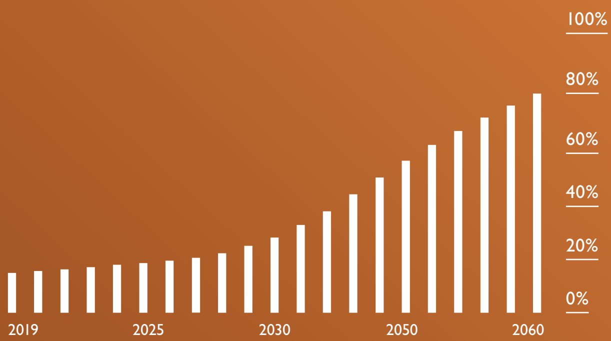
"Upside risks for copper demand emerge as China aims to become carbon neutral by 2060. A greener China will support higher copper demand over the longer term"

Wood Mackenzie, Global copper long-term outlook Q4 2020

USA and Europe

"Decarbonisation commitments are a major upside risk to our long-term copper demand forecasts. In the world ex-China, Europe is expected to lead the way. If effectively implemented, US president-elect Biden's climate plan would also support higher copper demand"

Wood Mackenzie, Global copper long-term outlook Q4 2020



NON-FOSSIL FUEL SHARE OF CHINA'S ENERGY CONSUMPTION

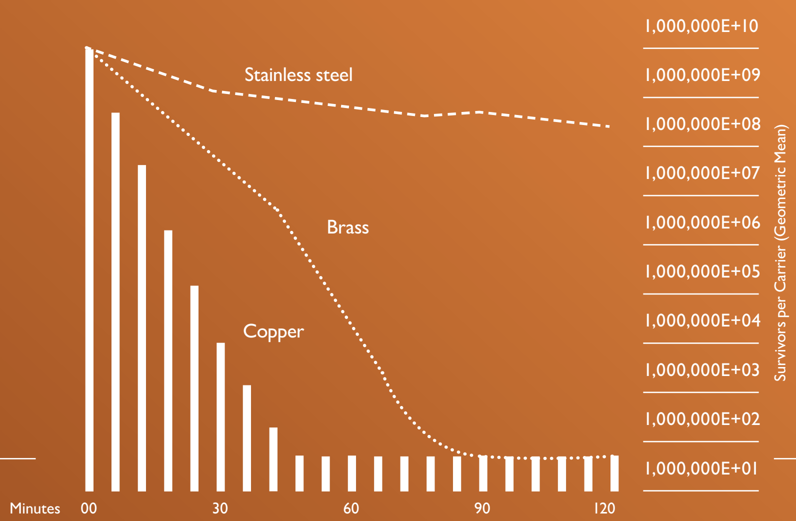
Source: Tsinghua University's Institute of Energy, Environment and Economy, Bloomberg Green

IMPROVING HYGIENE

Copper and alloys of copper kill viruses and bacteria on contact. The use of copper on surfaces in public areas can reduce the transmission of communicable diseases.

"As a result of the renewed interest in public healthcare and hygiene, the application of copper is likely to be expanded in medical equipment and public facilities given the metal's antimicrobial properties"

Wood Mackenzie, Global copper long-term outlook Q4 2020



COPPER ANTIMICROBIAL EFFICACY

"Antimicrobial copper, brass and bronze surfaces kill greater than 99.9% of bacteria tested[1] within 2 hours of exposure"

Source: Copper Development Association Inc.

1. MRSA, VRE, Staphylococcus aureus, Enterobacter aerogenes, Pseudomonas aeruginosa, and E. coli O157:H7.

DELIVERING OUR STRATEGY

The Group's strategy is reviewed and updated by the Board regularly. The success of the strategy is measured using relevant KPIs and risks are controlled through the risk management framework.

Strategic priority		Relevant KPIs	
1 *Delivering major growth projects*		We seek to undertake growth projects which have the potential to achieve a high return on investment, including expansion of existing assets and new development projects.	– EBITDA – Free Cash Flow – EPS based on Underlying Profit – Ore processed – Net cash costs – Copper production – Maintenance spend per tonne of copper produced – Number of fatalities – TRIFR
2 *Optimise existing assets*		Improve safety and health, increase productivity and maintain low operating costs and sustaining capital expenditure.	– EBITDA – Free Cash Flow – EPS based on Underlying Profit – Ore processed – Net cash costs – Copper production – Maintenance spend per tonne of copper produced – Number of fatalities – TRIFR
3 *Take advantage of natural resource opportunities*		Seek out natural resource opportunities, focusing on copper assets in Kazakhstan and the CIS region.	– EBITDA – Ore processed – Net cash costs – Copper production
4 *Be a socially responsible operator*		KAZ Minerals is committed to maintaining high levels of corporate responsibility as we grow our business and share the benefits of natural resource extraction with our key stakeholders.	– Number of fatalities – TRIFR – CO_2 emissions per unit of sulphide ore processed – Water consumption per unit of sulphide ore processed – Social investment spend

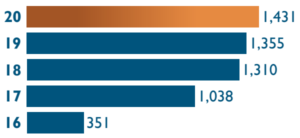
Stated priorities for 2020	2020 performance	2021 goals
Aktogay expansion – Progress construction according to schedule, first production to commence in 2021 – Remain within $1.2 billion project budget – Maintain high standards of safety and health	**Aktogay expansion** – Project progressed well in 2020 despite challenges from Covid-19 – Remains on schedule and within budget – TRIFR 0.53 (2019: 1.26) – One fatality	**Aktogay expansion** – Complete project and commence copper production by the end of 2021 – Remain within $1.2 billion project budget – Maintain high standards of safety and health
All assets – Improve safety and health performance – Seek operational and cost efficiencies – Maintain competitive net cash cost position **Aktogay and Bozshakol** – Operate at design capacity – Optimise supply chain **East Region and Bozymchak** – Achieve production and cost targets	**All assets** – Four fatalities – TRIFR 1.14 (2019: 1.38) – Net cash cost 64 USc/lb (2019: 77 USc/lb) **Aktogay and Bozshakol** – Exceeded top end of production guidance range, despite challenges from Covid-19 – Additional supplies purchased to protect supply chain during pandemic **East Region and Bozymchak** – Met or exceeded production targets for copper, gold, silver and zinc – Successful transition to in-pit tailings disposal at Nikolayevsky	**All assets** – Improve safety and health performance – Seek operational and cost efficiencies – Maintain competitive net cash cost position **Aktogay and Bozshakol** – Operate at design capacity – Optimise supply chain **East Region and Bozymchak** – Achieve production and cost targets
Baimskaya – Complete Bankable Feasibility Study – Develop execution strategy – Continue pioneer works	**Baimskaya** – Bankable Feasibility Study delayed until H1 2021 due to ongoing infrastructure discussions – Pioneer works progressed – Financing discussions progressed, pending Bankable Feasibility Study – Partnering options assessment ongoing	**Baimskaya** – Complete Bankable Feasibility Study – Develop execution strategy – Continue pioneer works
Safety and health – Target zero fatalities and LTIs, reduce TRIFR **Environment** – Implement plan to achieve CO_2 and water reduction targets – Assess environmental impacts at Baimskaya **Employees** – Focus on recruitment, training and leadership development programmes – Support diversity through equality of opportunity **Communities** – Support social projects	**Safety and health** – Three fatalities in underground operations and one at Aktogay expansion project – Injury rate reduced to TRIFR of 1.14 (2019: 1.38) **Environment** – Energy efficiency improved – Baimskaya ESIA report completed **Employees** – Apprentice programme protected – Law on female drivers changed **Communities** – Community consultation at Baimskaya – $27 million of social project funding in 2020	**Safety and health** – Target zero fatalities and LTIs, reduce TRIFR **Environment** – Continue implementing measures to achieve CO_2 and water reduction targets – Mitigate environmental impacts at Baimskaya **Employees** – Keep staff safe from Covid-19 – Train and develop newly recruited staff at Aktogay **Communities** – Support social projects – Protect indigenous peoples close to assets

MEASURING OUR PROGRESS

OBJECTIVE: DELIVER VALUE FOR OUR SHAREHOLDERS

EBITDA[1]
($ million)

1,431



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, depreciation, depletion, amortisation, MET and royalties and special items.

2020 performance
EBITDA of $1,431 million was $76 million higher than in the prior year, mainly due to higher realised prices for copper, gold and silver, partly offset by lower copper and gold sales volumes.

Aktogay EBITDA decreased by $88 million to $476 million following a reduction in copper sales volumes. Copper production exceeded guidance but was below the prior year, as expected, due to lower throughput at the sulphide plant and a reduction in grades.

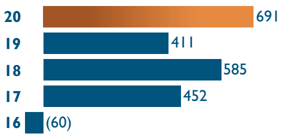
Bozshakol EBITDA of $742 million improved from $585 million in 2019 due to increased copper sales volumes and higher commodity prices. Production in 2020 was ahead of the prior year, as ore processed rose by 7% to 31.6 Mt, above design capacity.

East Region and Bozymchak EBITDA increased by 4% to $239 million (2019: $230 million) despite lower copper sales volumes, due to favourable commodity prices, management actions to control costs and the benefit of a weaker tenge.

Strategic priorities:
1 2 3

Free Cash Flow[1]
($ million)

691



Relevance
This measures the cash generated by the Group which is available to reduce debt, fund returns to shareholders and invest in the future growth and development of the business.

How we measure
Net cash flows from operating activities before capital expenditure and VAT associated with major growth projects less sustaining capital expenditure.

2020 performance
Group Free Cash Flow for the year increased to $691 million from $411 million in the prior year, with higher EBITDA, a lower increase in working capital and a reduction in the level of sustaining capital expenditure, as non-essential maintenance was deferred due to Covid-19.

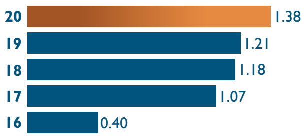
Working capital increased by $161 million compared with an increase of $282 million in 2019. The reported increase in working capital in the year was impacted by $136 million of VAT reclaimable that was settled by offset against income taxes and MET payable, instead of being refunded in cash. These non-cash offsets have resulted in an increase in the working capital cash outflow, offset by lower income tax and MET paid.

In addition, 2020 working capital included the effect of stockpiling key spares and consumables to mitigate Covid-19 risks.

Strategic priorities:
1 2

Earnings per share based on Underlying Profit[1] ($)

1.38



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 excluding special items and their resulting tax and non-controlling interest effects, divided by the weighted average number of ordinary shares in issue during the period.

2020 performance
EPS based on Underlying Profit increased to $1.38 per share from $1.21 per share in 2019.

Underlying Profit improved by $79 million to $650 million (2019: $571 million). The Group's operating profit before special items increased to $1,016 million from $923 million in 2019 mainly due to higher EBITDA, which benefited from favourable commodity prices, partially offset by lower sales volumes for copper and by-products.

Underlying Profit in 2020 excludes $11 million of legal and professional fees incurred as a result of the Recommended Offer, which are non-recurring.

Strategic priorities:
1 2

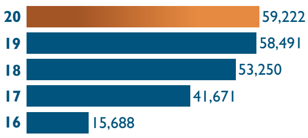
1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, please refer to the APMs section on page 192.

The Group's KPIs are regularly reviewed to ensure they remain relevant and are aligned with the Group's strategy and objectives. The remuneration of the executive Directors is linked to the Group's performance as the annual bonus plan targets are aligned to the Group's KPIs and strategic priorities.

STRATEGIC PRIORITIES: OPTIMISE EXISTING ASSETS AND DELIVER GROWTH PROJECTS

Ore processed
(kt)

59,222



Relevance
Ore processed indicates the Group's ability to process ore that has been extracted, to maximise output.

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

2020 performance
Ore processed of 59,222 kt was above the prior year (2019: 58,491 kt) driven by increased throughput at Bozshakol.

At Aktogay, 24,138 kt of sulphide ore was processed in 2020, 4% below the prior year (2019: 25,230 kt), due to the timing of maintenance, as mill relining work postponed from 2019 was completed in January 2020, and two further scheduled relinings were carried out during 2020.

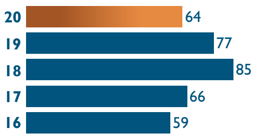
Bozshakol ore processed increased by 7% to 31,618 kt (2019: 29,470 kt), largely due to increased ore processed by the clay plant in 2020. During 2019, the clay plant operations were suspended for around three months during upgrades to the process water and reclaim systems.

Ore processed at the East Region and Bozymchak mines was 9% lower than in the prior year at 3,466 kt (2019: 3,791 kt) as Bozymchak mining and processing operations were suspended from 7 October to 26 December 2020 to ensure employee safety during a period of political instability in Kyrgyzstan.

Strategic priorities:
1 2 3

Net cash costs[1]
(USc/lb)

64



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
Cash operating costs, including pre-commercial production costs, excluding purchased cathode, plus TC/RC on concentrate sales, less by-product revenues, divided by the volume of own copper sales.

2020 performance
The Group's net cash cost of 64 USc/lb was below the prior year due to increased revenues from by-products driven by higher commodity prices for gold and silver and an increase in zinc volumes. Excluding the impact of by-product credits, the Group's gross cash cost of 143 USc/lb was in line with the 140 USc/lb recorded in 2019.

The net cash cost at Aktogay of 116 USc/lb increased compared with 98 USc/lb in 2019 as a result of lower copper sales.

Bozshakol's net cash cost of 12 USc/lb decreased compared with 31 USc/lb in 2019 due to a lower gross cash cost of 126 USc/lb (2019: 137 USc/lb) supported by higher gold revenues resulting from favourable gold prices.

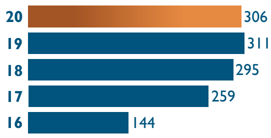
East Region and Bozymchak's gross cash cost of 244 USc/lb increased compared with 234 USc/lb in 2019 which benefited from the sale of inventory on a per unit basis. Net cash costs decreased to 56 USc/lb (2019: 104 USc/lb) owing to higher zinc volumes sold and favourable gold and silver prices.

KAZ Minerals remains one of the lowest cost pure-play listed copper miners globally.

Strategic priorities:
1 2 3

Copper production
(kt)

306



Relevance
Copper, the Group's principal product, represents 78% of revenue and its production is the main operational indicator.

How we measure
Payable copper metal in concentrate, and copper cathode produced from oxide ore at Aktogay.

2020 performance
Copper production of 305.7 kt (2019: 311.4 kt) was above the Group's 2020 guidance range of 280-300 kt, with a strong performance at all divisions.

Copper production at Aktogay of 131.2 kt was above guidance of 120-130 kt due to higher than expected grades, but below prior year production of 145.7 kt.

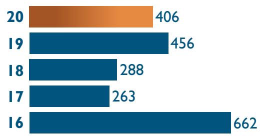
At Bozshakol, copper production increased to 122.0 kt (2019: 110.2 kt) mainly due to higher throughput at the clay plant, which was suspended for three months in 2019 during water system upgrades, and an increase in the average copper grade.

Copper production at East Region and Bozymchak of 52.5 kt was above guidance of c.50 kt, but 5% below the 55.5 kt achieved in 2019 due to lower processing volumes following the temporary suspension of Bozymchak operations during the fourth quarter of 2020.

Strategic priorities:
1 2 3

Maintenance spend per tonne of copper produced[1] ($/t)

406



Relevance
Indicates how much cash is required to maintain current output and the efficiency of the Group's sustaining capital expenditure.

How we measure
Sustaining capital expenditure divided by copper production volumes.

From 2017 onwards, the KPI includes production and capital expenditure from all operations including Aktogay and Bozshakol, as compared with 2016 and earlier years, where the production and capital expenditure from Aktogay and Bozshakol were excluded.

2020 performance
Maintenance spend per tonne of copper produced of 406 $/t decreased by 11% from 456 $/t in 2019, as some non-essential maintenance was deferred due to restrictions arising from the Covid-19 pandemic.

Aktogay maintenance spend per tonne of copper produced rose from 302 $/t in 2019 to 306 $/t in 2020, due to a 14.5 kt decrease in copper production and sustaining capital expenditure remaining in line with the prior year.

Bozshakol maintenance spend per tonne of copper produced fell to 328 $/t in 2020 from 490 $/t in 2019, as sustaining capital expenditure decreased by $15 million due to the deferral of some non-essential maintenance work and copper production was 11.8 kt higher than in the prior year.

East Region and Bozymchak maintenance spend per tonne of copper produced decreased to 686 $/t in 2020 from 775 $/t in the prior year as capital expenditure was $6 million lower than in 2019.

Strategic priorities:
1 2

> Open pit mining is inherently safer than underground mining and the Group's safety performance has improved as these new operations have ramped up

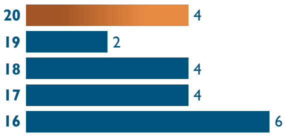
Andrew Southam
Chief Executive Officer

For more information see sustainability section on pages 57-59

GOAL ZERO

Number of fatalities
(employees and contractors)

4



Relevance
A key measure of the Group's operational safety and health 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 adopted in 2015.

2020 performance
Three fatalities occurred in 2020 in the Group's underground mines in the East Region (2019: 2) and one contractor fatality occurred as a result of a fall from height at the Aktogay expansion project (2019: nil).

KAZ Minerals considers all fatalities to be avoidable and has a target of zero fatalities. The number of fatal incidents occurring at the Group's operations is on a long-term downward trend.

No operational fatalities have occurred at any of the Aktogay, Bozshakol and Bozymchak mines since these mines commenced production, covering a total of 68 million hours worked.

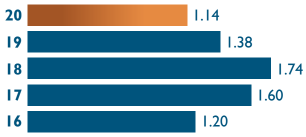
During 2020 the Group's safety initiatives focused on leading indicators and hazard identification.

The Covid-19 pandemic became a major workplace safety issue during the year and the Group took measures to protect staff through a system of testing and isolation.

Strategic priorities:
1 2 4

Total Recordable Injury Frequency Rate
(TRIFR)

1.14



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

How we measure
The number of Total Recordable Injury (TRI) cases occurring for every million 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.

2020 performance
The average TRIFR for ICMM members in 2019 was 3.20, compared with the TRIFR for the Group in 2020 of 1.14.

There were 54 TRI cases in 2020 (2019: 63) and TRIFR reduced to 1.14 (2019: 1.38) as hours worked increased to 47 million (2019: 46 million).

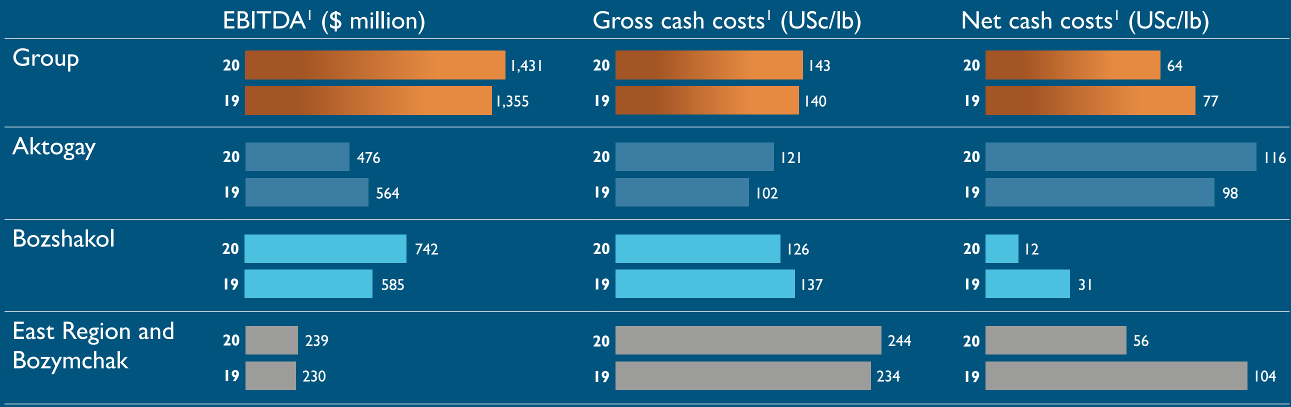
The main causes of injuries during 2020 were slips and falls (14) and rock falls (8). There were 21 severe injuries out of a total of 54 recordable injuries, compared with 23 serious injuries in 2019. The main causes of severe injury were rock falls (8) and slips and falls (13).

Strategic priorities:
1 2 4

STRONG PERFORMANCE

The Group's operations in 2020 comprised the Aktogay and Bozshakol open pit copper mines in the East Region and Pavlodar region of Kazakhstan, three underground mines in the East Region of Kazakhstan, the Bozymchak open pit copper-gold mine in Kyrgyzstan and their associated concentrators.

FINANCIAL PERFORMANCE



1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 192.

GROUP PRODUCTION AND SALES SUMMARY

	Production		Sales	
kt (unless otherwise stated)	**2020**	2019	**2020**	2019
Copper	306	311	300	317
Aktogay	131	146	130	148
Bozshakol	122	110	121	107
East Region and Bozymchak	53	55	49	62
Gold (koz)	196	201	205	225
Silver (koz)	3,374	3,382	3,496	3,566
Zinc in concentrate	50	38	50	38

COVID-19 UPDATE

The Group took pre-emptive steps to...

protect its sites from the virus

prioritise the safety, health and wellbeing of its employees

The Covid-19 pandemic presented major challenges to the industry during the year, causing disruption to mining companies worldwide. The Group took pre-emptive steps to protect its sites from the virus, prioritising the safety, health and wellbeing of its employees and contractors. These actions ensured that there was no major impact on the Group's operations during 2020. The Group's comprehensive measures, including testing and isolation of staff, remain in place to mitigate the risk of disruption to operations.

AKTOGAY

Aktogay is a large scale, open pit mine with a remaining mine life of around 25 years (including the expansion project) at an average copper grade of 0.27% (oxide) and 0.33% (sulphide). Aktogay is competitively positioned on the global cost curve and is forecast to produce an average of 100 kt of copper per year from sulphide ore until 2021, increasing to 170 kt per year from 2022 to 2027 after the second concentrator commences operations.

Production summary

kt (unless otherwise stated)	2020	2019
Oxide		
Ore extraction	10,458	19,403
Copper grade (%)	0.28	0.32
Copper cathode production	21.3	22.7
Sulphide		
Ore extraction	30,788	35,731
Ore processed	24,138	25,230
Average copper grade processed (%)	0.56	0.58
Recovery rate (%)	85	88
Copper in concentrate	115.1	128.8
Copper production	109.9	123.0
Total copper production	131.2	145.7
Silver production (koz)	479	555

Measures taken to control Covid-19 risks at Aktogay during 2020 included implementing a strict site lockdown early in the pandemic, enhanced hygiene procedures, the adoption of revised shift patterns to reduce the number of staff rotations and a testing and isolation process for all new arrivals. A dedicated PCR testing facility was established on site in July to support operations and the expansion project. Risks arising from Covid-19, including restrictions on the movement of people and goods, continue to be present in 2021.

Total ore extraction in 2020 decreased by 25% to 41,246 kt (2019: 55,134 kt) mainly due to a suspension in oxide ore mining in the second and third quarters, as previously mined material was irrigated ahead of the transition in the second half of the year to a new heap leach pad. Sulphide ore extraction of 30,788 kt was a 14% reduction compared with the prior year (2019: 35,731 kt) but continued to exceed the plant processing capacity of 25 Mtpa as mine development works and stockpiling were undertaken ahead of the commissioning of the Aktogay expansion project.

Sulphide ore processing volumes reduced by 4% to 24,138 kt in 2020 mainly due to the timing of maintenance at the plant. A mill relining was deferred from December 2019 into January 2020 in addition to its scheduled two relinings during the year. The average copper grade processed in 2020 reduced, as expected, to 0.56% (2019: 0.58%), but remained at elevated levels compared with the copper resource grade of 0.33%. The reduced processing volumes and grade led to full year copper production of 109.9 kt from sulphide material, 11% lower than the prior year (2019: 123.0 kt) but at the upper end of 2020 guidance.

The majority of copper production was dispatched in the form of concentrate to customers in China, with 35.5 kt of copper in concentrate sent for toll processing at the Balkhash smelter in Kazakhstan where spare capacity was available on attractive terms.

Copper cathode production from oxide material was 21.3 kt in 2020, a 6% decrease from 2019 primarily due to a reduction in the copper grade from 0.32% in 2019 to 0.28% in 2020. Annual output remained above the long-term guidance level of around 20 ktpa until 2024.

Due to Covid-19 restrictions in 2020, Aktogay faced difficulties bringing contractors to site and had to perform a number of activities internally. There were also staff shortages during the site lockdown in the first half of the year. Despite this, Aktogay achieved total copper production of 131.2 kt in 2020, ahead of the full year guidance of 120-130 kt due to the dedication of staff, many of whom agreed to remain on site for extended periods, supported by higher than expected grades.

Sulphide processing grades are expected to reduce towards the life of mine grade over the first ten years of operation. Copper production for 2021 is guided at 115-125 kt, including approximately 20 kt from oxide ore. The Aktogay expansion project remains on track to commence production in late 2021, as previously guided, and should record its initial output in the year. In addition, Aktogay is expected to produce around 400 koz of silver in 2021.

Financial summary

$ million (unless otherwise stated)	2020	2019
Revenues	806	863
Copper sales (kt)	130	148
EBITDA[1]	476	564
Operating profit	309	381
Gross cash costs[1] (USc/lb)	121	102
Net cash costs[1] (USc/lb)	116	98
Capital expenditure	297	553
Sustaining	46	44
Expansionary	251	509

1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 192.

Revenues

Revenues fell by 7% to $806 million in 2020 primarily as a result of production driven lower sales volumes. An 18 kt reduction in copper sales negatively impacted revenues by $108 million, partially offset by a $49 million benefit from higher realised copper prices, with the average LME copper price increasing by 3% from $6,000/t in 2019 to $6,198/t in 2020. Aktogay also recorded $16 million of by-product revenues primarily from commercially payable quantities of silver.

EBITDA

EBITDA at Aktogay reduced by $88 million in 2020 to $476 million, reflecting the fall in revenues combined with an increase in cash operating costs from $299 million in 2019 to $330 million in 2020. The increase in cash operating costs is the result of additional expenses associated with Covid-19, costs associated with operational readiness at the Aktogay expansion project and general inflationary increases for salaries, power and consumables, partially offset by a weaker KZT/$ exchange rate and efficiencies in the consumption of fuel. The EBITDA margin continues to be highly competitive at 59%.

Expenses associated with Covid-19 totalled approximately $20 million in 2020 and related mainly to overtime payments made to employees and contractors working extended shifts, the purchase of personal protective equipment and the testing and isolation of employees and contractors. It is currently expected that the Group will continue to incur costs associated with Covid-19 at similar levels for at least the first half of 2021.

The gross cash cost is expressed on a unit of copper sales basis, after adjustment for the copper payable and TC/RCs. Gross cash costs at Aktogay were 121 USc/lb in 2020, within the guidance range of 110-130 USc/lb. Gross cash costs increased compared with 2019 primarily due to lower production and sales, as expected, as well as the increase in costs, which included Covid-19 measures. In addition, 2019 cash costs benefited from the deferral of scheduled mill maintenance from December 2019 to January 2020, which had the effect of increasing 2020 costs and reducing throughput. This was partially offset by the favourable impact of a weaker tenge. Gross cash costs exclude $10 million of cash operating costs, mainly relating to social investment costs that are not considered directly attributable to mining and processing at Aktogay and benefit the wider Group. Net cash costs, after by-product revenues, were 116 USc/lb.

Gross cash costs are forecast to be in the range of 120-140 USc/lb in 2021, a modest increase compared with 2020, reflecting an expected reduction in copper output owing to lower grades as well as the impact of inflation.

Operating profit

Operating profit decreased by $72 million to $309 million in 2020 reflecting lower EBITDA, partially offset by a reduction in MET following the reduction in volumes of both oxide and sulphide ore extracted in 2020.

Capital expenditure

Sustaining capital expenditure in 2020 was $46 million, lower than the market guidance of $60 million as certain projects were impacted by Covid-19 and delayed into 2021. During 2020, works were primarily focused on the maintenance and overhaul of mining equipment, repairs at the sulphide plant and the expansion of the tailings storage facility. In 2021, sustaining capital expenditure of around $80 million is expected, which includes expenditure of approximately $15 million on projects deferred from 2020 and continued expansion of the tailings storage facility to increase capacity as the second sulphide concentrator is brought online.

Expansionary capital expenditure of $251 million was incurred in the year and primarily relates to the Aktogay expansion project, where $244 million was incurred, below guidance of around $300 million with around $50 million of expenditure deferred into the first quarter of 2021 due to the timing of payments. In the first half of 2020 progress at the project was negatively affected by Covid-19 which disrupted supply chains and the ability of contractors to mobilise to site. Works progressed according to plan in the second half of the year as Covid-19 related restrictions were eased and the Group's testing and isolation measures enabled shift changes to take place safely. Approximately $150 million was incurred on construction activities, including completion of the crusher, conveyor, ore reclaim and flotation sections of the concentrator, and the installation of the gearless mill drives at the SAG mill and first ball mill. Piping and electrical installation works are ongoing. A further $80 million was incurred on the procurement of long lead items for the new plant and the expansion of the mining fleet.

The project remains on track to commence production by the end of 2021. However, prolonged or more severe restrictions arising from Covid-19 could add risk to the project schedule. The total project budget remains unchanged at $1.2 billion with approximately $300 million of expenditure remaining. During 2021 expenditure of $250 million is expected and $50 million of retention payments are expected to be deferred into 2022.

Expansionary capital expenditure at Aktogay also included $7 million at the first Aktogay project in relation to the dump leach expansion.

BOZSHAKOL

Bozshakol is a first quartile asset on the global cost curve with an annual ore processing capacity of 30 million tonnes and a remaining mine life of around 40 years at an average copper grade of 0.35%. The mine and processing facilities commenced output in 2016 and are expected to produce an average of 100 kt of copper and 120 koz of gold in concentrate per year over the first 10 years of operations.

Production summary

kt (unless otherwise stated)	2020	2019
Ore extraction	**32,090**	35,693
Ore processed	**31,618**	29,470
Average copper grade processed (%)	**0.51**	0.48
Copper recovery rate (%)	**80**	81
Copper in concentrate	**127.8**	115.4
Copper production	**122.0**	110.2
Average gold grade processed (g/t)	**0.26**	0.27
Gold recovery rate (%)	**60**	60
Gold in concentrate (koz)	**162.2**	154.9
Gold production (koz)	**151.7**	144.8
Silver production (koz)	**949**	803

Measures to combat Covid-19 have been put in place at Bozshakol, similar to those taken at Aktogay, including a strict period of lockdown implemented early in the pandemic, subsequent revised shift patterns to reduce the number of staff rotations required and the testing and isolation of new arrivals to site. In the first half of 2020, the site experienced a temporary shortage of mining staff in particular as a result of testing and isolation procedures. Staffing at the site has since normalised but Covid-19 remains a risk for 2021, particularly in the event of further restrictions to the movement of people and goods.

Ore extracted at Bozshakol decreased by 10% to 32,090 kt (2019: 35,693 kt) as in 2019 5.9 Mt of clay ore was stockpiled to gain access to sulphide ore areas, whereas in 2020 the volumes of ore extracted were broadly in line with processing volumes.

Ore processing volumes increased to 31,618 kt (2019: 29,470 kt) mainly due to additional volumes at the clay plant, which was closed for around three months in the first half of 2019 during upgrade works to the process water and reclaim systems. As a result, the clay concentrator contributed copper in concentrate production of 21.4 kt in the year (2019: 13.6 kt).

Improving the availability of the sulphide and clay plants was a focus of Bozshakol management in 2020 with a number of measures successfully implemented on asset reliability, despite the challenges Covid-19 posed to the availability of staff and contractors. These measures resulted in ore processed volumes in 2020 exceeding the combined plants' design ore throughput of c.30 Mtpa. The average copper grade processed increased to 0.51% (2019: 0.48%) while the average recovery rate reduced slightly from 81% in 2019 to 80% in 2020, reflecting the greater volume of clay ore processed.

Total copper production increased to 122.0 kt (2019: 110.2 kt) as a result of higher throughput and processed grades, above market guidance of 110-120 kt.

The majority of copper production was dispatched in the form of concentrate to customers in China, with 18.6 kt of copper in concentrate sent for toll processing at the Balkhash smelter in Kazakhstan, where spare capacity was available on attractive terms.

Gold production of 151.7 koz was 5% above that achieved in 2019, as the increased throughput offset the lower gold grades processed of 0.26 g/t (2019: 0.27 g/t) and lower gold recovery rates experienced in the fourth quarter of 2020. Gold production exceeded the 2020 market guidance of 140-150 koz. Silver production also increased from 803 koz in 2019 to 949 koz in 2020 and was ahead of market guidance of approximately 700 koz.

In 2021, copper production is expected to be 110-120 kt, gold volumes are guided at 120-130 koz and silver output is forecast at approximately 800 koz, as grades reduce towards the life of mine average.

Financial summary

$ million (unless otherwise stated)	2020	2019
Revenues	**1,032**	851
Copper	**729**	601
Gold	**281**	234
Silver	**20**	13
Other	**2**	3
Sales volumes		
Copper sales (kt)	**121**	107
Gold sales (koz)	**155**	165
Silver sales (koz)	**950**	772
EBITDA[1]	**742**	585
Operating profit	**583**	427
Gross cash costs[1] (USc/lb)	**126**	137
Net cash costs[1] (USc/lb)	**12**	31
Capital expenditure	**40**	92
Sustaining	**40**	55
Expansionary	**–**	37

1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 192.

Revenues

Revenues at Bozshakol increased by 21% to $1,032 million in 2020, benefiting from higher realised prices for all metals and an increase in copper sales volumes. Copper revenues of $729 million increased by $128 million versus 2019, with a 14 kt rise in sales volumes contributing $84 million of additional revenue and higher realised prices providing a $44 million benefit.

Gold revenues increased by $47 million to $281 million despite a 10 koz reduction in sales volumes. Gold revenues in the prior year benefited from the sale of 25.6 koz of gold bar inventory accumulated at the end of 2018, with gold production in 2020 above that achieved in 2019. An increase in market prices for gold more than offset the impact of reduced sales volumes, with the LBMA average price for gold increasing by 27% from $1,393/oz in 2019 to $1,770/oz in 2020.

EBITDA

Bozshakol generated EBITDA of $742 million in the year, a $157 million increase from 2019, supported by higher copper sales volumes, favourable commodity prices and a reduction in gross cash costs per unit of copper sold. The mine generated an EBITDA margin of 72% (2019: 69%).

Cash operating costs increased to $290 million from $266 million in the prior year due to higher production as well as additional expenditure associated with Covid-19 of $18 million and certain tariff inflation. Similar to Aktogay, Bozshakol incurred Covid-19 costs for safety equipment, overtime payments to employees and contractors and testing and isolation facilities. These costs are currently expected to continue at a similar level for at least the first half of 2021.

Bozshakol recorded a gross cash cost of 126 USc/lb which was a reduction from the 137 USc/lb achieved in 2019 and at the lower end of market guidance of 120-140 USc/lb. This strong performance was driven by an increase in copper sales and the economies of scale associated with operating both plants at full capacity, combined with a weaker KZT/$ exchange rate. The 2019 gross cash cost included charges associated with the sale of 25.6 koz of gold bar inventory, which increased costs by around 5 USc/lb. $5 million of social investment costs within Bozshakol's cash operating costs have been excluded from the gross cash costs as the expenditure is not considered directly attributable to mining and processing at Bozshakol and benefits the wider Group.

Net cash costs reduced to 12 USc/lb in 2020, from 31 USc/lb in 2019, reflecting the increased contribution of by-product revenues, in particular gold.

Gross cash costs in 2021 are expected to increase to 130-150 USc/lb, reflecting the forecast reduction in copper grades and output.

Operating profit

Operating profit increased by $156 million to $583 million during 2020, in line with the increase in EBITDA.

Capital expenditure

Sustaining capital expenditure of $40 million in 2020 was below the guidance of $60 million, due to the deferral of certain works into 2021, impacted by Covid-19 restrictions. Expenditure during the year was focused on the purchase and overhaul of mining equipment and continued construction work to increase the storage capacity of the tailings facilities. In 2021, sustaining capital expenditure of $70 million is expected, reflecting the increased maintenance works required for the maturing mine and the deferral of projects from 2020.

No expansionary capital expenditure was incurred during 2020. Expenditure in 2019 mainly related to final retention payments made to contractors for works performed in prior years.

EAST REGION AND BOZYMCHAK

The Group owns and operates three polymetallic underground mines and associated concentrators in the East Region of Kazakhstan and Bozymchak, a copper-gold open pit mine in Kyrgyzstan.

Production summary

Copper

kt (unless otherwise stated)	2020	2019
Ore extraction	3,753	3,879
Ore processed	3,466	3,791
Average copper grade processed (%)	1.78	1.71
Average recovery rate (%)	90	90
Copper in concentrate	55.5	58.7
Copper production	52.5	55.5

Measures have been taken to protect the East Region and Bozymchak sites from the impact of Covid-19, which include restrictions over access to the sites, enhanced hygiene procedures and the use of testing.

At East Region and Bozymchak, ore extraction of 3,753 kt (2019: 3,879 kt) was higher than ore processed of 3,466 kt, with a 9% fall in processed volumes partially due to the suspension of the Bozymchak mine from 7 October to 26 December 2020 to ensure the safety of employees during a period of political instability in Kyrgyzstan. Ore throughput was also lower at the Nikolayevsky concentrator due to the commissioning of the new in-pit tailings facility in November 2020, during which time processing of ore from the Irtyshsky mine was temporarily halted.

The impact of lower throughput was partially offset by the processing of higher grade material with an average grade in 2020 of 1.78% (2019: 1.71%). Grades from Orlovsky increased compared with the prior year and in 2020 a reduced proportion of material was processed at Bozymchak, where copper grades are lower.

Copper production in the East Region and Bozymchak of 52.5 kt was above market guidance of around 50 kt but a 5% reduction from 2019, reflecting the lower processed volumes.

Copper production from East Region and Bozymchak is expected to be approximately 50 kt in 2021, consistent with 2020.

By-products

koz (unless otherwise stated)	2020	2019
Gold bearing ore processed (kt)	3,466	3,791
Gold grade processed (g/t)	0.73	0.70
Gold in concentrate	46.9	57.1
Gold production	44.0	53.7
Silver bearing ore processed (kt)	3,466	3,791
Silver grade processed (g/t)	33.6	29.2
Silver in concentrate	2,138	2,223
Silver production	1,946	2,024
Zinc bearing ore processed (kt)	2,658	2,767
Zinc grade processed (%)	2.67	2.06
Zinc in concentrate (kt)	49.7	38.3

Gold production reduced by 18% in 2020 to 44.0 koz (2019: 53.7 koz) due to lower output from Bozymchak where operations were suspended in the fourth quarter. In 2019, Bozymchak contributed 40.8 koz of gold production, compared with 30.5 koz in 2020.

Silver production also reduced in 2020 to 1,946 koz (2019: 2,024 koz) due to lower output from Bozymchak, with the East Region mines' contribution of 1,746 koz remaining in line with production of 1,761 koz in 2019.

Zinc in concentrate production at the East Region increased by 30% in 2020 to 49.7 kt due to higher grades at all mines which averaged 2.67% (2019: 2.06%) and more than offset the negative impact of lower throughput.

East Region and Bozymchak is forecast to produce 40-50 koz of gold and approximately 1,600 koz of silver in 2021 as higher throughput at Bozymchak is partially offset by lower grades. Lower zinc grades are expected in 2021, with zinc in concentrate production forecast to be around 40 kt.

Financial summary

$ million (unless otherwise stated)	2020	2019
Revenues	517	552
Copper	311	374
Gold	87	80
Silver	43	36
Zinc	64	58
Other	12	4
Sales volumes		
Copper sales (kt)	49	62
Gold sales (koz)	49	57
Silver sales (koz)	2,107	2,211
Zinc sales (kt)	50	38
EBITDA[1]	239	230
Operating profit	152	140
Gross cash costs[1] (USc/lb)	244	234
Net cash costs[1] (USc/lb)	56	104
Capital expenditure	82	98
Sustaining	36	42
Expansionary	46	56

1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 192.

Revenues

Revenues at East Region and Bozymchak of $517 million decreased by $35 million in 2020 following lower sales of all metals other than zinc, which more than offset the benefit of higher realised prices for copper, gold and silver. Copper sales volumes fell by 13 kt from 2019, which benefited from the additional sale of finished goods inventory. Sales of inventory from Bozymchak were able to continue throughout the year, mitigating the impact on revenues of the site's shutdown in the fourth quarter. Revenues from gold and silver increased compared with the prior period, as the 27% rise in average LBMA prices for both metals more than offset the lower sales volumes. Zinc revenues also rose as the increased sales of zinc in concentrate more than offset the 11% reduction in the average LME zinc price in 2020 compared with 2019.

EBITDA

EBITDA in 2020 increased by $9 million to $239 million (2019: $230 million) as the $35 million reduction in revenues was offset by $44 million lower cash operating costs. Management took action to control costs at East Region and Bozymchak, including the closure of the Belousovsky concentrator in the second half of 2019, which benefited 2020. Costs at the East Region also have a higher exposure to the tenge than the Group's other sites and were aided by movements in the KZT/$ exchange rate, which traded at an average of 413 KZT/$ in 2020, compared with 383 KZT/$ in 2019. At Bozymchak, lower operating costs were incurred during the site's suspension in the fourth quarter of 2020. The Kyrgyz som was also weaker compared to the US dollar in 2020 than 2019, which reduced costs in US dollar terms.

During 2020, approximately $2 million of additional costs were incurred related to Covid-19, primarily in respect of overtime paid to staff and the purchase of personal protective equipment and testing kits.

Gross cash costs at East Region and Bozymchak increased from 234 USc/lb in 2019 to 244 USc/lb in 2020 but were below market guidance of 250-270 USc/lb. The increase in gross cash costs reflects a 21% reduction in copper sales volumes compared with 2019, which additionally benefited from the sale of finished goods inventory. Net cash costs reduced to 56 USc/lb (2019: 104 USc/lb) as the increased contribution of by-product revenues, owing to strong gold and silver prices as well as increased zinc volumes, more than offset the rise in gross cash costs.

Gross cash costs in 2021 are expected to increase to 260-280 USc/lb, incorporating local inflation as well as a full year of production from the higher cost Bozymchak operations.

Operating profit

Operating profit of $152 million was $12 million higher than the prior year, reflecting the increase in EBITDA.

Capital expenditure

Sustaining capital expenditure of $36 million was a reduction from 2019 and below 2020 guidance of $50 million as a number of projects were delayed due to Covid-19 and the temporary suspension of operations at Bozymchak. Expenditure in the year related to mine development work at the East Region underground mines, the purchase and overhaul of equipment and the expansion of tailings facilities. Sustaining capital expenditure in 2021 is guided at $50 million, an increase from the prior year to account for deferred projects.

Expansionary capital expenditure of $46 million in 2020 was below guidance of $75 million as certain works at the Artemyevsky extension and the Bozymchak underground mine were deferred into 2021. Expenditure incurred in 2020 was focused at Artemyevsky and primarily related to underground construction and capital mining work. There was additional expenditure incurred on the construction of a new in-pit tailings facility close to the Nikolayevsky concentrator which will improve safety and reduce the environmental impacts of tailings storage in the area. Capital mining work continued at the Bozymchak underground phase although progress in 2020 was hindered by Covid-19 restrictions and the temporary closure of the site during the fourth quarter.

Approximately $70 million of expansionary capital expenditure is expected to be incurred in 2021. As previously guided, approximately $60 million per annum is expected at the Artemyevsky development until 2023. Activities in 2021 will include continued capital mining and construction works and shaft sinking. Approximately $10 million of expansionary capital expenditure is expected at Bozymchak in 2021, where the underground phase is expected to be developed over the period to 2024.

Baimskaya

The Peschanka deposit within the Baimskaya licence area in Russia has JORC resources of 9.9 Mt of copper at an average grade of 0.39% and 16.6 Moz of gold at an average grade of 0.21 g/t. This includes an increase to inferred resources following work undertaken by an external consultant and incorporates additional exploration drilling results. There has been no significant change to measured and indicated resources. The project is located in a region identified by the Russian Government as strategically important for economic development and is expected to benefit from the construction of some state-funded power and transport infrastructure and the provision of tax incentives.

In November 2020, a multi-party Complex Development Plan ("CDP") for new infrastructure in the Chukotka region was submitted by the Ministry for the Development of the Russian Far East and Arctic to the Prime Minister of the Russian Federation. Under the CDP, the Group will take responsibility for a portion of the capital costs for infrastructure to be used for the Baimskaya copper project. Together with a revised cost for the tailings storage facility and the impact of an approximate one year delay to the project schedule, the capital construction budget for the Baimskaya copper project is now estimated to be close to $8 billion. A summary of the key project parameters was published in November 2020.

The Bankable Feasibility Study is expected to complete later in the first half of 2021, however this is dependent on the finalisation of the infrastructure plan for the project. Discussions with the government on infrastructure are ongoing and the project is subject to further review, accordingly the project cost and schedule remain subject to change. Future agreements, expected to include significant take or pay contracts, will be required to secure the construction of the infrastructure.

The Baimskaya copper project is expected to commence production by the end of 2027 and have an annual ore processing capacity of 70 Mtpa. The Bankable Feasibility Study is being prepared with an initial mine life of approximately 20 years based on JORC measured and indicated resources. However, recent drilling indicates potential for the mine life to be extended by around 5 years. Life of mine copper and gold processing grades are estimated at 0.47% and 0.27g/t respectively. The project will deliver elevated production and grades in the first five years and accordingly net cash costs are lower during this period.

During 2020, the Group continued to progress the Bankable Feasibility Study, although in the first half of the year activity was affected by measures taken to control the spread of Covid-19 in the region, with teams in Moscow and Vancouver required to work from home. Detailed engineering and pioneer works at the site have also continued. A total of $159 million of capital expenditure was incurred during 2020, compared with market guidance of $190 million.

In 2021, expenditure of $175 million is forecast, primarily to fund the finalisation of the Bankable Feasibility Study during the first half of 2021 and to continue detailed engineering and pioneer works to maintain the project schedule.

An EBITDA loss of $9 million in 2020 was recorded in the Mining Projects segment which includes the commencement of a social investment programme in Russia together with other costs.

Other projects

The Group is continuing to progress a feasibility study at the Koksay project together with NFC. The feasibility study will determine the detailed design for mining and processing operations, and the associated capital budget, before being assessed by the Board to determine how and when to proceed with the project. Capital expenditure of $4 million was incurred on study work and drilling during 2020 with progress limited by Covid-19 restrictions. Work on the feasibility study will continue in 2021 with $10 million of capital expenditure expected to be incurred.

FINANCIAL REVIEW

John Hadfield
Chief Financial Officer

Basis of preparation

The financial information has been prepared in accordance with IFRSs, adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, using accounting policies consistent with those adopted in the consolidated financial statements for the year ended 31 December 2020. Further details are provided in the notes to the consolidated financial statements on page 142.

There has been no significant impact to the consolidated financial statements of the Group at 31 December 2020 as a result of the Recommended Offer, which was initially announced on 28 October 2020. In the event of the Recommended Offer becoming wholly unconditional it would be expected to complete in the first half of 2021.

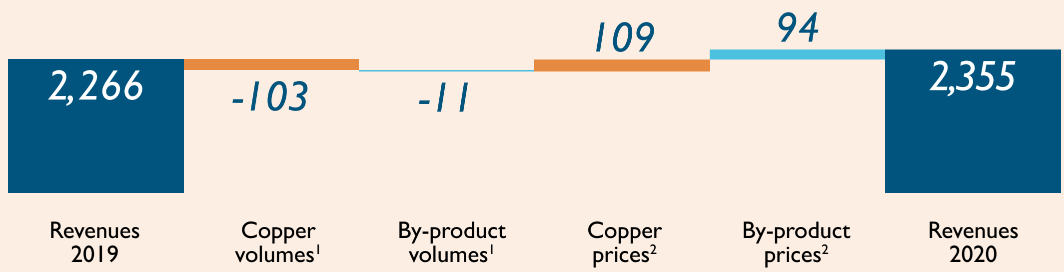
Income statement

An analysis of the consolidated income statement is shown below:

$ million (unless otherwise stated)	2020	2019
Revenues	2,355	2,266
Cash operating costs	(924)	(911)
EBITDA[1]	1,431	1,355
Less: MET and royalties	(178)	(196)
Less: depreciation, depletion and amortisation	(237)	(236)
Less: special items	(11)	–
Operating profit	1,005	923
Net finance costs	(201)	(197)
Profit before tax	804	726
Income tax expense	(165)	(155)
Profit for the year	639	571
Non-controlling interests	–	–
Profit attributable to equity holders of the Company	639	571
Earnings per share attributable to equity holders of the Company		
Ordinary EPS – basic ($)	1.35	1.21
Ordinary EPS – diluted ($)	1.29	1.17
EPS based on Underlying Profit[1] – basic ($)	1.38	1.21
EPS based on Underlying Profit[1] – diluted ($)	1.32	1.17

1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 192.

Change in revenues ($ million)



1 Change in sales volumes at current year realised prices.
2 Change in realised prices applied to prior year sales volumes.

Revenues

Revenues increased by 4% to $2,355 million during 2020 as a result of higher commodity prices which more than offset lower sales volumes. There was a 17 kt year-on-year reduction in copper sales volumes which negatively impacted revenues by $103 million. This was driven by lower production and a build-up of copper finished goods inventory of 5 kt as production exceeded sales volumes in 2020 due to year end shipment delays at the Kazakhstan-China border, whilst prior year copper sales volumes included the release of inventory. Gold sales volumes of 205 koz were also below 2019 sales volumes of 225 koz, which benefited from the sale of 25.6 koz of gold bar inventory. The reduction in gold sales was partly offset by the positive impact of higher zinc sales, resulting in a net reduction to revenues from by-product volumes of $11 million.

Copper prices traded sharply lower in the first six months of the year, falling below $5,000/t in March 2020, before recovering in the second half and finishing the year strongly at around $7,750/t. The average LME price in the year was $6,198/t, a 3% increase from the average price of $6,000/t in 2019. With copper sales weighted slightly to the second half of the year, favourable copper prices contributed an additional $109 million to revenues. The average LBMA price for gold rose to $1,770/oz from $1,393/oz in the prior year, which along with improved prices for silver, meant favourable by-product prices increased revenue by $94 million.

Further information on revenues by operating segment can be found in the Operating review. Additional information on revenues and related credit risk management policies can be found in notes 4(b) and 32(f) to the consolidated financial statements.

Operating profit and EBITDA

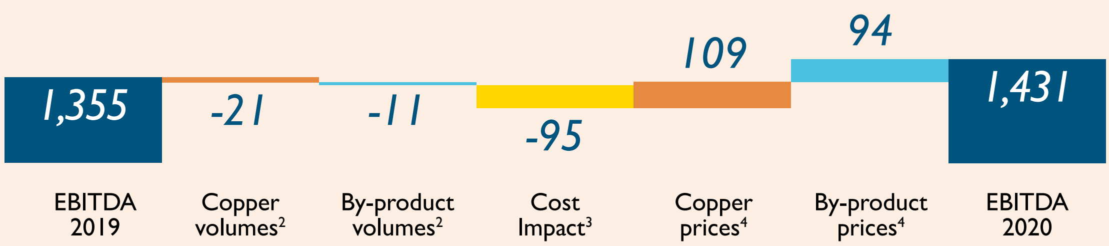
Operating profit for 2020 was $1,005 million, 9% above the prior year, supported by higher commodity prices. The Group's operating profit margin, measured as operating profit divided by revenues, increased to 43% from 41% in 2019 as the benefit of higher prices was partially offset by increases in operating costs.

EBITDA of $1,431 million was 6% above the prior year, with an improved EBITDA margin of 61% (2019: 60%). EBITDA benefited from favourable commodity prices, which contributed an additional $203 million, partially offset by lower sales volumes for copper and by-products which negatively impacted EBITDA by $32 million.

There was a modest increase in cash operating costs from $911 million in the prior year to $924 million. The Group incurred additional costs of around $40 million in respect of measures taken to protect sites from Covid-19, including enhanced hygiene procedures and health screening, as well as additional salary costs associated with revised shift patterns to reduce the number of staff rotations. The Group also experienced cost increases in reagents and consumables, which were partially offset by the benefit to operating costs of the weakening of local currencies in Kazakhstan and Kyrgyzstan. The tenge traded at an average of 413 KZT/$ compared with 383 KZT/$ in 2019. Social expenditure costs increased by $8 million compared with the prior year and included support to vulnerable communities affected by Covid-19 in the Group's countries of operation and the further development of our social investment programme in Russia.

Please refer to the Operating review for a detailed analysis of EBITDA by operating segment.

Change in EBITDA[1] ($ million)



1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 192.
2 Change in sales volumes at current year margin.
3 Change in operating costs applied to prior year sales volumes plus change in corporate and project costs.
4 Change in realised prices applied to prior year sales volumes.

Items excluded from EBITDA

The MET and royalties charge in the income statement was $178 million in 2020, below the $196 million recorded in 2019 as a greater proportion of the MET charge has been included within inventories on the balance sheet, as copper production exceeded sales. The total MET and royalties incurred was $207 million (2019: $214 million), which additionally includes MET in unsold inventories on the balance sheet.

Depreciation, depletion and amortisation in 2020 of $237 million was consistent with the prior year (2019: $236 million).

Special items are non-recurring or variable in nature and do not impact the underlying trading performance of the Group. During 2020, legal and professional fees of $11 million resulting from the Recommended Offer were considered as special items and excluded from EBITDA (please refer to the APMs section on page 192). There were no special items in 2019.

Net finance costs

Net finance costs include:

$ million	2020	2019
Total interest incurred on borrowings	(196)	(226)
Less: interest capitalised	55	37
Interest expense on borrowings	**(141)**	(189)
Other finance costs	(5)	(6)
Finance costs	**(146)**	(195)
Net foreign exchange loss	(69)	(20)
Finance income	14	18
Net finance costs	**(201)**	(197)

Total interest incurred of $196 million was below the $226 million incurred in 2019 primarily due to lower US dollar LIBOR rates, which averaged 0.93% on borrowings in 2020 compared to 2.49% in the prior year. This was partially offset by the increased average level of debt during the year, following additional drawings made under the PXF, CAT and DBK-Aktogay expansion facilities (see movements in borrowings section below).

Capitalised interest of $55 million in 2020 related to financing costs incurred on the DBK-Aktogay expansion facility and the use of the Group's general borrowings to fund the Aktogay expansion and Baimskaya capital projects and other qualifying assets (see note 11 on page 154).

Net foreign exchange losses of $69 million (2019: $20 million) arose mainly from the depreciation of the tenge at 31 December 2020 compared with 31 December 2019. This resulted in a non-cash foreign exchange loss on the retranslation of US dollar denominated borrowings in subsidiaries with a tenge functional currency, which was largely offset within movements in equity.

Taxation

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

$ million (unless otherwise stated)	2020	2019
Profit before tax	**804**	726
Add: MET and royalties	178	196
Add: special items	11	–
Adjusted profit before tax	**993**	922
Income tax expense	165	155
Add: MET and royalties	178	196
Adjusted tax expense	**343**	351
Effective tax rate (%)	**21**	21
All-in effective tax rate[1] (%)	**35**	38

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, divided by profit before taxation which is adjusted for MET and royalties and special items. The all-in effective tax rate is considered to be a more representative tax rate on the recurring profits of the Group.

The effective tax rate of 21% in 2020 was in line with the prior year. As MET is determined independently of the profitability of operations, in periods of higher profitability the all-in effective tax rate decreases as the impact of MET and royalties is lower. The all-in effective tax rate decreased to 35% versus the prior year due to higher profitability and a lower MET and royalties charge in the income statement. Conversely, during periods of lower profitability, the MET and royalties impact on the all-in effective tax rate is elevated.

Profit attributable to equity holders of the Company and Underlying Profit

A reconciliation of profit attributable to equity holders of the Company and Underlying Profit to EPS and EPS based on Underlying Profit is set out below:

$ million (unless otherwise stated)	2020	2019
Profit attributable to equity holders of the Company	639	571
Special items within operating profit, net of tax – note 7	11	–
Underlying Profit[1]	**650**	571
Weighted average number of shares in issue (million) – basic	472	470
Potential dilutive ordinary shares, weighted for the period outstanding (million)	21	20
Weighted average number of shares in issue (million) – diluted	**493**	490
Ordinary EPS – basic ($)	1.35	1.21
Ordinary EPS – diluted ($)	1.29	1.17
EPS based on Underlying Profit[1] – basic ($)	1.38	1.21
EPS based on Underlying Profit[1] – diluted ($)	1.32	1.17

1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 192.

The Group's profit attributable to equity holders of the Company was $639 million in 2020 compared with $571 million in the prior year, benefiting from the increase in operating profit and lower finance costs, partially offset by non-cash foreign exchange losses in subsidiaries with a tenge functional currency. Underlying Profit of $650 million was higher than the $571 million recorded in the prior year, following the increase in profit attributable to equity holders of the Company, excluding special items.

EPS and EPS based on Underlying Profit

Basic EPS of $1.35 increased from $1.21 in 2019 mainly due to the increase in net profit. Diluted EPS of $1.29 and diluted EPS based on Underlying Profit of $1.32 take into account the ordinary shares that may be issued to settle the Deferred Consideration arising on the acquisition of the Baimskaya copper project (see note 13 on page 157). In 2019, the resulting potential ordinary shares were weighted over the period they were outstanding, from acquisition on 22 January 2019 to 31 December 2019.

Dividends

KAZ Minerals PLC, the parent company of the Group, is a non-trading investment holding company and derives its profits from dividends paid by subsidiary companies.

The Group's dividend policy, established at the time of Listing, is for the Board to consider the cash generation and financing requirements of the business before recommending a suitable dividend. This maintains flexibility, which is appropriate given the underlying cyclicality of a commodity business and the Group's growth ambitions.

Under the terms of the Recommended Offer, Nova Resources reserves the right to reduce the consideration payable up to the amount of any dividend that is declared, made or paid or becomes payable during the Offer Period. The Board has therefore not recommended a final dividend for 2020. The Board will assess the Group's circumstances with respect to the Recommended Offer, in addition to its financial position, cash flows and growth requirements in determining future dividend payments.

The final dividend of $38 million in respect of the year ended 31 December 2019 was paid on 22 May 2020. In addition, the interim dividend of $19 million in respect of the year ended 31 December 2020 was paid to shareholders on 23 October 2020.

The distributable reserves of KAZ Minerals PLC at 31 December 2020 were $1,408 million.

Cash flows and movement in net debt

The summary of cash flows below is prepared on a basis consistent with internal management reporting.

$ million	2020	2019
EBITDA[1]	1,431	1,355
Special items – note 7	(11)	–
Change in working capital	(161)	(282)
Interest paid	(208)	(230)
MET and royalties paid	(120)	(206)
Income tax paid	(123)	(92)
Foreign exchange and other movements	7	8
Sustaining capital expenditure	(124)	(142)
Free Cash Flow[1]	**691**	411
Expansionary and new project capital expenditure	(460)	(718)
Acquisition of Baimskaya copper project, net of cash acquired	–	(435)
Net VAT paid associated with major growth projects	(8)	(41)
Interest received	10	20
Dividends paid	(57)	(47)
Other investments	–	45
Other movements	(4)	(3)
Cash flow movement in net debt	**172**	(768)
Net debt[1] at the beginning of the year	(2,759)	(1,986)
Other non-cash movements	(14)	(5)
Net debt[1] at the end of the year	**(2,601)**	(2,759)
Represented by:		
Cash and cash equivalents and current investments	1,299	541
Borrowings	(3,900)	(3,300)
Net debt[1] at the end of the year	**(2,601)**	(2,759)

1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 192.

Summary

Net debt decreased to $2,601 million at 31 December 2020 from $2,759 million at 31 December 2019 as Free Cash Flow from operations was partially offset by investments in the Group's growth projects. Free Cash Flow increased by 68% to $691 million as EBITDA benefited from higher commodity prices and was supported by lower working capital outflows (see working capital section below). Other non-cash movements in net debt mainly include amortisation of fees on borrowings and foreign exchange losses on the CDB-Aktogay CNY facility.

Expansionary capital expenditure of $460 million was below the $718 million incurred in the prior year, which included $56 million of final retention payments in respect of the original Aktogay and Bozshakol projects. Expenditure on the Aktogay expansion project in the current year was impacted by restrictions and measures taken to control the spread of Covid-19. Further detail in respect of capital expenditure is included within the Operating review.

Working capital

The summary of movements in working capital is outlined below:

$ million	2020	2019
Change in inventories[1]	(100)	(128)
Change in prepayments and other current assets[2]	(128)	(72)
Change in trade and other receivables	23	(51)
Change in trade and other payables and provisions[3]	44	(31)
Movement in working capital	(161)	(282)

1 The $127 million increase in inventory shown in the IFRS based cash flow statement (see note 30) includes MET and depreciation, which are excluded from the cash flow above as MET paid is reflected separately and EBITDA is stated before depreciation and amortisation.
2 The $136 million increase in prepayments and other current assets shown in the IFRS based cash flow statement (see note 30) includes net VAT paid on the major growth projects. The cash flow above contains net VAT paid associated with major growth projects as a separate line item.
3 The difference to trade and other payables shown in the IFRS based cash flow statement (see note 30) is the change in MET and royalties payable during 2020. The cash flow above contains MET and royalties paid as a separate line item.

The cash impact of inventory changes in 2020 was $100 million (2019: $128 million), partly due to a $56 million increase in raw materials resulting from measures taken to stockpile critical spares and consumables to mitigate operational risk arising from Covid-19. Finished goods inventory at the end of the year also increased by $24 million following transportation restrictions during December at the Kazakhstan-China border as a result of Covid-19. In addition, there was an increase in work-in-progress of $13 million relating to a build-up of concentrate prior to dispatches to the smelter.

The cash outflow associated with prepayments and other current assets of $128 million (2019: $72 million) was mainly due to net VAT paid of $112 million and an increase in prepayments for goods and services of $16 million. VAT receivable was recovered in 2020 through a combination of offset and refund, with $136 million recovered through offset with income tax and MET, which resulted in cash payments for these items being below the income statement charge. There was also an $8 million net increase in VAT receivable relating to major growth projects (2019: $41 million), which is shown separately in the table above and excluded from Free Cash Flow (see APMs section on page 192).

Trade and other receivables decreased by $23 million (2019: increased by $51 million), reflecting the timing of sales and cash receipts from trade receivables, which reduced to $155 million at 31 December 2020 from $176 million at 31 December 2019. Additionally, provisionally priced trade receivables are marked to market at the year end based on the appropriate forward metal price, which increased trade receivables by $16 million at 31 December 2020 compared to $12 million at the prior year end. Further details relating to the nature of the Group's customers are given in note 4(b) to the consolidated financial statements.

Trade and other payables and provisions increased by $44 million (2019: decreased by $31 million), which mainly reflects the timing of payments and customer receipts in advance of product deliveries compared to 31 December 2019.

Interest cash flows

Interest paid was $208 million compared with $230 million in the prior year. Interest paid was higher than total interest incurred on borrowings during the year of $196 million due to the timing of payments, which includes amortisation of arrangement fees of $10 million and led to a reduction in interest payable from $61 million at 31 December 2019 to $40 million at 31 December 2020.

Income taxes and MET

Income tax payments of $123 million (2019: $92 million) were below the income statement charge of $165 million (2019: $155 million), primarily as $41 million of income tax due was offset against VAT refunds. The Group's net income tax payable was $9 million at both 31 December 2020 and 2019.

MET and royalties payments of $120 million were below the total MET and royalties incurred of $207 million and the prior year (2019: $206 million) as $95 million of MET payments due were offset against VAT refunds in 2020. This led to a reduction in MET and royalties payable from $56 million at 31 December 2019 to $45 million at 31 December 2020 at the closing exchange rate.

Capital expenditure

Sustaining capital expenditure decreased to $124 million in 2020 from $142 million in the prior year with certain projects and maintenance deferred into 2021 as a result of restrictions and measures taken to control the spread of Covid-19.

Expansionary and new project expenditure of $460 million in 2020 primarily relates to Aktogay ($251 million), mainly for the expansion project, as well as the feasibility study and pioneer works at Baimskaya ($159 million). In addition, capital investments were made at East Region and Bozymchak of $46 million, in respect of the Artemyevsky mine extension and the development of the underground phase at Bozymchak. Please refer to the Operating review for an analysis of the Group's capital expenditure by operating segment.

Acquisition of the Baimskaya copper project

On 22 January 2019, the Group announced the Initial Completion of the acquisition of the Baimskaya copper project in the Chukotka region of Russia. The consideration due at Initial Completion was $675 million made up of $436 million in cash and 22.3 million new KAZ Minerals shares valued at $239 million, which were allotted to the Vendor. The Initial Cash Consideration of $436 million was settled during 2019, partly offset by $1 million of cash and cash equivalents on acquisition.

Other investments

In 2019, other investing cash flows relate to the receipt of the remaining $45 million consideration in respect of NFC's equity investment in Koksay for $70 million, as announced in June 2018 and completed in July 2019.

Movements in equity

Equity attributable to owners of the Company at 31 December 2020 was $2,366 million (2019: $2,115 million), an increase of $251 million as profit for the year of $639 million was partially offset by a $335 million decrease in the US dollar value of the Group's foreign currency operations, following a 10% reduction in the value of the tenge between 31 December 2019 and 31 December 2020, and dividends paid of $57 million during 2020.

The Group's mining assets are largely held within Kazakhstan-based entities which maintain the tenge as their functional currency. At the year end, non-monetary net 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. The weaker tenge should have a positive effect on their underlying economic performance as it reduces local operating costs, whilst revenues are largely US dollar based. The Group's external liabilities, principally bank debt, are mainly US dollar denominated and not affected by movements in the KZT/$ exchange rate.

Movements in borrowings

On 28 January 2020, the Group completed an amendment and extension of the PXF facility which included an increase in facility commitments to $1.0 billion, an extension of the loan tenor and a reduction in the facility margin. The amendment represented a net increase of $700 million above the $300 million outstanding under the previous facility and the maturity profile was extended by 3.5 years, from June 2021 until December 2024 with two annual extension options which, if exercised, would extend final maturity of the facility to December 2025 or December 2026 respectively. The amended facility accrues interest at a variable margin of between 2.25% and 3.50% above US$ LIBOR (previously between 3.00% and 4.50% above US$ LIBOR), dependent on the ratio of net debt to EBITDA which will be tested semi-annually. Monthly repayments commenced in January 2021, with a final balloon repayment of one-third of the facility amount ($333 million) due in December 2024, which will be amortised during 2025 and 2026 if the extension options are exercised.

At 31 December 2020, borrowings (net of unamortised fees) were $3,900 million, an increase of $600 million from 31 December 2019 as a result of the movements set out in the table below.

Further details of the terms of the Group's borrowings are included in note 25 of the consolidated financial statements.

Going concern

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level and liquidity position of the Group taking into consideration the expected outlook of the Group's financial position, cash flows, future capital expenditure and debt service requirements.

The Board is satisfied that the Group's forecasts, taking into account reasonably possible downside scenarios, show that the Group has adequate liquidity to continue in operational existence for the period to 31 March 2022. Accordingly, it is appropriate to adopt the going concern basis of accounting in the preparation of these consolidated financial statements.

Further details regarding the Group's going concern assessment, including the possible impacts of Covid-19, are included in note 2(a) of the consolidated financial statements.

Movements in borrowings

$ million	At 1 January 2020	Drawings[1]	Repayments	Other movements[2]	At 31 December 2020
CDB-Bozshakol and Bozymchak	1,165	–	(183)	3	985
CDB-Aktogay CNY facility	97	–	(11)	6	92
CDB-Aktogay USD facility	1,117	–	(107)	1	1,011
PXF facility	300	702	(17)	4	989
DBK-Aktogay facility	234	–	(43)	–	191
DBK-Aktogay expansion facility	315	229	–	1	545
CAT facility	72	19	(5)	1	87
	3,300	950	(366)	16	3,900

$ million	At 1 January 2019	Drawings[1]	Repayments	Other movements[2]	At 31 December 2019
CDB-Bozshakol and Bozymchak	1,345	–	(183)	3	1,165
CDB-Aktogay CNY facility	110	–	(12)	(1)	97
CDB-Aktogay USD facility	1,221	–	(107)	3	1,117
PXF facility	500	–	(200)	–	300
DBK-Aktogay facility	277	–	(43)	–	234
DBK-Aktogay expansion facility	–	315	–	–	315
CAT facility	–	72	–	–	72
	3,453	387	(545)	5	3,300

1 Drawings are shown net of arrangement fees, which are netted off against borrowings in accordance with IFRS 9.
2 Other movements include non-cash amortisation of fees on borrowings and foreign exchange losses (2019: foreign exchange gains) on the CDB-Aktogay CNY facility.

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 subsoil use taxation and the structuring of cross-border transactions, particularly in respect of the application of transfer pricing policies.

Our Vision for Tax

The Group takes a responsible and transparent approach to the management and control of its tax affairs and related risks and has adopted a tax strategy that supports the delivery of its long-term business strategy. The tax strategy has been reviewed by the Audit Committee and approved by the Board. It is owned by the Group's Chief Financial Officer ('CFO'), who is supported by appropriately qualified employees in both the UK and other jurisdictions in which the Group operates. In line with our transparent approach, we have historically disclosed our Total Tax Contribution voluntarily, which together with the Report on Payments to Governments, can also be found on our website.

The Group's overall vision for tax is to ensure compliance with the applicable rules and regulations in the jurisdictions in which it operates whilst maximising shareholder value, and be the leading natural resources company in Central Asia and Russia.

1. Tax governance and risk appetite

The execution of our growth strategy is underpinned by solid governance structures and processes, to ensure transparency and to manage the Group's exposure to risk. The Group follows a risk based approach in the management of its taxes. This involves the regular review and update of its tax risk profile, including the identification of key risks that could affect the business. The Group's approach to risk management ensures that we have in place the appropriate processes and controls to identify, manage and monitor such risks.

Whilst there are no rigid levels of acceptable tax risk, the Group's risk management framework is reviewed by the Board and includes stated levels of acceptable risk given financial, social, reputational and other impacts. The key risks are identified as strategic, financial, compliance or operational, and in a tax context, the Group has a low risk appetite. The CFO regularly reviews the Group's key tax risks including those arising in the UK together with a review of the Senior Accounting Officer process, compliance and controls. The Group's material tax issues are reported periodically to the Audit Committee. With the assistance of external tax advisors, the Group monitors developing tax legislation and presents these developments with any significant tax-related issues to the Audit Committee at least twice a year.

2. Attitude towards tax planning

The Group takes a responsible and transparent approach to the management and control of its tax affairs. Any business transaction undertaken will be in accordance with the Group's strategy and underpinned by commercial objectives. In order to deliver value for our shareholders whilst maintaining a strong social commitment to our employees, the environment and communities around us, we do not engage in aggressive tax planning that lacks commercial substance or may harm the Group's business operations, reputation or stakeholders. We seek external advice as required.

The Group's approach to intercompany transactions requires that these are conducted on an arm's length basis and comply with the transfer pricing rules in the jurisdictions in which the Group operates and are in line with the OECD principles. We seek to benefit from government sponsored reliefs and incentives, where appropriate. The Group may engage with external tax advisors where tax legislation is not clear or open to interpretation and to assist with tax compliance obligations in the jurisdictions in which we operate.

3. Relationship with tax authorities

We seek to build an equitable relationship through acting transparently and promoting dialogue with the tax authorities in the jurisdictions in which we operate. Management works closely with the tax authorities in the review of proposed amendments to legislation. Where any disputes arise with regard to the interpretation and application of tax legislation, the Group is committed to addressing and resolving the matters promptly with the relevant tax authorities in an open and constructive manner.

In the UK, the Group's approach to HMRC is consistent with the above, as we maintain an open, transparent and cordial relationship both with our Customer Compliance Manager and any other case officers we interact with. We continue to be proactive in our approach, and through regular interaction and dialogue, inform HMRC in advance of any relevant issues wherever practical. We may seek external support from our advisors to confirm the appropriateness of tax positions and interpretations to minimise potential areas of disagreement with the tax authorities.

4. Tax integrated into the business

Given the organisational structure and collaborative working culture within the Group, the tax team has built close relationships with the wider business such that tax is appropriately considered as an integral part of a relevant transaction or business decision. Members of the tax and finance teams are appropriately qualified and provided with relevant training opportunities to fulfil their role effectively and the relationship with external advisors ensures real-time support is available on specialist technical issues that may arise.

Our published Tax Strategy, approved by the Board, satisfies para 16(2), Schedule 19 of the UK Finance Act 2016 in respect of our financial year ending 31 December 2020.

Total tax contribution

The Group has prepared its total tax contribution in line with the requirements of 'The Reports on Payments to Government Regulations 2014' (the 'Regulation'). The Regulation's definition of Payments to Government includes fewer payment types, compared to the total tax contributions disclosed by the Company in prior years. As such, the Group has also disclosed other taxes paid, such as property taxes, employer and employee payroll taxes, environmental taxes and customs and duties. The total tax contribution of the Group amounted to $357 million compared to $412 million in 2019.

Payments to Governments

The table includes the information in the format required to be disclosed under the Regulation. The report shows payments made during 2020 by the Company and its subsidiaries in excess of £86,000 ($117,000) for activities related to the exploration, prospecting, discovery, development and extraction of minerals by project and by government type and by country, rounded to the nearest million. Where a payment relates to activities that are reportable under the Regulation, as well as to activities which are not reportable, the payment has been included in its entirety if it is not possible to disaggregate it. In addition to the disclosures required under the Regulation, the Group has presented payments made for other types of taxes in the same format to show its total contributions in the countries and regions in which it operates. Comparative information under the Regulation is not required and has not been presented.

For the year ended 31 December 2020, total payments to governments under the Regulation amounted to $269 million, while total tax contributions, which include tax payments not covered by the Regulation, amounted to $357 million and are contained in the table on page 53.

Social payments represent payments made to bodies, associations, trusts, state-owned enterprises and other public interest groups located in the regions in which the Group operates and are shown by mining licence where applicable. These payments include the transfer of assets at their book value, which the Group regards as social payments because they benefit the local communities.

Social payments of $27 million were made during 2020. Key projects in 2020 included support to vulnerable communities affected by Covid-19 in the Group's countries of operation, the commencement of a social investment programme in Russia and the construction of a cultural centre in Nur-Sultan city. Further details are set out in the Sustainability report on page 72.

Payments to Governments

$ million	Corporate income taxes[1]	MET and royalties[2]	Withholding tax	Signature bonus and licence fee[3]	Social payments	SUBTOTAL Total payments to governments per Regulation	Employer's payroll taxes	Property taxes	Environmental taxes	Employees' payroll taxes	Customs and duties	Total
Kazakhstan												
Artemyevsky – licence	–	7	–	–	–	7	1	–	–	1	–	9
Irtyshsky – licence	–	5	–	–	–	5	1	–	–	1	–	7
Orlovsky – licence	–	5	–	–	–	5	1	–	–	2	–	8
Legal entity	13	–	–	–	3	16	3	1	1	4	–	25
Total East Region	13	17	–	–	3	33	6	1	1	8	–	49
Aktogay licence and legal entity	19	24	4	1	6	54	6	5	3	8	7	83
Bozshakol licence and legal entity	76	65	5	–	10	156	4	4	5	7	3	179
Koksay licence and legal entity	–	–	–	–	–	–	–	–	–	–	–	–
Other legal entities	1	–	–	–	–	1	3	1	–	6	–	11
Total	**109**	**106**	**9**	**1**	**19**	**244**	**19**	**11**	**9**	**29**	**10**	**322**
Recipient												
State Revenue Committee	109	106	9	–	3	227	6	2	1	8	10	254
Local government[4]	–	–	–	1	16	17	13	9	8	21	–	68
Total	**109**	**106**	**9**	**1**	**19**	**244**	**19**	**11**	**9**	**29**	**10**	**322**
Kyrgyzstan												
Bozymchak licence and legal entity	–	15	2	–	–	17	2	–	–	2	–	21
Recipient												
State Tax Administration (central government)	–	12	2	–	–	14	–	–	–	1	–	15
Local government	–	3	–	–	–	3	2	–	–	1	–	6
Total	**–**	**15**	**2**	**–**	**–**	**17**	**2**	**–**	**–**	**2**	**–**	**21**
Russia												
Baimskaya licence and legal entity	–	–	–	–	8	8	1	–	–	2	–	11
Recipient												
Federal Tax Service	–	–	–	–	–	–	1	–	–	2	–	3
Local government	–	–	–	–	8	8	–	–	–	–	–	8
Total	–	–	–	–	8	8	1	–	–	2	–	11
United Kingdom												
Legal entity paid to HMRC	–	–	–	–	–	–	1	–	–	2	–	3
Total Payments to Governments	109	121	11	1	27	269	23	11	9	35	10	357

1 Includes payments made by the Company and its subsidiaries and does not include joint operations which the Group does not control.
2 MET is payable on the value of the mineral resources extracted based on average price of the minerals on the LME or LBMA. MET includes taxes paid on water extraction.
3 Payments made as required under subsoil use licence.
4 Local government in Kazakhstan includes bodies, associations, trusts, state-owned enterprises and other public interest groups.

COMMITTED TO GROWING SUSTAINABLY

> KAZ Minerals is a responsible developer and operator of mining assets in Kazakhstan, Russia and Kyrgyzstan. Social and environmental sustainability is at the core of our strategy and licence to operate

Sustainability in 2020

KAZ Minerals is a responsible developer and operator of mining assets in Kazakhstan, Russia and Kyrgyzstan.

The Group's strategy of growth through investing in the development of large scale, low cost mining projects serves a clear purpose for wider society by satisfying the growing global demand for copper. Copper is essential to the delivery of the energy and transport infrastructure necessary for improving living standards in developing economies and to enable the global transition to low carbon energy generation and low emissions transportation, both of which are highly copper intensive when compared to established technologies.

During 2020, the mining industry faced significant challenges as a result of Covid-19, which had a major impact on employees, local communities, suppliers, customers and host governments. I am pleased to report that KAZ Minerals continued to deliver for its stakeholders throughout the pandemic.

Comprehensive measures were taken to protect the safety of employees and contractors, who are our first priority. The Group did not reduce its staff headcount as a result of Covid-19 and all workers, including those required to remain at home due to quarantine measures, continued to receive salaries. Support was provided for Covid-19 affected communities in Kazakhstan, Kyrgyzstan and Chukotka in Russia, as well as assistance for victims of flooding in the Turkestan region of Kazakhstan in May. Thanks to the collective efforts of our employees and management, operations were not disrupted, and our annual production targets were either met or exceeded. Cash tax and royalty payments were made and the Group fulfilled its contractual obligations to deliver material to its customers.

The challenge of Covid-19 has not distracted us from our wider goals to manage the environmental and social impacts of our activities and we are committed to continuing to operate with high standards as we execute our long-term growth strategy.

Oleg Novachuk
Chair

MATERIALITY ASSESSMENT

The Health, Safety and Sustainability Committee has added a new category in the Group's 2020 Materiality Assessment for 'Indigenous peoples' due to the importance of this issue for the development of the Baimskaya copper project in Chukotka, Russia, and a renewed external focus on this area for all mining companies in 2020.

External stakeholder priorities / Internal business priorities	Moderate	High
High	Biodiversity Emissions to air GHG emissions Human rights Licence to operate Safety training Social investment	Anti-bribery and corruption Contractor safety Energy use Equality and diversity Fatalities Indigenous peoples Labour relations (includes collective bargaining and freedom of association) Tailings management Training and development Waste management Water use and management Workplace injuries and incidents
Moderate	Anti-competitive behaviour Business integrity and compliance Contractual integrity Economic development Employees' wellbeing Rehabilitation/closure Resettlement Revenue and tax transparency Supplier conduct	Occupational health Pay and benefits Resource use efficiency

SUSTAINABILITY TARGETS

At the start of 2020, the Group established targets to improve its performance across four key sustainability metrics, to be achieved over the five year period ending 31 December 2024:

SAFETY AND HEALTH	CO_2 EMISSIONS PER UNIT OF SULPHIDE ORE PROCESSED	WATER CONSUMPTION PER UNIT OF SULPHIDE ORE PROCESSED	SOCIAL
eliminate occupational fatalities	*reduce by 5%**	*reduce by 5%**	*maintain social spending at or above $15 million per annum***
	* using 2018 as base year.	* using 2018 as base year.	** subject to identifying suitable projects which meet the Group's social investment criteria.

The Group intends to grow its output of copper during the five year period over which the targets are set and this is likely to lead to an absolute increase in CO_2 emissions and water consumption.

To properly reflect efficiency gains from operational improvements made in the five year period, the Group has adopted intensity targets for its CO_2 emissions and water consumption.

Sustainability reporting framework

The Group seeks to align its sustainability reporting with GRI Standards (Core). The GRI Standards are a set of sustainability reporting standards published and maintained by the Global Reporting Initiative ('GRI'), an independent organisation established in 1997 to create common standards for sustainability reporting by companies and governments.

The Group reports its safety and health performance according to the occupational injury and disease classification definitions published in January 2014 by the ICMM.

National context and economic contribution

KAZ Minerals is a copper producer with mining operations in Kazakhstan and Kyrgyzstan. The Group acquired the Baimskaya copper project in January 2019, a major greenfield asset in Russia which it intends to develop into a large scale, open pit copper mine by 2027.

In Kazakhstan the Group operates the Aktogay and Bozshakol mines and concentrators, as well as three underground mines and associated concentrators in the East Region, employing approximately 16,000 staff. In 2020 the Group exported 123 kt of copper cathode from Kazakhstan to customers in China and Europe (2019: 138 kt) and 177 kt of payable copper in concentrate, mainly to China (2019: 179 kt). The Group generated revenues of $2,355 million in 2020 and made a total tax contribution of $322 million in Kazakhstan, including $118 million of corporate income and withholding taxes and $106 million of MET.

The Group employs approximately 1,000 staff in Kyrgyzstan where it operates the Bozymchak copper-gold mine. Tax payments of $21 million were made in Kyrgyzstan by Bozymchak in 2020. Operations were suspended at Bozymchak from 7 October to 26 December 2020 following a period of political instability which affected a number of mining sites in the country.

The Group has invested a total of $5.0 billion in the construction of new mining facilities in Kazakhstan from 2011 to date, principally at its Aktogay and Bozshakol sites. A further $300 million is planned to be invested in the Aktogay expansion project in 2021 and 2022, with copper production to commence by the end of 2021. The capital budget for the new Baimskaya copper project in Russia is estimated at close to $8 billion, including a contribution to the development of new infrastructure, which will benefit other users in the region. These new mining facilities at Baimskaya will make material financial and tax contributions to host communities, as well as creating employment for around 3,000 new full time employees and 5,000 roles for construction contractors during the project development.

Economic value generated and distributed ($ million)	2020	2019
Direct economic value generated		
Revenues	2,355	2,266
Economic value distributed		
Operating cash costs[1]	641	670
Employee wages and benefits[2]	256	219
Payments to providers of capital[3]	265	277
Taxes paid[4]		
Kazakhstan	255	324
Kyrgyzstan	17	11
Russia	–	–
United Kingdom	–	–
Community investments[5]	27	22
Economic value retained	894	743

1 Operating cash costs as disclosed in the Financial review (page 45), being the difference between revenues and EBITDA, adjusted to exclude total employee costs (see note 8 to the financial statements) and social spend, as reflected in the table above.
2 Employee wages and benefits represents the total labour cost and associated social taxes incurred by the Group (see note 8 to the financial statements).
3 Payments to providers of capital represents interest paid on borrowing facilities and dividends to shareholders during the period (see consolidated statement of cash flows on page 140).
4 Taxes paid for each region is reflected in the payments to governments table on page 53 (see Financial review) and is the total taxes paid adjusted to remove employee and employer's payroll taxes, which are reflected within employee wages and benefits for each region and excludes social spend, reflected as community investments.
5 Community investments represents the social payments as reflected in the payments to government table on page 53.

Non-financial information statement

The non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 require companies to guide stakeholders to where the relevant non-financial information is included within their Strategic report. Further information on the basis of preparation of our non-financial information can be found at the references below.

In accordance with the Non-Financial Reporting Directive, the table below shows the location of reporting on key non-financial matters:

Reporting requirement	Policies and governing documents	Associated information, including principal risks	Pages
Environmental matters	Environmental Policy[1]	Environmental impact	60
		Green procurement	71
		Environmental risks	77
		TCFD Disclosure table	63
Employees	Health and Safety Policy[2]	Safety and health	57
	Code of Fair Employment[1]	Employees	68
	Diversity and Equality Policy[2]	Diversity and Equality	69
	Speak Up Policy[1]	Code of Fair Employment	71
		Employees risk	77
		Safety and health risks	76
		Diversity	97
Human rights	Suppliers' Charter[1]	Suppliers	71
	Modern Slavery Act Statement[1]	Modern Slavery Act 2015	71
	Human Rights Policy[1]	Human Rights	71
Social matters	Social Investment Policy[2]	Communities	72
		Community and labour relations risks	76
Anti-bribery and corruption	Anti-Bribery and Corruption Code[1]	Anti-bribery and corruption (ABC)	96
	Gifts and Hospitality Policy[1]	Ethics, compliance, anti-bribery and corruption	70
		Legal and regulatory compliance risks	79
Description of business model		Business model	12-13
Non-financial key performance indicators		Our strategy	32-33
		Key performance indicators, including safety and health	34-36

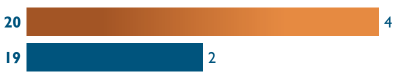
1 Available on our website www.kazminerals.com.
2 Available to employees internally. Not published externally.

SAFETY AND HEALTH

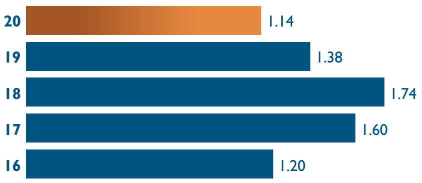
Fatalities

We are disappointed to report that in 2020 there were three fatal incidents at our underground operations in the East Region of Kazakhstan and one contractor fatality resulting from a fall from height at the Aktogay expansion project. Accordingly the fatality frequency rate was 0.08 compared to 0.04 in 2019.

Fatalities



Total Recordable Injury Frequency Rate



KAZ Minerals believes that all fatalities are avoidable and preventable. After any fatal incident, operations are suspended and senior management attend the site as soon as possible. All fatalities are investigated by state authorities. Once this process is completed, the Group conducts its own detailed investigation to establish root causes and identify any procedural or other changes required to prevent recurrence of similar incidents.

The number and frequency of fatalities at the Group's operations has been on a long-term downward trend. Open pit mining is inherently safer than underground mining and the Group's safety performance has improved as these new operations have ramped up to represent the majority of the Group's production. No operational fatalities have occurred at any of the Aktogay, Bozshakol and Bozymchak mines since these mines commenced production, covering a total of 68 million hours worked.

Injuries

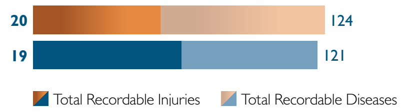
The average TRIFR for ICMM members in 2019 was 3.20 (2018: 3.41). Under ICMM definitions, all injuries including lost time injuries, restricted work cases and medical treatment cases, are recordable injuries. The reporting and investigation of hazards, minor injuries and near misses, with a focus on potential high-risk incidents, are important management tools for improving safety and health performance.

There were 54 TRI cases in 2020, a decrease of 14% compared with the 63 injuries recorded in 2019. Hours worked increased by 3% in 2020 to 47.2 million (2019: 45.8 million), mainly due to the 13.2 million hours worked at the Aktogay expansion project. The decrease in the number of injuries and increase in hours worked resulted in a 17% decrease in TRIFR to 1.14 (2019: 1.38), the lowest level in the Group's history. The reduction in TRIFR is a result of management's focus on improving safety culture and procedures, information on which is set out in the section below.

Over the period 2018-20, the Group's open pit mining operations achieved maximum lost time injury-free intervals of 341 days (Aktogay), 630 days (Bozshakol) and 1,125 days (Bozymchak). Injury rates have also significantly reduced in the East Region operations over this time period.

Total Recordable Cases Frequency Rate

Total Recordable Cases



Safety improvement initiatives

During 2020 a new initiative was launched to reinforce the focus on leading indicators and hazard identification, including the rollout of a new mobile application for completion of risk assessment procedures and reporting of hazards ('Emex'). Staff at all sites are encouraged to share hazards they identify with others and track measures taken to remove them.

The Group also continued with the Goal Zero initiative launched in 2019, aimed at reducing health, safety and environmental incidents to zero. KAZ Minerals is committed to implementing further improvements to its robust safety management systems, training and risk management processes to achieve the ambitions of the Goal Zero initiative.

Emex mobile application rollout

Preventing Covid-19 infections

Covid-19 became a major workplace safety issue for all miners in the first quarter of 2020 and the Group took early action to protect its employees and contractors.

Infection control measures were established at all sites in the early stages of the outbreak. Access to the Aktogay and Bozshakol sites was closed from 22 March until the end of May 2020 to protect the safety of workers and contractors, who live in close proximity in permanent camps at these locations. Operations were maintained in this initial period through overtime shifts, with rosters extended to maintain a Covid-free site and prevent outside contamination, whilst protective measures for rotations were put in place. Any workers who were not required to remain on sites were transferred to working from home.

When some of the restrictions in Kazakhstan were lifted in May, the Group rotated staff in its camp-based sites and introduced a revised shift pattern. The aim of the new extended shift pattern was to reduce the number of rotations and to enable the introduction of a system of testing and isolation for new arrivals.

The Group purchased sufficient quantities of rapid and PCR testing kits, installed a dedicated PCR testing facility at the Aktogay site from July and created segregated accommodation areas for new arrivals to stay in isolation before moving into the main workforce.

Under current national regulations in Kazakhstan, all employees must undergo PCR testing at home, three days before departing for the site. The Group arranges transport to its camp-based sites, applying hygiene and infection control measures during the journey.

On arrival at Aktogay or Bozshakol, employees are placed temporarily in isolation accommodation, where they complete further testing, using both rapid tests and PCR tests.

The combination of the multi-stage testing process and an isolation period minimised the risk of an infection reaching the main workforce, with all PCR positive cases not entering the main workforce. The Group's on-site medical facilities and emergency procedures were proven to be effective during the pandemic.

The prompt actions taken to protect against Covid-19 ensured that risks to employees and contractors were minimised, and there were no material impacts to the Group's operations during 2020, whilst production guidance for all metals, set in February before the pandemic occurred, was achieved.

COVID-19: EMPLOYEE PERSPECTIVES

"At the time of the quarantine announcement, I was in Almaty, on the way to Aktogay. Fortunately, at that moment it was still possible to join my colleagues at Aktogay, which I did. I couldn't leave my colleagues in trouble. One for all and all for one!

The Company has taken all possible preventative measures to avoid the virus entering the site, taking care of the health of employees, providing everything necessary. I am glad that even those who had to stay at home received their salaries – this is an extremely humane act, because no one is to blame for what happened, and families needed to be fed."

George Findlay
Planning Superintendent

"While on an inter-shift vacation at home in Mongolia, I saw what quarantine measures related to the spread of Covid-19 were being taken all over the world. Making the decision to leave for work, I realised that I would be able to return back only in a few months. First of all, I want to note the wise decision of the management to restrict access to the site. This helped to keep employees and production safe. At work we have become much closer with colleagues."

Murat Kujyek
Head of Engineering Services, Aktogay expansion project

"At the workplace, it is more efficient to carry out your job duties, there are no distractions. Of course, in conditions of isolation, I increasingly felt the importance of my loved ones to me. I believe that the Company has done everything possible to provide social protection for its employees. Not every company will take steps like ours. It inspires trust and respect."

Svetlana Karchina
Cost Estimator Engineer

Occupational health

There were 70 new cases of occupational diseases recorded in 2020 (2019: 58). The majority of new cases in 2020 resulted from musculoskeletal disorders, neuropathic pain, silicosis and dust bronchitis.

Occupational health problems are usually the result of long-term exposure to risks such as poor ergonomics, vibration, dust or noise. The Group has measures in place to remove or reduce these risk factors where possible, for example by limiting the time that employees spend in roles which expose them to occupational health risk factors. Annual medical checks are conducted to ensure timely identification of emerging occupational health conditions.

During 2020, actions taken to address common causes of occupational disorders in the Group's underground operations included upgraded PPE, providing better spinal support, anti-vibration gloves and seating, installation of ergonomic cabs on new underground mining vehicles and the relocation of tool storage facilities closer to working areas.

The open pit mines at Aktogay, Bozshakol and Bozymchak reported no recordable occupational health cases during 2020.

Mental health and wellness

A new mental health and employee assistance programme commenced at Aktogay and Bozshakol in 2019 which proved to be highly valuable for supporting employees during the Covid-19 pandemic in 2020. As part of this initiative, psychologists were made available to support the mental wellbeing of employees at these remote sites.

Due to national travel and quarantine restrictions, employees worked extended shifts during the year and the Group has adopted a new system of extended rotations to minimise the risk of infection. This means that employees now spend longer periods away from friends and family, which can lead to an increase in demand for mental health services and other employee assistance programmes.

The idea for the service was originally put forward by employees as part of the 'Direct Line' call in 2019, an annual employee engagement event hosted by the Chair of KAZ Minerals. The psychologists specialise in working with employees on remote sites, such as mines or oil and gas installations.

During 2020, around 2,500 one-to-one and group wellbeing sessions took place at Aktogay and Bozshakol.

ENVIRONMENTAL IMPACT

KAZ Minerals seeks to reduce the impact of its activities on the environment and to raise environmental awareness amongst its employees, contractors and suppliers. The Group has an environmental policy which sets out its commitment to environmental protection, reduction of emissions and waste and efficient consumption of resources such as energy and water. The policy can be downloaded from the Group's website, www.kazminerals.com.

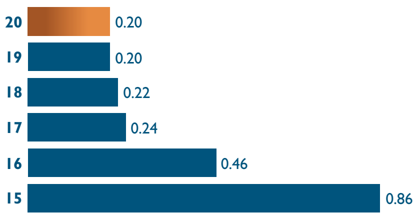
The Group conducts detailed environmental due diligence prior to the development of new mining projects and continually monitors the impact of its activities on the environment, publishing key performance indicators annually.

The Health, Safety and Sustainability ('HSS') Committee is a Board Committee which is responsible for oversight of the Group's environmental policies, reporting, standards and compliance. Senior management are responsible for the Group's overall environmental performance. For more details on the HSS Committee, please see the HSS Committee section in the Governance framework on page 104 of this report.

The calculation of electricity consumption at Aktogay in 2019 has been updated to reflect 2020 methodology, resulting in changes to the reported prior year Aktogay energy use, electricity consumption and related CO_2 emissions and intensity data.

Energy use

TJ/kt sulphide ore processed (energy consumption)



The Group's energy efficiency, measured as energy use per tonne of ore processed, has remained at historically low levels in 2020. The main drivers of the energy efficiency of the new assets are the use of large scale processing facilities and the modern grinding and flotation technology employed in the concentrators. The low strip ratios of the Aktogay and Bozshakol deposits, where limited quantities of waste rock are required to be removed per tonne of copper ore extracted, also increases efficiency.

Energy use by type (PJ)	2020	2019
Electricity	**8.87**	8.63
Diesel	**2.01**	2.08
Heat	**1.00**	1.20
Coal	**0.02**	0.00
Petrol	**0.05**	0.06
Total	**11.95**	11.97
Energy intensity[1]	**0.20**	0.20

1 TJ/kt sulphide ore processed.

Energy use by asset (PJ)	2020	2019
Aktogay	**4.35**	4.24
Bozshakol	**4.46**	4.31
East Region	**2.87**	3.10
Bozymchak	**0.27**	0.32
Total	**11.95**	11.97
Energy intensity[1]	**0.20**	0.20

1 TJ/kt sulphide ore processed.

Total energy use of 11.95 PJ was in line with energy consumption in the prior year (2019: 11.97 PJ). In 2020, the impact of increased ore throughput at Bozshakol was offset by the temporary closure of the Bozymchak mine for most of the fourth quarter and lower heat energy consumption in the East Region, due to a relatively warmer winter period. The closure of the Belousovsky concentrator facility in 2019, with ore from the Irtyshsky mine now processed at the Nikolayevsky concentrator, also improved operational efficiency.

The energy intensity of the Group's activities, measured as the quantity of energy used per unit of ore processed, was in line with the prior year, at 0.20 TJ per kt of sulphide ore processed.

Electricity consumption (PJ)	2020	2019
Aktogay	**3.63**	3.49
Bozshakol	**3.57**	3.44
East Region	**1.54**	1.54
Bozymchak	**0.13**	0.16
Total	**8.87**	8.63
Electricity intensity[1]	**0.15**	0.15

1 TJ/kt sulphide ore processed.

The Group's electricity consumption increased by 3% to 8.87 PJ (2019: 8.63 PJ) due to higher sulphide ore processing volumes in 2020 and the continuous operation of the Bozshakol clay plant, which was closed during upgrade works in early 2019. Electricity consumption at Bozymchak decreased by 19% to 0.13 PJ (2019: 0.16 PJ) due to the closure of the site for most of the fourth quarter of 2020, following a period of political instability in Kyrgyzstan.

Diesel consumption (PJ)	2020	2019
Aktogay	0.73	0.76
Bozshakol	0.88	0.87
East Region	0.28	0.30
Bozymchak	0.12	0.15
Total	2.01	2.08
Diesel intensity[1]	0.026	0.022

1 TJ/kt ore mined.

Diesel consumption decreased by 3% to 2.01 PJ (2019: 2.08 PJ). Diesel consumption per asset was broadly in line with the previous year, except at Bozymchak due to the temporary closure of the mine in the fourth quarter. Diesel intensity increased by 18% to 0.026 TJ/kt due to lower total ore mined and an increase in diesel consumed through moving higher volumes of non-ore material in 2020.

The Group constantly seeks to improve the efficiency of its haul truck fleet, the main source of diesel consumption. Fleet movements at Aktogay and Bozshakol are monitored in real time, using an automated remote dispatch system, to optimise truck dispatching to loading units, reducing the number of haul trucks required and parking any excess vehicle capacity to minimise diesel consumption. Aktogay and Bozshakol benefit from close proximity to pre-existing rail infrastructure that is used to transport copper concentrate to customers, eliminating the need to transport concentrate using diesel powered trucks.

Aktogay 793D haul truck with lightweight tray, 236 t payload

CO_2 emissions

CO_2 emissions by type (kt)	2020	2019
Scope 1	408	443
Scope 2	2,245	2,176
Total	2,653	2,619
Copper production	306	311
CO_2 per unit of copper produced	8.7	8.4
Ore processed	59,222	58,491
CO_2 per unit of ore processed	0.045	0.045

Absolute CO_2 emissions were broadly in line with the previous year at 2,653 kt (2019: 2,619 kt), with similar quantities of ore processed. CO_2 per unit of ore processed in 2020 also remained constant at 0.045 (2019: 0.045). CO_2 emissions per tonne of copper produced increased by 4% to 8.7 tonnes (2019: 8.4 tonnes), mainly due to lower overall copper production of 306 kt (2019: 311 kt) following a reduction in recovery rates in 2020.

Scope 1 emissions mainly relate to mining activities at Aktogay and Bozshakol and heat energy consumption in the East Region, which decreased by 8% following the closure of the Belousovsky concentrator and the lower volumes of ore mined in 2020 compared to the prior year.

Upgrading electrical equipment in the East Region

The Group upgrades its electrical equipment at its East Region operations on an ongoing basis and during 2020 has continued to benefit from this programme. New equipment installed in key electrical systems improves the overall operating efficiency of the electrical energy supply that is used to operate the concentrators and some machinery in the mining operations. The upgrades have helped to reduce electricity costs in the East Region, increase the life of electrical equipment at the operations and reduce annual CO_2 emissions.

Scope 2 emissions arising from the Group's purchase of electrical energy from external suppliers increased by 3% to 2,245 kt (2019: 2,176 kt), due to the 1% increase in ore processed and the continuous operation of the Bozshakol clay plant during the year.

CO_2 intensity	2020	2019
Revenue ($m)	**2,355**	2,266
Total CO_2 emissions (Scope 1, Scope 2, kt)	**2,653**	2,619
CO_2 emissions (t per $ million revenue)	**1,126**	1,156

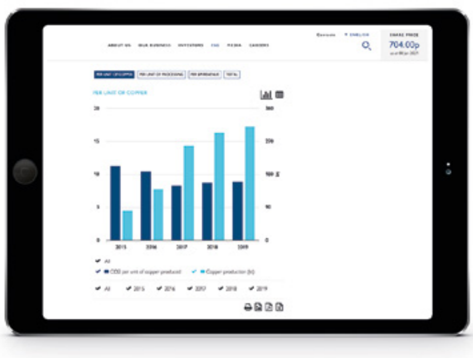
The Group's CO_2 intensity by revenue in 2020, as measured by the Carbon Disclosure Project (tonnes of CO_2 per $1 million of revenue), was 3% lower than the prior year at 1,126 tonnes (2019: 1,156 tonnes), as revenues increased by 4% whilst total CO_2 emissions increased by 1%.

Reducing CO_2 emissions intensity

The Group is committed to minimising the CO_2 intensity of its operations as stated in its Environmental Policy. The Group HSS Committee is responsible for the monitoring of CO_2 intensity. The General Directors of the Group's operations are responsible for implementing efficiency initiatives to minimise energy consumption at site level.

Reductions in CO_2 intensity have been achieved through the transition to modern open pit mining. During 2020 the Group received further deliveries of new larger scale mining vehicles for use at Aktogay in advance of the completion of the Aktogay expansion project, which is scheduled to start production by the end of 2021. The new mining vehicles are equipped with lightweight trays which increase load carrying capacity and reduce fuel consumption and will lower the intensity of the Group's energy consumption and CO_2 emissions per unit of ore processed. In the longer term, the Group will seek to increase the use of renewable energy sources where possible.

The Government of Kazakhstan, where the majority of the Group's assets are currently located, is committed to increasing electricity generation from renewable sources as part of its national development strategy, with a target of 10% of power generation by 2030 and 50% by 2050.



For full details of our energy consumption, CO_2 emissions and other emissions to air please visit www.kazminerals.com/esg/interactive-charts/

Climate change planning at Baimskaya

The Group is currently undertaking a Bankable Feasibility Study on the Baimskaya copper project, which fully incorporates physical, markets and transition climate change risks. Future carbon price scenarios are considered when assessing potential trade-offs in the project.

One example of a physical climate change risk that is mitigated by the project design is permafrost thawing.

The possible effect of permafrost thawing on the structural integrity of production facilities and infrastructure is an important consideration for any new mining project in the Russian Arctic region. Degradation of permafrost and temperature increases in frozen soils reduces the bearing capacity of structures and can result in damage due to subsidence, landslides, and voids.

The Arctic region is warming at a faster rate than other areas, though thawing is currently taking place at the fringes of the extent of the permafrost. Permafrost thawing of unstable soil is more common in western Siberia than in the Russian Far East and in the Arctic region, where the Baimskaya copper project is located.

As a new facility, the Baimskaya copper project design fully incorporates the risk of further permafrost thawing occurring over the life of the mine. Facilities will stand on bedrock, eliminating the structural risks from permafrost thawing. The permanent road route and design will also ensure stability in the event of possible thawing and will insulate permafrost against friction heat generated by traffic between the project site and the port.

Foundations for the Baimskaya processing facility will be located on bedrock not susceptible to permafrost thawing

TCFD DISCLOSURE TABLE

KAZ Minerals continues to develop its processes on climate-related financial disclosures and supports the work of the Task Force on Climate-Related Financial Disclosures which requires companies to set out how their strategy and risk assessment processes align with the challenges and opportunities presented by climate change.

	Annual Report 2020	Website	CDP survey response
Governance			
Describe the board's oversight of climate-related risks and opportunities.	Pages 77, 90, 92, 94, 95, 97, 104, 105	kazminerals.com/esg/environment/climate-change/TCFD	2019 CDP Climate Change questionnaire response, C1.1a; C1.1b
Describe management's role in assessing and managing risks and opportunities.	Page 62	kazminerals.com/esg/environment/climate-change/TCFD	2019 CDP Climate Change questionnaire response, C1.2a
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Pages 5, 24-30, 77	kazminerals.com/esg/environment/climate-change/TCFD	2019 CDP Climate Change questionnaire response, C2.3a
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Pages 5, 62, 77	kazminerals.com/esg/environment/climate-change/TCFD	2019 CDP Climate Change questionnaire response, 2.3a
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	–	–	2019 CDP Climate Change questionnaire response, 2.4a
Risk Management			
Describe the organisation's processes for identifying and assessing climate-related risks.	Page 74	kazminerals.com/esg/environment/climate-change/TCFD	2019 CDP Climate Change questionnaire response, C2.2
Describe the organisation's processes for managing climate-related risks.	Page 77	kazminerals.com/esg/environment/climate-change/TCFD	2019 CDP Climate Change questionnaire response, C2.2
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Page 74	kazminerals.com/esg/environment/climate-change/TCFD	2019 CDP Climate Change questionnaire response, C2; C3
Metrics and Targets			
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk-management process.	Pages 55, 61-62	kazminerals.com/esg/environment/climate-change/TCFD	–
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.	Page 61-62	kazminerals.com/esg/environment/climate-change/TCFD	–
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Pages 55, 62	kazminerals.com/esg/environment/climate-change/TCFD	–

Waste

The Group is committed to the responsible management of mineral waste and other waste products, as set out in its Environmental Policy. The Group HSS Committee is responsible for monitoring waste management. The General Directors of the Group's operations are responsible for waste management at site level.

Waste rock by asset (Mt)	2020	2019
Aktogay	**8.6**	3.3
Bozshakol	**9.0**	6.3
East Region	**0.1**	0.1
Bozymchak	**2.6**	3.9
Group	**20.3**	13.6
Waste intensity[1]	**66.4**	43.7

1 kt/kt copper production.

The largest volume of waste generated by the Group is waste rock from the mining of overburden, mainly at Aktogay, Bozshakol and Bozymchak. Generation of waste rock at Aktogay and Bozshakol is not considered to be a significant stakeholder issue due to the remote locations of the mines, their low strip ratios and their separation distances from local communities. Waste rock mining increased by 49% in 2020 to 20.3 Mt (2019: 13.6 Mt), in line with mine plans.

Tailings by asset (Mt)	2020	2019
Aktogay	**23.7**	24.7
Bozshakol	**31.0**	28.9
East Region	**2.1**	2.3
Bozymchak	**0.8**	1.0
Group	**57.6**	56.9
Tailings intensity[1]	**188**	183

1 kt/kt copper production.

Tailings waste generation increased in line with ore processing volumes, driven by higher throughput at both the main sulphide and clay concentrators at Bozshakol.

The safe and effective management of tailings waste is a high priority for the Group. Operating procedures are in place for the monitoring and maintenance of tailings storage facilities, including regular inspection and testing of nearby groundwater to detect and maintain structural integrity. The Group periodically arranges for inspections by independent external experts, with all active tailings storage facilities inspected during 2020. KAZ Minerals will seek to align its tailings management and disclosure with the Global Industry Standard on Tailings Management set out by ICMM, the PRI ('Principles for Responsible Investment') investor network and the United Nations Environment Programme.

The Group is required to comply with the laws of the Governments of Kazakhstan and Kyrgyzstan in relation to the licensing, upkeep and maintenance of tailings storage facilities. State authorities regularly inspect the Group's tailings facilities to ensure compliance with regulations. There are no significant deficiencies identified in the stability of the Group's tailings storage facilities.

Ongoing work programmes, supported by appropriate external consultants, are in place to develop the tailings dams in line with future production plans and to address any issues identified.

For more information on tailings management at KAZ Minerals, please visit www.kazminerals.com/esg/environment/waste/

In-pit tailings disposal at Nikolayevsky

In 2020, the Group discontinued the use of the above-ground Nikolayevsky tailings dam in the East Region and transitioned to the deposition of tailings material into the disused Nikolayevksy open pit.

The Nikolayevsky concentrator processes ore from the Artemyevsky and Irtyshsky mines and switching to in-pit disposal will improve safety and reduce the environmental impacts of tailings storage in the area.

In-pit deposition and storage is considered to be best practice for long-term management of tailings due to the inherent physical stability of a pit compared to above-ground storage, the re-use of a decommissioned facility and reduced risk of acid and other drainage risks. The Nikolayevsky pit contains sufficient storage capacity for the expected mine lives of Artemyevsky and Irtyshsky.

Johan Barnard, Group Technical Director, said: "We are very pleased to be moving to in-pit disposal at Nikolayevsky. A significant amount of work has gone into the design, permitting and construction of the new infrastructure to make this possible and the end result will discontinue the above-ground tailings footprint of the concentrator. The Group now has only one active above-ground upstream tailings facility, at the Orlovsky mine."

Water

The Group is committed to reducing water consumption where possible, as set out in its Environmental Policy. The Group HSS Committee is responsible for monitoring water use. The General Directors of the Group's operations are responsible for implementing efficiency initiatives to minimise water consumption at site level.

Sources of water for use in new mining projects are considered in detail prior to commencement of construction and this analysis forms an integral part of any scoping or feasibility study. The KAZ Minerals Projects Division, together with senior management and the Board, considers the availability of fresh water for copper processing and any likely adverse effect on local communities or the surrounding environment before approving a new development project.

All of KAZ Minerals' existing mining and processing sites benefit from access to sufficient fresh water and none of the Group's operations are located in water stressed areas. The Group seeks to conserve and recycle as much water as possible, with the main sources of reusable water being from tailings and mine water inflow. The Aktogay, Bozshakol and Baimskaya sulphide concentrators are designed to recycle over 75% of water withdrawn from the environment and utilise processes to reduce potential losses through evaporation.

Water withdrawal by asset (megalitres)	2020	2019
Aktogay	15,483	14,390
Bozshakol	7,566	6,543
East Region	8,146	8,525
Bozymchak	330	421
Group	31,525	29,879

Water intensity by asset (m^3 per t ore processed)	2020	2019
Aktogay	0.45	0.32
Bozshakol	0.24	0.22
East Region	3.06	3.08
Bozymchak	0.41	0.41
Group	0.45	0.38

Water withdrawal across the Group increased by 6% in 2020, due to the continuous operation of the clay plant, which was upgraded in 2019. Consumption in the prior year also benefited from higher levels of reclaim from tailings facilities.

The water intensity of the Group's operations measured as cubic metres per tonne of ore processed also increased in 2020 to 0.45 m^3/t (2019: 0.38 m^3/t), mainly due to the reduction in the volume of ore processed to 70 Mt (2019: 78 Mt), including oxide ore placed on leach pads. The mining of oxide ore was suspended at Aktogay during the second and third quarters of 2020 while production focused on the re-irrigation of previously extracted material.

Water withdrawal by source (megalitres)	2020	2019
Surface water	10,430	9,975
Groundwater	21,095	19,904
Group	31,525	29,879

Total water extraction of 31,525 megalitres consisted of 10,430 megalitres extracted from surface water sources, including rivers or municipal water supplies, and 21,095 megalitres extracted from groundwater wells.

Water resources at Baimskaya

The Group is currently conducting a Bankable Feasibility Study for the Baimskaya copper project in the Chukotka region of Russia, which includes a detailed assessment of the availability of sufficient supplies of water.

An Environmental and Social Impact Assessment was completed in 2020, including a baseline study prior to the development of the Baimskaya copper project.

Surveys show that there are sufficient supplies of water for processing and potable water (after treatment) and that there will be no conflict with local communities over fresh water supplies.

The impact on groundwater resources is expected to be localised and of minor significance, considering the relatively limited pit dewatering requirements during mining operations.

Surface water impacts will be managed or avoided as follows:

1. Water from pit dewatering will be pumped to the tailings storage facility.
2. The tailings storage facility is a 'zero discharge' design, employing a waterproof embankment and an impermeable permafrost base. Any seepage will be collected in a separate facility downstream and returned to the main dam.
3. The tailings storage facility is to be bypassed through a 15 km pumped pipeline to maintain summer water flow of the Peschanka river.

The total discharge of water back into the environment in 2020 increased to 2,236 megalitres (2019: 1,478 megalitres). Discharge of water took place at three locations in the East Region. Two of these locations are at underground mining operations which are situated long distances from the processing plants, making it uneconomic to pump the water back for reuse. The third discharge occurs at waste rock dumps adjacent to a retired open pit mine, where acidic drainage water is collected. At each of these locations, water inflow and discharge volumes vary, dependent on local precipitation. All discharge water is monitored and treated prior to release into the environment.

For an explanation of the water recycling process at our Aktogay and Bozshakol sites, please visit www.kazminerals.com/esg/environment/water/

Biodiversity

The Group is committed to the protection of biodiversity in the areas which may be affected by its operations and avoids operating in areas with high biodiversity value. The Group's priority for biodiversity management has been to mitigate any adverse effect that the development of the major growth projects at Aktogay and Bozshakol could have.

Papilio Machaon, Bozshakol

To find out more about our approach to biodiversity, please visit www.kazminerals.com/esg/environment/biodiversity/

Mine closure

The Group is committed to rehabilitating mine sites after closure, as is required by law in Kazakhstan and Kyrgyzstan. The General Directors of the Group's operations are responsible for compliance with closure and rehabilitation obligations. The Group periodically reviews and updates closure plans for each of its sites, including calculating the likely costs associated with closure. A provision is made to cover the costs of closure and rehabilitation and amounted to $107 million at 31 December 2020. More information can be found in note 27 to the financial statements on page 165. The provision represents the discounted values of the estimated costs to decommission and reclaim the mines based on the current estimated life of mine of each deposit.

Environmental permitting and compliance

Environmental permits are granted for the Group's 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 (with materiality determined by their nature or resulting in a fine in excess of $100,000) in this report and in the ESG section of its website.

The Group paid environmental and emissions charges of $138,000 in 2020 (2019: c.$190,000). The majority of these charges are considered to be administrative in nature, and are not considered fines for breaches of regulations. Excess emissions charges are not related to any potential risk to the environment or the safe operation of our tailings facilities or other environmental management systems. In 2020, a single emissions charge of approximately $125,000 was incurred in relation to emissions in the East Region in 2018 as the maximum permissible emissions quota had not been updated to reflect the recommencement of operations at a boiler.

For more detail on environmental permitting and compliance, please visit www.kazminerals.com/esg/environment/environmental-incidents/

Environmental regulations

A new environmental code in Kazakhstan was passed into law on 2 January 2021. The new code represents a major modernisation of environmental regulations in Kazakhstan and KAZ Minerals was actively involved in the drafting stages, through the Mining Association.

Yubileyno-Snegirikhinsky rehabilitation programme

In December 2016, mining operations at Yubileyno-Snegirikhinsky in the East Region ceased as mineral resources at the mine were fully exploited. A closure plan was designed and agreed with the local authorities. Under the rehabilitation programme, the majority of surface buildings such as accommodation blocks, offices, and associated utilities were transferred to the local government authorities to be re-purposed for use by small and medium-sized businesses.

The overall strategy for the site is forestry reclamation, to restore the landscape as close as possible to its original condition. In October 2019, the closure plan for the Yubileyno-Snegirikhinsky mine was completed and approved by the Kazakhstan Regional Environmental Commission. In 2020, the first young trees began to be established at the site.

2018

Geomembrane installation

2019

Reforestation

2020

First young trees

For more details on the Yubileyno-Snegirikhinsky closure and rehabilitation process please visit www.kazminerals.com/esg/environment/mine-closure/

EMPLOYEES

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.

Policies and due diligence

The Group has in place a number of policies governing its relationship with employees, including the Code of Fair Employment and the Diversity and Equality policy. The Group periodically reviews the terms and conditions of employment in its own operations to confirm that the Code of Fair Employment is being fully applied within the Group. Due diligence is conducted on newly hired employees prior to their employment in the Group.

Consultation and communication

Several communication channels are open to employees to make their views known to senior management and to the Board. The first point of contact is with an employee's line manager and in most cases this is sufficient for addressing employee concerns. The Group generally holds a 'Direct Line' event held every year in which the Chair answers questions from employees on a live video feed. The Deputy Chair and Senior Independent Director, Michael Lynch-Bell, is the Designated Non-Executive Director for the workforce, responsible for liaising with employees and this year conducted virtual employee meetings due to Covid-19 travel restrictions. Each of the Group's operational divisions has a Head of Employee Relations whose role is to act as a liaison between employees and management. General Directors hold quarterly 'town hall' meetings.

Outside of operational or human resources related enquiries, all employees have access to a confidential telephone reporting line (Speak Up) which can be used to raise ethical concerns, including any concerns related to bribery or corruption. The Audit Committee receives a regular update on issues raised using the Speak Up service and conducts further investigation, where deemed necessary.

The Group uses a number of channels to communicate with its staff including websites, intranet sites, WhatsApp message groups, a corporate newspaper, TV news and a dedicated YouTube channel. Each of these communications channels has certain strengths which are suitable for use in different scenarios. During 2020, in the fast-changing circumstances brought about by the Covid-19 pandemic and with many of the Group's staff working remotely, accurate and effective communications were essential. The ability to keep employees informed of new procedures and restrictions in a timely manner helped the Group to navigate the challenges of the pandemic.

KAZ Minerals respects the right to freedom of association and we consult with 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, 69% of the Group's employees belonged to one of the three trade unions active in the mining industry in Kazakhstan, a similar level to the 70% in 2019.

Pay and benefits

We aim to provide fair remuneration to our employees and to incentivise safety and productivity. Operational employee and divisional manager remuneration comprises base pay plus a discretionary award linked to safety and health performance and production targets. Divisional manager remuneration also typically includes an element of discretionary bonus linked to production efficiency and cost control. The Group takes measures to align wage increases with inflation in living costs, in particular for lower paid employees. All employees are paid above both the minimum wage and the living wage, as defined by the Government of Kazakhstan.

During 2020, there were no reductions in staff headcount resulting from Covid-19 and all employees, including those required to remain at home due to quarantine measures, continued to receive salaries.

In accordance with regulations in Kazakhstan and our employee agreements, we make payments to current and former employees for illness and disability sustained at our operations. The financial impact of our ongoing illness and disability obligations are covered in the consolidated financial statements in note 26 on page 164.

Attracting and retaining skilled employees

Employee turnover is actively managed at each of the Group's operations and by the Human Resources team. Retention of skilled staff is a key factor in the successful development of the Group's assets at Aktogay and Bozshakol. When employees leave the Group, exit interviews are conducted to collect feedback.

A Leadership Development Programme is in place to identify potential future leaders so that full support in the form of training and mentoring can be offered. Potential successors are identified for key positions and individual development plans are created for those identified as potential successors. There are on average more than 60 such key positions at each of Aktogay, Bozshakol and the East Region. Part of the annual assessment process for expatriate employees is how well they have been mentoring, coaching and training the local successors. Progress towards promotion or continued development is reviewed quarterly and annually in year-end reviews.

Training and development

Professional development is one of the Group's five 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 which are viewed as critical to its growth strategy.

In 2020, employees each received an average of 63 hours of training (2019: 70 hours) typically consisting of 38 hours of safety training, 11 hours of professional education and 14 hours of additional education. Operational training includes a significant safety and health component that is not recorded separately as safety and health training. Topics include safe operation of machinery and vehicles, electrical and fire safety, labour protection training, physical fitness and professional development.

Diversity and equality

Our goal is to employ a skilled workforce that reflects the demographic of the regions in which we operate and to create a positive, supportive and inclusive culture. The Group has established procedures to ensure that there are no instances of discrimination on the basis of age, gender, race, nationality, ethnic origin, family situation, religion, language, political beliefs, sexual orientation, pregnancy, maternity, paternity or disability. Any reports of discrimination or harassment are investigated and managed.

In line with the Group's corporate values we seek to select, recruit and promote employees based on merit. We give equal access to training and career development opportunities appropriate for every employee's experience level.

We aim to develop the expertise required for our operations from our existing workforce, recruiting locally where possible. The Group has a leadership programme in place focused on the training and development of national employees to fill key positions in the future. Our operations are located in Kazakhstan and Kyrgyzstan and in 2020, 97% of the Group's permanent employees were nationals of these countries.

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 limited and they are largely employed at Aktogay and Bozshakol working alongside local teams who will ultimately take over the full management of operations.

Aktogay apprentices during the Covid-19 pandemic

The Group's Aktogay and Bozshakol projects have generated valuable employment and training opportunities for local workers in Kazakhstan. KAZ Minerals seeks to employ highly skilled operators from around the world who are then tasked with transferring skills to local workers through training, mentoring and succession planning. To meet the Group's needs for a skilled workforce, significant investment has been made in education and training. A key example of this approach is the apprentice scheme at Aktogay.

During the early stages of the Covid-19 pandemic, all employees were given the opportunity to leave the Aktogay site before travel restrictions came into effect. However, most decided to stay on site and continue working, including apprentices undergoing training.

The contribution of the apprentices to maintaining production during this difficult time was highly appreciated by site General Director, Philip Welten. "As far as possible, we gave the option for apprentices to stay on site so that they had the opportunity to rise to the challenge, accelerate their learning and contribute to achieving the goals of the company. As we say here, the work continues regardless! I was very impressed with how the apprentices performed, they did their job and were valuable members of the team. They really strived to work safely and contribute to maintaining stable production.

Over 90% of interns have made it through the apprentice scheme to this point, so I expect that around 200 will complete their training and become full-time employees shortly. Several trainees have already taken up permanent positions. We targeted hiring for the scheme in areas close to our operations and this has helped to build links with those communities. I am really proud of them – they are the next generation of miners in Kazakhstan and I hope to see them as regular employees and future leaders of our company."

For more details on the apprentice scheme, please visit www.kazminerals.com/esg/esg-case-studies/

Gender equality

KAZ Minerals is committed to offering equality of opportunity to all current and potential future employees, regardless of gender. The Group has relatively high female representation in its workforce benchmarked against major mining companies, at 21% of total employees (18% including temporary construction workers employed at the Aktogay expansion project). This is reflected at senior management level, where 19% are female and 25% of the members of the Board are female. The Group is working to increase the proportion of female employees at all levels.

The average age of the Group's c.3,000 female employees is 39. Those working in production roles account for 57% of the total, 57% are married and 64% have children. The Group offers up to three years of maternity or paternity leave and re-induction training for employees returning from leave.

We regularly review salaries to check for equality of pay for equivalent roles, to ensure that a gender pay gap does not emerge.

The Group has successfully lobbied for a change in regulations in Kazakhstan which restrict certain operational roles to male employees only. Changes in these regulations are expected to lead to a higher proportion of female employees in the Group's workforce in the future, as restrictions are removed. The proportion of female employees employed by the Group in roles which are not prohibited by law is 41%.

Female employees (% of total)

For more details on equality and diversity at KAZ Minerals, please visit www.kazminerals.com/esg/employees/equality-diversity/

Ethics, compliance, anti-bribery and corruption

Integrity is one of the Group's five core corporate values. The Board is responsible for overseeing the Group's approach to ethics and compliance and is committed to maintaining the highest standards. The Group's Anti-Bribery and Corruption Compliance Programme has been developed in line with the requirements of the UK Bribery Act 2010 across all operations, with relevant clauses included as part of the Group's standard terms and conditions with suppliers since 2011. See page 96 for a description of the Group's policies and due diligence procedures undertaken in relation to anti-bribery and corruption.

The Group maintains an anonymous reporting facility (Speak Up) to encourage employees to report any concerns regarding breaches of ethics. A risk assessment is used to identify the categories of employees which require training in anti-bribery and corruption. This includes employees working in procurement, sales, finance and general management and individuals who interact with governments or regulatory bodies.

For more details on ethics, anti-bribery and corruption at KAZ Minerals, please visit
www.kazminerals.com/esg/integrity-policies-compliance
www.kazminerals.com/about-us/governance/anti-bribery/

Suppliers

The Group's supply chain includes contractors and suppliers providing labour, energy, transport, smelting, equipment, consumables, and raw materials required for the production and sale of copper and other by-products. In 2020, a total of 214 contracting firms worked at the Group's underground mines in the East Region and a further 314 firms were employed at the open pit mines at Aktogay and Bozshakol, together employing around 10,000 contractors' employees at our sites.

Women in Mining

A senior female employee from KAZ Minerals was recognised in the 2020 '100 Global Inspirational Women in Mining' awards

Bibi-Batima Iskakova, Lead Hydrogeologist

In 1980, as a young hydrogeology and engineering geology student, Bibi-Batima Iskakova won the All-Soviet Contest for the best scientific student work. She joined the Scientific Institute of Mining Geomechanics in Kazakhstan and then took a position on an exploration expedition in the Karaganda coal basin. For eight years, Bibi-Batima carried out underground hydrogeological surveys in coal mines, work she describes as difficult, scary and exciting. "I had to go to the most remote corners of mine workings in order to understand where the water flows from and in what direction. In old workings, where the roof was sagging, I had to crawl on my knees. I had a fear of the dark and a fear of getting into a gas trap, but I overcame those fears," she says.

Today, although Bibi-Batima's tools and approach have changed, her goals are the same: to understand the processes occurring in the subsoil and make the right decisions to reduce the impact of groundwater in mine workings and ensure the safety of workers.

"The biggest problem is a lack of well-trained personnel, especially hydrogeologists. In this country, this profession is not in high demand due to lack of understanding of its importance, especially in the mining industry. We need to raise the prestige of this profession, to train highly specialised mine hydrogeologists who know the specifics of mining, understand the processes taking place in the rock massif and who can correctly assess the risks associated with groundwater."

Suppliers' Charter

KAZ Minerals is committed to high standards of corporate social responsibility. To ensure that our suppliers understand the standards we require of them, we established the KAZ Minerals Suppliers' Charter.

The Suppliers' Charter sets out the Group's expectations in the areas of anti-bribery and corruption, employee wellbeing, environmental responsibility, community relations and human rights. Suppliers are encouraged to report all suspected or actual breaches of the principles set out in the Suppliers' Charter either to KAZ Minerals management or by using the anonymous Speak Up system.

All suppliers are required to make a commitment to upholding the standards set out in the Suppliers' Charter as a condition of starting or continuing to work with KAZ Minerals. The Group also conducts a separate due diligence exercise on new suppliers to ensure that we only work with suppliers who meet our standards.

To view the Suppliers' Charter, please visit www.kazminerals.com/esg/integrity-policies-compliance/

Green procurement

The Group's Environmental Policy includes a commitment to reduce waste, prevent pollution and minimise the overall impact of the Group's activities on the environment. The Suppliers' Charter includes commitments from our suppliers to: (i) comply with local environmental protection regulations and implement the necessary actions to limit the impact of their activities on the environment; (ii) promote greater environmental responsibility and the use of goods and services which help to mitigate our environmental impact, as well as better managing and utilising resources such as energy, paper, water and waste; and (iii) promote the development and distribution of environmentally friendly technologies.

Code of Fair Employment

The Group established a Code of Fair Employment which sets out the standards it expects to be upheld in relation to its own employees as well as the employees of suppliers or contractors to the Group. As part of the Suppliers' Charter, suppliers are also required to agree to the terms of the Code of Fair Employment.

The Code of Fair Employment can be viewed on the Group's website and contains commitments to prevent forced or involuntary labour, human trafficking, child and illegal labour and inhumane treatment. The retention of passports or identification documents, taking of deposits, restrictions on freedom of movement and the charging of recruitment fees to workers are forbidden. All employees must have contracts of employment, be paid above the legal minimum wage, be treated equally and have access to adequate grievance procedures. The Group is committed to the prevention of modern slavery and human trafficking in its supply chain and publishes an annual statement, approved by the Board, in accordance with the UK Modern Slavery Act.

To view the Code of Fair Employment, please visit www.kazminerals.com/esg/integrity-policies-compliance

Supply chain monitoring

In 2020, training was provided to 1,183 individuals from procurement teams and to managers involved in the supervision of contractors. The aim of the training was to raise awareness of the standards contained within the Suppliers' Charter, in particular those relating to modern slavery and human trafficking. Staff are expected to monitor suppliers and contractors to prevent instances of modern slavery in the Group's supply chain and to report any suspected breaches of the Group's policies through the appropriate channels.

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. The Group has established a Code of Fair Employment which sets out its stance in relation to forced or involuntary labour, human trafficking, child and illegal labour and inhumane treatment and this can be found on the Group's website at www.kazminerals.com. The Human Resources department periodically conducts a Group-wide review to check internal compliance with the Code of Fair Employment and no instances of any breach have been identified.

Risk assessments of the Group's major contractors and suppliers are carried out to identify those with a higher potential risk of modern slavery. General Directors at each of the Group's operations are required to confirm that they have reported any conditions which could indicate modern slavery amongst contractors' staff working at KAZ Minerals' sites or confirm that no such conditions were observed. Relevant staff were trained during the year to raise awareness of modern slavery issues, with a particular focus on management and contractors working on our construction sites. Employees are encouraged to report any instance or suspected occurrence of modern slavery or human trafficking in the supply chain to management or through the Group's Speak Up helpline facility.

Our Suppliers' Charter which sets out our expectations of our suppliers in relation to their treatment of their workers to ensure they are committed to employment practices which are acceptable to the Group. Under our standard terms of business our customers and suppliers agree to comply with the principles of the Code of Fair Employment and the Suppliers' Charter and to ensure there is no modern slavery within their operations.

The Group published its most recent Modern Slavery Act statement in May 2020, which can be found on our website at www.kazminerals.com/about-us/governance/modern-slavery/

Human Rights

KAZ Minerals acknowledges that human rights are basic rights that form the foundation for freedom, justice and peace, which apply equally and universally in all countries. We are guided by our Human Rights Policy which has been approved by the Board and can be found on our website. KAZ Minerals supports human rights that are defined, recognised and identified in international conventions. We follow the international human rights principles encompassed in the Universal Declaration of Human Rights and adopt the United Nations Guiding Principles on Business and Human Rights. As set out in our Code of Fair Employment, we commit to our employees working in an environment and under conditions that respect their rights and we require the same standards from our business partners. We respect the right to freedom of association and consult our employees and trade unions about proposed changes to our business and employment conditions. Through due diligence we aim to prevent and mitigate any infringement of human rights both internally and amongst our business partners. Due diligence undertaken in pursuance of the Group's Human Rights policy includes consultation with local communities during project development or any major operational changes that may affect them and monitoring of working conditions for our own employees and the employees of contractors and suppliers, as described above. We respect and protect local heritage and culture.

To view the Group's Human Rights Policy, please visit www.kazminerals.com/esg/integrity-policies-compliance/

Communities

Consultation and communication

KAZ Minerals is committed to promoting community development and maintaining lines of communication with communities near its operations and potential new projects. The General Directors of the Group's operations have overall responsibility for community relations in their respective areas.

Indigenous peoples and resettlement

The Group's commitment to respecting the rights of indigenous peoples and its approach to resettlement are contained in its Human Rights Policy, described on page 71. The areas in which the Group has operated or developed new mining projects historically have been sparsely populated and resettlement of indigenous populations has not been necessary. It is unlikely that future projects will require resettlement, but the Group will always seek to avoid involuntary resettlement. KAZ Minerals is committed to the protection of culturally sensitive areas.

Under the terms of subsoil use law in Kazakhstan, the Group is required to give preference to Kazakhstan nationals during the performance of subsoil use operations and to invest in the training of local workers.

Social projects and local procurement

KAZ Minerals is committed to supporting communities located close to its operational locations, many of whom have been affected by Covid-19. Social investment payments of $27 million were made during 2020.

Indigenous people of Chukotka

In September 2020, KAZ Minerals invited representatives of communities in the Chukotka Region of Russia to take part in the XV International Exhibition-Fair 'Treasures of the North. Craftsmen and Artists of Russia 2020', held at the Moscow Sokolniki Exhibition and Convention Centre. Delegates took part in the festival's competition programmes and held classes and presentations on indigenous culture.

KAZ Minerals also organised a meeting between the Company and representatives of the Association of Indigenous Minorities of Chukotka, who shared their experiences of interaction with the mining companies in the region.

Olesya Vukvukai, a resident of Rytkuchi, Chukotka said: "This meeting showed that KAZ Minerals is keen to cooperate with us. Also, they are ready to implement important social projects in the village of Rytkuchi, for example the installation of modern sports facilities for our youth. KAZ Minerals told us that the Company is committed to an open dialogue and supported our proposal for the Company to work with a representative that we select for our communications with KAZ Minerals."

The Group completed an Environmental and Social Impact Assessment (ESIA) for the Baimskaya copper project in 2020. In relation to the impact on local indigenous communities, the ESIA concluded that the project "will result in a major economic injection into the region as a result of spending by the company in constructing the mine and also in the uptake of labour. The economic development consequences of the project are significant and positive in their own right with resultant knock-on economic and tax revenue benefits". Job creation, spending and economic growth are expected to result in net improvements in human welfare in Bilibino and in the Chukotka region as a whole.

Bilibino, Chukotka

Illirney, Chukotka

The Group has a social investment policy and monitors projects that are funded to ensure they meet the aims and objectives of the Group. The types of projects the Group seeks to support are: (i) projects local to the Group's operations in the areas of healthcare, education, infrastructure, culture and sport; (ii) national projects in the Group's countries of operation also in the areas of healthcare, education, infrastructure, culture and sport; and (iii) projects to promote the culture and economic profile of the Group's countries of operation.

During the Covid-19 pandemic, the Group has provided significant support to vulnerable communities in its countries of operation, as described in the case study below. In addition, within Kazakhstan, the Group has also provided assistance to flood victims and supported the construction of a new cultural centre in Nur-Sultan city. The Group has also supported local colleges, providing equipment and training materials as part of a programme to promote mining skills in the regions local to the Group's operations. In Russia, the Group has donated medical supplies to a hospital in Chukotka, and has supported the New Economic School, a leading international business school in Moscow, and the Meschersky Park, a public sports and recreation facility based in historic woodlands close to Moscow.

As required by subsoil use law, the Group prioritises local procurement to assist diverse economic growth within Kazakhstan. In the East Region, local procurement was 66% of total spending (2019: 68%). The level of procurement from outside Kazakhstan at Aktogay and Bozshakol in 2020 was 87% and 71% respectively. These mines employ modern technology that is only possible to source internationally.

Covid-19

KAZ Minerals is committed to supporting local communities and national efforts to mitigate the effects of Covid-19.

In Kazakhstan, the Group provided 2.2 billion tenge (c.$5 million) as part of a programme to provide assistance to 470,000 families, support frontline healthcare workers and purchase personal protective equipment for vulnerable individuals. In addition, medical supplies were provided to local hospitals, and support was provided to renew local healthcare infrastructure.

In Chukotka, Russia, KAZ Minerals has donated medical supplies to the Anadyr hospital.

In Kyrgyzstan, support was provided to around 350 families living near the Bozymchak mine as well as 100 families in the capital city of Bishkek.

"We have always believed that the Company would not leave us to face a disaster without help. Many have now been left without work and the situation has not recovered yet. In these difficult days, as always, KAZ Minerals Bozymchak was the first to help. They are together with us in difficult times. Thank you for your help and support!" Aitova Kurban, resident of Kok-Tash village, Kyrgyzstan

Disaster relief: Turkestan community support

In early May 2020, severe flooding occurred in the Turkestan region of Kazakhstan. Around 32,000 people in fourteen villages were affected as a result of the flooding. KAZ Minerals supported the construction of new homes for the affected families.

Kanat Amandykuly, a resident of the Turkestan region, said "It was shocking for all of us, of course. But when we were told that we will not be left staying on the streets, we calmed down. We are very happy to receive the keys to our new home. We thank everyone who helped us".

EFFECTIVE RISK MANAGEMENT

The Group has an effective risk management process to mitigate exposure to risk, guide its strategy, improve operations and protect its stakeholders.

Risk management framework

The objective of the Group's risk management framework is to manage risk appropriately to support the strategic goals of the Group. It is designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, not absolute assurance.

The Board has overall responsibility for risk management and determines the Group's risk strategy, assesses and approves risk appetite and monitors risk exposure consistent with strategic priorities. The Board has ultimate responsibility for the effectiveness of internal control systems and is supported by other Committees which monitor risks specific to certain areas:

- The Audit Committee oversees the Group's risk management framework;
- The Health, Safety and Sustainability Committee reviews health, safety and sustainability risk management across the Group;
- The Remuneration Committee ensures that the remuneration structure does not encourage excessive risk taking by management;
- The Nomination Committee ensures that the composition of the Board and its Committees is appropriate to oversee risk management;
- The Projects Assurance Committee monitors risks relating to the delivery of the Group's major projects; and
- The Chief Executive Officer and Executive Committee implement the risk strategy determined by the Board.

The General Directors of each operation and functional leadership teams have overall responsibility for the identification and management of risk within their respective areas. The Executive Committee, led by the Chief Executive Officer, monitors the risks related to achieving strategic objectives and oversees operating plans and the implementation and maintenance of controls.

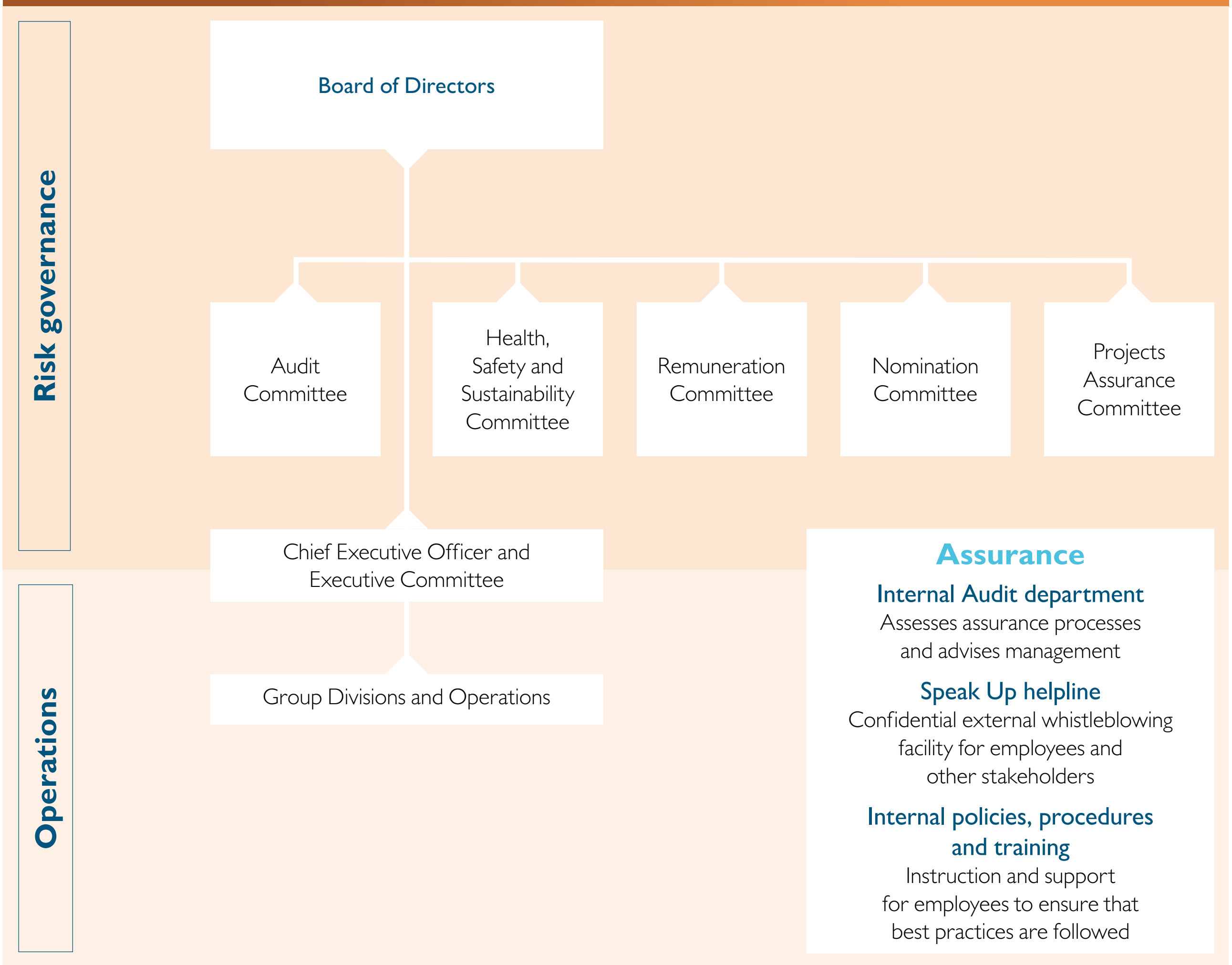
The Board has completed a robust assessment of the Group's principal risks. The Group Risk function provides guidelines, infrastructure and best practice to support risk identification, risk assessment and risk monitoring across the Group and helps to promote an appropriate risk culture. Management is also supported by the Group's Internal Audit function, which reviews the design and operating effectiveness of controls. Further details of the Group's approach to internal control are set out in the Governance framework report on page 97.

Identification of principal risks and emerging risks

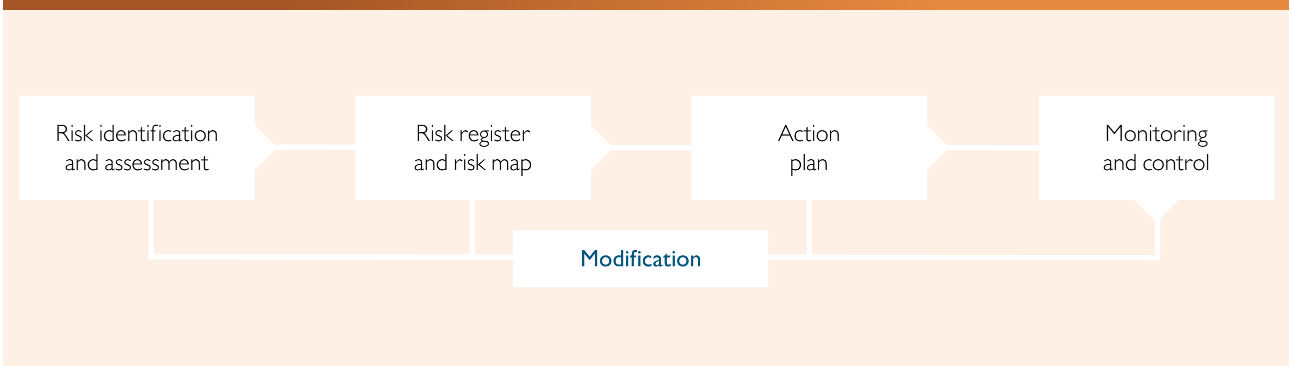
The Group's Risk function is responsible for the Group risk map through which principal risks are identified and assessed. Risks from across the Group's individual risk registers are aggregated, evaluated and prioritised according to the potential severity and likelihood of occurrence. The Board and Audit Committee review the Group's principal risks and any updates on developments, their outlook and the mitigating actions and controls in place. A description of our principal risks, including impact and mitigating actions, can be found on pages 76 to 81.

In addition to principal risks, the Group has developed a process for the identification and monitoring of emerging risks. These risks are defined as being at an early stage of identification and/or are likely to increase significantly in the future. The Group Risk function has established an emerging risk framework and risk register, which documents and assesses key emerging risks which have the potential to significantly impact the Group's strategy. The results of this assessment are reported to the Board on a biannual basis for review and challenge. The Board currently considers those emerging risks which are most significant to the Group to include: macroeconomic disruption in the form of potential global protectionism and trade tariffs; environmental and climate change including societal expectations around required standards and responsible investing; global pandemics and any impact to international trade or restrictions to the movement of goods and people and long-term political instability in the countries in which the Group operates. The Group's disclosures in response to the requirements of the Task Force on Climate-Related Financial Disclosures are on page 63.

RISK GOVERNANCE STRUCTURE



RISK IDENTIFICATION AND MANAGEMENT PROCESS



PRINCIPAL RISKS

The Group's principal risks are set out below, together with mitigating actions. These risks represent those considered material to the current Board's strategy, and this section does not consider risks which may arise as a result of the Recommended Offer by Nova Resources. There may be other risks, unknown or currently considered immaterial, which could become material, including in the event that the Recommended Offer becomes wholly unconditional. The risks set out below are not in order of likelihood of occurrence or materiality and should be viewed, as with any forward-looking statements in this document, with regard to the cautionary statement on page 204.

SUSTAINABILITY RISKS

Safety and health

Impact

Mining is a hazardous industry. Safety and health incidents could result in harm to people, as well as production disruption, financial loss and reputational damage.

The Group is in a period of construction activity, increasing potential safety and health exposures.

The ongoing Covid-19 pandemic presents a risk to the safety and health of our employees and contractors.

Mitigation

The Group's goal is for zero fatalities and to seek to minimise safety and health incidents. Policies and procedures are designed to identify and monitor risks and provide a clear framework for conducting business. This is supported by regular training and awareness campaigns for employees and contractors.

The Group has implemented comprehensive measures to protect its sites from the impact of Covid-19, including restricted access to sites, health screening and the reorganisation of shifts.

The HSS Committee reviews and monitors associated risks across the Group. Further details of the HSS function are set out in the Sustainability report.

Link to strategy

1 Delivering major growth projects

2 Optimisation of existing assets

4 Be a socially responsible operator

Risk change ⇔

The Group has seen a long-term reduction in fatalities but the goal of zero fatalities has not been achieved. No change.

Community and labour relations

Impact

The Group operates in areas where it is a major employer, where employees are represented by labour unions and where it may provide support to the local community. This may impose restrictions on the Group's flexibility in taking certain operating decisions. Failure to identify and manage the concerns and expectations of the labour force and local communities including indigenous peoples could affect the Group's reputation and social licence to operate and could result in production disruptions and increases in operating costs and could impact project capital costs and schedule. Wage negotiations could be impacted by higher commodity prices, higher domestic inflation or the continued weakness of the tenge.

Mitigation

The Group engages with community representatives, unions and employees and aims to address concerns raised by different stakeholders. Through responsible behaviour, acting transparently, promoting dialogue and fulfilling its commitments, the Group minimises potentially negative impacts. Aktogay and Bozshakol are in remote locations where the community relations risk is reduced.

The Group has a maturing asset base in the East Region of Kazakhstan and seeks to manage any reduction in workforce responsibly.

In Chukotka, the Group has held meetings with community representatives and conducted a number of public hearings to understand local issues.

Further details of the Group's social programme are set out in the Sustainability report.

Link to strategy

1 Delivering major growth projects

2 Optimisation of existing assets

4 Be a socially responsible operator

Risk change ⇔

No change. The development of the Baimskaya copper project will put the Group in contact with communities of indigenous peoples, which could affect the project delivery.

Employees

Impact

The Group is dependent on its ability to attract and retain highly skilled personnel. Failure to do so could have a negative impact on operations or the successful implementation of growth projects and result in higher operating costs to recruit required staff. The remote location of some operations increases this challenge.

The Group has entered a period of increased recruitment to staff the operational phase of the Aktogay expansion project, and relating to the potential development of Baimskaya.

Mitigation

The Group actively monitors the labour market to remain competitive in the hiring of staff and provides remuneration structures and development opportunities to attract and retain key employees. Key positions are identified at all locations, and training and succession plans developed. A leadership development programme is in place to provide a talent pipeline of national workers for key positions and aid retention.

International workers with appropriate expertise assist during the initial phase of operations.

Link to strategy

1 Delivering major growth projects

2 Optimisation of existing assets

4 Be a socially responsible operator

Risk change

No change. The Group continues to recruit for the Aktogay expansion project.

Environmental

Impact

Mining operations involve the use of toxic substances and require the storage of large volumes of waste materials in tailings dams, which could result in spillages, loss of life and significant environmental damage. The Group is subject to environmental laws and regulations which are continually developing, including those to tackle climate change. Failure to comply with applicable laws could lead to the suspension of operating licences, the imposition of financial penalties or costly compliance costs and reputational damage.

Environmental practices face additional scrutiny as societal expectations around responsible investing evolve. This could impact the Group's operations or access to capital.

Mitigation

Policies and procedures are in place to set out required operating standards and to monitor environmental impacts. The Group liaises with relevant governmental bodies on environmental matters, including legislation changes.

During 2020, the Group discontinued the use of the above-ground Nikolayevsky tailings dam in the East Region, transitioning to in-pit storage. In-pit deposition is considered best practice for long-term management of tailings due to the greater inherent physical stability of a pit compared to above-ground storage.

The commissioning of the Aktogay expansion project and the development of Baimskaya will reduce the Group's CO_2 emissions intensity.

Further details are set out in the Sustainability report.

Link to strategy

1 Delivering major growth projects

2 Optimisation of existing assets

4 Be a socially responsible operator

Risk change

No change.

OPERATIONAL RISKS

Business interruption*

Impact

Operations are subject to a number of risks not wholly within the Group's control, including: geological and technological challenges; weather, pandemic disease or other natural phenomena; damage to or failure of equipment and infrastructure; information technology and cyber risks; loss or interruption to key inputs such as electricity and water; and the availability of key supplies and services, including the Balkhash smelter.

Any disruption could impact production, may require the Group to incur unplanned expenditure and negatively impact cash flows.

Mitigation

In-house and third-party specialists are used to identify and manage operational risks and to recommend improvements. Equipment and facilities are maintained appropriately and regularly inspected. Property damage and business interruption insurance programmes provide some protection from major incidents.

During 2020, the Group implemented a range of preventative measures to minimise the risk of adverse impact to the Group's operations from Covid-19.

Should a significant outage occur at the Balkhash smelter the Group believes it could sell concentrate directly to other customers.

Link to strategy

1 Delivering major growth projects

2 Optimisation of existing assets

Risk change

No change. The measures implemented in respect of Covid-19 have protected the Group's staff and contractors and enabled the operations to meet or exceed the 2020 production guidance.

New projects and commissioning*

Impact

Projects may fail to achieve the desired economic returns due to an inability to recover mineral resources, design or construction deficiencies, a failure to achieve expected operating parameters or because of capital or operating costs being higher than expected. Failure to manage new projects effectively or a lack of available financing may prevent or delay completion of projects.

There are various project risks associated with the successful development of the Baimskaya copper project, including its remote location, the delivery of government support for infrastructure, obtaining certain tax incentives, dependency on key personnel and the local weather conditions.

During 2020, it was agreed with the Russian Government that the Group would fund a portion of the capital costs for infrastructure required to deliver Baimskaya which has resulted in an increase to the project budget.

Mitigation

New projects are subject to rigorous assessment prior to approval including feasibility or technical studies and capital appraisal. Specialists are utilised throughout the life cycle of projects. Project management and capital expenditure planning and monitoring procedures are in place to review performance against milestones and budgets. This includes the Projects Assurance Committee which reports to the Board.

In respect of the Baimskaya copper project, a full Bankable Feasibility Study is being completed to determine the detailed design of the mine and the associated capital cost.

Further details of the major growth projects are included in the Operating review.

Link to strategy

1 Delivering major growth projects

3 Take advantage of natural resource opportunities

Risk change

Whilst Baimskaya has the potential to generate value in the long term, the risks surrounding the project have increased following a higher capital estimate, the potential need for the Group to make material capital commitments ahead of definitive commitments from the Russian Government in respect of infrastructure and an increase in MET rates for the project.

Reserves and resources

Impact

The Group's mineral reserves are in part based on an estimation method established by the former Soviet Union. There are numerous uncertainties inherent in estimating mineral reserves, which if changed, could require the need to restate mineral reserves and impact the economic viability of affected operations and development projects.

Mitigation

The Group's mineral reserves and mineral resources are published annually in accordance with the criteria of the KAZRC and JORC Codes and reviewed by a Competent Person. This includes mine site visits where considered appropriate and the conversion from the former Soviet Union estimation to that prescribed by the JORC Code. Drilling and exploration programmes are conducted to enhance the understanding of geological information.

Link to strategy

1 Delivering major growth projects

2 Optimisation of existing assets

3 Take advantage of natural resource opportunities

Risk change ⇔

No change.

Political

Impact

The Group could be affected by political instability or social and economic changes in the countries in which it operates. This could include a change in government, the granting and renewal of permits and changes to foreign trade or legislation that could affect the business environment and negatively impact the Group's business, financial performance and licence to operate.

Operations at Bozymchak were suspended temporarily in the fourth quarter of 2020 following a period of political instability in Kyrgyzstan. In January 2021, the new President of Kyrgyzstan signed a decree of reform for the mining industry including restrictions on foreign ownership of future projects.

Further international sanctions on Russia could impact the development of Baimskaya, as well as the supply of certain goods and services to the Group's existing operations.

Mitigation

A proactive dialogue is maintained with KAZ Minerals' host governments and key stakeholders across a range of issues. Developments are monitored closely and lobbying is conducted where appropriate.

Kazakhstan remains one of the most politically stable and economically developed countries in Central Asia.

In January 2020, Dmitry Medvedev resigned as Prime Minister of the Russian Federation and was replaced by Mikhail Mishustin. The Russian Government remains supportive of the Baimskaya project and in November 2020 the Ministry for the Development of the Russian Far East and Arctic submitted a multi-party Complex Development Plan for approval by the Prime Minister.

The Baimskaya acquisition was structured with Deferred Consideration to incentivise the Vendor, as a local partner, to assist in the delivery of the project.

Link to strategy

1 Delivering major growth projects

2 Optimisation of existing assets

3 Take advantage of natural resource opportunities

Risk change ↑

This risk is assessed to have increased as governments may seek a greater share of resources, with the impact of the Covid-19 pandemic adversely affecting government finances. In Kazakhstan, there have been discussions within the Government regarding potential increases in the tax burden, including for mining companies.

Legal and regulatory compliance

Impact

The Group is subject to various legal and regulatory requirements across all of its jurisdictions including subsoil usage rights in Kazakhstan, Kyrgyzstan and Russia and UK governance rules including related party transactions and anti-bribery and corruption. Legislation and taxation may be subject to change and uncertainty of interpretation, application and enforcement. Non-compliance with legislation could result in regulatory challenges, fines, litigation and ultimately the loss of operating licences. Substantial payments of tax could arise for the Group, or tax receivable balances may not be recovered as expected.

Mitigation

Management engages with the relevant regulatory authorities and seeks appropriate advice to ensure compliance with all relevant legislation and subsoil use contracts. A specialist department is tasked with monitoring compliance with the terms of subsoil use contracts in Kazakhstan. Management works closely with the tax authorities in the review of proposed amendments to legislation. Further details of the Group's tax strategy and risk management are set out in the Financial review. Appropriate monitoring and disclosure procedures are in place for related party transactions. Social investments are made in accordance with a Board approved policy and are overseen by the Group's Social Investment Committee. The Group's corporate policies are applied in Russia where a dedicated team is managing legal and regulatory compliance.

Link to strategy

1 Delivering major growth projects

2 Optimisation of existing assets

3 Take advantage of natural resource opportunities

Risk change ⇔

No change.

FINANCIAL RISKS

Commodity price*

Impact

The Group's results are heavily dependent on the commodity price for copper and to a lesser extent, the prices of gold, silver and zinc. Commodity prices can fluctuate significantly and are dependent on several factors, including global supply and demand and investor sentiment.

In the first half of 2020, the copper price was adversely affected by the economic impact of the Covid-19 pandemic. The copper price increased significantly during the second half of 2020, following the reporting of positive economic data in China and the roll-out of stimulus packages by governments worldwide.

China is the largest consumer of copper globally, and a reduction in China's economic growth, for example as a result of another outbreak of Covid-19 or worsening trade relations with the USA, could have a material adverse impact on the copper price.

Mitigation

The Group regularly reviews its sensitivity to fluctuations in commodity prices. The Group is not currently and does not normally hedge commodity prices but may enter into a hedge programme where the Board determines it is appropriate to provide greater certainty over future cash flows.

A sensitivity analysis to movements in commodity prices is included in the Market Overview.

Link to strategy

1 Delivering major growth projects

2 Optimisation of existing assets

3 Take advantage of natural resource opportunities

Risk change

Given recent price volatility, commodity prices continue to be a principal risk driver

Foreign exchange and inflation*

Impact

Fluctuations in rates of exchange or inflation in the jurisdictions to which the Group is exposed could result in future increased costs.

As the functional currency of the Group's operating entities is their local currency, fluctuations in exchange rates can give rise to exchange gains and losses in the income statement and volatility in the level of net assets recorded on the Group's balance sheet.

Mitigation

Where possible the Group conducts its business and maintains its financial assets and liabilities 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 32 to the financial statements.

Link to strategy

2 Optimisation of existing assets

Risk change

No change.

Exposure to China

Impact

Sales are made to a limited number of customers in China, particularly in respect of copper concentrate output. Treatment and refining charges are dependent upon Chinese smelting capacity and the level of copper concentrate supply in the region.

China is an important source of financing to the Group with long-term debt facilities of $2.1 billion at 31 December 2020. In addition, the Group uses contractors, services and materials from China.

Whilst the Chinese economy has rebounded strongly from the initial negative impact of the Covid-19 pandemic, any future restrictions on the movement of goods, people and services could impact the Group's operations and projects, the availability of Chinese credit and its demand for commodities.

Mitigation

Aktogay and Bozshakol produce a copper concentrate that is attractive to Chinese smelters, being 'clean' and high in sulphur content. The Group has established good relationships with strategic customers in China.

The Group maintains relationships with a number of international lending banks, has facilities in place with the PXF syndicate, DBK and CAT Financial, and has the flexibility to consider other sources of capital if required.

Link to strategy

1 Delivering major growth projects

2 Optimisation of existing assets

3 Take advantage of natural resource opportunities

Risk change

This risk is assessed to have decreased compared with the prior year, as the outlook for the Chinese economy has improved following the initial impact of the Covid-19 pandemic.

Acquisitions and divestments

Impact	Mitigation	Link to strategy
The Group may acquire or dispose of assets and businesses which fail to achieve the expected benefit or value to the Group. Changing market conditions, incorrect assumptions or deficiencies in due diligence could result in the wrong decisions being made and in acquisitions or disposals failing to deliver expected benefits. 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, which could give rise to liabilities for KAZ Minerals. Nova Resources and the Independent Committee of KAZ Minerals have announced the terms of the Recommended Offer.	A rigorous assessment process is undertaken to assess all potential acquisitions and divestments by specialist staff, supported by external advisers where appropriate. Due diligence processes are undertaken and material transactions are subject to Board review and approval, including ensuring a transaction is aligned with the Group's strategy, consideration of the key assumptions being applied and the risks identified. In respect of the Recommended Offer, members of the Board who are independent of it have formed the Independent Committee, which is being advised by Linklaters, Citigroup and UBS. The Independent Committee has full access to management and information relating to the Group and its ongoing performance.	2 Optimisation of existing assets 3 Take advantage of natural resource opportunities **Risk change** This risk is assessed to have increased as a result of the Recommended Offer for the Group.

Liquidity

Impact	Mitigation	Link to strategy
The Group is exposed to liquidity risk if it is unable to meet payment obligations as they fall due or is unable to access acceptable sources of finance. Non-compliance with financial covenants could result in borrowing facilities becoming uncommitted and repayable. Baimskaya is a large-scale project, the development of which will require additional financing which will increase the debt levels of the Group. Failure to manage liquidity risk could have a material impact on the Group's cash flows, earnings and financial position.	Forecast cash flows are closely monitored and the financing strategy is set by the Board. At 31 December 2020, the Group has significant available liquidity of $1.3 billion. The Group's existing operations are highly cash generative. The Group has a successful track record of raising finance for major projects. In respect of Baimskaya, in parallel with the feasibility study, the Group is continuing discussions with banks on financing the construction phase and is evaluating the potential for partnering. Further details regarding going concern and viability are included in note 2(a) to the financial statements and pages 82 to 83 respectively.	1 Delivering major growth projects 2 Optimisation of existing assets 3 Take advantage of natural resource opportunities **Risk change** In the near term liquidity risk is considered to have reduced following an increase in the outlook for copper prices in the short and medium term. However, in the longer term the development of Baimskaya will require additional financing which will increase the debt levels of the Group.

* Represents those principal risks considered as specific downside cases as part of the viability assessment on pages 82 to 83.

VIABILITY STATEMENT

The assessment of the Group's prospects is based upon the Group's strategy taking into consideration its principal risks. The Group develops and operates large scale, low cost copper mines and therefore the market for copper is a key factor in assessing the Group's longer-term prospects. Further information in respect of the market and outlook for copper and the Group's products is included in the market overview on pages 22 to 23. The Group benefits from strategic advantages and is amongst the lowest operating cost copper producers in the world. Details of the Group's business model and strategy are set out on pages 12 to 13 and 32 to 33.

In accordance with the UK Corporate Governance Code, the Board has assessed the Group's prospects and longer-term viability and has selected a period of three years, to 31 December 2023, for this assessment. This period is considered appropriate as:

- The Group's results are heavily dependent on the commodity price for copper which can fluctuate significantly and be impacted by global macroeconomic developments. Market volatility may be enhanced as a result of the ongoing Covid-19 pandemic. Copper prices are therefore difficult to forecast for an extended period;
- Exchange and inflation rates in jurisdictions in which the Group operates are important drivers of its operating costs and are difficult to forecast beyond three years;
- The Group's existing debt facilities are amortising during the viability period, with scheduled repayments of $1.7 billion; and
- The Group continues to assess the capital development, partnering and financing options for the construction of Baimskaya, the outcome of which will significantly affect the Group's capital expenditure and financing.

This viability statement should be read in conjunction with the going concern disclosure as set out on pages 142 to 143.

Assessment of prospects

In assessing the Group's prospects, the Board has considered the current position of the Group taking into account: available liquidity of $1.3 billion at 31 December 2020; the cost competitiveness of its operations; the potential impact of the ongoing Covid-19 pandemic on the Group's performance, considering preventative measures implemented to date; and future capital requirements including the Aktogay expansion and the completion of the Bankable Feasibility Study and pioneer works at the Baimskaya copper project. Further material expenditure in respect of the development of Baimskaya is subject to Board approval and will require the arrangement of appropriate financing. As a result, no capital commitments associated with the Baimskaya copper project development have been incorporated into the viability assessment.

The viability assessment does not take into account any effects of a change in ownership or strategy resulting from the Recommended Offer. See note 36 to the financial statements.

The Group's operations are located in the CIS and its sales are made to customers outside of the UK and EU, therefore Brexit is not expected to have a material impact on the Group's viability.

The Board has considered all of the principal risks set out on pages 76 to 81 but has focused on those principal risks which alone or in conjunction could have a material impact on production, profitability, cash flows and liquidity over the assessment period:

Commodity prices: the Group's financial outlook is sensitive to commodity prices. A sustained low commodity price environment below market consensus would negatively impact the Group's profitability and cash flow.

Business interruption: the Group's operations may fail to maintain operating output as planned, including, but not limited to, as a result of the potential impact of an outbreak of Covid-19 at one or more of its sites which could result in a temporary reduction in, or suspension of, production.

New projects and commissioning: new projects may not achieve planned commissioning dates or could be subject to additional project costs.

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: for borrowing facilities to remain committed, the Group is required to comply with various obligations, including compliance with financial covenants. A faster than expected increase in US dollar interest rates would impact the Group's financial outlook. The Group will also need to enter into new financing arrangements to develop the Baimskaya copper project.

The Board has a reasonable expectation that there would not be an unforeseen event, outside of the Group's control, during the viability assessment period which would significantly restrict production or export of material from the Group's operations for a sustained period. Such events could include a natural phenomenon, restrictions on cross-border traffic arising from pandemic, a significant political or legislative change, a regulatory challenge or major civil disorder.

Process to assess the Group's prospects

The Board has performed its viability assessment based on the Group's Treasury forecast, which it reviews regularly. The forecast is prepared with input from the annual budgeting process, individual project plans and life of mine plans, which reflect the expected production profile and cost of operations over their economic lives.

The Board has considered the key assumptions made in the viability statement and is satisfied that they are appropriate. These include assumptions based on externally sourced views on commodity pricing, exchange, inflation and interest rates, as well as an internal assessment of future production levels and project commissioning dates. Commodity price assumptions have been set with reference to market consensus estimates.

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

- A sustained low commodity price environment below market consensus throughout the viability period;
- A sustained low commodity price environment with lower than expected production from the Aktogay and Bozshakol operations, arising as a result of Covid-19 or otherwise, including a delay to the expected commissioning of the Aktogay expansion; and
- A sustained low commodity price environment and lower than expected production combined with an increase in Group operating costs due to adverse exchange rates and higher cost inflation.

Reverse stress testing was additionally performed, in particular the sensitivity of the forecasts to downward movements in the copper price. This indicated that no reasonably possible negative movement in the copper price would lead to non-compliance with financial covenants.

The Board has considered the Group's current existing debt facilities, the significant level of debt amortisation during the viability period of $1.7 billion and the likely changes to debt and financing facilities required to deliver the Group's strategy, including the development of the Aktogay expansion project and the Bankable Feasibility Study of the Baimskaya copper project.

Confirmation of longer-term viability

In the base case and all assessed severe downside scenarios the Group is forecast to have adequate liquidity and be in compliance with all covenants in its facilities throughout the viability period. Taking this into account, and following an assessment of the principal risks, the Board believes there is a reasonable expectation that the Group will be able to continue in operation and continue to meet its liabilities as they fall due throughout the period to 31 December 2023.

PROGRESSING OUR STRATEGIC GOALS WITH GOOD GOVERNANCE

"The culture of the business is set by our long-established corporate values"

Dear shareholder,

This 2020 Directors' report has been prepared in accordance with the July 2018 edition of the UK Corporate Governance Code ('the Code') which applied throughout the 2020 financial year. The Company complied fully with the provisions of the Code during the 2020 financial year, other than provision 9 which applies to the appointment of a chief executive as chair of the same company, more detail on which can be found in the Nomination Committee section on page 106. The Governance framework report on pages 88 to 98 sets out the ways in which the Company has applied the principles and complied with the provisions of the Code and describes the activities of the Board and its Committees and the matters which they have considered during the financial year.

The Board has continued to focus on ensuring that the Group's processes are compliant with the Code and it continues to keep under review the incorporation of emerging best practice processes in our global operations. Our Section 172 statement can be found at page 15 in the Strategic report.

Purpose, values and strategy

Our purpose is focused on the sustainable future that can be achieved through the supply of copper, to support the global transition to a green economy, which is strongly linked to our strategy of growth in copper, to ensure the sustainability of our business for the future.

It has been an extraordinary year with the global Covid-19 pandemic and I am pleased that we have seen the benefit of our established corporate values amongst our workforce. The corporate values by which we operate are safety, long-term efficiency, teamwork, professional development and integrity and it is in large part due to these values, that the business has remained robust and a safe place to work, despite the difficult external climate. For more information on our response to the Covid-19 pandemic, please see Sustainability on pages 54 to 73.

Recommended Offer

On 4 February 2021, the board of Nova Resources and the Independent Committee of KAZ Minerals PLC announced the terms of the Recommended Offer, full details of which can be found on our website at www.kazminerals.com.

As Nova Resources is ultimately owned by KAZ Minerals Directors Oleg Novachuk and Vladimir Kim, we needed to ensure that strong governance processes were put in place to consider the proposals on behalf of the Company and our independent shareholders. When Nova Resources first approached the Company in the second half of 2020, all of the Directors who were independent of the Consortium immediately formed an Independent Committee and I was asked to chair it. The Independent Committee appointed Linklaters as its legal advisor and Citigroup and UBS as our joint financial and corporate broking advisors so that we could properly evaluate Nova Resources' proposals and to ensure that all decisions were made with independent advice, in accordance with all applicable regulations and good governance.

We met frequently and assessed various valuation metrics for the Company and examined a full range of strategic options as possible alternatives to the Consortium's proposals. In assessing their proposals, we took account of both the long-term potential value of KAZ Minerals' operations and assets and the risks inherent in achieving this value. Following receipt of an increased offer from Nova Resources of 780 pence per KAZ Minerals share early this year, the members of the Independent Committee carefully considered this proposal and having been advised by Citigroup and UBS as to the financial terms of the Recommended Offer, unanimously recommended it to our shareholders.

Culture

The culture of the business is set by our long-established corporate values, which are embedded by training, reward and our engagement with our staff. We use a number of mechanisms to monitor our culture, which include our internal audit processes, safety and health reports, the Speak Up facility and site visits by the independent Directors, together with other feedback mechanisms which provide important input to the Board on the culture of the Group. We believe that our values are clearly reflected in our culture.

KAZ Minerals is committed to diversity and equality in the workplace. We aim to recruit and develop the best talent for the role on merit, both in the general workforce and at Board level and are proud to have one of the highest levels of female representation in our workforce amongst our mining peers. As Designated Non-Executive Director for the workforce, I conducted virtual meetings with a group of our female site-based staff and there is more information on this in the Governance framework report.

Committee framework

KAZ Minerals' corporate governance framework is in place to support the Board in delivering long-term, sustainable growth for stakeholders in a transparent and ethical manner. The five Board Committees are Audit; Health, Safety and Sustainability; Remuneration; Nomination and Projects Assurance. Each deals with specific aspects of the Group's affairs and has an important role in internal control and risk management within the Group. Further information on the Group's Board Committees and the activities they have undertaken during the year, is set out in their respective sections of the Governance framework report which follows.

Stakeholder engagement

As a Board, we engage with our stakeholders throughout the year so that we gain their valuable insights and this engagement enables us to work together effectively in the achievement of our corporate purpose, remaining mindful of our duties towards them under section 172 of the Companies Act 2006. The successful execution of our growth strategy will create value and long-term sustainable success for our stakeholders. Further information is set out in the pages that follow and in the Strategic report pages 14 to 17 and pages 54 to 73 of Sustainability.

We are holding our Annual General Meeting on Thursday 29 April 2021 in London. Details are set out in the Notice of Annual General Meeting and any necessary updates to that information will be communicated as required, due to the current uncertainty of the Covid-19 pandemic situation.

Michael Lynch-Bell
Deputy Chair and Senior Independent Director

BOARD COMMITTEE MEMBERSHIP

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

	Audit Committee	Health, Safety and Sustainability Committee	Nomination Committee	Remuneration Committee	Projects Assurance Committee
Oleg Novachuk					
Andrew Southam					
Lynda Armstrong		○	○	●	○
Alison Baker	●		○		
Vladimir Kim					
Michael Lynch-Bell	○	○	●	○	
John MacKenzie	○	○			●
Charles Watson	○	●		○	○

● Chair of Committee ○ Member of Committee

EFFECTIVE GOVERNANCE

Oleg Novachuk
Chair

Appointed to the Board: 2005

Contribution to the Company:
Oleg was one of the key members of management who, as Finance Director, Listed the Group in 2005 before his appointment as Chief Executive Officer in 2007 and Chair in 2018. As Chair, he has responsibility for strategy, government relations and business development. Oleg is uniquely qualified for his role due to his operational knowledge, project development expertise and relationships with industrial, financial and political leaders in both Kazakhstan and Russia. Since the creation of KAZ Minerals in 2014, in which Oleg played an instrumental role, KAZ Minerals has successfully developed two new world class copper mines, resulting in one of the highest growth rates in the industry and positioning the Group in the first quartile of the global cost curve. Oleg is leading the strategic development of the Baimskaya copper project.

Experience:
Before joining the Group in 2001, Oleg was chairman of Kazprombank JSC.

Andrew Southam
Chief Executive Officer

Appointed to the Board: 2014

Contribution to the Company:
Having fifteen years of experience at KAZ Minerals, Andrew brings a deep understanding of the business, its culture and its stakeholders. As Chief Executive Officer, Andrew is responsible to the Board for the executive management of the Group, including leadership of the Executive Committee and implementation of the Group's strategy. Andrew was, together with Oleg Novachuk, one of the architects of the Restructuring and formation of KAZ Minerals in 2014. As Chief Financial Officer and more recently as Chief Executive Officer, Andrew has played a key role in the delivery of the Group's growth strategy which has resulted in production rising from 85 kt in 2015 to over 300 kt in 2020 and amongst the lowest production costs globally.

Experience:
Andrew joined the Company in 2006 and has held a number of senior positions including Chief Financial Officer from 2013 to 2017 and was appointed Chief Executive Officer at the start of 2018. Andrew is a chartered accountant who began his career at Deloitte in London, where he provided audit and transaction services to many UK listed companies. Prior to joining the Company, Andrew worked in corporate development at GlaxoSmithKline plc.

Michael Lynch-Bell
Deputy Chair and Senior Independent Non-executive Director

Appointed to the Board: 2013

Contribution to the Company:
Michael's mining and other natural resources sector expertise, including in capital markets in the geographies in which we operate, gives him a clear insight into our operations and strategy. He has successfully led on Board governance for the past two years as Deputy Chair and formerly as the Senior Independent Director and he currently chairs the Independent Committee considering the Recommended Offer for the Company.

Experience:
During his 38 year career with Ernst & Young working with companies in the oil and gas industry and mining and metals industry, Michael played a key role in establishing Ernst & Young's practice in Kazakhstan and advised a number of major CIS companies on transactions including in Russia. 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.

Other appointments:
Michael is currently a non-executive director of Lenta, a Russian hypermarket chain, Barloworld Limited, Gem Diamonds Limited and Little Green Pharma Limited. He is also a member of the United Nations Expert Group on Resource Management. Michael was previously trustee and treasurer of ActionAid International.

Lynda Armstrong OBE
Independent Non-executive Director

Appointed to the Board: 2013

Contribution to the Company:
Lynda's career in the extractives industry in operational, business development and human resources roles, together with her expertise in safety and health, provide valuable insight and guidance to the Group in its operations and projects and in its initiatives to improve safety and health performance.

Experience:
A geophysicist by training, Lynda had more than 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. She was previously chair of the trustees of the British Safety Council.

Other appointments:
Non-executive director of Ørsted A/S (formerly DONG Energy A/S), chair of the Engineering Construction Industry Training Board and president of Shell Pensioners' Association.

John MacKenzie
Independent Non-executive Director

Appointed to the Board: 2015

Contribution to the Company:
John's senior executive roles in the metals and mining sector and in particular copper, give him direct experience of financing, developing and operating copper assets and enable him to make valuable contributions on projects, operations, exploration, project financing, sustainable development and safety and health.

Experience:
John has around 30 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 founded Mantos Copper in 2015.

Other appointments:
Executive chairman of Mantos Copper, a director of Mantoverde S.A. and chief executive officer of mining at Audley Capital Advisors LLP.

Charles Watson
Independent Non-executive Director

Appointed to the Board: 2011

Contribution to the Company:
Charles' expertise in major project delivery and past senior management roles encompassing both Kazakhstan and Russia, coupled with his passion in the continued improvement in safety, health and sustainability, contributes significant value to the Board.

Experience:
During his 29 years at Shell, Charles 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. He was previously non-executive director of JSOC Bashneft.

Alison Baker
Independent Non-executive Director

Appointed to the Board: 2017

Contribution to the Company:
Alison has extensive capital markets and emerging markets experience, including in the energy and mining sectors in Kazakhstan and Russia. She has recent and relevant financial experience and has chaired the Audit Committee since 2018.

Experience:
Having 25 years' experience in the provision of audit, capital markets and advisory services, Alison previously led the UK and EMEA Oil & Gas practice at PricewaterhouseCoopers and prior to that the UK Energy, Utilities and Mining Assurance practice at Ernst & Young.

Other appointments:
Non-executive director of Helios Towers plc, Rockhopper Exploration plc and Endeavour Mining Corporation.

Vladimir Kim
Non-executive Director

Appointed to the Board: 2004

Contribution to the Company:
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.

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 Chair of KAZ Minerals in 2005 prior to its listing on the London Stock Exchange. Vladimir stepped down as Chair in 2013 but remains on the Board as a non-executive Director.

Other appointments:

- A Audit Committee
- H Health, Safety and Sustainability Committee
- R Remuneration Committee
- P Projects Assurance Committee
- N Nomination Committee
- Chair

GOVERNANCE FRAMEWORK

Corporate Governance Statement 2020

Code compliance

This section has been prepared in accordance with the July 2018 edition of the UK Corporate Governance Code, which applies to the Company's Annual Report and Accounts for the year ended 31 December 2020 and is available from the Financial Reporting Council at www.frc.org.uk. It is the Board's view that for the year ended 31 December 2020, the Company complied with all the principles and provisions set out in the Code apart from provision 9, which applies to the appointment of a former chief executive as chair of the same company, which is explained in more detail in the Nomination Committee section on page 106.

Application of Code Principles

This statement outlines the processes the Company has undertaken throughout the year to apply the Code and demonstrates compliance with each principle. Further information is provided within this Governance framework section of this Annual Report.

BOARD LEADERSHIP AND COMPANY PURPOSE

Principle	Read more	Pages
Principle A: A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	Business model Stakeholder engagement Operating review Sustainability Board biographies Governance framework Division of roles and responsibilities	12 to 13 14 to 17 37 to 44 54 to 73 86 to 87 88 to 98 91
Principle B: The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	Chair's statement Our strategy Governance framework Division of roles and responsibilities Remuneration report	4 to 5 32 to 33 88 to 98 91 111 to 123
Principle C: The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	Business model Stakeholder engagement KPIs Risk management Risk management and internal control Audit Committee report	12 to 13 14 to 17 34 to 36 74 to 81 97 99 to 103
Principle D: In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	Stakeholder engagement Sustainability Governance framework	14 to 17 54 to 73 88 to 98
Principle E: The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	Stakeholder engagement Sustainability Governance framework Remuneration report	14 to 17 54 to 73 88 to 98 111 to 123

DIVISION OF RESPONSIBILITIES

Principle	Read more	Pages
Principle F: The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	Chair's statement Governance framework Division of roles and responsibilities	4 to 5 88 to 98 91
Principle G: The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	Board biographies Governance framework Division of roles and responsibilities	86 to 87 88 to 98 91
Principle H: Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	Board biographies Governance framework Division of roles and responsibilities	86 to 87 88 to 98 91
Principle I: The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	Governance framework Division of roles and responsibilities	88 to 98 91

COMPOSITION, SUCCESSION AND EVALUATION

Principle	Read more	Pages
Principle J: Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	Governance framework Nomination Committee report	88 to 98 106 to 108
Principle K: The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	Board biographies Governance framework Nomination Committee report	86 to 87 88 to 98 106 to 108
Principle L: Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	Governance framework Nomination Committee report	88 to 98 106 to 108

AUDIT, RISK AND INTERNAL CONTROL

Principle	Read more	Pages
Principle M: The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	Governance framework Risk management and internal control Audit Committee report	88 to 98 97 99 to 103
Principle N: The board should present a fair, balanced and understandable assessment of the company's position and prospects.	Operating review Financial review Viability statement Risk management and internal control Audit Committee report Financial statements	37 to 44 45 to 53 82 to 83 97 99 to 103 138 to 188
Principle O: The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	Risk management Viability statement Risk management and internal control Audit Committee report	74 to 81 82 to 83 97 99 to 103

REMUNERATION

Principle	Read more	Pages
Principle P: Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.	Our strategy Remuneration report	32 to 33 111 to 123
Principle Q: A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	Remuneration report	111 to 123
Principle R: Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Remuneration report	111 to 123

Leadership

The role of the Board

The Board is accountable to shareholders for managing the Company in a way which promotes its long-term sustainable success. It ensures that there is a complementary balance in strategy between promoting long-term growth and delivering short-term objectives, with due regard to risk.

The Board is primarily responsible for the Company's purpose, values, strategic direction and leadership, evaluating and managing risk and ensuring internal controls are in place. Its overriding duties are to run the Company as stewards for the Company's stakeholders, with good governance, strong values and a safety-driven and ethical culture.

There is a formal schedule of matters specifically reserved for the Board's decision which is reviewed regularly, a summary of which is set out below. These matters are significant to the Group as a whole because of their potential strategic, financial and reputational implications and impact on stakeholders. The Board discharges some of its responsibilities directly and others through its Committees and through management. The Board currently has five Committees to deal with specific aspects of the Group's affairs. The Chair of each Committee provides 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.

Matters reserved for the Board

Key matters reserved for the Board include the approval of:

- the Group's strategy and business plans;
- material restructurings or reorganisations, including major acquisitions, mergers and disposals and changes to the Group's capital structure;
- major Group financing, major capital expenditure and projects;
- the annual production plan and financial budget;
- the Company's dividend;
- Group-wide policies and updates as necessary including Health, Safety and Sustainability policies, Anti-Bribery and Corruption Code, Share Dealing Rules and corporate governance arrangements;
- the framework for the management of the Group's principal risks;
- the appointment and removal of Directors or the Company Secretary;
- the annual performance evaluation of the Board, its Committees and individual Directors;
- annual and half-yearly reports, circulars and other shareholder documents and the principal regulatory filings with stock exchanges;
- consideration of any significant contracts outside the ordinary course of business, in which a related party is interested; and
- the appointment or removal of the Company's external auditor and key corporate advisors.

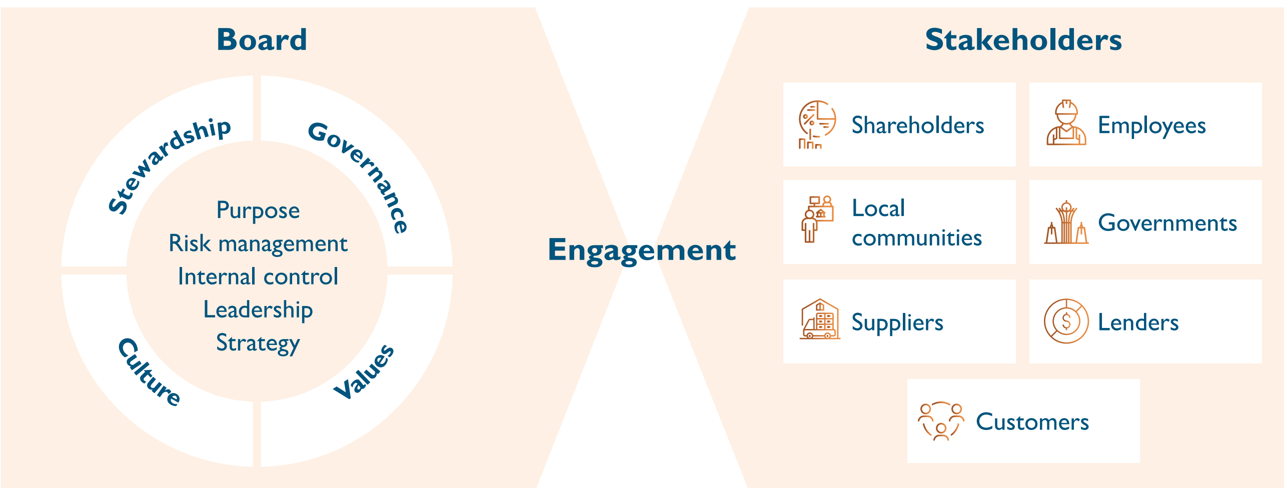
The full schedule of matters reserved for the Board is available on the Company's website (www.kazminerals.com).

Effectiveness

Composition of the Board

The Board is currently comprised of the Chair, Chief Executive Officer, and six non-executive Directors (including the Deputy Chair). 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 86 and 87.

The Board carries out a review of the independence of its non-executive Directors on an annual basis and is satisfied that, other than Vladimir Kim, each of its non-executive Directors is independent in character and judgement. In reaching its determination of independence, the Board (excluding the Consortium) has concluded that each of Lynda Armstrong, Alison Baker, Michael Lynch-Bell, John MacKenzie and Charles Watson provides objective challenge to management. None of them has any business or other interests which are likely to, or could appear to, affect their judgement in their capacity as Director of the Company. Despite having been on the Board for nine years, Charles Watson continues to display an independent mindset, and following a rigorous review, the Board continues to consider him to be independent for the purposes of Provision 10 of the Code. The Board has reached this view as Charles Watson continues to provide robust challenge to management, especially on safety and project development matters and therefore, in accordance with the Company's policy, over half the Board excluding the Chair is comprised of independent non-executive Directors.



ROLES AND RESPONSIBILITIES

Division of responsibilities

There is a clear division of responsibilities between the Chair, Chief Executive Officer and Deputy Chair. These roles and those of the other Directors are clearly defined so that no single individual has unrestricted powers of decision.

A summary is set out below:

Chair

Oleg Novachuk

The key roles and responsibilities include:
- leadership of the Board;
- developing appropriate Group objectives, plans, policies and strategies with delegated authority from the Board and ensuring that these are implemented by the Chief Executive Officer to build a sustainable business for the long term;
- ensuring effective communication with shareholders, major customers, strategic and commercial partners, regulators, host governments and other relevant stakeholders, to maintain stakeholder confidence in the management of the Company;
- leadership and oversight on all safety, health and sustainability matters in the countries in which the Group operates; and
- ensuring the Board determines the nature and extent of the principal risks the Group is willing to take to achieve its strategic objectives.

Chief Executive Officer

Andrew Southam

The key roles and responsibilities include:
- responsibility for the executive management of the Group and leading the senior management team in the day-to-day running of the Group's business;
- timely implementation of the agreed strategy;
- planning human resourcing, staff development and management succession;
- together with the Chair, overseeing compliance of the Group's operations with all relevant safety and health standards with special regard to environmental and social concerns;
- ensuring the Group's risk profile is managed in line with limits which are deemed acceptable by the Board and that an effective framework of internal controls and risk management is maintained; and
- recommending to the Board appropriate annual budgets and medium-term financial and production plans and ensuring they are achieved.

Deputy Chair and Senior Independent Director

Michael Lynch-Bell

The key roles and responsibilities include:
- leading on Board governance matters including the annual review of Board effectiveness;
- chairing the Nomination Committee;
- promoting effective and constructive relationships and communication between non-executive Directors and executive Directors and senior management;
- acting as a sounding board for the Chair and ensuring that the other Directors have an intermediary through him when necessary;
- being the 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 Chair, Chief Executive Officer and Chief Financial Officer, including as Chair of the Independent Committee; and
- meeting with a range of major shareholders when required on governance matters, reporting the outcome of such meetings at subsequent Board meetings.

Independent non-executive Directors

The key roles and responsibilities include:
- providing an independent external perspective to the deliberations of the Board, drawing on their experiences from their careers in other businesses;
- constructively challenging the strategies proposed by the executive Directors and scrutinising the performance of management in achieving agreed goals and objectives;
- monitoring the Group's risk profile;
- playing a key role in the functioning of the Board and its Committees; and
- providing between them an appropriate balance of skills, experience, knowledge and independent judgement.

CORPORATE GOVERNANCE FRAMEWORK

Shareholders
Approving formal matters and providing ongoing communication

Board of Directors
Promoting the long-term sustainable success of the Company, monitoring its culture, engaging with stakeholders and setting the Group purpose, values and strategy. Determining the risk appetite and overseeing risk management, internal control and corporate governance

Nomination Committee
Reviewing the composition of the Board and its Committees, including succession planning for the Board and senior management to ensure a diverse pipeline for succession

Remuneration Committee
Setting and implementing the Board remuneration policy and determining the remuneration of executive Directors and the next level of senior management to support Group strategy, purpose and values and to promote the Group's long-term success

Health, Safety and Sustainability Committee
Developing and overseeing a framework of HSS policies and standards to support the Group's culture and to manage risk

Audit Committee
Reviewing the integrity of financial reporting, internal controls and assurance processes and the work of the internal and external auditors

Projects Assurance Committee
Monitoring the Aktogay expansion and Baimskaya copper projects

Chief Executive Officer
Overseeing the implementation of the strategy determined by the Board

Executive Committee
Supporting the Chief Executive Officer in the day-to-day running of the Group, implementation of strategic objectives and operation of the risk management framework

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.

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 Chair, Chief Executive Officer, Deputy Chair 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 2020 is shown below:

Directors during 2020	Attendance at scheduled meetings during 2020
Oleg Novachuk	6/6
Andrew Southam	6/6
Lynda Armstrong	6/6
Alison Baker	6/6
Vladimir Kim[1]	5/6
Michael Lynch-Bell	6/6
John MacKenzie	6/6
Charles Watson	6/6

1 Vladimir Kim missed one Board meeting due to a conflict in his schedule arising from his commitments with the Government of Kazakhstan. He provided any comments to the Chair 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, three further meetings were held, one of which focused on the PXF refinancing and two of which focused on the impact of the Covid-19 pandemic on the Group and the mitigating actions put in place.

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 advisors 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, policies and procedures. It also provides them with appropriate training and guidance as to their duties, responsibilities and liabilities as directors of a public limited company listed on the London and Kazakhstan Stock Exchanges.

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 on the Group's major growth projects, business development and operational performance between meetings. This enables the Directors to discharge their duties effectively on strategic, financial, operational, compliance and governance issues.

All Directors are provided with the opportunity and encouraged to attend training, to ensure they are kept up to date on relevant legal, financial and industry developments or changes in best practice. Typical training for Directors includes attendance at seminars, forums, conferences, external training courses and working groups, the receipt of written and verbal updates from relevant bodies or external advisors on legal, regulatory and governance matters, as well as internal training sessions delivered by management or external consultants at Board meetings (most of which were held by video conference during 2020) or during site visits when practicable.

Culture

The Board oversees corporate culture and receives updates from the Group Director of Human Resources on the Group values programme and the way in which our values are embedded in the way we work and into reward. Through engagement with our stakeholders and Committee reports, especially the Audit Committee, the Health, Safety and Sustainability Committee and the Remuneration Committee, we receive a good insight into the culture of our organisation at all levels of the business and of the initiatives put in place by management to continually improve it. Our culture is important to us such that the development of our culture is included as a metric in the executive Directors' annual bonus plan and forms part of the Chief Executive Officer's balanced scorecard under his LTIP awards. We are keen to ensure we remain an attractive and inclusive employer for our people and a trusted business partner for our customers, suppliers and lenders.

Stakeholder engagement

The Board understands its duties to promote the success of the Company under section 172 of the Companies Act 2006 and the core role that the Group's stakeholders have in our success, as well as the impact of our decisions on them. For a summary of our current stakeholders as well as the engagement that has taken place across the business in 2020 and its impact on decision-making, please see the Strategic report pages 14 to 17. For information on engagement with employees see page 97 of this section.

We place significant importance on the training and development of staff in technical skills, safety and health, our values and governance policies. We aim to improve staff wellbeing, especially at our remote sites Aktogay and Bozshakol, where we provide sports facilities, ensure our employees have a healthy, balanced diet and we have introduced on-site clinical psychologists, with dedicated facilities for our staff to access as required.

For more details of the many ways in which we engage with our employees, see page 16 of the Strategic report where information can be located on employee consultation and communication, staff pay and benefits, employee welfare, training, retention and diversity and equality. Case studies are also available to view in the ESG section of our website at www.kazminerals.com.

Board Activities

Regular agenda items included updates on:
– Safety, health and sustainability
– Cash forecasts
– Operations
– Capital project updates and requests for capital expenditure
– Capital and financial performance
– Business development projects and strategic matters
– Principal risks and risk management processes
– Changes in corporate governance
– Corporate communications and investor sentiment

Key stakeholders:

Regular updates from Chairs of the Group's Committees
– Audit
– HSS
– Projects Assurance
– Nomination
– Remuneration

Key stakeholders:

Stakeholder engagement
– Received updates on stakeholder groups including a presentation from the Group Treasury department, a presentation from the Group Procurement Director, updates on the political environments in Russia, Kazakhstan and Kyrgyzstan, presentations from the Group's brokers on investor sentiment towards the Group, its peers and the market, updates on the Group's customers and sales from the Chief Executive Officer and sustainability updates from the Chief Executive Officer, Technical Director, Group Head of Investor Relations and the Chair of the Health, Safety and Sustainability Committee

Key stakeholders:

Corporate governance
– Discussed regular updates from Board Committees and management on legislation and proposed consultations that may affect the Group's regulatory obligations
– Confirmed Directors' independence and conflicts of interests
– Reviewed and approved the Modern Slavery Statement
– Approved updates to policies
– Reviewed the matters reserved for the Board
– Agreed updated terms of reference for Committees
– Conducted an internally facilitated Board evaluation

Key stakeholders:

Operations
– Received updates on production and operational issues at the Group's assets
– Received a presentation from the Group Procurement Director on supply chain management and logistics and risk mitigation during the Covid-19 pandemic
– Reviewed statistics on global supply and demand for our products
– Regularly reviewed progress against the Group's KPIs
– Received updates and forecasts on commodity prices

Key stakeholders:

Culture
– Reviewed and approved social spend and received updates on initiatives to assist populations local to our operations and projects during the Covid-19 pandemic
– Received a report from the Designated Non-Executive Director for the workforce
– Received updates on the measures put in place to mitigate the effects of the Covid-19 pandemic on staff

Key stakeholders:

Strategic decisions
– Formed the Independent Committee to review, consider and negotiate the Recommended Offer
– Made strategic decisions in relation to the Baimskaya copper project
– Approved an amendment and extension of the PXF facility which included an increase in facility commitments to $1.0 billion, an extension of the loan tenor and a reduction in facility margin
– Approved an amendment and restatement of the CAT facility to include an extension of the availability period, adjustments to the drawing and repayment profile and a reduction in the facility margin to align it with the margin in the PXF facility

Key stakeholders:

Board strategy
Approved Group strategy and received presentations and reports from management on strategy execution and performance against the 2020 plan and business development projects

Key stakeholders:

Sustainability

– Approved a new safety, health and sustainability strategy incorporating the Baimskaya copper project
– Received updates on the sustainability key performance indicators

Key stakeholders:

Capital projects

– Received reports on capital projects, including the Aktogay expansion and Baimskaya copper projects, and progress against key milestones, budget and approved capital expenditure

Key stakeholders:

Financial reporting and controls, capital structure and dividend policy

– Considered performance against the 2020 budget and approved the 2021 budget
– Monitored the Group's financial performance
– Reviewed the Group's dividend policy and approved the interim dividend
– Assessed the Group's capital and liquidity requirements, arising from the Group's strategy
– Approved the full year and half-yearly results and Annual Report and Accounts

Key stakeholders:

Risk management

Received regular updates on and agreed the Group's significant risks and emerging risks

Key stakeholders:

Key:

Shareholders
Employees
Suppliers
Customers
Governments
Lenders
Local communities

Information and support

The Company Secretary 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 the Code and best practice are incorporated into our governance framework as they evolve. 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 also obtain independent professional advice at the Company's expense. The appointment and removal of the Company Secretary is a matter reserved for the Board. The Company Secretary is Susanna Freeman, who joined the Group in 2014. She is admitted as a solicitor in England and Wales.

Performance evaluation

The effectiveness of the Board is integral to the success of the Company and therefore an in-depth evaluation is carried out every year. In compliance with the provisions of the Code, 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 next externally facilitated evaluation is due to be carried out towards the end of 2021.

During 2020, an internal performance evaluation of the Board and its Committees was carried out, led by the Deputy Chair and facilitated by the Company Secretary. A detailed questionnaire on the performance of the Board was circulated and completed by the Directors, with the focus of the evaluation amongst other things on:

– the size, composition and role of the Board;
– assessment of strategy, risk and internal control;
– Board arrangements and effectiveness of Board Committees;
– the effectiveness of the Independent Committee which was formed in 2020 to consider the Recommended Offer; and
– succession planning.

Based on the responses received and in consultation with the Deputy Chair, the Company Secretary prepared a report which was presented to the Board by the Deputy Chair in December 2020. The overall conclusion of the evaluation was that the Board and its Committees were operating effectively. With the restrictions imposed due to the Covid-19 pandemic however, it had been difficult to communicate informally around Board meetings in the manner Directors had been accustomed to when meeting in person, which had always been an opportunity for the Board members to gain additional knowledge and insight. There was disappointment that the Board had been unable to travel to Kazakhstan to meet with management and staff during site visits and there was regret that the gender diversity of the Board had not been increased to over 33% women in accordance with the Board's intention, due to the receipt by the Company of the Recommended Offer during 2020, pausing the recruitment process which had been at an advanced stage at that point. The Board was considered to have provided a sufficient degree of challenge on key decisions and to have a high degree of understanding of the matters facing the Group. It is hoped that during 2021 in-person meetings, site visits and Board recruitment can resume.

During the year, the Deputy Chair held meetings, both in person when permitted and otherwise via video conference, with non-executive Directors without executive Directors being present. The Deputy Chair led the non-executive Directors in evaluating the performance of the Chair as part of the Board evaluation process, following which the Board was satisfied that Oleg Novachuk continued to be able to fulfil all of the commitments required of the role to its satisfaction.

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 Code, all current Directors will be submitted for re-election at the forthcoming Annual General Meeting.

Vladimir Kim (non-executive Director) and Oleg Novachuk are deemed to be acting in concert with each other by the Panel on Takeovers and Mergers and to constitute a Concert Party for the purposes of the City Code on Takeovers and Mergers. Under the Listing Rules, a Concert Party controlling more than 30% of votes 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 independent 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 Vladimir Kim and Oleg Novachuk), 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.

Directors are required to declare all directorships or other appointments outside the Group which could give rise to an actual or potential conflict of interest. Only the independent Directors are able to authorise such conflict situations and, where appropriate, this authorisation may be subject to certain conditions. Directors are also required to declare if there are any changes in circumstances that may affect an existing authorisation and they need to seek permission from the Board before accepting any external appointments. The Company Secretary minutes the consideration of any actual or potential conflict of interest and any authorisation granted and maintains a register of this information.

The Company's Articles of Association also include provisions relating to the treatment of third-party confidential information received by a Director and the circumstances in which a Director should absent himself or herself from a Board meeting and refrain from reviewing Board papers, in relation to a matter in which he or she has an actual or potential conflict. These provisions will only apply where the circumstance giving rise to the potential conflict of interest has previously been authorised by the Directors.

Anti-Bribery and Corruption ('ABC')

The Group has in place an ABC Compliance Programme (the 'Programme') to assist in the prevention of unlawful activities by individuals or Group entities and to comply with the requirements of the UK Bribery Act 2010. The Board has a firm 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 foundation of the Programme is the ABC Code, below which there is a subset of policies which provide a process for operating in accordance with the Programme in specific situations. These policies include the process for dealing with public officials, the giving and receipt of gifts and hospitality, due diligence processes to be carried out on third-party business partners and policies on conflicts of interest, lobbying and government relations, social investment and Speak Up. Regular training in ABC and awareness campaigns are carried out across the Group. Monitoring and assurance of processes is carried out by the Internal Audit team and by external advisers. Anti-bribery and corruption clauses are included in contracts with the Group's business partners.

The Group undertakes due diligence on potential suppliers, customers, consultants, agents, distributors and other business partners to check they are suitable to do business with, are reputable and ethical and do not commit or engage in any form of bribery or corruption. New business partners complete an ABC questionnaire in which they need to include two business referees amongst other information. If the Group has a continued relationship with a business partner, the questionnaire is updated periodically.

During 2020, existing employees received ABC refresher training and online testing was carried out, to ensure there was a good understanding of the Programme within the Group. The Group's ABC Policies were reviewed and an updated government relations policy was adopted during the year. A number of these policies can be viewed on the Group's website at www.kazminerals.com.

Related party transactions

The Group has in place a policy for the identification of related parties and a process for the approval of any transactions with these parties. Under this policy, all Kazakhmys Holding Group entities are deemed to be related parties due to Vladimir Kim's substantial shareholdings in both the Group and Kazakhmys Holding Group. The list of related parties is regularly reviewed and updated throughout the year and, prior to entering into any related party transactions, an assessment is undertaken to ensure that the proposed transaction is on an arm's length basis and on normal commercial terms. Specific consideration is given to the requirements under the Listing Rules and the Disclosure Rules and Transparency Guidance.

Competition policy

A competition policy is in place to govern any dealings between the KAZ Minerals Group and the Kazakhmys Holding Group and their employees. This policy recognises that the two groups are competitors and its aim 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 Holding Group company. No competitively sensitive information can be exchanged between the parties except in relation to a specific business purpose and where suitable controls are in place.

Risk management and internal control

The Board has overall responsibility for risk management and determines the Group's risk strategy, assesses and approves risk appetite and monitors risk exposure, consistent with strategic priorities. 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 emerging and principal risks.

Due to the limitations inherent in any system of internal control, this system provides robust but not absolute, assurance against material misstatement or loss and is designed to manage rather than eliminate risk. The effectiveness of the Group's system of internal control is regularly reviewed by the Board as is the Group's risk management framework, with specific consideration given to material financial, operational and sustainability risks and controls, with appropriate steps taken to address any issues identified. During 2020, no significant internal control failings were identified.

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. Each Board Committee provides updates on any risks considered within its remit when delivering regular updates to the Board.

The Board confirms that throughout 2020 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 emerging and principal risks faced by the Group, including those that would threaten its business model, future performance, solvency or liquidity, in accordance with Principle O of the Code and the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the Financial Reporting Council. 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 section on pages 74 to 81.

Diversity

KAZ Minerals endeavours to create a positive, supportive and inclusive culture. We promote our corporate values of safety, teamwork, integrity, long-term efficiency and professional development and we strongly believe in the importance of diversity and equality in our workforce, which enables the business to draw from a wide range of thought, experience and expertise. The KAZ Minerals workforce represents all sectors of society and reflects the communities local to its operations. We do not discriminate between our employees on the basis of age, gender, race, nationality or ethnic origin, family situation, religion, language, political beliefs, sexual orientation, pregnancy, maternity or paternity or disability ('protected characteristics') except as may be required to comply with applicable laws and regulations, including those relating to employment and safety and health, in the countries in which we operate. We endeavour to ensure a fair and consistent approach in the recruitment and employment of our people regardless of their differences and we do not tolerate any form of unlawful or unfair discrimination, victimisation or harassment based on protected characteristics, whether direct or indirect.

Our approach is set out in the Company's Diversity and Equality Policy which applies to all our staff. It is particularly relevant to Directors, line managers and other employees and contractors concerned with the recruitment, training and promotion of staff and with any employment matters which relate to others. The Group Director of Human Resources is responsible for ensuring that the policy is applied and the Group Human Resources team is trained in and ensures awareness amongst managers of the provisions of the policy and of their obligation to comply with it.

This year, the Deputy Chair who is our Designated Non-Executive Director for the workforce, together with the Group Director of Human Resources, held a series of meetings via video conference with female employees with the aim of understanding better any issues that these employees may face in the workplace. They considered ways in which we could improve gender diversity within the Group, especially at our remote operations where it is more challenging to recruit female staff. We are always looking at ways in which we can improve the experience of our female employees and are proud that one of our employees was recognised in the Global Women in Mining awards this year, for further information see page 70 of Sustainability.

25% of our Executive Committee and their direct reports are women and during 2021, we aim to improve the diversity on the Board to 33% women, which is a milestone we aspire to in our Board Diversity Policy and one which we had hoped to achieve in 2020 but has been delayed due to the Recommended Offer. We have a number of initiatives in place across the Group to improve diversity, one of which is our work with the Government of Kazakhstan to open up to women those professions which are currently prohibited and we have succeeded in our initiative to procure a change in legislation in Kazakhstan, to enable women to be permitted to operate light haulage trucks. For further information on diversity and the initiatives we have in place see Sustainability on pages 69 to 70.

Workforce Engagement

Michael Lynch-Bell, our Deputy Chair as Designated Non-Executive Director for the workforce, acts as one of our channels for direct employee engagement with the Board. He meets periodically with employee and labour union representatives and with groups of employees to obtain an understanding of their views and to report back to the Board on sentiment and with suggestions on how to improve the employee experience, staff turnover and diversity, especially at our remote sites. During the year he was unable to visit Kazakhstan due to the Covid-19 travel restrictions in place for most of the year; however, he was able to conduct several meetings remotely. This year his focus was on diversity and he met with graduate trainees and women on our production sites including female light haulage truck operators. Some suggestions were made by the employees and the Group Director of Human Resources is working on implementing several improvements. Michael will remain in this role during 2021.

The Chair, Oleg Novachuk, generally conducts a question and answer session with employees annually known as the Direct Line, through which any of our employees, regardless of location or seniority, are able ask questions which can be submitted to Oleg Novachuk by e-mail or asked via video conference and every question asked receives a reply. Where practical, improvements are put in place in response to such questions. The Direct Line event was postponed during 2020 due to the Recommended Offer but will take place following the Offer Period.

Relations with shareholders

The Board endeavours to ensure good communication with 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 Investor Relations team is in communication with shareholders on a day-to-day basis and the Chief Executive Officer and Chief Financial Officer are closely involved in 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 or Senior Investor Relations Advisor at each Board meeting. The Company's brokers also meet with Directors to provide market feedback.

The executive Directors are available, through the Investor Relations team, to discuss the concerns of major shareholders at any time and the Deputy Chair is available to discuss governance. 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 questions it receives from individual shareholders on a wide range of issues.

Senior management has 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. During 2020, due to the Covid-19 pandemic, executive Directors and senior management held meetings remotely with institutional investors in the UK, continental Europe, Russia and the US and attended virtual conferences in these locations, providing a comprehensive dialogue with shareholders and potential new investors.

During 2020, the Company issued quarterly production updates in January, April, July and October. These, together with copies of analyst presentations each half year, the Group's preliminary and half-yearly results and all announcements issued to the London Stock Exchange, are available on the Company's website (www.kazminerals.com). In addition, users of the Company's website can register to hear live webcasts of the results presentations.

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 generally invited to attend the Annual General Meeting, where there is an opportunity for individual shareholders to question the Chair, Chief Executive Officer and Deputy Chair and, through them, the chairs of the principal Board Committees. At the Annual General Meeting, the Chair provides a brief summary of the Company's activities for the previous year to shareholders and afterwards shareholders can meet informally with the Directors. In 2020, in line with UK government public health advice and restrictions on public gatherings, aimed at limiting the spread of Covid-19, the Company held a closed meeting but shareholders were provided with the opportunity to submit questions to the Board by email.

All resolutions at the 2020 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 Code, all resolutions proposed at the 2020 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 made available on the Company's website at www.kazminerals.com 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 five Committees of the Board are the Audit; Health, Safety and Sustainability; Nomination; Remuneration and Projects Assurance. Board Committee members are appointed by the Board upon the recommendation of the Nomination Committee, which reviews the composition of each Committee regularly. In accordance with their specific skills and experience, independent non-executive Directors are appointed to different Board Committees.

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 Committee 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). They 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 on page 85.

AUDIT COMMITTEE

> I am pleased to report that our control environment remained robust, despite the necessity of remote working during the pandemic

Dear shareholder,

As Chair of the Committee, I am pleased to present this report for the year ended 31 December 2020. The following pages explain how the Committee has discharged its responsibilities during the year, and the key matters it has considered in doing so.

I would like to thank my fellow Committee members, Michael Lynch-Bell, John MacKenzie and Charles Watson whose contributions have ensured that the Committee has performed its duties effectively.

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. In 2020, the Committee maintained its focus on the integrity of the Group's financial reporting, including significant estimates and judgements. The Committee also monitored the effectiveness of the Group's system of internal control and risk management, whilst overseeing the relationship with the external auditor and the Internal Audit function.

A further consideration this year was the potential effect of Covid-19 on risk, controls, going concern and viability and I am pleased to report that our control environment remained robust, despite the necessity of remote working during the pandemic.

In the next 12 months, the Committee plans to conduct a formal competitive external audit tender process in compliance with the regulations on tendering audit contracts at least every 10 years. We will also continue to review the control environment, further develop the risk management framework and monitor developments in relation to the future of the UK audit regime.

We seek to meet our stakeholders' expectations in respect of our reporting and, as always, welcome any feedback.

Alison Baker
Chair, Audit Committee

Composition

The current members of the Committee are:

Alison Baker	Chair
Michael Lynch-Bell	
John MacKenzie	
Charles Watson	

Attendance at Audit Committee meetings

During 2020, there were eight scheduled meetings of the Audit Committee, including four meetings which were convened to discuss one item of business only, the financial and narrative disclosures in the Group's production reports, with each member attending as shown below:

Members during 2020	Committee member since	Attendance at scheduled meetings during 2020
Alison Baker	9 October 2017	8/8
Michael Lynch-Bell	27 February 2013	8/8
John MacKenzie	1 January 2016	8/8
Charles Watson	24 August 2011	8/8

Committee members

Alison Baker has recent and relevant financial experience, having spent nearly 25 years in the provision of audit, capital markets and advisory services in the extractives sector. She previously led the UK and EMEA Oil & Gas practice at PricewaterhouseCoopers and prior to that the UK Energy, Utilities and Mining Assurance practice at Ernst & Young. Michael Lynch-Bell, who chaired the Committee until June 2018, also has recent and relevant financial experience, having spent 38 years with Ernst & Young developing and later leading its global mining and energy practices. John MacKenzie, former CEO of Copper at Anglo American plc between 2009 and 2013, has around 30 years' experience in the metals and mining industry and Charles Watson has over 30 years' experience in the extractives industry, including 29 years at Shell. Accordingly, the Board considers that the Committee as a whole has competence relevant to the mining sector.

The Chair of the Board, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and the external auditor are usually invited to attend Committee meetings. At the end of each meeting the Committee meets separately with representatives of the external auditor and the Head of Internal Audit, without management being present, to discuss any matters arising from their audits or in relation to any other matter that they wish to raise.

Role and responsibilities

The primary responsibilities of the Committee are set out on the pages that follow. Whilst the Committee has specific duties which are set out in its terms of reference, its overarching purpose is to ensure that shareholders' interests are properly protected in respect of the Company's financial management and reporting. The Committee regularly updates the Board on matters discussed at its meetings. The Board has delegated responsibility to the Committee for monitoring the Company's procedures and system of internal control in relation to risk management and the Committee oversees the internal and external audit processes which report into it.

Key roles and responsibilities of the Audit Committee include:

- monitoring and challenging, where necessary, the integrity of the financial statements, the annual and half-yearly results, and any other formal announcement relating to the Group's financial performance, including a review of significant 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, Directors' report (insofar as it relates to audit and risk management), half-yearly report, preliminary announcements and related formal statements, including the going concern assumption and the viability statement;
- reviewing the Company's internal controls, including financial controls and risk management systems;
- approving the annual and three-year internal audit plans and monitoring the role and effectiveness of the Internal Audit function;
- overseeing the Company's relationship with the external auditor, including monitoring their independence and expertise, the terms of their 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 approving any changes to the policy on the provision of non-audit services by the external auditor;
- reviewing the content of the Annual Report and Accounts and advising the Board on whether, taken as a whole, it is fair, balanced and understandable, is consistent with the financial statements and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- assessing 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).

External auditor

KPMG LLP ('KPMG') was appointed as external auditor of the Group in 2012 following a formal competitive tender process and continues to be the Company's external auditor.

The appointment of KPMG is reviewed annually and the Committee has assessed the quality and effectiveness of the external audit process during the year, with consideration given to the performance, objectivity, independence, resource and relevant experience of KPMG. The Committee's assessment incorporates feedback from the auditor on its own performance, management's assessment of KPMG's effectiveness based on a detailed survey of senior finance personnel across the Group, as well as the KPMG audit quality inspection report issued by the FRC.

The external auditor regularly updates the Committee on a number of matters, including its review of management's going concern assessment and significant judgements and estimates used in the preparation of the financial statements. In addition, the Committee ensured that the external auditor was focused on certain areas pertinent to 2020, including a review of specific elements of the Baimskaya copper project and the impact of Covid-19 on the Group. The Committee concluded a thorough review of any audit matters arising and is satisfied that the level of challenge provided by the external auditor was appropriate. By way of example, certain disclosures were enhanced following challenge from the auditor.

The Committee agreed that the Group continues to benefit from the insight and knowledge applied by the external auditor and recommended to the Board the re-appointment of KPMG. Following the Committee's recommendation, 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.

In accordance with regulations on tendering audit contracts at least every 10 years, it continues to be the intention of the Committee that the external audit will be put out to tender by 2022 at the latest, subject to any further regulatory change.

Policy on the provision of non-audit services

The Committee is responsible for reviewing the Group's policy on the use of the external auditor for non-audit services. The policy identifies those non-audit services which may, and those which may not, be provided and sets out the process through which non-audit services must be approved. Under the policy, which was updated and approved by the Committee during the year to reflect the FRC Revised Ethical Standard 2019 ('Ethical Standard'), the Group's general approach is not to engage the external auditor to provide non-audit services except in exceptional circumstances. The external auditor will be appointed to perform a non-audit service only when doing so would be consistent with the requirements and principles of the Ethical Standard; when its skills and experience make it the most suitable supplier and provided its independence would not be compromised.

Under the policy, any new engagement for permitted non-audit services is subject to prior approval by either the Chief Financial Officer, the Committee Chair and Chief Financial Officer, or the Committee. During 2018, KPMG informed the Audit Committee that with effect from 1 January 2019 it would not undertake any non-audit services with the exception of services closely related to the audit.

Full information on engagements and total annual fees paid for non-audit services are reported to the Committee. There were no fees paid to KPMG for non-audit services in 2020 other than the half-year review, which is considered to be closely related to the audit. Details of all fees paid to the external auditor for the year ended 31 December 2020 and information on the nature of non-audit fees appear in note 10 to the consolidated financial statements on page 154.

Internal Audit

Internal Audit provides independent, objective assurance to the Group, designed to improve the Group's operations and safeguard the Group's assets and integrity. It advises management on the extent to which systems of internal control and governance processes are appropriate and effective to manage business risk, safeguard the Group's resources and maintain compliance with the Group's policies and legal and regulatory requirements. It advises on ways in which areas of risk can be addressed and provides objective assurance on risk and controls to senior management, the Audit Committee and the Board. Internal Audit's work is structured to align with the Group's strategic priorities and principal risks; the Head of Internal Audit and the Group Risk function work together when considering the appropriate scope and focus of internal audits. The three year programme of work of the Internal Audit department is considered and approved by the Audit Committee on a rolling annual basis, subject to any additional suggestions from the Committee. The audit plan has space for ad hoc audits as required by the Committee or management. By way of example in 2020, Internal Audit conducted a review of our internal controls over financial reporting in a remote working environment.

Under the Internal Audit plan, a number of audits take place across the Group's operations and functions, to identify areas for improvement of the Group's internal controls. Findings are reported to relevant operational management who put in place processes for strengthening controls. Internal Audit follows up on the implementation of recommendations and reports on progress to senior management and to the Audit Committee. During 2020 the scheduled internal audits were largely completed through the use of online remote audits due to restrictions related to Covid-19.

The Head of Internal Audit reports regularly to the Chair of the Audit Committee and she attends all full Audit Committee meetings, during which she presents the findings from completed internal audits.

Fair, Balanced and Understandable

The Committee assessed whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information required for shareholders to assess the Group's position and performance, business model and strategy. The Committee reviewed the processes and controls in place for the preparation and verification of the Annual Report and Accounts, taking into account that each section is prepared by a member of management with appropriate seniority, knowledge and experience and who has an understanding that the content must be fair, balanced and understandable and the overall preparation is overseen by the Chief Financial Officer. A paper was presented to the Committee addressing the points of whether the Annual Report and Accounts was fair, balanced and understandable. It considered, among other matters, that the Committee had received a full draft of the Annual Report and Accounts in advance and, following a review of both its form and content, provided feedback to management on areas that needed further clarity. Following incorporation of this feedback in advance of final approval, the Committee concluded that the Annual Report and Accounts was fair, balanced and understandable, and provided the necessary information for shareholders to assess the Group's position, performance, business model and strategy, and in light of the Recommended Offer.

Brexit

The Committee, in conjunction with management, considered the effect of Brexit on the Group and its operations.

The Group's operations are located in Kazakhstan, Kyrgyzstan and Russia, with the significant majority of sales made into China and non-EU countries. The principal business carried out by the Group in the UK relates to its listing on the London Stock Exchange and it maintains a small office in London where corporate functions such as Company Secretarial, Investor Relations and Treasury are located. Board and Committee meetings are mostly held at the London office, noting that during the Covid-19 pandemic the majority of meetings were held remotely. From a tax perspective, the Group's arrangements are largely subject to bi-lateral agreements between the UK and Kazakhstan; the UK and the Netherlands; and the Netherlands and Kazakhstan, which remain in place post-Brexit. Following Brexit, the Group will apply UK-adopted IFRS standards for reporting periods commencing on or after 31 December 2020.

Taking into account the circumstances of the Group, the Committee does not expect Brexit to have a significant impact on it.

Audit Committee Activities in 2020

At its meetings in 2020, the Committee:

Financial reporting

- reviewed the annual and half-yearly results including the quality and acceptability of accounting policies, significant financial reporting estimates and judgements applied in preparing them, 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 matters including adoption of new accounting standards;
- considered impairment indicator reviews performed by management;
- reviewed the methodology for producing the disclosure of mineral reserves and mineral resources and other relevant disclosures in the Annual Report and Accounts;
- reviewed the Group's asset carrying values in light of Covid-19;
- considered the accounting for the amendment and extension of the PXF facility;
- reviewed and challenged the basis for preparing the Group accounts on a going concern basis; and
- considered the viability statement to be made by the Company and challenged the underlying assumptions.

Internal control

- reviewed the structure and effectiveness of the Group's system of internal control as set out on page 97 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 and recommended to the Board the Group Tax Strategy; and
- reviewed the Group's processes for disclosing information to the external auditor and the statement concerning such disclosure in the Annual Report and Accounts.

Risk management

- received an overview of the Group's risk environment and risk management activities, together with analysis of the key risks and emerging risks to achieving the Group's strategic priorities;
- reviewed and challenged the Group's top 20 risks identified by management in the Group risk map and movements of those risks over the course of the year;
- reviewed the effectiveness of the Group risk management framework as described on page 74;
- reviewed reports from Internal Audit on issues identified and confirmed that there was an appropriate response from management;
- reviewed reports from the external auditor on any issues identified in the course of their work including the internal controls report; and
- monitored the Group's catastrophic risk insurance arrangements.

Internal audit

- approved the annual and rolling three-year assurance plans; and
- regularly reviewed reports from Internal Audit, received presentations from the Head of Internal Audit on internal control and followed up on the manner in which recommendations made in these audits had been addressed.

External auditor

- approved the terms of engagement of the external auditor, the fees paid and scope of work;
- 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 performance and effectiveness of the external auditor in respect of the previous financial year and recommended its re-appointment;
- assessed the continued independence and objectivity of the external auditor;
- reviewed the quality assurance processes of the external auditor and letters of representation to them; and
- discussed the procedures performed and issues raised.

Other matters

- reviewed reports on changes to UK, Kazakhstan, Russian and Kyrgyzstan tax legislation;
- received the report on payments to governments;
- received reports on matters raised via the Speak Up facilities, the process for the investigation of those matters raised, the outcome of investigations and any related actions taken;
- reviewed status updates on the Group's Anti-Bribery and Corruption Compliance Programme;
- received updates from management on the latest technical accounting, taxation and regulatory issues;
- received a report on IT security;
- received updates on the implementation of a new Oracle Enterprise Resource Planning system;
- received a presentation on the reserves and resources governance process;
- reviewed the process for the collection of sustainability data;
- received a presentation from the Treasury department on its functions and processes;
- received an update on the Group's social investment policies and procedures;
- reviewed the results of the performance evaluation of the Committee which was undertaken as part of the 2020 internal Board evaluation; and
- reviewed the training requirements of the Committee members.

Plans for 2021

During 2021, in addition to its usual activities, the Committee will continue to undertake in-depth reviews of key areas of risk including IT systems and cyber security, internal controls at our new operations in Russia and oversight of the external audit tender.

SIGNIFICANT JUDGEMENTS AND ESTIMATES 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. These are outlined below.

Significant issues	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 2020. 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 pages 142 to 144 and in the Strategic report on page 50. This Annual Report and Accounts also includes the longer-term viability statement in compliance with the UK Corporate Governance Code. Management considered the Group's longer-term viability statement and prospects, in addition to and together with the going concern statement, which is set out on page 82.	The Committee considered and approved the underlying assumptions, available facilities and headroom, including compliance with banking covenants, used in the preparation of the longer-term viability statement, together with the going concern assumption. After reviewing papers prepared by management and also taking into account the external auditor's review of the papers and their comments on the underlying assumptions, the Committee concluded that it was appropriate to prepare the accounts on a going concern basis. The Committee considered the longer-term viability statement and going concern statement and, satisfied with the robustness of the review and input to the disclosures, recommended to the Board the appropriateness of management's disclosures.
Impairments – Group	
For the year ended 31 December 2020, an assessment of impairment indicators or reversals across the Group's cash generating units (CGUs) was performed and this did not identify indicators which would require an impairment or reversal review. Accordingly, impairment reviews of the CGUs were not undertaken. Further details can be found in note 3 to the financial statements on page 144.	The Committee considered management's assessment for the year ended 31 December 2020. The Committee evaluated the appropriateness of management's assumptions, estimates and related disclosures. Having received input from the external auditor, the Committee agreed with management's assessment and disclosures.
Impairments – KAZ Minerals PLC	
On 4 February 2021, the Recommended Offer was increased to 780 pence per share indicating a valuation of $5.0 billion at that date. On the basis that the revised offer was made shortly after the year end, following a period of improving market sentiment since the original offer in October 2020, management believes it supports the value of KAZ Minerals PLC's investments at the balance sheet date. The market value implied by the increased offer price was above the carrying value of the Company's net assets of $4.7 billion therefore indicating no evidence of impairment at 31 December 2020. Further details can be found in note 38(d) to the standalone financial statements on page 184.	The Committee considered papers setting out management's impairment indicator review of KAZ Minerals PLC's investments in the parent Company financial statements. Having received input from the external auditor, challenged the appropriateness of key assumptions used by management and considered external market valuations of the Group implied by the Recommended Offer, the Committee agreed with management's assessment and disclosures.
Consideration and assessment of tax matters of the Group	
Due to the evolving nature of tax legislation and its application in Kazakhstan, Kyrgyzstan and Russia, 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 determined its best estimates for taxes payable and the likelihood and timing of taxes receivable, including VAT, and accounted for them accordingly. Further details can be found in note 3 to the financial statements on page 147.	The Committee considered papers prepared by management and, after receiving input from the external auditor, concluded that the Group's tax position has been appropriately accounted for and disclosed.
Joint venture accounting – Industrial Construction Group	
The Group has established a joint arrangement, ICG, for the construction of the additional sulphide processing facility at Aktogay. The Group has a 49 per cent interest in ICG and is deemed to have joint control, as decisions about the relevant activities of the joint arrangement require unanimous consent of the parties. Further details can be found in note 3 to the financial statements on page 147.	The Committee considered papers prepared by management and, taking into account the external auditor's review of the papers and its assumptions, concluded that management's judgement relating to the accounting of ICG was appropriate.
Provisions for closure and site restoration	
The present value of the provisions for closure and site restoration have been calculated using discount rates based on management's assessment of the time value of money and risks specific to the liability. In 2020, the increase in the provision arose mainly following a review performed by an external consultant of the cost estimates in respect of East Region and Bozymchak operations. Further details can be found in note 27 to the financial statements on page 165.	The Committee considered papers prepared by management and taking into account the external auditor's review of the papers and their assumptions, concluded that management's use of estimates relating to the provisions for closure and site restoration, including the discount rate, were appropriate.

HEALTH, SAFETY AND SUSTAINABILITY COMMITTEE

> The Committee has approved a strategy for Baimskaya, setting world class health, safety and sustainability standards from the outset

Dear shareholder,

Whilst there have been a number of improvements in our safety practices and culture during 2020, I am saddened to report that we have had four fatalities in Kazakhstan at our operations. All fatalities are preventable and following these tragic incidents, we have put considerable focus on identifying and implementing the necessary measures to prevent them recurring. A goal of zero fatalities remains our key priority and the Committee will continue to support and challenge management in the achievement of this target.

A major safety challenge this year has been managing the risk of Covid-19 in our operations, especially at our remote sites and I am pleased that the Group has managed to continue to operate the mines in a safe and sustainable manner, despite the external environment. Management closely monitored the in-country risks and took the appropriate measures to ensure the safety of our workers. Infection control measures were introduced at the Group's sites to intensify cleaning and hygiene practices and to reduce the risk of transmission. In response to increased risk, access to the Aktogay and Bozshakol sites was closed from 22 March 2020 until the end of May 2020, to protect the safety of workers and contractors living in close proximity in permanent camps at these locations.

Staff rotations began again in May 2020, with the Group able at that point to implement a revised shift pattern, to reduce the number of staff rotations over the rest of the year. A new system of testing and quarantine was introduced to protect the sites from Covid-19 infections and this was further strengthened by the installation of a PCR testing facility at Aktogay, used by both operations and project staff. Due to the success of these measures and to the flexibility of our staff, we have been able to maintain production levels and meet the guidance we set at the start of the year; construction activity at the Aktogay expansion project was also able to continue during 2020.

Composition

The current members of the Committee are:

Charles Watson	Chair
Lynda Armstrong	
Michael Lynch-Bell	
John MacKenzie	

Attendance at Health, Safety and Sustainability Committee meetings

There were three scheduled meetings of the Health, Safety and Sustainability Committee during 2020, with each member attending as shown below:

Members during 2020	Committee member since	Attendance at scheduled meetings during 2020
Charles Watson	16 November 2011	3/3
Lynda Armstrong	21 October 2013	3/3
John MacKenzie	1 March 2015	3/3
Michael Lynch-Bell	1 January 2018	3/3

We have a wellbeing initiative at Aktogay and Bozshakol which predated the pandemic but has been invaluable to staff during the year, as on-site psychologists have been available to staff seven days a week. We are also working on new care and human performance initiatives under which we will increase our focus on fatigue management and overall wellbeing, aiming to improve sleep and diet and promoting exercise facilities for our site-based staff.

We are pleased to have joined the FTSE4Good early in 2020, recognising our sustainability performance and reporting. Over the course of the year, the Committee has reviewed our environmental impacts and sustainable development including our carbon footprint. It is important to the Committee that sustainability is integral to the Group's future growth, in particular in the development of Baimskaya.

The Committee reviewed the sustainability strategy for Baimskaya including CO_2 emissions, biodiversity, water usage, tailings and communities. For more information please see page 62 of Sustainability.

With the 2020 mobilisation of Baimskaya, the Committee has approved a strategy for this asset, setting world class health, safety and sustainability standards from the outset. We will continue to review the processes at the project during 2021 in conjunction with the Projects Assurance Committee and we will suggest any potential improvements.

The Committee received updates during the year from the Head of Dams and Tailings Storage Facilities on the governance of tailings facilities, recommendations from third-party inspections and reports on ongoing activities at the facilities.

We received a further update on progress on the underground mine safety improvement project and the Committee was pleased to see significant progress in a number of areas, with investment being made into new technologies to improve safety. We also place great emphasis on continued training and on reporting, using our Emex system.

There was a focus this year on transport, as many of our staff are required to travel long distances as part of their role and vehicles account for a number of incidents each year. We received a presentation on such incidents and the positive steps being put in place by management to mitigate them. Measures include awareness training, wider usage of global positioning systems and satellite mobile phones, fatigue management and increased supervision, to reduce safety violations. We also discussed and approved a new Group aviation safety policy.

It was disappointing this year for the Committee to be unable to travel to any of our sites, which the Committee continues to believe provides an invaluable opportunity for us to engage directly with the workforce, assess corporate culture, witness HSS initiatives in action and understand first hand the challenges and opportunities that exist. We are hopeful that these visits can be resumed in 2021.

I have completed nine years on the Board now and had planned to step down as a Director during 2020 but the Board has asked me to remain until the Offer Period is complete. My role as Chair of the Committee is one I am passionate about and I have enjoyed accompanying KAZ Minerals on the journey to Goal Zero as we seek to make long-term continuous improvements in health, safety and sustainability within the organisation.

Charles Watson

Chair, Health, Safety and Sustainability Committee

Role and responsibilities

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 where possible prevent health, safety and sustainability risks. Reports on the Committee's reviews are then provided to the Board.

All three meetings of the Committee during the year were held either in London or virtually, due to the travel restrictions under the Covid-19 pandemic.

Key responsibilities of the Committee include:

- assessing the impact of health, safety and sustainability issues on the Group's stakeholders and ensuring remedial action is taken in respect of any such issues where appropriate;
- reviewing compliance by the Group with relevant health, safety and sustainability legislation;
- monitoring and assessing the commitment and behaviour of management towards health, safety and sustainability related risks;
- reviewing significant safety incidents including fatalities, considering the key causes thereof and ensuring actions are taken to prevent similar incidents occurring including reporting of these incidents and any 'near misses';
- facilitating the promotion by management of a culture of care and sensitivity towards the environment and the communities in which the Group operates;
- reviewing statistics from the Group's leading safety indicators and discussing the conclusions that can be drawn to ensure that they remain fit for purpose;
- setting and reviewing the three year safety and health strategic plan, focused on strengthening the long-term foundations for safe, productive work;
- making proposals to the Remuneration Committee regarding appropriate health, safety and sustainability performance objectives for executive Directors and certain senior managers and providing its assessment as to performance against such objectives; and
- reviewing the findings of any internal or external reports on the Group's health, safety and sustainability systems.

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

Activities in 2020

At its meetings in 2020, the Committee, amongst other matters:

- evaluated the Committee's effectiveness for 2020, including identifying training needs and reviewed its terms of reference and future role and direction;
- reviewed reports received through the Speak Up system where HSS concerns were raised and made recommendations for improvements;
- received a status update on sustainability responsibility reporting, including key performance indicators;
- reviewed and evaluated fatal and serious incident reports; and
- reviewed occupational health statistics and mitigations at each meeting.

Plans for 2021

In 2021, the Committee is setting a new three year strategy and we will seek assurance that health, safety and sustainability systems, procedures and behaviours are well established throughout the Group. Global sustainability best practice will be reviewed and incorporated as appropriate. Over the course of the year we plan to visit several of our operations in Kazakhstan, dependent on the ability of the Committee to travel overseas in light of the Covid-19 pandemic.

NOMINATION COMMITTEE

> The Committee seeks to ensure that the Board maintains the appropriate range of skills and experience to ensure good governance is maintained for our stakeholders and to enable us to set and oversee the delivery of the Group's strategy

Dear shareholder,

The Committee seeks to ensure that the Board maintains an appropriate range of skills and experience to ensure good governance for our stakeholders and to enable us to set the Group's strategy and oversee its successful delivery.

We are in compliance with the Code, other than in relation to provision 9, which applies to the appointment of a chief executive as chair of the same company. The background to this, is that at the beginning of 2018, after consultation with our major institutional shareholders, the Board appointed Oleg Novachuk, previously Chief Executive Officer, as Chair of the Company. The Board considered him to be uniquely qualified for the role, due to his operational knowledge, project development expertise and relationships with industrial, financial and political leaders in Kazakhstan, China and the region. Andrew Southam, previously Chief Financial Officer, was appointed our new Chief Executive Officer and I was appointed Deputy Chair, in addition to my role as Senior Independent Director, with responsibility for Board governance. John Hadfield was recruited to be the new Chief Financial Officer. This structure has remained in place and we continue to believe it works well.

During 2020, the Nomination Committee has continued to work with Group Human Resources to review the Leadership Development Programme ('LDP') and we considered succession planning for senior management, taking into account the need for diversity of age, disability, education, gender, ethnicity and social background. We reviewed the graduate development programme and the apprenticeship programme for light truck operators, following our successful lobbying for female drivers to be permitted to work in these roles under Kazakhstan law. These programmes are both excellent examples of ways in which management is working to improve diversity in our operations at all levels.

Composition

The current members of the Committee are:

Michael Lynch-Bell	Chair
Lynda Armstrong	
Alison Baker	

Attendance at Nomination Committee meetings

There were five meetings of the Nomination Committee during 2020, each member attending as shown below:

Members during 2020	Committee member since	Attendance at scheduled meetings during 2020
Michael Lynch-Bell	1 September 2013	5/5
Lynda Armstrong	7 May 2015	5/5
Alison Baker	1 January 2018	5/5

We considered Board succession again this year as part of our ongoing review of the structure of the Board and its Committees. In last year's Annual Report, I stated that Charles Watson was due to retire from the Board in 2020, following a nine year term on the Board. Charles has however, continued to serve as a non-executive Director to date at our request, for the Offer Period. Before requesting Charles to extend his term, the Committee carefully considered his independence and it was concluded by the Board (excluding the Consortium), that he continued to show an independent mindset in his deliberations and to provide robust challenge to management, especially on safety and project development matters and that it was appropriate for him to continue as an independent non-executive Director for this limited period. Charles is expected to retire from the Board following the conclusion of the Offer Period.

During the year, we spent time selecting and interviewing candidates to identify a potential new independent non-executive Director for the Board, with the skills and experience to support the Group on our growth journey and to improve the diversity of the Board. A matrix of the skills and competencies of the current Board was mapped against the skills and competencies which the Committee believed to be the most important for the future strategy of the Company. The Company Secretary in conjunction with Committee members, prepared a description of the role and of the capabilities required for the appointment. The Committee selected Clifton Hill, an independent recruitment consultancy, which has no connection with the Company and requested that they identify suitable candidates for the role, in compliance with the Board Diversity Policy. A shortlist was put together and candidates were interviewed for the role. However, as the Recommended Offer was received whilst the recruitment process was still ongoing, we decided that it would be optimal to pause the process until there was clarity on the outcome of the Recommended Offer.

My letter of appointment and that of Alison Baker were due for renewal towards the end of the year, having reached the end of their three year terms. Accordingly, in November 2020, following a rigorous review of our contributions to the Board and our independence by our fellow Board members, our appointments were renewed on a rolling basis rather than for a fixed term, due to the Recommended Offer. The terms and notice periods under the letters of appointment remained the same and no Director voted in respect of his or her own letter of appointment.

In February 2021, the Committee considered and discussed a paper setting out the regulations and guidelines regarding the retirement of Directors at the Annual General Meeting and having reviewed the performance of all Directors in conjunction with the results of the 2020 Board performance evaluation report, concluded that all members of the Board added value and devoted sufficient time to their duties. We were satisfied that the independent non-executive Directors serving at the end of the year continued to remain independent, so it was appropriate to recommend that all the Directors be proposed to retire and stand for re-election by shareholders at the Annual General Meeting of the Company to be held on Thursday 29 April 2021.

Michael Lynch-Bell
Chair, Nomination Committee

Role and responsibilities

The Committee leads the process for appointments, ensures plans are in place for orderly succession to both Board and senior management positions and oversees the development of a diverse pipeline for succession.

Key roles and responsibilities of the Nomination Committee include:

– regularly reviewing the structure, size and composition (including the balance of 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 senior management with appointments and succession plans based on merit and objective criteria, as well as the skills and expertise that will be needed in these roles in the future whilst promoting diversity;
– selecting and appointing external search consultants to identify potential candidates for the Board and senior management positions when required;
– responsibility for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise, in light of the role and capabilities required for a particular appointment;
– 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 membership of Board Committees;
– recommending the re-appointment of non-executive Directors as appropriate at the conclusion of their specified term of office; and
– recommending the re-election by shareholders of Directors in accordance with the provisions of the Code.

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

Governance

The Committee is chaired by the Deputy Chair and all members of the Committee are independent non-executive Directors in accordance with the provisions of the Code that a majority of members should be independent. If a matter concerns the Deputy Chair personally, then he leaves the meeting and Lynda Armstrong takes the chair.

Succession Planning and Diversity

Under the Group's LDP, key positions are determined and potential successors for these roles are identified. The potential successors are given individual development plans, mentoring and training. The progress of their development is monitored regularly by the Group Director of Human Resources, quarterly by other senior management and half yearly by the Chief Executive Officer. The Group Director of Human Resources reports regularly into the Nomination Committee on succession planning and the LDP. The Board recognises the need to create conditions which foster talent and we encourage all employees to achieve their full career potential at the Group. As part of the Group's approach to human resource management, it encourages employee diversity and aims to ensure that KAZ Minerals' future senior leadership team reflects the demographics and ethnic diversity of the countries in which it operates and the general employee base. For further information on the Group's approach to diversity please see pages 69 to 70 of Sustainability and page 97 of the Governance framework.

The Board is comprised of men and women with a wide range of skills and business experience, drawn from a number of industries, which enables different perspectives to be brought to Board discussions. Furthermore, the Board is made up of different nationalities and ethnicities, which brings cultural diversity, as well as different geographical experiences and viewpoints and we are in compliance with the recommendations of the Parker Review. The combination of these factors enables the Board to benefit from a variety of skills, perspectives and thoughts, which provides a dynamic environment for decision making. When recruiting, the Board seeks to maintain or improve its diversity and under our Board Diversity Policy, we set out our aspiration to reach a composition of 33% women on the Board. There was a clear intention to achieve this milestone during 2020 but as explained on page 107, the recruitment process has been paused during the Offer Period. The policy can be viewed on our website at www.kazminerals.com.

Activities in 2020

At its meetings in 2020, the Committee, amongst other matters and in addition to those already stated in this Nomination Committee section:

– in accordance with the Company's Articles of Association, assessed the performance of the Directors and recommended to the Board the re-election of all Directors by shareholders at the 2021 Annual General Meeting, having due regard to the performance and ability of each Director to continue to contribute to the Board and its Committees;
– reviewed the time commitment required by non-executive Directors to fulfil their duties; and
– reviewed its terms of reference.

Recruitment process

For the recruitment of new candidates to fill appointments to the Board, we generally use executive search consultants who specialise in the recruitment of high calibre executive and non-executive candidates and have no other connection with the Company. This ensures that we have access to a wide and high quality pool of candidates from which to choose. A formal, rigorous and transparent search process is put in place in accordance with our Board Diversity Policy, with a candidate profile and position specification prepared, including time commitment expected and experience required. Interviews are then conducted by the Chair of the Nomination Committee, the other members of the Committee and the executive Directors. Other Directors are generally also invited to meet candidates during the interview process.

PROJECTS ASSURANCE COMMITTEE

> The Projects Assurance Committee has responsibility for providing assurance to the Board on matters relating to the Group's projects

Dear shareholder,

The Projects Assurance Committee has responsibility for providing independent challenge and assurance to the Board on matters that relate to the successful delivery of the Aktogay expansion project and the Baimskaya copper project. It was re-established in October 2018 following the successful ramp up of Bozshakol and Aktogay as the focus of the Company's strategy reverted to growth.

The Committee is advised by two external consultants with many years of project experience in the extractives industry. These external advisors review reports from management, attend Committee meetings, and provide reports for discussion at the meetings, visit sites when practical, and meet with management and key contractors to provide independent assessments of progress at the two major projects. My fellow Committee members are Lynda Armstrong, who has over 30 years' experience in the extractives industry, and Charles Watson, who has extensive experience in both operational management and major project delivery. Meetings are regularly attended by Directors who are not Committee members and the Board receives an update from me following every Committee meeting.

Over the course of the year, the Committee has met mainly by video conference to receive reports and presentations from members of management responsible for various areas of the projects, to monitor progress against planned costs and schedules, consider issues and risks that may impact the projects, review studies, consider requests for capital expenditure for recommendation to the Board, provide advice on areas where improvements could be made and ensure that learnings are applied to other projects. Despite the challenges of the Covid-19 pandemic the Aktogay expansion project remains on schedule to commence production in 2021 within the approved budget. Progress has also been made on advancing the Baimskaya copper project and its related infrastructure thanks to the efforts of the Group's employees and management.

John MacKenzie
Chair, Projects Assurance Committee

Composition

The current members of the Committee are:

John MacKenzie	Chair
Lynda Armstrong	
Charles Watson	

Attendance at Projects Assurance Committee meetings

There were four scheduled meetings of the Committee during 2020, with each member attending as shown below:

Members during 2020	Committee member since	Attendance at scheduled meetings during 2020
Lynda Armstrong	18 October 2018	4/4
John MacKenzie	18 October 2018	4/4
Charles Watson	18 October 2018	4/4

In addition to the four scheduled meetings of the Committee, three further meetings were held during the year which focused on the Baimskaya copper project.

Role and responsibilities

Key responsibilities of the Committee include:

- undertaking regular reviews of the Group's current major growth projects, being the Aktogay expansion and Baimskaya copper projects, against approved plans to determine any material variances to the plans and forecasts and to identify any material risks and issues that may impact the successful delivery of the projects;
- reviewing the process, quality and outcomes of the studies relating to the Baimskaya copper project;
- reviewing any findings and recommendations arising from the assessments and monitoring progress in implementing any such recommendations;
- monitoring the composition and performance of the projects owners' teams, including regularly reviewing the processes, systems, staffing and succession planning, organisation and sustainability of the projects, and benchmarking them against international best practice; and
- continuing to monitor the ongoing implementation of systems and processes at Bozshakol and Aktogay and ensuring that these are in line with good industry practice.

Activities in 2020

At its meetings in 2020, the Committee:

- reviewed the Group's major growth projects, including budgets and schedules;
- reviewed the challenges brought by and responses to the Covid-19 pandemic in respect of the projects;
- received updates on the Baimskaya copper project Bankable Feasibility Study and reviewed and developed the milestones to achieving full project sanction;
- reviewed the Baimskaya copper project independent technical assurance process;
- developed a framework for ongoing assessments of the progress of each component of the Baimskaya copper project;
- received reports on the Baimskaya copper project's environmental, social and sustainability strategy and its standards, processes and assurance; and
- reviewed the Committee's terms of reference.

Plans for 2021

The Committee is scheduled to meet at least four times during 2021 and will continue to review regularly the Group's progress on the current major growth projects.

REMUNERATION REPORT

The clear focus was on achieving operational excellence, whilst prioritising the safety of our people during the pandemic and retaining employment of staff worldwide

Dear shareholder,

I am pleased to present the Directors' Remuneration report for 2020. This contains the Annual Remuneration report which sets out how the remuneration policy has been put into practice during the year and our structure for 2021. It is followed by a summary of our remuneration policy which was approved at the Annual General Meeting in April 2020 and provides context to the decisions made by the Committee during the year. The policy was approved by almost 98% of our shareholders at the 2020 Annual General Meeting and we believe it continues to support appropriately our stakeholders' interests. Changes introduced under the policy in relation to executive Directors, included capping pension benefits at the rate offered to other employees, (which is currently 10% of salary in the UK) and Directors being required to retain 200% of salary in shares (or their actual shareholding if lower) for two years following their departure from the Company. Malus and clawback under the bonus and Long Term Incentive Plan ('LTIP'), were also formally extended to include, as trigger events, serious reputational damage and serious corporate failure.

The Committee communicates openly and transparently with shareholders on executive remuneration. We consulted with our largest institutional investors prior to the adoption of the remuneration policy in 2020 and as always, have maintained a dialogue with proxy voting bodies and major institutional investors to ensure they understand the basis of the decisions we have made.

Remuneration Principles

The Company's remuneration structure for senior executives remains straightforward and is closely linked to performance. The package comprises three elements:

– Fixed pay – salary and benefits;
– Annual bonus; and
– Long-term performance-based share awards.

We seek to provide market-competitive remuneration, under which fixed pay comprises less than 50% of 'on target' remuneration, to ensure executives are motivated to strive for the operational and financial success of the business and for the creation of long-term value, through delivery of the Company's strategic objectives. We also measure the Company's performance against its peers, using total shareholder return ('TSR') under our LTIP, to align pay with the shareholder experience. We have cultural, safety and health metrics under the annual bonus plan and under the Chief Executive Officer's balanced scorecard, to align executive performance with our wider stakeholder group.

Alignment of the policy with the Code

When determining our approach to policy, the Committee has been mindful of the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture. We operate simple variable pay arrangements, which are subject to clear performance measures aligned with the Group's strategy and stakeholder interests. The application of recovery provisions (malus and clawback) enables the Committee to have appropriate regard to risk considerations. In addition, the large shareholdings of the executive Directors and the operation of a post-employment shareholding guideline, further align their interests with those of the Company and of our shareholders. In determining the policy, the Committee was clear that it should drive the right behaviours, reflect our values and support our Group purpose and strategic objectives, in the context of appropriate safety management and this is reflected in the non-financial metrics used for incentives.

Executive Director pay and the broader workforce

The Company does not formally consult with employees on executive remuneration, however there are many conduits for such engagement, including Direct Line with the Chair, engagement with unions and meetings with the Designated Non-Executive Director for the workforce. In addition, the Group Director of Human Resources reports to the Committee regularly to inform and update Committee members on workforce pay and policies. Metrics such as pay ratios are generally used with caution, given the differences in pay practices in the UK, Kazakhstan, Kyrgyzstan and Russia. However, when setting the remuneration policy for executive Directors, the Committee takes into account the overall approach to reward for, and the pay and employment conditions of, other employees in the Group, particularly those in the UK.

Performance highlights in 2020

During 2020 our remuneration structure has continued to support the successful delivery of our strategy in the face of the Covid-19 pandemic. The clear focus was on achieving operational excellence, whilst prioritising the safety of our people during the pandemic and retaining employment of staff worldwide. Management is to be congratulated on a successful year in which we met or exceeded our operational and financial targets, despite the additional hurdles we faced. The bonus outcome for the year reflects this performance.

Although we had to adapt our way of working, we are pleased to note that no employees were placed on furlough and we did not seek any government funding during the year.

Remuneration in 2021

Due to the Company currently being in an Offer Period, the grant of LTIP awards this year has been suspended and Oleg Novachuk, who is part of the Consortium in relation to the Recommended Offer, has undertaken to waive all his vested and unvested existing LTIP awards in the event that the Recommended Offer becomes wholly unconditional. LTIP awards made to other participants including Andrew Southam that are part way through their measurement period during the Offer Period, will vest in part and will lapse in part, subject to time pro-rating and performance on the Recommended Offer becoming wholly unconditional, in accordance with the plan rules. At that point, the part that lapses will be replaced by transitional awards which will vest at the original scheduled vesting dates for the LTIP awards that they replace. More information on the transitional awards can be found in the Offer Document.

In the event that the Recommended Offer lapses, we shall consider the grant of LTIP awards to executives at that point. Oleg Novachuk's waiver of his existing LTIP awards would lapse at that time and he would maintain entitlement to those awards subject to the waiver.

The annual bonus structure and award levels will remain the same as for 2020.

The key points to note in respect of executive Director remuneration in 2021 are as follows:

- Oleg Novachuk's salary remains unchanged;
- Andrew Southam's salary was increased by 1% in line with the UK workforce;
- Andrew Southam's pension arrangement will remain at 10% of salary in line with other UK employees, whilst Oleg Novachuk will continue not to receive any pension benefits; and
- The maximum bonus opportunity for both executive Directors will be the same as for 2020, at 150% of salary, with 70% of the award based on operational and financial targets and 30% based on strategic development goals; and
- There will be no grant of LTIP awards during the Offer Period.

Annual General Meeting

The Annual Report on Remuneration and this annual statement will be subject to an advisory vote at the forthcoming Annual General Meeting. The Company has operated successfully in 2020, despite all the challenges and disruption to our supply chain, logistics and operations caused by Covid-19 and I believe that accordingly, the current remuneration structure continues to be appropriate to motivate management to achieve excellence. We therefore plan to maintain this framework and I recommend these proposals to our shareholders. The members of the Committee welcome any questions on remuneration matters at the 2021 Annual General Meeting and we are available at any other time to discuss feedback on the policy and on our general approach to remuneration.

Lynda Armstrong OBE
Chair, Remuneration Committee

SUMMARY OF EXECUTIVE DIRECTOR REMUNERATION STRUCTURE

Fixed remuneration

Base salary | Pension | Benefits

Variable remuneration

Short term – annual
Annual bonus plan – linked to Group performance

Long term – five years
LTIP linked to longer-term shareholder priorities with combined five year vesting and holding period

Total remuneration

2020 ANNUAL REPORT ON REMUNERATION

This report has been prepared in accordance with the Companies Act 2006 and Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013). It also meets the relevant requirements of the Financial Conduct Authority's Listing Rules and describes how the Board has applied the principles of good governance as set out in the Code.

Directors' remuneration for 2020

The Group's external auditor, KPMG LLP, has audited the information contained in the tables headed Executive Directors' remuneration, Executive Directors' interests in the Long Term Incentive Plan – Awards granted during 2020, All outstanding awards, Non-executive Directors' fees and benefits and Directors' interests in ordinary shares.

Executive Directors' remuneration

	Oleg Novachuk		Andrew Southam	
£'000	**2020**	2019	**2020**	2019
Salary	856	856	650	638
Benefits[1]	3	3	3	3
Pension or cash in lieu	–	–	57	56
Subtotal – fixed remuneration	**859**	**859**	**710**	**697**
Annual performance bonus[2]	809	903	614	672
Long Term Incentive Plan[3]	348	2,650	423	1,217
Subtotal – variable remuneration	**1,157**	**3,553**	**1,037**	**1,889**
Total	**2,016**	**4,412**	**1,747**	**2,586**

1 Benefits for Oleg Novachuk and Andrew Southam relate to the provision of private medical insurance. During the year, Oleg Novachuk was also provided with accommodation in Moscow linked to his regular presence in Russia for business purposes. These amounts are not taxable and therefore in accordance with the legislation are not included in the single figure table.

2 Annual performance bonus relates to bonus amounts paid in 2021 and 2020 in respect of the prior year performance period (inclusive of any amounts deferred into shares).

3 Each LTIP award is split into tranches, with performance assessed over different performance periods. For the purposes of disclosure in the single figure table above, the LTIP value for 2019 comprises (a) shares vesting under the 2016 LTIP based on performance over the three year period to 31 May 2019 and (b) shares vesting under the 2017 LTIP award based on performance over the three year period to 31 December 2019. The value of the latter has been restated based on the share price at vesting of 490 pence. The LTIP value for 2020 comprises (a) 2017 Award – shares vesting based on performance over the three year period to 31 May 2020 and (b) 2018 LTIP award – shares expected to vest later in 2021 based on the performance over the three year period to 31 December 2020. In relation to the latter, the value shown is based on an average share price in the final quarter of 2020 of 617 pence. Dividend equivalents are included within these figures. Further details follow.

Executive Directors' annual bonus awards

For 2020, the annual bonus plan sought to incentivise the achievement of: improvement in safety performance through various initiatives; improvement in operational performance through volume and cost of production measures; financial profitability through EBITDA and Free Cash Flow; and strategic developments.

The structure of the bonus was weighted such that 70% was based on operational and financial measures and 30% based on strategic developments.

The maximum bonus potential for both Oleg Novachuk and Andrew Southam for 2020 was 150% of salary.

The Committee assessed each discrete element of the annual bonus plan separately. Within each element, the Committee considered a number of sub-elements and formed a rounded assessment of the performance of the 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. Metrics included a reduction in the number of fatalities and progress against safety improvement initiatives.

Performance assessment for 2020 annual bonus

The operational and financial results for the year were an excellent achievement, even more so given the restrictions the Group faced on the movement of people and goods and the additional procedures that needed to be put in place to ensure the safety of our staff. The Group's copper production of 306 kt (2019: 311 kt) was above the guidance range of 280-300 kt set at the start of the year, comparing favourably with a number of peers who had to reduce their market guidance in 2020.

The Group recorded EBITDA of $1,431 million (2019: $1,355 million) at an attractive EBITDA margin of 61% (2019: 60%). Free Cash Flow increased by 68% to $691 million (2019: $411 million). Despite incurring additional costs on Covid-19 measures and the impact of lower sales volumes, the Group's efficient operations, a weaker tenge to US dollar exchange rate and strong gold by-product credits, led to a Group net cash cost of just 64 USc/lb, below the prior year (2019: 77 USc/lb).

Management has continued to work on increasing the opportunities for women to start and advance their careers with KAZ Minerals, ranging from apprentice training schemes at our Aktogay and Bozshakol sites, to lobbying the Government of Kazakhstan to open up opportunities for women, with the aspiration of increasing their representation in the next generation of management.

Construction works at the Aktogay expansion project were affected by reduced contractor availability in the first half of 2020 but progressed according to plan in the second half of the year, as the Group's testing and isolation procedures enabled shift changes to take place safely and Covid-19 related restrictions were eased. Initial production at the Aktogay expansion project is on track to commence by the end of 2021 with no change to the project budget of $1.2 billion.

At Baimskaya, pioneer work, detailed engineering and the Bankable Feasibility Study advanced during 2020. Although due to delays in finalising infrastructure, the Bankable Feasibility Study has been rescheduled to later in the first half of 2021, the Group released an update in November 2020 setting out the current key project parameters.

Although the Group made good progress against its strategic goals and delivered an outstanding response to the challenges presented by Covid-19, the ability to meet the stretch objectives were impacted by the external environment. The Committee's scoring of the strategic element reflects this reality.

We are continuing to execute our 'Goal Zero' safety improvement plan with a focus in 2020 on hazard identification and other leading indicators, aiming to prevent incidents from occurring. However, there were sadly three fatalities in 2020 at our East Region operations and one fatality at the Aktogay expansion project. The number and frequency of fatalities at the Group's operations has however has been on a long-term downward trend and in 2020 the Group saw a number of units operate for extended periods without a single LTI. Measurable safety progress was demonstrated in a TRIFR of 1.14 for 2020, a reduction of 17% on the prior year and the lowest in the Group's history.

In considering the bonus assessment for 2020, the Remuneration Committee was mindful that in achieving its operational and financial targets, KAZ Minerals has maintained full employment throughout the year, continuing to pay wages to staff who were not able to travel to sites and did not receive any government financial support.

Performance measure	Weighting (as a % of total bonus)	Performance v. targets range: Threshold	Target	Maximum	Year-end outcome	Pay out (% max bonus)
EBITDA[1]	25%	$1,033 million	$1,148 million	$1,263 million	$1,431 million	25%
Free Cash Flow[1]	5%	$444 million	$493 million	$542 million	$691 million	5%
Copper production	20%	266 kt	296 kt	325 kt	306 kt	13%
Gross cash costs[1]	20%	169 USc/lb	154 USc/lb	139 USc/lb	143 USc/lb	17%
Subtotal	**70%**					**60%**

	Weighting (as a % of total bonus)	Performance v. targets range: Key objectives	Overview of achievements	Payout (% max bonus)
Strategic developments	30%	The Aktogay expansion project to be substantially advanced, on schedule and on budget	Work slowed in the first half of the year but was maintained such that the project is scheduled to commence production by the end of 2021 and to be completed within the original budget.	10%
		Complete the Baimskaya bridge financing (or alternative financing to allow the project to progress) with measurable progress on full project financing	The Group successfully amended and extended its PXF facility at the start of 2020 with a net increase of $700 million on favourable terms. As the completion of the Bankable Feasibility Study was delayed due to the infrastructure plan being not yet finalised, no additional financing was required and the Group has entered 2021 with gross liquid funds of $1.3 billion.	
		Advance the Baimskaya copper project in line with the Board approved schedule	The Baimskaya copper project advanced during 2020 through pioneer works, detailed engineering and the Bankable Feasibility Study. Whilst the completion of the Bankable Feasibility Study has been delayed subject to the finalisation of the infrastructure plan, the key parameters of the project were released in November 2020, including higher production but at an increased capital budget of close to $8 billion.	
		Culture and purpose: improve the culture of the organisation to better position the Group for future growth with due regard to diversity	The Group's apprenticeship scheme proved extremely valuable in 2020 by providing enthusiastic additional manpower during periods of restricted people movement. The Group was also proud to welcome its first female light haulage truck drivers following KAZ Minerals' lobbying to change the law. Management set KAZ Minerals' sustainability targets at the start of 2020 including reductions in CO_2 and water use intensity and also set out a comprehensive sustainability strategy for Baimskaya after the completion of the Environmental and Social Impact Assessment during the year.	
Safety scale-back				-10% of the award
Total bonus (as % of maximum)	**100%**			**63%**

1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use please refer to the APMs section on page 192.

As noted elsewhere in this Annual Report and Accounts, the business continues to implement new safety initiatives and to make good progress in driving through positive changes to safety, including the safety culture, however the Committee determined that a safety scaleback should be applied to the bonus award due to the fatalities that occurred during the year. This resulted in a scaleback of 10% of the bonus award.

Taking into account overall performance during the year, the Committee was satisfied that the overall bonus outcome was appropriate and a fair reflection of achievements during the year.

Andrew Southam is required to defer one third of any bonus for a period of two years.

Executive Directors’ Long Term Incentive Plan awards

Awards granted to executive Directors under the LTIP in 2017 were subject to a relative TSR performance condition, with TSR measured against a bespoke group of global mining companies over two different performance periods, consistent with the approach and vesting schedule from prior years.

For LTIP awards granted in 2018, 100% of the award to Oleg Novachuk and 75% of the award granted to Andrew Southam were based on the same relative TSR performance condition as in prior years. The remaining 25% of Andrew Southam’s 2018 LTIP award was subject to performance against a balanced scorecard of key strategic priorities linked to safety, shareholder value creation and culture.

The vesting outcome for the 2017 awards is summarised in the table below:

2017 LTIP award	Weighting (as a % of total award)	Performance period	Performance	Vesting Oleg Novachuk	Vesting Andrew Southam
Relative TSR: Sub-award 1	50%	3 years to 31 December 2019	Above upper-quartile (performance disclosed in 2019 Remuneration report)	50%	50%
Relative TSR: Sub-award 2	50%	3 years to 31 May 2020	Between median and upper quartile	28%	28%
Total vesting				**78%**	**78%**

Vesting for the 2018 award will ordinarily only be determined following the end of the second TSR performance period which ends on 31 May 2021. The current position, including the outcomes for elements based on performance to 31 December 2020, is summarised in the table below.

2018 LTIP award	Weighting (as a % of total award)	Performance period	Performance	Vesting Oleg Novachuk	Vesting Andrew Southam
Relative TSR: Sub-award 1	Oleg Novachuk – 50% Andrew Southam – 37.5%	3 years to 31 December 2020	Below median	0%	0%
Relative TSR: Sub-award 2	Oleg Novachuk – 50% Andrew Southam – 37.5%	3 years to 31 May 2021	N/A	*	*
Balanced scorecard	Oleg Novachuk – N/A Andrew Southam – 25%	3 years to 31 December 2020	See summary that follows	N/A	21%
Total vesting				*	*

* Final vesting will be determined following the end of the performance period for the second sub-award.

The balanced scorecard element of the 2018 LTIP was adopted following Andrew Southam's appointment as Chief Executive Officer and was intended to capture performance in key strategic priorities linked to safety, shareholder value creation and culture. As previously disclosed, the focus was on areas which were vital for the next phase of the Group's development. The extent to which this element has been satisfied, is determined based on the Committee's qualitative assessment of performance against these priorities. The Committee's assessment of performance is summarised in the table below:

Area of focus	Priorities	Areas of focus	Achievements
Safety	Objectives set with the aim of establishing significantly improved safety practices across the business including the goal of zero fatalities. The Board has targeted a step-change in performance.	– Improvement in safety in the East Region – Implementation of world-class safety procedures – Trend on fatalities (working towards a target of zero)	– Reduction in LTIs and LTIFR over the period – TRIFR reduced to the lowest level in the Group's history – Goal Zero initiative introduced – Worked with the Government of Kazakhstan on best available technologies – Significantly enhanced medical facilities at sites – Introduced new ground support technologies deployed at East Region mines – Emex mobile system introduced to increase hazard reporting
Creating shareholder value for the long term	Following the completion of the growth projects at Aktogay and Bozshakol, the Board set asset portfolio management objectives focused on maximising value for shareholders during the next phase of the Group's development.	– Assessment of growth plans presented to the Board and subsequent execution	– Execution of the Group's strategy to acquire the Baimskaya copper project, one of the world's most significant undeveloped copper assets with the potential to deliver long-term value for shareholders – The Aktogay expansion project is being delivered within the original project guidance for commissioning in 2021 and on budget – Group operations have consistently achieved their production targets with the Group firmly established as a first quartile cost producer
Culture and people	The Chief Executive Officer was tasked with delivering a change in the culture of the organisation, to better position the Group for future success. Focus on measures such as development of people, succession planning including consideration of diversity and with due regard to social and environmental matters.	– Clarity of goals and shared values – Risk management – Development of talent – Succession planning – Due regard to environmental and social concerns	– Inclusion of the Company in the FTSE4Good and the external assessment of the Group's sustainability has improved as measured by external sustainability analysts – Introduced the Leadership Development Programme for succession planning – Set up partnerships with colleges and apprenticeships local to operations – Success in lobbying for female haulage truck operators – Set environmental targets – Embedded corporate values including through the values programme and competitions
Underpin	Safeguard mechanism	Underlying financial and operating performance	Achieved

When reviewing performance under the balanced scorecard, the Committee reviewed performance at the end of each financial year, as well as the progress made over the full three year performance period. The Committee reviewed both the achievements and the context for delivery. Based on the assessment, the Committee determined that a score of 25 out of 30, was achieved over the three year performance period, which therefore resulted in a vesting outcome of 83% of this element (21% of the total award).

Overall, the Committee is satisfied that the outcomes set out above provide a fair reflection of the Company's performance over recent years.

The 2017 LTIP award was granted on 3 March 2017 when the share price was 520 pence. At the end of the performance period of the second sub-award, the share price was 474 pence.

The 2018 award with performance period ending 31 December 2020 was granted on 2 March 2018 when the share price was 840 pence. The average share price in the final quarter of 2020 was 617 pence.

Share prices in the mining industry are closely correlated to commodity prices and are therefore inevitably more volatile than in other sectors. The use of holding periods and shareholding guidelines also ensure that participants remain aligned with the experience of our shareholders. The Committee is satisfied that the value of awards fairly reflects the experience of shareholders and therefore no discretion was exercised in respect of share price movement.

Executive Directors' interests in the Long Term Incentive Plan - Awards granted during 2020

In 2020, awards equivalent to 150% of salary were granted to Oleg Novachuk and Andrew Southam subject to a TSR performance condition which requires the Company to deliver a median ranking (threshold vesting) rising on a straight-line basis to an upper quartile TSR ranking (full vesting) relative to a peer group of mining companies. The awards were split into two sub-awards measured over two separate performance periods, 1 January 2020 to 31 December 2022 and 1 January 2020 to 31 December 2024. The extended measurement period was intended to increase the focus on sustainable returns and better reflect the longer-term nature of operations in the sector and the Company's strategy of long-term growth. 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.

As disclosed in last year's Annual Report on Remuneration, Andrew Southam received an additional award of 50% of salary, linked to a strategic scorecard with metrics relating to delivery of key strategic priorities over the medium to long term.

Executive Director	Type of award	Basis of award granted	Number of shares awarded	Face value of award £000[1]	% of face value which vests at threshold
Oleg Novachuk	Nil-cost option	150% of salary	287,634	1,283	25%
Andrew Southam	Nil-cost option	200% of salary	291,330	1,299	25%

1 The face value of the awards granted in March 2020 was based on a five day average share price commencing immediately after the announcement of the Group's preliminary results of 446 pence which was used to determine grant levels. The awards were made on 2 March 2020 when the share price was 422 pence.

As noted in prior years, the share price for mining companies is inherently more volatile than the wider market given the impact of commodity prices. This is particularly pronounced at KAZ Minerals with its exposure to a single commodity, copper. Prior to the granting of LTIP awards in prior years, the Committee explicitly considered the impact of the share price on grant levels. Prior to granting 2020 awards, the Committee considered the number of shares under award in comparison to both awards granted in the prior year and the average awards over the previous five years. While the 2020 grant to Oleg Novachuk was over a higher number of shares than the 2019 award, the award was c.25% less than the average grant over the previous five years. This is because whilst there was a year-on-year fall in the share price in early 2020, the longer-term share price trend remained positive. In this context the Committee was comfortable that the grant levels for 2020 were appropriate.

The Committee also has discretion to amend the payout should any formulaic output be inappropriate (e.g. unreflective of underlying performance). Where the provision is utilised, the Committee will seek to explain clearly the basis for this decision.

All outstanding awards

Executive Director	Date of award	Date of vesting	Number of shares conditionally awarded as at 1 January 2020	Market value used to determine grant level	Awards made during the year	Awards vested during the year	Awards lapsed during the year	Awards exercised during the year	Number of shares under award as at 31 December 2020[1]
Oleg Novachuk	3 March 2017	1 June 2020	239,596	536p	–	186,884	(52,712)	–	186,884
	2 March 2018	1 June 2021	150,112	855p	–	–	–	–	150,112
	1 March 2019	1 June 2022	192,181	668p	–	–	–	–	192,181
	2 March 2020	31 December 2024	–	446p	287,634	–	–	–	287,634
Andrew Southam	3 March 2017	1 June 2020	95,633	536p	–	74,593	(21,040)	–	74,593
	30 June 2017	1 June 2020	62,373	493p	–	48,650	(13,723)	–	48,650
	2 March 2018	1 June 2021	146,137	855p	–	–	–	–	146,137
	1 March 2019	1 June 2022	190,883	668p	–	–	–	–	190,833
	2 March 2020	31 December 2024	–	446p	291,330	–	–	–	291,330

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 but a dividend equivalent will be paid to participants after the transfer to them of vested shares.

Deferred Share Bonus Plan ('DSBP') awards granted during 2020

On 31 March 2020, nil-cost options were awarded to Andrew Southam in accordance with the Company's 2017 DSBP. Details of the awards are set out below.

Executive Director	Type of award	Number of shares awarded	Face value of award £000[1]
Andrew Southam	Nil-cost option	63,244	224

1 The face value of the awards is calculated by multiplying the number of shares over which the award was granted by 354 pence, the average closing share price for each of the five business days prior to the date of grant.

Deferred shares are not subject to any additional performance measures after the application of the performance measures which determined the amount of the annual bonus award earned. Awards will vest two years from the date of grant.

Implementation of the policy for 2021

As set out on page 84 of the Annual Report and Accounts, the Company is currently subject to the Recommended Offer so decisions regarding remuneration arrangements for 2021 have been made in this context.

The Remuneration Committee has determined that for 2021:

– The base salary for Oleg Novachuk will remain unchanged and Andrew Southam's salary will increase by 1% in line with the broader UK workforce, resulting in a salary of £656,750.

– As in prior years, the Company does not provide any pension benefits to Oleg Novachuk. Andrew Southam is entitled to receive Company pension contributions and/or a cash allowance, with a total value of up to 10% of base salary, which is in line with the broader UK workforce. Benefits include health insurance and where appropriate, relocation assistance, in line with entitlements provided for executives in similar positions in comparable companies.

- Annual bonuses will continue to operate under a similar structure to prior years, with maximum awards of up to 150% of salary and targets based on a combination of financial, operational and strategic measures. 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. However, should the Recommended Offer not become wholly unconditional, retrospective disclosure of performance against specific targets will be made when they cease to be commercially sensitive.
- In light of the Recommended Offer, planned LTIP grants have been suspended for 2021. Should the terms of the transaction change or the Recommended Offer lapse, the Remuneration Committee will consider whether it is appropriate to grant awards in 2021. The terms of any such LTIP awards, including award levels and performance criteria, would remain consistent with the remuneration policy previously approved by shareholders. Suitable disclosure would be provided regarding the terms of any such awards.

In the event that the Recommended Offer becomes wholly unconditional, outstanding share awards will be treated in accordance with the relevant plan rules. Further detail on the proposed treatment of remuneration arrangements in these circumstances can be found in the Offer Document.

Service contracts

Oleg Novachuk has a service contract dated 12 April 2017 with KAZ Minerals PLC and an employment agreement dated 12 April 2017 with KAZ Minerals Holding B.V. which are terminable by the Company or by the executive Director on three months' notice. Andrew Southam has a service contract with KAZ Minerals PLC dated 18 May 2013, which is terminable by the Company on 12 months' notice or by the executive Director on six months' notice.

External appointments

No executive Director held a non-executive directorship of another company during 2020.

Non-executive Directors' remuneration

The fee structure per annum from 1 January 2021 is as follows:

Non-executive Deputy Chair and Senior Independent Director:	£225,000
Non-executive Director base fee:	£84,000
Chairs of the Audit and HSS Committees:	£15,000
Chair of the Projects Assurance Committee:	£12,000
Chair of the Remuneration Committee:	£12,000
Member of the HSS 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

As disclosed in prior years, in addition to the fee of £84,000 Vladimir Kim receives as a non-executive Director, he receives an advisory fee of £370,000 per annum, under his employment contract with KAZ Minerals Management LLP, primarily for assisting and supporting the Company in its dealings with the Government and regional authorities in Kazakhstan. He also supports certain business development activities. This arrangement was agreed in 2014 and has remained unchanged since that time. Vladimir Kim has considerable experience in executing large mining projects in the region and his exemplary understanding of the political and regulatory environment in Kazakhstan, means that he continues to provide valuable support to the Company. The Board believes that the fee provided to Vladimir Kim continues to be commensurate with both his time commitment and the value he provides to the Company.

For each non-executive Director who served during 2020, the date of their current letter of appointment is shown in the table below. Each letter of appointment provides for a one-month notice period other than for the Deputy Chair, who has a three-month notice period. Non-executive Directors stand for re-election at each Annual General Meeting.

Name	Letter of appointment
Lynda Armstrong	27 June 2019
Vladimir Kim	27 June 2019
Michael Lynch-Bell	16 November 2020
John MacKenzie	7 March 2018
Charles Watson	16 November 2020
Alison Baker	16 November 2020

Non-executive Directors' fees and benefits

Fees and benefits paid to non-executive Directors during the year ended 31 December 2020 are set out below:

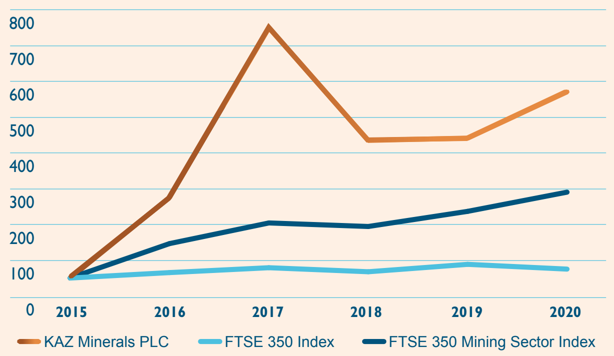
	2020			2019		
Directors	Fees £000	Benefits £000	Total £000	Fees £000	Benefits £000	Total £000
Lynda Armstrong	111	2	113	111	4	115
Vladimir Kim[1]	454	–	454	454	–	454
Michael Lynch-Bell	225	–	225	225	–	225
John MacKenzie	113	–	113	113	–	113
Charles Watson	117	–	117	117	–	117
Alison Baker	99	2	101	99	3	102

1 In 2019 and 2020, 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.

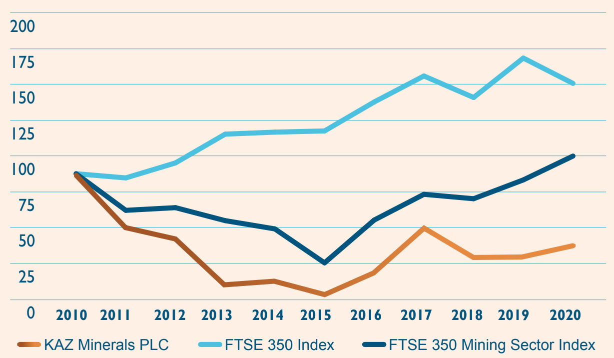
Total shareholder return ('TSR') performance graph

The following graphs show the value, at 31 December 2020, of £100 invested in KAZ Minerals PLC shares on 31 December 2015 and on 31 December 2010 respectively, 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. This operational and financial performance has been reflected in a total shareholder return over the five years to 31 December 2020 of 576%, compared to a FTSE 350 mining return of 266%.

TSR based on 5 year



TSR based on 10 year



Remuneration of highest paid executive Director

The table below shows the total remuneration figure for the highest paid executive Director (i.e. the executive Chair for 2010 to 2012, the Chief Executive Officer for 2013 to 2017 and the Chair in 2018 to 2020). 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.

	Total remuneration (£000)	Annual bonus (%)	LTIP vesting (%)
2011[1]	1,768	50	–
2012[1]	1,676	40	–
2013[2]	1,458	35	–
2014[2]	1,587	57	–
2015[2]	1,715	67	–
2016[2]	2,538	67	44
2017[2]	5,828	77	100
2018[3]	6,328	67	100[4]
2019[3]	4,412	70	100[5]
2020[3]	2,016	63	28[6]

1 Relates to the remuneration of Vladimir Kim, executive Chair at that time.
2 Relates to the remuneration of Oleg Novachuk, Chief Executive Officer at that time.
3 Relates to the remuneration of Oleg Novachuk, Chair at that time.
4 This represents half of the LTIP award granted in 2015 which had vested and the first tranche of the LTIP award granted in 2016 which vested in 2019.
5 This represents half of the LTIP award granted in 2016 which had vested and the first tranche of the LTIP award granted in 2017 which vested in 2020.
6 This represents half of the LTIP award granted in 2017 which has vested and the expected vesting later in 2021 of the first tranche of the LTIP award granted in 2018 measured over a three year period to 31 December 2020.

Percentage change in remuneration levels of Directors and comparison to wider employee pay levels

The following table shows the movement in the salary, benefits and annual bonus for each Director between the current and previous financial year compared over the same period in respect of the UK employees of the Company on a full time equivalent basis.

The average employee change has been calculated by reference to the mean of employee pay.

Percentage change

	Average employee	Oleg Novachuk	Andrew Southam	Lynda Armstrong	Vladimir Kim	Michael Lynch-Bell	John MacKenzie	Charles Watson	Alison Baker
Salary	2	0	2	0	0	0	0	0	0
Benefits[1]	0	2	1	-52	N/A	N/A	N/A	N/A	-48
Bonus[2]	-7	5	7	N/A	N/A	N/A	N/A	N/A	N/A

1 Average benefits per employee were around £1,000 per person in both 2020 and the prior year.
2 Bonus relates to percentage change in bonus amounts paid in 2019 against 2020 in respect of the prior year performance period.

The Committee considers the pay structures across the wider Group workforce when setting the remuneration policy for executive Directors.

The Group's principal operations are currently in Kazakhstan and it employs fewer than 35 staff in the UK head office, therefore the Company is not subject to the UK disclosure requirements relating to gender pay or new disclosure requirements relating to the ratio between the CEO pay and wider employee pay levels. Differing pay practices across jurisdictions make cross-border comparisons inappropriate; however, the Committee is mindful of the rationale for the external focus on these metrics, and the underlying societal issues continue to form part of the debate in Committee meetings. It intends to continue tracking these metrics internally and will keep the approach to disclosure in future reports under review.

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.

(£ million)	2020	2019	% change
Overall expenditure on Group employees' pay	198	171	16
Overall expenditure on pay for executive Directors	4	7	-43
Distribution by way of dividends	44	37	19
Capital expenditure	452	1,012	-55

Overall expenditure on pay for executive Directors is shown in the table above as £4 million. The amount is the aggregate figure for the executive Directors within the executive Directors' remuneration table on page 113.

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.

Shareholding guidelines

Executive Directors are expected to build and maintain an interest in Company shares equivalent to 200% of their salary.

During the year, the Committee also agreed that executive Directors would be expected to retain a holding equal to this guideline (or the value of shares acquired from incentive plans if lower) for two years following their departure from the Company. This guideline will apply to share interests acquired from Company incentive plans.

Directors' interests in ordinary shares

The beneficial interests of the Directors who held office at 31 December 2020 and their closely associated persons ('CAPs') in the Company's ordinary shares as at that date and 1 January 2020 are shown in the table below:

Directors	Ordinary shares beneficially owned at 1 January 2020[1]	Ordinary shares beneficially owned at 31 December 2020	Vested LTIP awards	Vested DSBP awards	Outstanding LTIP awards	Outstanding DSBP awards	Position against guideline as at 31 December 2020[2]
Lynda Armstrong	8,500	8,500	–	–	–	–	–
Vladimir Kim[3]	149,306,795	149,306,795	–	–	–	–	–
Michael Lynch-Bell	12,000	12,000	–	–	–	–	–
John MacKenzie	5,000	5,000	–	–	–	–	–
Oleg Novachuk[4]	36,772,414	36,772,414	–	–	816,811	–	exceeds guideline
Andrew Southam	675,895	676,236	–	–	751,543	118,328	exceeds guideline
Charles Watson[5]	13,790	13,790	–	–	–	–	–
Alison Baker	3,500	3,500	–	–	–	–	–

1 The closing market price of the Company's shares at 31 December 2020 was 660 pence and the range for the year was 269 pence to 662 pence.
2 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, both Oleg Novachuk and Andrew Southam exceed the shareholding requirement.
3 Since October 2020 all of his ordinary shares in the Company have been pledged to support loans.
4 Since October 2020 all of his ordinary shares in the Company have been pledged to support loans.
5 1,532 of this holding is beneficially owned by Charles Watson and 12,258 is beneficially held by a close relative of Charles Watson.

Operation of employee share plans

During the year, the Company's employee share plans have used all of the 5,162 shares at 1 January 2020 from the Employee Benefit Trust ('EBT') and 48,283 shares held in treasury to satisfy vesting under the schemes. Treasury shares used, count towards the limits on the number of new shares which may be issued under the rules of the schemes.

The Employee Benefit Trust or EBT

The EBT was 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. As at 31 December 2020, no shares were held by the EBT and no shares were purchased by it during the year. The Company plans to satisfy all vested share awards with treasury shares going forward. The maximum number of shares held by the EBT during the year was 5,162 at 1 January 2020 which was 0.001% of the issued capital carrying voting rights.

From January 2017, the Share Incentive Plan was closed for further contributions and no further SAYE invitations are intended to be issued.

Composition of the Remuneration Committee

The members of the Committee during 2020 were Lynda Armstrong, Michael Lynch-Bell and Charles Watson. Lynda Armstrong is Chair of the Committee. Where appropriate, executive Directors are invited to attend meetings to provide information and advice to the Committee to enable it to make informed decisions. Individuals are, however, specifically excluded from any matter concerning their own remuneration. Representatives of Deloitte, 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 had three scheduled meetings in 2020, with each member attending as follows:

Member	Committee member since	Attendance at scheduled meetings during 2020
Lynda Armstrong	21 October 2013	3/3
Michael Lynch-Bell	7 May 2015	3/3
Charles Watson	17 May 2013	3/3

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 remuneration arrangements were broadly compatible with the Company's risk policies and systems. In addition, malus and clawback provisions which were expanded for incentive awards from 2019 onwards, so that they can be applied in instances of serious reputational damage to the Group and of serious corporate failure, have been enshrined in the policy in conjunction with the scope to vary outcomes from incentive awards where formulaic outcomes are inappropriate. The introduction of a post-employment shareholding guideline in 2020 has further aligned Directors' interests with long-term decision making. 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. The Committee includes Michael Lynch-Bell, Deputy Chair and Senior Independent Director and Charles Watson, Chair of the Health, Safety and Sustainability Committee. The Chair, Chief Executive Officer and when appropriate Group Director of Human Resources, attend Committee meetings by invitation, and provide 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. The current advisers, Deloitte, were appointed by the Committee following a competitive tender process. During 2020, Deloitte's fees for supporting the Committee were £84,900. Deloitte also provides share plan advice to the Company and tax services in the Group's overseas subsidiaries. In addition Deloitte and Linklaters have provided legal services during the year. Deloitte is a signatory to the Remuneration Consultants' Group Code of Conduct. The Committee regularly reviews the external advisor relationship and is comfortable that Deloitte's advice remains objective and independent.

Statement of shareholder voting

At the Annual General Meeting held on 30 April 2020, the advisory vote on the Annual Report on Remuneration received the following votes from shareholders:

Annual Report on Remuneration 2019

Votes for	277,168,915	84.18%
Votes against	52,082,384	15.82%
Total votes cast	329,251,299	100.00%
Votes withheld	22,474	0.00%

Remuneration Policy 2020

The remuneration policy was approved by shareholders at the 2020 Annual General Meeting and received the following votes from shareholders:

Votes for	321,424,079	97.62%
Votes against	7,827,680	2.38%
Total votes cast	329,251,759	100.00%
Votes withheld	22,014	0.00%

SUMMARY OF DIRECTORS' REMUNERATION POLICY

The Remuneration Policy was approved by shareholders at the 2020 Annual General Meeting and took effect from that date. There are no proposed changes to the policy for 2021. For ease of reference, the key elements of the policy for executive Directors is summarised below.

The full policy is available in the 2019 Annual Report and Accounts on the Company's website (www.kazminerals.com). Further details on implementation of the policy in 2020 are set out on pages 113 to 118.

Salary	Typically reviewed annually, with increases usually effective from 1 January. Any increases take account of, but are not limited to: – Company and individual performance – Skill set and experience of the executive – External indicators such as inflation and market conditions – Remuneration of Group employees, particularly in the UK There is no prescribed maximum annual increase, however the Committee is guided by the general increase for the broader employee population, particularly in the UK. The current salaries for executive Directors are set out on page 113 of the Annual Report on Remuneration.
Benefits	Provision of benefits such as private medical insurance, relocation assistance, travel and related expenses and life insurance. As in prior years, the Company does not provide any pension benefits to Oleg Novachuk. Andrew Southam is entitled to receive Company pension contributions and/or a cash allowance, with a total value of up to 10% of base salary, which is in line with the broader UK workforce.
Annual bonus	Incentivise the delivery of annual objectives consistent with the Group's strategy, without encouraging short-term measures or excessive risk-taking. Payments determined on the basis of operational and financial performance and strategic developments. The Committee will determine the appropriate weightings of the performance metrics on an annual basis with targets set by reference to the financial and operating plans. Payments scaled back in the absence of an improvement in the Group's safety performance. Malus and clawback provisions also apply. Maximum bonus potential of 200% of salary. The current maximum bonus potential for the Chair and Chief Executive Officer is 150% of salary. The Chief Executive Officer defers one third of any bonus earned into shares.
Long Term Incentive Plan	Incentivise long-term value creation and deliver against the Group's strategy over the longer term by way of long-term performance targets and share-based remuneration. Normally granted annually, subject to continued employment and performance metrics set by the Remuneration Committee at the time of grant, measured over a period of at least three years. The Committee will regularly review the performance metrics and targets to ensure they support long-term thinking, deliver against the Group's strategy and remain challenging and reflective of commercial expectations. Shares arising from an LTIP award must normally be held for a total period of five years prior to release. Where awards are subject to a three year performance period, an additional two year holding period will normally apply. The Committee has discretion to vary the formulaic vesting outcome applying to any LTIP award where it believes the outcome does not reflect the Committee's assessment of the underlying performance of the Company or is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant. Malus and clawback provisions also apply. Maximum award of up to 200% of salary in respect of any financial year. For 2020, the award policy was: Chair – 150% of salary; and Chief Executive Officer – 200% of salary.
Shareholding guidelines	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. Following employment, executive Directors are normally expected to retain a material interest in their first two years post-employment. This holding is normally expected to be equal to the in-post holding requirement (or the value of shares acquired from incentive plans, if lower).

OTHER STATUTORY INFORMATION

UK Listing Rule disclosures

Information required to be disclosed pursuant to Listing Rule 9.8.4R may be found on the following pages

Information	Annual Report section	Page
Shareholder waivers of future dividends	Other statutory information	124
Details of long-term incentive schemes	Directors' report	116-118
Information required by LR 9.2.2AR (2)(a) – Relationship agreements	Other statutory information	124
Statement of capitalised interest	Financial statements	154
Details of any arrangements under which a Director has waived or agreed to waive emoluments from the Company	Directors' report	112
Contract for the provision of services by major shareholder	Financial statements	173-174

Directors

In accordance with the 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 on page 119.

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, with the exception of certain contracts between Group companies and Vladimir Kim as disclosed in note 34 on pages 173 to 174.

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.

Dividends

In line with normal market practice during a takeover offer, the terms of the Recommended Offer stipulate that Nova Resources has the right to reduce the consideration payable to shareholders by the same amount as any dividend payments declared and paid during the Offer Period, the Board has therefore not recommended the payment of a final dividend in repect of the 2020 financial year. An interim dividend of 4 US cents per ordinary share was paid on 23 October 2020, bringing the total dividend for 2020 to 4 US cents per ordinary share.

The Employee Benefit Trust (EBT) has waived the right to receive dividends due or to become due at any time in the future on shares held by it on behalf of share plan participants employed by the Group.

Annual General Meeting

The Company's Annual General Meeting will be held at 12.15pm on Thursday 29 April 2021 at KAZ Minerals PLC 6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, 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 2020, the Company's issued share capital was 480,723,977 ordinary shares of 20 pence each, credited as fully paid. The Company holds 8,238,821 ordinary shares in treasury and the issued share capital of the Company which carries voting rights of one vote per share comprises 472,485,156 ordinary shares (excluding treasury shares). Further details of the Company's issued share capital are shown in note 23 on page 160.

The Group has its primary listings on the London and Kazakhstan Stock Exchanges.

A list of the Group's subsidiary undertakings and their principal activities is given in note 38(i) beginning on page 186.

Purchase of own shares

The Company was authorised by shareholders at the 2020 Annual General Meeting to purchase its own shares on the market within certain limits. In the period since the 2020 Annual General Meeting, the Company has not purchased 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.

Relationship agreements

As required by Listing Rule 9.2.2ADR(1), on 23 July 2014, the Company entered into an amended and restated relationship agreement (originally entered into on 26 September 2005) with Cuprum Holding Limited, Perry Partners S.A. and Vladimir Kim.

In accordance with Listing Rule 6.5.4R, 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 inter alia, there must be a majority of independent Directors on the Board and on all its standing committees, and no material transaction may be entered into without approval of the independent Directors.

The 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.

Major shareholdings

As at 1 March 2021, the Company had been notified under Rule 5.1.2 of the FCA's Disclosure and Transparency Rules of the following interests in its total voting rights:

Name of holder	Number of ordinary shares of 20 pence each held	Percentage of total voting rights held as at 1 March 2021
Vladimir Kim	149,306,795	31.60%
Oleg Novachuk	36,772,414	7.78%
Aristus Holdings Limited	22,344,944	4.73%
Maxim Vorobyev	14,204,036	3.01%

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. (The Group does not as a matter of policy make any political donations.)

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 32 commencing on page 167.

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 33 beginning on page 172.

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 CNY 1.0 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 $1.0 billion pre-export finance debt facility originally dated 20 December 2012, as amended and restated on 28 January 2020 between KAZ Minerals Finance PLC as a borrower 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 lender or lenders whose participation in the loan outstanding exceeds two-thirds of the total loan amount outstanding 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 billion facility agreement and a $149 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 $300 million credit facility agreement dated 14 December 2016 (increased to $900 million with a supplemental agreement dated 14 June 2019) between KAZ Minerals Aktogay LLC as borrower and Development Bank of Kazakhstan JSC as lender, provide that (i) if there is a change in the ownership structure of the borrower in an amount of 10% or more of the participating interests of the borrower, to a person or persons other than a member of the Group and without the prior written consent of the lender, it would trigger an event of default and (ii) if the Company ceases (directly or indirectly) to control less than 51 per cent of the share capital of the borrower, the lender has the right to accelerate repayment of the outstanding loans together with accrued interest and any other amounts due and payable to the lender.

The terms of a $100 million credit facility agreement originally dated 15 November 2019, as amended and restated on 7 December 2020 between KAZ Minerals Finance PLC as borrower and Caterpillar Financial Services (UK) Limited as lender, provide that if any person (excluding Mr Vladimir Kim and Mr 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 lender or lenders whose participation in the loan outstanding exceeds two-thirds of the total loan amount outstanding 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.

The terms of a framework agreement for trading, marketing and logistics of the Group's products with Advaita East Trade DMCC originally dated 23 March 2017, contains a clause such that a change of control of a party would constitute an event of default under the agreement and would entitle the non-defaulting party to terminate the agreement.

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.

In accordance with the Companies Act 2006, which allows 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 (SIPs) 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

A total of 22,344,944 ordinary shares in the Company comprising the Initial Equity Consideration on the acquisition of Baimskaya copper project were issued and allotted to the Vendor on Initial Completion on 22 January 2019 and are subject to a three-year lock-up period ending on the third anniversary of Initial Completion.

Rule 4.2 of the Takeover Code prohibits Nova Resources and persons acting in concert with Nova Resources (including the Nova Resources directors) from selling securities in the Company, except with the prior consent of the Panel and following 24 hours public notice that such sales might be made.

The Company is aware of the following agreements (all of which are available to view on the Company's website) between shareholders that may result in restrictions on the transfer of shares:

- the Directors' irrevocable undertakings by each of Michael Lynch-Bell, Andrew Southam, Lynda Armstrong, Charles Watson, John MacKenzie and Alison Baker in favour of Nova Resources all dated 28 October 2020
- the shareholder irrevocable undertaking by Ferris Services Limited dated 28 October 2020 and 7 December 2020
- the shareholder irrevocable undertaking by Denalot Worldwide Limited dated 28 October 2020 and 7 December 2020
- the shareholder irrevocable undertaking by Greenleas International Holdings Limited dated 28 October 2020 and 7 December 2020
- the shareholder irrevocable undertaking by Skybridge Invest JSC Management Company dated 7 December 2020
- the shareholder irrevocable undertaking by Naptron Management Ltd dated 11 December 2020
- the shareholder irrevocable undertaking by Stansbury International Ltd dated 11 December 2020
- the Shareholders' Agreement between Folin Universal Trust reg, Vostok Holdings Limited and Vostok Cooper BV (companies related to Vladimir Kim and Oleg Novachuk) dated 27 October 2020; and
- the share exchange agreement between Harper Finance Limited, Kinton Trade Limited and other parties related to Vladimir Kim and Oleg Novachuk dated 27 October 2020.

Other than as set out above, 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.

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. Every Director shall retire at each Annual General Meeting. 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 external auditors in connection with preparing their audit report) of which the Company's external auditors are unaware, and each Director has taken all steps that he/she ought to have reasonably taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's external auditors are aware of that information.

Auditors

Having reviewed the independence, objectivity and performance of the external auditor, the Audit Committee has recommended to the Board that the existing external auditor, KPMG, be re-appointed. Ordinary resolutions re-appointing them as auditor and authorising the Directors to set their remuneration will be proposed at the 2021 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 have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU) and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law, and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a fair and true 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, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group 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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group, to prevent and detect fraud and other irregularities.

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 (www.kazminerals.com). 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 accounts, prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the Company accounts, prepared in accordance with UK accounting standards including Financial Reporting Standard 101 *'Reduced Disclosure Framework'*, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Strategic report and Directors' report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; 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 3 to 83 and the Directors' report comprising pages 84 to 127, 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:

Susanna Freeman

Company Secretary
1 March 2021

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United Kingdom

Registered in England and Wales No. 05180783

INDEPENDENT AUDITOR'S REPORT

to the members of KAZ Minerals plc

1. Our opinion is unmodified

We have audited the financial statements of KAZ Minerals PLC ("the Company") for the year ended 31 December 2020 which comprise the consolidated statement of total comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity, Company balance sheet, Company statement of changes in equity, and the related notes, including the accounting policies in note 37.

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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 15 May 2012. The period of total uninterrupted engagement is for the nine financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview	
Materiality: Group financial statements as a whole	$24.5 million (2019: $25 million) 3.0% (2019: 3.4%) of Group profit before tax
Coverage	98% (2019: 96%) of Group profit before tax

Key audit matters (risk change) vs 2019		
Recurring risks of the Group	Going concern	No change
	Bribery and corruption	Increase
	Asset carrying amounts	No change
Parent Company specific risk	Investment in subsidiaries carrying amounts	Increase

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters unchanged from 2019, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters 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. These matters were addressed, and our findings are based on procedures undertaken based on a fully substantive audit approach as in most instances this was more efficient, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Going concern Refer to page 103 (Audit Committee Report) and page 142 (financial disclosures).	**Appropriateness of disclosure:** 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 of the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue in operational existence for the period to 31 March 2022. The risks most likely to adversely affect the Group's and Company's available financial resources and have an impact over its ability to meet its loan covenants over this period were: – The ability of the Group to continue operating as usual despite the prolonged effects of the Covid-19 pandemic, the uncertainty it brings in relation to restricted access to mine sites, challenges with the movement of people and goods and supply chain disruptions, planned maintenance schedules of operating assets, with the associated costs and possible delays to development projects as well as external variables such as volatility in prices of commodities, inflation and foreign exchange rates. – The wider economic and political factors impacting the key assumptions and the ongoing capital expenditure on both the Baimskaya and Aktogay expansion projects, global market volatility as a result of political tensions such as the uncertainty in future trade negotiations between China and the US, following its recent elections and current ongoing civil unrest in Russia.	**Our procedures included:** – **Risk assessment procedures and related activities:** Understanding the entity and its environment, evaluating the updated process documentation prepared by the Directors in Q3 2020 over the Group's going concern assessment process and its related controls. – **Benchmarking assumptions:** Challenging the appropriateness of key assumptions in the cash flow projections taking into account the impact of Covid-19, including commodity prices, production costs, inflation, foreign exchange, production volumes, committed and other planned capital expenditure. Applying our sector knowledge and experience based on historical production information, internal mine plans and project plans, together with market and other externally available information. We as well performed procedures to agree the key assumptions in the cash flow projections to the life of mine model of the individual assets and checked consistency of assumptions used in other Group models where relevant. – **Sensitivity analysis:** We considered whether the risks described could plausibly affect the liquidity and covenant compliance in the going concern period by assessing the Directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively.

	The risk	Our response
Going concern (continued) Refer to page 103 Audit Committee Report) and page 142 (financial disclosures).	**Appropriateness of disclosure (continued):** – Future funding requirements to support the Baimskaya project development plans prior to and on completion of the Bankable Feasibility Study. – The Recommended Offer, announced by the Company and the possible impact of any associated costs, change of control clauses and known potential liabilities that may arise but may not be known to or under the control of the current Board including the Vendor deferred consideration of $225 million (for the remaining 25% interest in Baimskaya) that may need to be settled in cash in the event of a delisting. – The inherent estimation uncertainty in the assumptions used in the Group and Company's business model, particularly in respect of copper pricing. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to be disclosed.	**Our procedures included (continued):** – **Funding assessment:** Assessing the requirement for additional funding and the ability of the Group to meet its loan covenant based on the Group's financial projections. – **Mathematical accuracy:** Checking the mathematical accuracy of the cash flow projections and assessing the forecast covenant calculations based on the terms of the Group's borrowing facilities. – **Evaluating Directors' intent:** Evaluating the achievability of the actions the Directors consider in the downside scenarios. – **Assessing impact of Recommended Offer:** Considering possible impacts of the Recommended Offer where known and in particular where there may be an impact on the Group's funding including any change of control clauses in relation to the Group's financing arrangements, associated costs and potential liabilities such as the Vendor deferred consideration of $225 million. – **Assessing transparency:** Considering whether the going concern disclosure in note 2(a) to the financial statements gives a proportionate description of the Directors' assessment of going concern, including the identified risks. **Our findings** We found the Directors' judgement that there was no material uncertainty to be disclosed, to be balanced (2019 findings: balanced) and that the disclosure in Note 2(a) to the financial statements to be proportionate (2019 disclosure: proportionate).

	The risk	Our response

Bribery and corruption	**Effects of irregularities:**
	The risk for our audit is whether any instances of bribery or corruption arise or could arise that is not identified and could result in material losses to the Group or potential non-compliance with laws and regulations which might result in possible penalties and material improper payments not being identified or properly disclosed.
	The Group's business involves mining activities in Kazakhstan, Kyrgyzstan and, more recently Russia following the acquisition in January 2019 of the Baimskaya assets.
	Transparency International's Corruption Perceptions Index 2020 and our own experience indicates that corruption risks remain significant in these countries.
	Significant amounts of expenditure continue to be incurred on the existing operations and new development projects, including payments in respect of social contributions. In particular the Group's operations in Russia are expanding as the Baimskaya project progresses resulting in increased risks as the Group implements its policies and procedures and discussions with the Government are critical to finalising key Infrastructure aspects.
	In addition, companies in the mining sector are inherently at a higher risk from bribery and corruption due to the significant level of government regulation and their procurement profile.
		Our procedures included:
		– **Policies and procedures assessment:** Assessing the appropriateness of the Group's anti-bribery and corruption policies and procedures including evaluating the considerations undertaken by the Directors and by senior management relating to the implementation and oversight thereof across the Group. Considering the role of the Social Investment Committee to oversee the approval of social contributions and the Group's externally managed whistleblowing programme. Assessing the implementation and oversight of the new Government Relations and Lobbying policy in particular in Russia where negotiations with the Government are significant.
		– **Tests of detail:**
		  – Selecting a sample of transactions and journals across the Group in particular those relating to third party suppliers, cash payments, items that at face value may appear to be outside the normal course of business and any that might indicate connections with government agencies or officials.
		  – Selecting a sample of instances reported via the whistleblowing programme.
		  – Selecting a sample of social contributions made or approved during the period to assess compliance with the Group's policies and business rationale and where applicable considering management's follow up on the subsequent use of funds by the recipient for social contributions payments being consistent with that approved.
		  – Making enquiries of senior management for each of the samples selected and validating such explanations given by inspecting related documentation or making further enquiries to investigate the nature of the contribution and where relevant evaluate the business rationale, confirming that appropriate approvals had been given. Assessing the nature of and actions taken to address any incidents arising from the whistleblowing programme.
		  – Considering, where necessary for transparency purposes that any such instances or payments as applicable have been appropriately disclosed.
		Our findings
		As a result of our procedures we did not identify material instances of non-compliance with laws and regulations or bribery and corruption (2019 findings: none identified) and proportionate disclosure has been made in respect of these areas (2019 disclosure: proportionate).

	The risk	Our response
Asset carrying amounts: a) Group's operating assets b) Group's exploration and evaluation assets Refer to page 103 (Audit Committee Report), page 177 (accounting policy) and page 144 (financial disclosures.)	**Subjective judgement:** **a) Operating assets:** The Group's operating assets, some of which have previously been impaired, are assessed for impairment at a Cash Generating Unit ('CGU') level which align to the operating divisions i.e. Bozshakol, Aktogay, East Region, and Bozymchak in accordance with IAS 36. These assets are sensitive to changes in operational assumptions and metal pricing and therefore the Directors needs to make judgements as to whether certain events represent indicators of impairment or impairment reversal. In relation to operating assets we note the production shutdown at the Bozymchak mine that occurred between 7 October and 26 December 2020 to ensure employee safety following a period of political instability in Kyrgyzstan. There is judgement to be applied if this temporary closure represented an event that gives rise to an indicator of impairment. Based on the assessment performed in relation to the operating assets, the Directors have concluded no indicators of impairment exist at the balance sheet date and therefore has not estimated any recoverable amounts. The risk to our audit is that should an impairment indicator be present then an impairment test would be required to be performed and could result in a material change to the carrying amounts of the Group's operating assets. **b) Exploration and Evaluation assets:** The assessment for impairment indicators of the Group's exploration & evaluation assets Baimskaya and Koksay (in accordance with IFRS 6) requires the Directors to exercise judgement around areas such as the commercial viability and technical feasibility which can often be difficult to determine given the relatively early stage of a project together with any factors relating to the licence rights or obligations. Based on the assessment performed in relation to the exploration and evaluation assets, the Directors have concluded no impairment indicators exist at the balance sheet date and therefore has not estimated any recoverable amounts. The risk to our audit is that should an impairment indicator be present then an impairment test would be required to be performed and could result in a material change to the carrying amounts of the Group's exploration and evaluation assets.	**Our procedures included:** – **Accounting application:** – Evaluating the Directors' assessment that there are no indicators of impairment or impairment reversal of the Group's operating assets being Bozshakol, Aktogay, East Region and Bozymchak, with reference to the criteria of IAS 36 "Impairment of assets". – Evaluating the Directors' assessment that there are no indicators of impairment of the Group's exploration and evaluation assets Baimskaya and Koksay with reference to the criteria of IFRS 6 "Exploration for and Evaluation of Mineral Resources". – **Benchmarking assumptions:** – Assessing the Group's operational and project plans including estimates for future capital expenditure, commodity prices, inflation rates and exchange rates during the period under consideration. – Assessing the status as at the financial year-end of the Baimskaya Feasibility Study, in particular considering: – changes to the project plan in respect of increased capital expenditure requirements, delays to the project schedule together with assumptions made and any remaining uncertainties in respect of the infrastructure aspects including road, port and power plans and any additional costings arising as part of the overall economics of the final mine development plan; – factors that may impact a decision to develop the mine, secure funding and possibly partnering to determine there are no matters arising that might indicate any uncertainty over the commercial viability and technical feasibility to develop the asset; – the results of the latest Competent Person's Report ('CPR') on Baimskaya reserves and resources and an evaluation of independence and competence of the Competent Person. – Considering the current status of feasibility works and the reasonableness of the extension of exploration rights in particular for Koksay. **Our findings** a) We found the Directors' assessment that there were no indicators of impairment or impairment reversal of the Group's operating assets, in particular Bozymchak, to be balanced (2019 findings: balanced). b) We found the Directors' assessment that there were no indicators of impairment of the Group's exploration and evaluation assets, in particular Baimskaya, to be optimistic (2019 findings: balanced).

	The risk	Our response

The Company's carrying value of investments
 	
Refer to page 103 (Audit Committee Report), and page 184 (accounting policy and financial disclosures)
	Subjective judgement:
	
	The Company's investments in its subsidiaries has been impaired in the past, and there was a significant decline in the Company's share price in August 2018 resulting in the market capitalisation value of the Company being below it's carrying value. This was judged by the Directors to be driven by the market's reaction to the announcement of the Baimskaya acquisition.
	
	There has also been volatility in the share price and Copper prices during the first half of the year as a result of Covid-19. Subsequently, the share price has been on an upward trend since the announcement of the Recommended Offer of 640 pence per share on 28 October 2020 and market prices and consensus forecasts for copper improved again by the end of 2020. The 640 pence offer valued the Group at \$3,961 million which is above the carrying value of the Group's net assets at 31 December 2020 of \$2,424 million.
	
	There is a significant judgement involved in determining whether the changes in share price and/or the current volatility in short term copper prices should be considered an impairment indicator, and if so, there is complexity in performing the valuations required for any resulting impairment test.
	
	The risk to our audit is that should an impairment indicator be present then an impairment test would be required to be performed and could result in a material change to the carrying amounts of investments in the Company's financial statements.
		Our procedures included:
		
		– **Our sector experience:** Performing our own search for indicators of impairment by analysing the performance of the Group's operating cash generating units and evaluating changes in analysts' long-term expectations of commodity prices in particular copper.
		– **Test of detail:**
		  – Comparing the carrying amount of the Company's investments with the relevant subsidiaries' draft balance sheets used for Group consolidation purposes as at 31 December 2020 to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.
		  – Considering the proposed Recommended Offer as an indication of the current market value of the Company's net assets and also the implications for impairment indicators when on 4 February 2021, this offer was increased to 780 pence which valued the Company at \$5,034 million.
		  – Considering any changes in estimates or other indicators to determine if any other indicators of impairment reversal.
		– **Assessing subsidiary audits:** Assessing the work performed for Group audit purposes on those subsidiaries and considering the results of that work on those subsidiaries' profits and net assets.
		
		Our findings
		
		We found the Directors' assessment that there were no indicators of impairment or impairment reversal of the Company's carrying value of investments to be balanced (2019 audit finding: we found that, while acceptable, the Group's judgement gave slightly more weight to arguments favouring a conclusion that there were no impairment indicators).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at $24.5 million (2019: $25 million) determined with reference to a benchmark of Group profit before tax of $804 million, of which it represents 3.0% (2019: 3.4%).

Materiality for the Company financial statements as a whole was set at $18 million (2019: $20 million), determined with reference to component materiality set by the Group audit team. This represents 0.8% of the Company's total assets (2019: 0.4%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to $18.4 million (2019: $18.8 million) for the Group and $13.5 million (2019: $15 million) for the Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $1.0 million (2019: $1.25 million), in addition to other identified misstatements that warranted reporting on qualitative grounds. Of the Group's 41 (2019: 40) reporting components, we subjected 13 (2019: 11) to full scope audits and 3 (2019: nil) to audits of accounts and balances for Group purposes.

The components within the scope of our work accounted for the percentages illustrated below. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materiality, which ranged from $1.1 million to $18.5 million (2019: $0.5 million to $20 million), having regard to the mix of size and risk profile of the Group across the components. The work on 10 of the 16 components (2019: 8 of the 14 components) were performed by component auditors and the rest, including the audit of the Company, were performed by the Group team.

Due to the impact of Covid-19 on the movement of individuals and restrictions imposed over access to operational facilities we were not able to perform physical existence procedures over part of inventory at Aktogay and Bozshakol. As such we performed alternative procedures including remote stocktake procedures to obtain appropriate audit evidence. Additionally we have performed alternative procedures including video conference meetings held with the component auditors and senior management to assess the audit risk and strategy throughout the year. In addition, the Group team performed 12 formal calls with each component team during the audit process, supported by additional follow up calls with each team and participation in key meetings with the local management remotely where it was needed. During these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

Profit before tax

$804 million (2019: $726 million)

Group materiality

$24.5 million (2019: $25 million)

$24.5 million
Whole financial statements materiality (2019: $25 million)

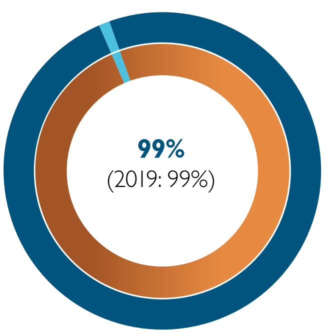
$18.4 million
Whole financial statements performance materiality (2019: $18.8 million)

$18.5 million
Range of materiality at 16 components ($1.1 million to $18.5 million) (2019: $0.5 million to $20 million)

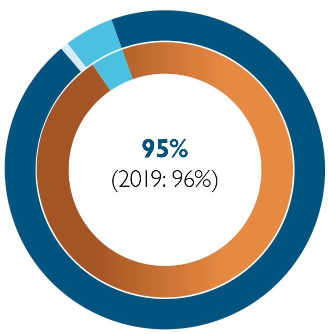
$1 million
Misstatements reported to the audit committee (2019: $1.25 million)

Group profit before tax
Group materiality

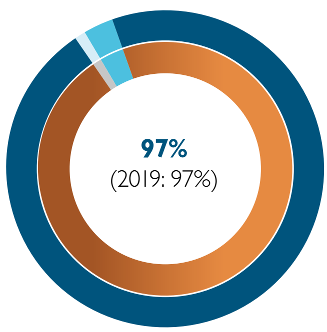
Group revenue



Group profit before tax



Group total assets



Full scope for group audit purposes 2020
Specified risk-focused audit procedures 2019
Full scope for group audit purposes 2019
Residual components for 2020 and 2019
Accounts and balances risk-focused audit procedures 2020

4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for the period to 31 March 2022 ("the going concern period"). An explanation of how we evaluated the Directors' assessment of going concern is set out in the related key audit matter in section 2 of this report.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 2(a) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period; and
- the related statement under the Listing Rules set out on page 126 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events, including the Recommended Offer, that may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud: To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiries of Directors and the Group's Chief Executive Officer, Chief Financial Officer, Head of Legal and company secretarial functions, Head of Internal Audit and financial controllers, inspection of policy documentation as to the Group's policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether there is knowledge of any actual, suspected or alleged fraud.
- Reading of Board, Project Assurance Committee and Audit Committee meeting minutes and presentations during the period under audit.
- Using our own forensic specialists to assist us in identifying any associated fraud risks.

  We communicated identified fraud risks throughout the audit teams and remained alert to any indications of fraud throughout the audit. This included communication from the Group to the component audit teams of relevant fraud risks identified at the Group level and for component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

  As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that the Group may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements used in the Director's assessments in relation to impairment of assets, decommissioning and site restoration provision and recoverability of deferred tax assets.

  We also do not view there to be a fraud risk related to revenue recognition because the process is largely non-complex and non-judgemental as pricing is based on customer agreements and sales volumes of respective commodities are verified upon delivery. We have as part of our audit risk assessment identified a fraud risk related to Bribery and corruption. Further detail in respect of this is set out in the key audit matter disclosures in section 2 of this report.

  In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk controls. We also performed the following procedures:

  - Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
  - Assessed the appropriateness of the accounting for significant transactions that are outside the component's normal course of business, or are otherwise unusual.
  - Performed a search for fraudulent journal entries using KPMG's automated audit procedures. We identified journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to seldom used accounts and those posted by senior management.

5. Fraud and breaches of laws and regulations – ability to detect (continued)

- Involved valuation specialists to challenge key assumptions underlying discounted cash flow forecast used for the valuation of decommissioning and site restoration provision recognised
- Assessed manual journal entry approval process (including the design and implementation of manual journal entry controls) implemented by the Group and respective components.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussions with Directors and management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussion with those charged with governance the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication to our component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to us any instances of non-compliance with laws and regulations that could give rise to a material misstatement.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, tax legislation of the jurisdictions in which the Group operates, health safety and sustainability legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items noting in particular that Kazakhstan, Kyrgyzstan and Russian tax and customs legislation are in a state of continuous development and therefore are subject to frequent changes and varying interpretations.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: the mining licence and obligations therein in relation to the Group's operating and exploration assets, tax legislation, sustainability legislation, health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of those charged with governance and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Strategic report on page 74 that they have carried out a robust assessment of the Principal Risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and

– the Directors' explanation in the Directors' viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Director's viability statement, set out on pages 82 and 83 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

– 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;
– the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
– the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

7. We have nothing to report on the other matters on which we are required to report by exception

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.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 127, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Juliette Lowes (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London, E14 5GL
1 March 2021

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Year ended 31 December 2020

$ million (unless otherwise stated)	Notes	2020	2019
Revenues	4(b)	2,355	2,266
Cost of sales	5(a)	(1,101)	(1,124)
Gross profit		1,254	1,142
Selling and distribution expenses	5(b)	(94)	(91)
Administrative expenses	5(c)	(152)	(132)
Net other operating income		–	9
Impairment losses	6	(3)	(5)
Operating profit		1,005	923
Analysed as:			
Operating profit (excluding special items)		1,016	923
Special items	7	(11)	–
Finance income	11	14	18
Finance costs	11	(146)	(195)
Net foreign exchange loss		(69)	(20)
Profit before tax		804	726
Income tax expense	12(a)	(165)	(155)
Profit for the year		639	571
Analysed as:			
Underlying Profit	13	650	571
Special items	7	(11)	–
Attributable to:			
Equity holders of the Company	13	639	571
Non-controlling interests	24	–	–
		639	571
Other comprehensive (expense)/income for the year after tax:			
Items that may be reclassified subsequently to the income statement:			
Exchange differences on retranslation of foreign operations		(336)	64
Items that will never be reclassified to the income statement:			
Actuarial gains/(losses) on employee benefits, net of tax	26	1	(1)
Other comprehensive (expense)/income for the year		(335)	63
Total comprehensive income for the year		304	634
Attributable to:			
Equity holders of the Company		305	635
Non-controlling interests		(1)	(1)
		304	634
Earnings per share attributable to equity holders of the Company			
Ordinary EPS – basic ($)	13	1.35	1.21
Ordinary EPS – diluted ($)	13	1.29	1.17
EPS based on Underlying Profit – basic ($)	13	1.38	1.21
EPS based on Underlying Profit – diluted ($)	13	1.32	1.17

CONSOLIDATED BALANCE SHEET
At 31 December 2020

$ million	Notes	2020	2019
Assets			
Non-current assets			
Intangible assets		**5**	5
Property, plant and equipment	15	**2,778**	2,756
Mining assets	16	**1,559**	1,457
Other non-current assets	17	**257**	338
Deferred tax asset	12(b)	**40**	40
		4,639	4,596
Current assets			
Inventories	18	**614**	553
Prepayments and other current assets	19	**174**	193
Income taxes prepaid		**8**	7
Trade and other receivables	20	**155**	176
Current investments	21	**425**	–
Cash and cash equivalents	22	**874**	541
		2,250	1,470
Total assets		**6,889**	6,066
Equity and liabilities			
Equity			
Share capital	23(a)	**177**	177
Share premium		**2,883**	2,883
Capital reserves	23(c)	**(2,493)**	(2,158)
Retained earnings		**1,799**	1,213
Attributable to equity holders of the Company		**2,366**	2,115
Non-controlling interests	24	**58**	59
Total equity		**2,424**	2,174
Non-current liabilities			
Borrowings	25	**3,372**	2,755
Deferred tax liability	12(b)	**107**	110
Employee benefits	26	**8**	15
Provision for closure and site restoration	27	**107**	74
Other non-current liabilities	28	**13**	12
		3,607	2,966
Current liabilities			
Trade and other payables	29	**307**	360
Borrowings	25	**528**	545
Income taxes payable		**17**	16
Employee benefits	26	**2**	2
Other current liabilities	28	**4**	3
		858	926
Total liabilities		**4,465**	3,892
Total equity and liabilities		**6,889**	6,066

These financial statements on pages 138 to 181 were approved by the Board of Directors on 1 March 2021.

Signed on behalf of the Board of Directors

Andrew Southam
Chief Executive Officer

John Hadfield
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

$ million	Notes	2020	2019
Operating activities			
Cash receipts from customers		2,386	2,181
Cash payments to employees, suppliers and taxes other than income tax		(1,248)	(1,347)
Cash flows from operations before interest and income taxes paid	30	1,138	834
Interest paid		(208)	(230)
Income taxes paid		(123)	(92)
Net cash flows from operating activities		807	512
Investing activities			
Interest received		10	20
Purchase of intangible assets		(2)	(1)
Purchase of property, plant and equipment		(427)	(737)
Investments in mining assets		(155)	(122)
Net (additions to)/redemption of current investments	21	(425)	250
Acquisition of Baimskaya copper project, net of cash acquired		–	(435)
Other investing activities		(2)	(2)
Net cash flows used in investing activities		(1,001)	(1,027)
Financing activities			
Proceeds from borrowings	31	950	387
Repayment of borrowings	31	(366)	(545)
Dividends paid by the Company	14	(57)	(47)
Advance consideration for investment in Koksay	24	–	45
Other financing activities		(2)	(1)
Net cash flows from/(used in) financing activities		525	(161)
Net increase/(decrease) in cash and cash equivalents	31	331	(676)
Cash and cash equivalents at the beginning of the year		541	1,219
Effect of exchange rate changes on cash and cash equivalents	31	2	(2)
Cash and cash equivalents at the end of the year	22	874	541

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

$ million	Notes	Share capital	Share premium	Capital reserves[1]	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company						
At 1 January 2019		171	2,650	(2,457)	686	1,050	4	1,054
Profit for the year		–	–	–	571	571	–	571
Exchange differences on retranslation of foreign operations		–	–	65	–	65	(1)	64
Actuarial loss on employee benefits, net of tax	26	–	–	–	(1)	(1)	–	(1)
Total comprehensive income/(expense) for the year		–	–	65	570	635	(1)	634
Dividends	14	–	–	–	(47)	(47)	(3)	(50)
Shares issued and Deferred Consideration arising from acquisition of the Baimskaya copper project	23(c)	6	233	225	–	464	–	464
Part disposal of subsidiary	24	–	–	9	2	11	59	70
Share-based payments, net of taxes		–	–	–	2	2	–	2
At 31 December 2019		177	2,883	(2,158)	1,213	2,115	59	2,174
Profit for the year		**–**	**–**	**–**	**639**	**639**	**–**	**639**
Exchange differences on retranslation of foreign operations		**–**	**–**	**(335)**	**–**	**(335)**	**(1)**	**(336)**
Actuarial gain on employee benefits, net of tax	26	**–**	**–**	**–**	**1**	**1**	**–**	**1**
Total comprehensive income/(expense) for the year		**–**	**–**	**(335)**	**640**	**305**	**(1)**	**304**
Dividends	14	**–**	**–**	**–**	**(57)**	**(57)**	**–**	**(57)**
Share-based payments, net of taxes		**–**	**–**	**–**	**3**	**3**	**–**	**3**
At 31 December 2020		**177**	**2,883**	**(2,493)**	**1,799**	**2,366**	**58**	**2,424**

1 See 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 Group operates in the natural resources industry through five divisions, the principal activities of which during 2020 were:

Operating division	Principal activity	Primary countries of operations
Aktogay	Mining and processing of copper and other metals	Kazakhstan
Bozshakol	Mining and processing of copper and other metals	Kazakhstan
East Region[1]	Mining and processing of copper and other metals	Kazakhstan
Bozymchak[1]	Mining and processing of copper and other metals	Kyrgyzstan
Mining Projects	Development of greenfield metal deposits	Kazakhstan and Russia

1 East Region and Bozymchak are separate divisions but have been combined for segmental reporting purposes.

The legal names of the constituent companies within the above divisions are shown in note 38(i).

2. Basis of preparation

The financial statements set out on pages 138 to 181 have been prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. On 31 December 2020, the UK exited the EU. For periods commencing on or after 31 December 2020, the Group will be required to apply UK-adopted IFRS standards (see note 2(f)).

There has been no significant impact to the consolidated financial statements of the Group at 31 December 2020 as a result of the Recommended Offer, which was initially announced on 28 October 2020. In the event of the Recommended Offer becoming wholly unconditional it would be expected to complete in the first half of 2021.

(a) Going concern

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level and liquidity position of the Group taking into consideration the expected outlook of the Group's financial position, cash flows, future capital expenditure and debt service requirements.

At 31 December 2020, the Group's net debt was $2,601 million with gross debt of $3,900 million and gross liquid funds of $1,299 million. The gross debt facilities, net of unamortised debt costs, consist of:

- $985 million under the CDB-Bozshakol and Bozymchak facilities, which amortise over the period to 2025;
- $1,103 million under the CDB-Aktogay US dollar and CNY facilities, which amortise over the period to 2029;
- $989 million under the PXF facility which amortises over the period from January 2021 to December 2024;
- $191 million under the DBK-Aktogay facility, which amortises over the period to June 2025;
- $545 million under the DBK-Aktogay expansion facility, which amortises over the period from 2022 to 2034. The remaining $51 million of the committed facility has an availability period for drawing until April 2022; and
- $87 million of the CAT facility, which amortises over the period to December 2025. The remaining $11 million of the committed facility has an availability period for drawing until December 2021.

The Board has considered the Group's cash flow forecasts for the period to 31 March 2022, including the outlook for commodity prices, production levels from the Group's operations, the principal repayments due under the Group's debt facilities and its future capital requirements including the Aktogay expansion project and initial study and pioneer works at the Baimskaya copper project. The going concern assessment does not take into account any effects of a change in ownership or strategy which could result from the Recommended Offer. See note 36 to the consolidated financial statements.

The emergence of the Covid-19 pandemic during the first half of 2020 significantly impacted global markets and presented major challenges for the mining industry. The Group has taken a number of measures to mitigate the associated risks and Covid-19 has not resulted in any material disruption to the Group's output or sales to customers to date. Macroeconomic sentiment improved in the second half of 2020, resulting in increased actual and forecast market prices for copper. Nonetheless, there continues to be a risk that a worsening situation in respect of Covid-19 could negatively impact the Group through disruption to its operations and/or lower prices for its products.

In assessing going concern the Board has considered reasonably possible downside scenarios which could negatively affect the liquidity of the Group, incorporating sustained lower than expected commodity prices and lower than expected production equivalent to a one month loss of Group production and a delay to the commissioning of the Aktogay expansion. In addition, in light of the additional uncertainty and risk as a result of Covid-19, the Board has assessed a more severe production downside scenario of an equivalent two month loss of Group output over the assessment period which the Board considers to be more remote in likelihood.

Given the significant amount of liquidity available to the Group at 31 December 2020 of $1,299 million, the Group's forecasts, taking into account all assessed downside scenarios, show that the Group has adequate liquidity to continue in operational existence for the period to 31 March 2022. Accordingly, the Board is satisfied it is appropriate to adopt the going concern basis of accounting in the preparation of these consolidated financial statements.

(b) Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis, except for metal-related trade receivables and 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 2020 and the Group's financial performance for the year ended 31 December 2020.

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. Joint operations are those arrangements jointly controlled by the Group and one or more parties with rights to the assets and obligations for the liabilities relating to the arrangement, as outlined in note 37(b). Joint operations are proportionally consolidated from the date on which the Group obtains joint control and cease to be proportionally consolidated from the date on which the Group no longer has joint control.

The financial statements of subsidiaries and joint operations 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, are 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.

See note 38(i) for a list of all the Company's subsidiaries and joint operations.

(d) Statement of compliance

The consolidated financial statements of the Company, its subsidiaries and joint operations have been prepared in accordance with IFRSs as issued by the IASB and interpretations issued by the IFRIC, adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

(e) Adoption of new standards and interpretations

The following accounting standards, amendments and interpretations, which had no significant impact on these financial statements, became effective in the current reporting period on adoption by the EU through the European Financial Reporting Advisory Group ('EFRAG'):

- *'Definition of a Business (Amendments to IFRS 3)'* was adopted on 1 January 2020. The amendment provides clearer application guidance to help companies distinguish between a business and a group of assets when applying IFRS 3 *'Business Combinations'*. The amendment also clarifies that applying the classification of a business would not be appropriate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The application of this amendment had no impact on the amounts reported in the Group's consolidated financial statements and it would not have changed the accounting for the acquisition of the Baimskaya copper project in the prior year.
- *'Definition of Material (Amendments to IAS 1 and IAS 8)'* was adopted on 1 January 2020. The amendment revises the definition of material stating that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. The application of this amendment had no impact on the amounts reported in the Group's consolidated financial statements.
- *'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)'* was adopted on 1 January 2020. The amendment requires that for interest rate hedges affected by Interbank Offered Rate ('IBOR') reform, the interest rate benchmark is not altered when considering whether a forecast transaction is highly probable, or whether there is an economic relationship between the hedged cash flow and the hedging instrument. This would apply for a limited period until there is no longer uncertainty relating to IBOR reform. The application of this amendment had no impact on the amounts reported in the Group's consolidated financial statements.
- *'Covid-19 Related Rent Concessions (Amendment to IFRS 16)'* was adopted on 9 October 2020. The amendment exempts lessees from considering individual lease contracts to determine whether rent concessions occurring as a direct consequence of Covid-19 are 'lease modifications'. A uniform accounting policy may be applied to account for the effect of those concessions in profit or loss, as if they were not modifications of the original terms. The application of this amendment had no impact on the amounts reported in the Group's consolidated financial statements.

2. Basis of preparation continued

(f) New standards and interpretations not yet adopted

For periods commencing on or after 31 December 2020, the Group will be required to apply UK-adopted IFRS standards. The key new standards, interpretations and amendments, as issued by the IASB, are expected to be adopted by the Group once they are effective for application in the UK through the UK Endorsement Board:

- *'Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)':* the IASB effective date is 1 January 2021 and the amendment is yet to be endorsed by the UK. The amendment provides certain reliefs to maintain accounting continuity as agreements are transitioned to alternative benchmark rates, under which accounting for a change in interest rate basis would be akin to accounting for a movement in the market rates of interest. The scope of these reliefs is limited to change which is necessary as a result of IBOR reform and where the new basis is 'economically equivalent' to the previous basis. Whilst the Group's borrowings contain fallback clauses for the designation of replacement benchmark rates in the event that LIBOR is no longer provided for, management is of the view that these clauses are not intended to be a long-term replacement for LIBOR. Management will therefore monitor the adoption of an alternative market standard and will review the impact of these amendments on its financial statements to the extent its contracts are updated in 2021.
- *'Proceeds before Intended Use (Amendments to IAS 16)':* the IASB effective date is 1 January 2022 and the amendment is yet to be endorsed by the UK. The amendment prohibits the deduction of proceeds from the sale of output produced before an asset is operating in the manner intended by management from the cost of property, plant and equipment. As a result, the Group would recognise such sales proceeds, together with an estimate of the related costs that are not considered to relate to testing, in the income statement, which differs from the Group's current accounting policy (see note 37(c)(i)). The changes to the standard will be applied retrospectively to the earliest period presented in the financial statements in which the amendments are first applied (being the 2021 comparative for the year ended 31 December 2022, unless adopted earlier) and only to assets that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of that earliest period presented. In the event that it is permitted, the Group would intend to early adopt the amendments from 1 January 2021 to ensure the application of a consistent accounting policy to sales proceeds received during the commissioning stage of the Aktogay expansion, which is expected to commence commissioning by the end of 2021.
- There are a number of other amendments which have not yet been endorsed by the UK and are not expected to have a material impact on the Group's consolidated financial statements.

The Group has not early adopted any new standards or interpretations in its consolidated financial statements for the year ended 31 December 2020.

(g) 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.

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, but 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.

The following are the critical judgements, key assumptions and sources of estimation uncertainty concerning the future that arise mainly from the nature of the Group's mining operations and which the Directors believe are likely to have the greatest effect on the amounts recognised in the consolidated financial statements. However, the Directors do not expect a significant risk of a material change to the Group's carrying value of the assets and liabilities affected by these factors in the next 12 months, within a reasonably possible range, with the exception of Bozymchak, as discussed below.

The qualitative disclosures regarding these sources of estimation uncertainty are presented because the Directors consider these to be relevant to the mining industry and useful in understanding the consolidated financial statements of the Group. These disclosures go beyond the minimum requirements of IAS 1 *'Presentation of Financial Statements'* which only requires disclosure of estimation uncertainty where changes in estimates, within a reasonably possible range, could have a significant risk of a material effect within the next 12 months on the amounts recognised in the consolidated financial statements.

Impairment of assets

Significant accounting judgements

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 or reversal thereof has arisen requires considerable judgement, taking account of factors such as future operational and financial plans, commodity prices and the competitive environment.

For exploration and evaluation assets held by the Group, namely Koksay and Baimskaya, before the technical feasibility and commercial viability of extracting a mineral resource is demonstrable, indicators of impairment can include: (a) the right to explore in a specific area has expired and is not expected to be renewed; (b) significant expenditure for further exploration or evaluation activities is not being planned; (c) exploration and evaluation of mineral resources have not led to the discovery or confirmation of commercially viable resource; or (d) that sufficient data exists to indicate that the carrying amount of the asset may not be recovered in full from development or sale.

Where such indicators exist, the carrying value of the assets of a cash generating unit ('CGU') or exploration and evaluation asset is compared with the recoverable amount of those assets, that is, the higher of its fair value less costs to sell and value in use, which is typically determined on the basis of discounted future cash flows.

The Recommended Offer, which was initially announced on 28 October 2020, was not considered an indicator of impairment noting that it values the Group significantly above the carrying value of the Group's net assets at 31 December 2020.

Whilst the Baimskaya copper project continues to benefit from strong support from the Russian government, KAZ Minerals will now take responsibility for a portion of the infrastructure capital costs in Chukotka. Together with a revised cost for the tailings storage facility and the impact of an approximate one year delay to the project schedule, the capital construction budget for the Baimskaya copper project is now estimated to be close to $8 billion. Given the changes in the infrastructure plan, the Bankable Feasibility Study is now expected to be completed in the first half of 2021, however this is dependent on the finalisation of the infrastructure plan for the project. Management have considered current financial models for the project which indicate that, whilst the above factors have had a negative economic impact on the project, the carrying value remains likely to be recovered through future development. However, management also acknowledges the risks on the Baimskaya copper project are increasing, and additional adverse changes to the project parameters, including the need for additional infrastructure costs, could further impact the recoverable amount of the asset. Discussions with the government on infrastructure are ongoing and the project is subject to further review, accordingly the project cost and schedule remain subject to change.

Production at the Group's Bozymchak CGU in Kyrgyzstan was temporarily suspended between 7 October and 26 December 2020 to ensure employee safety following a period of political instability in Kyrgyzstan. The duration of the shutdown was not considered to be an indicator of impairment as production restarted and the site is now operating as normal.

The Covid-19 pandemic has had a significant impact on the global macroeconomic environment and may continue to affect markets in the future. There was a negative impact on market prices for copper during the first half of 2020, however prices recovered to pre-pandemic levels and were trading at around $7,750/t at 31 December 2020. Management does not consider fluctuations in short-term commodity prices to be an indicator of impairment, given the relatively long life of the Group's most significant assets. Management monitors external copper price forecasts and for the purpose of assessing commodity prices for indicators of impairment, consideration was given to a range of equity analysts' long-term copper price forecasts with a median price of around $6,700/t in real terms. During 2020, there has also been a weakening of local currencies in Kazakhstan, Kyrgyzstan and Russia, which benefited costs.

The Group took measures to mitigate risks presented by Covid-19 and all of the Group's mines in Kazakhstan were able to continue operations without significant impact during 2020. As a result of additional checks at the Kazakhstan-China border, there were some minor delays to the export of some of the Group's products which resulted in a modest increase in inventory at the end of the year. Credit risk on trade receivables is limited as the majority of sales are made to Chinese customers and are subject to letters of credit received from the customer's bank, which are obtained prior to delivery and transfer of title of the goods. Furthermore, for sales made to European customers and Chinese customers without letters of credit, cash is received prior to the delivery and transfer of title of the goods.

An assessment of the key external and internal factors affecting the Group, its CGUs or exploration and evaluation assets at 31 December 2020 did not identify any indicators of impairment or reversal thereof at any of the Group's CGUs or exploration and evaluation assets.

Key sources of estimation uncertainty

The preparation of discounted future cash flows used to assess the recoverable amount of the Group's CGUs includes management estimates of commodity prices, future operating costs, economic and regulatory environments, capital expenditure requirements, long-term mine plans and other factors including the discount rate. Whilst no indicators of impairment were identified at any of the Group's CGUs, in order to provide an indication of the sensitivity of the recoverable amount of the assets, a valuation and sensitivity analysis has been performed.

Changes to commodity prices within a reasonably possible range, including a 10% reduction in the long-term copper price assumption, are not expected to significantly impact the carrying value of the Group's operating CGUs, which show positive headroom. This is a simple sensitivity on copper prices in isolation and does not consider any actions which management would take to mitigate the impact of a fall in commodity prices.

At the Group's Bozymchak CGU in Kyrgyzstan, which was previously impaired in 2018, a 20% reduction in forecast copper or gold prices over the life of the mine would not, in isolation, result in the carrying value falling below its recoverable amount. This is a reduction in the sensitivity to copper compared with 31 December 2019 due to the favourable higher gold price and the weaker som. At 31 December 2019, it was assessed that a 5% reduction in forecast copper prices in isolation could result in the carrying value exceeding its recoverable amount by $10 million.

3. Significant accounting judgements and key sources of estimation uncertainty continued

There is a risk that a worsening of the Covid-19 pandemic and subsequent impact on the macroeconomic environment could lead to increased risk premiums used in estimating the discount rate. The Group has applied a post-tax nominal discount rate of between 11.5% and 12% in the above sensitivities which was broadly consistent with the 12% used at 31 December 2019. However, a 1% increase in the discount rate in isolation would not result in an impairment of any of the Group's operating CGUs.

Any subsequent revisions to cash flows due to changes in the factors listed above, principally commodity prices and discount rates, beyond what is considered as reasonably possible, could impact the recoverable amount of the Group's operating CGUs. The Baimskaya and Koksay projects, as exploration and evaluation assets, remain sensitive to additional adverse changes to the project parameters, which are subject to change during ongoing feasibility study work.

Non-current inventories

Significant accounting judgements

Mining activities may result in the stockpiling of ore. Ore which is not expected to be processed within 12 months of the balance sheet date and is considered to fall outside of the normal operating cycle of the operation is classified as a non-current asset. The classification of stockpiled ore between non-current and current assets is based on judgements as to the expected timing of processing and on future production plans.

Key sources of estimation uncertainty

Stockpiled ore is reported at the lower of cost or net realisable value, with net realisable value subject to estimates of further processing, delivery costs and future commodity prices. Commodity prices applied in assessing the net realisable value fall within the range of equity analyst commodity price expectations. Changes to commodity prices in the next 12 months, within a reasonably possible range, are not expected to significantly impact the carrying value of non-current inventories.

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

Key sources of estimation uncertainty

Mineral 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, transportation expenses, commodity demand, commodity prices and exchange rates. The Group estimates its mineral reserves and mineral resources based on information compiled and reviewed by competent persons as defined in accordance with the KAZRC and JORC Codes.

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. 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 recoverable amounts may be affected due to changes in estimated future cash flows;
- deferral of stripping costs which are determined using a waste to ore stripping ratio;
- 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 revisions in estimates of the likely recovery of tax benefits.

There are numerous uncertainties inherent in estimating mineral 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. The Directors are not currently aware of any matters which would give rise to changes in mineral reserve estimates which could have a material impact on the carrying value of the Group's mining properties; property, plant and equipment; closure liabilities and deferred taxes within a reasonably possible range in the next 12 months. Revisions to mineral reserve estimates in 2020 did not result in a material change to the carrying value of these assets and liabilities.

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 changes could affect prospective depreciation rates and asset carrying values.

Due to the nature of the Group's CGUs, which consistently operate in cold-weather conditions and with no mines being located in water stressed areas, possible risks of climate change including increasing average temperatures or increasing extremes of temperature are not expected to have a significant impact on the key financial statements assumptions within 12 months of the balance sheet date. Beyond this, long-term physical risks that could impact new mining projects are evaluated during the pre-feasibility and feasibility study, and mitigating design features will be built into the equipment, layout and intended operations of the project. The Group's Aktogay and Bozshakol mines in Kazakhstan have been designed to cope with extremes of temperature, wind and precipitation to reflect the harsh conditions in which they operate.

Decommissioning and site restoration costs

Significant accounting judgements
The Directors use judgement and experience in determining the expected timing, closure and decommissioning methods, which can vary in response to changes in the relevant legal requirements or decommissioning technologies.

Key sources of estimation uncertainty
The ultimate cost of decommissioning and rehabilitation is uncertain and cost estimates can vary in response to many factors including the emergence of new restoration techniques and costs of materials and labour. Therefore, the Group periodically reviews the closure cost estimate at each operation on a rolling basis. In 2020, an external consultant was engaged to update cost estimates in respect of East Region and Bozymchak operations. The expected timing and extent of expenditure can also change in response to revisions to mineral reserve estimates, processing levels and commodity prices. Future costs are discounted using forecast discount rates for which sensitivities are outlined in note 27.

Taxes

Significant accounting judgements
The Directors make judgements in relation to the recognition of various taxes levied on the Group, which are both payable and recoverable. Judgement applies particularly to corporate income taxes, withholding taxes, transfer pricing, VAT and outcomes of any tax disputes which would affect the recognition of tax liabilities and deferred tax assets. Judgement over recognition also applies to taxes which are recoverable by the Group, principally VAT paid, for which the recoverability and timing of recovery is assessed. In making judgements related to taxes, the Directors believe that the tax positions the Group adopts are in line with the applicable legislation and reflect the probable outcome. 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 the expected timing and quantum of taxes payable and recoverable and are discussed further in note 33.

Key sources of estimation uncertainty
Estimates may be made to determine the amount of taxes recoverable, principally VAT and deferred tax assets. The recognition of deferred tax assets mainly relates to tax losses which may be utilised in the future, giving consideration to future profitability, estimates of commodity prices, interest rate and operating costs and any statute of limitation period. Changes in these estimates within a reasonably possible range in the next 12 months are not expected to significantly alter the carrying value of the Group's taxes that are recoverable.

Joint operations

Significant accounting judgements
Joint arrangements are classified as joint operations where the Group exercises joint control and the parties have the rights to the assets and obligations for the liabilities relating to the arrangement, as outlined in note 37(b). Judgement is required in determining the nature of the joint arrangement based on the particular facts and circumstances, the legal form and purpose of the joint arrangement. Industrial Construction Group LLC ('ICG') is a joint arrangement established to undertake the engineering and construction of the additional sulphide processing facility at Aktogay. The Group holds 49% of voting rights in ICG but exercises joint control as decisions require unanimous consent. As the output of the joint arrangement is the construction of the additional processing facilities at Aktogay and thus benefits the Group, ICG is accounted for as a joint operation and is therefore proportionally consolidated. Further details of the accounting policy for joint operations are outlined in note 37(b).

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 a number of 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 East Region and Bozymchak segments are presented on a combined basis.

The Group's operating segments are:

Aktogay
The Aktogay open pit, sulphide concentrator and oxide plant located in the east of Kazakhstan and the associated international sales and marketing activities managed out of the UK. The sulphide concentrator was commissioned in the final quarter of 2016 with some concentrate toll processed at the Balkhash smelter (a related party) and the cathode output sold to third parties. The smaller oxide plant was commissioned in the fourth quarter of 2015 and produces copper cathode. The oxide plant is included in the Aktogay operating segment due to the sharing of infrastructure, its relatively small size and to reflect the Group's management structure. An expansion of the sulphide processing facilities at Aktogay was announced in December 2017, which is expected to double its sulphide ore processing capacity by the end of 2021.

Bozshakol
The Bozshakol open pit, sulphide concentrator and clay plant located in the Pavlodar region of Kazakhstan and the associated international sales and marketing activities managed out of the UK. The sulphide and clay concentrators were commissioned in the first and fourth quarters of 2016 respectively. Some concentrate from both plants is also toll processed at the Balkhash smelter with the output of copper, gold and silver sold to third parties. The clay plant is included in the Bozshakol operating segment due to the sharing of infrastructure and mining pit, its relatively small size and to reflect the Group's management structure.

4. Segment information continued

East Region and Bozymchak

The East Region and Bozymchak operations are shown as one operating segment consisting of Vostoktsvetmet LLC ('East Region'), whose principal activity is the mining and processing of copper and other metals which are produced as by-products from three underground mines and the associated concentrators located in the eastern region of Kazakhstan; and KAZ Minerals Bozymchak LLC ('Bozymchak') a copper-gold open pit mine and concentrator located in western Kyrgyzstan and the associated international sales and marketing activities managed out of the UK. Bozymchak is combined with the East Region operations, given the similarity of their economic characteristics and concentrate production processes; and as their combined output is toll processed at the Balkhash smelter and subsequently sold to the Group's customers.

Mining Projects

The Group's mining projects consist of companies which are responsible for the assessment and development of greenfield metal deposits. The segment includes the Koksay deposit in Kazakhstan and the Baimskaya licence area in the Chukotka region of Russia. Both of these projects are at the feasibility study stage.

Managing and measuring operating segments

The key performance measure which the Directors use internally to assess the performance of the operating segments is EBITDA. Refer to the APMs section on page 192 for further details.

The Treasury department manages the Group's borrowings and monitors finance income and finance costs at the Group level on a net basis, rather than by operating segment.

Segmental information is also provided in respect of revenues, by destination and by product. Segmental information relating to employees is provided in note 8.

(a) Operating segments

(i) Income statement information

$ million	Aktogay	Bozshakol	East Region and Bozymchak	Mining Projects	Corporate Services	Total
						Year ended 31 December 2020
Revenues	**806**	**1,032**	**517**	**–**	**–**	**2,355**
EBITDA[1]	**476**	**742**	**239**	**(9)**	**(17)**	**1,431**
Special items – note 7	–	–	–	–	(11)	(11)
EBITDA (after special items)	**476**	**742**	**239**	**(9)**	**(28)**	**1,420**
Less: depreciation, depletion and amortisation[2]	(111)	(86)	(38)	–	(2)	(237)
Less: MET and royalties[2,3]	(56)	(73)	(49)	–	–	(178)
Operating profit/(loss)	**309**	**583**	**152**	**(9)**	**(30)**	**1,005**
Net finance costs and foreign exchange loss						(201)
Income tax expense						(165)
Profit for the year						**639**

$ million	Aktogay	Bozshakol	East Region and Bozymchak	Mining Projects	Corporate Services	Total
						Year ended 31 December 2019
Revenues	863	851	552	–	–	2,266
EBITDA[1]	564	585	230	(4)	(20)	1,355
Less: depreciation, depletion and amortisation[2]	(104)	(90)	(41)	–	(1)	(236)
Less: MET and royalties[2,3]	(79)	(68)	(49)	–	–	(196)
Operating profit/(loss)	381	427	140	(4)	(21)	923
Net finance costs and foreign exchange loss						(197)
Income tax expense						(155)
Profit for the year						571

1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 192.

2 Depreciation, depletion and amortisation and MET and royalties exclude the costs associated with inventories on the balance sheet.

3 MET and royalties have been excluded from the key financial indicator of EBITDA. The Directors believe that MET and royalties are a substitute for a tax on profits, hence their exclusion provides an informed measure of the operational performance of the Group.

(ii) Balance sheet information

At 31 December 2020

$ million	Aktogay	Bozshakol	East Region and Bozymchak	Mining Projects Baimskaya	Mining Projects Koksay	Corporate Services[4]	Total
Assets							
Non-current assets[1]	1,790	953	439	1,182	241	4,942	9,547
Current assets excluding cash and cash equivalents and current investments[2]	397	361	359	22	–	1,673	2,812
Cash and cash equivalents and current investments	139	252	20	1	59	828	1,299
Segment assets	2,326	1,566	818	1,205	300	7,443	13,658
Taxes receivable							48
Elimination							(6,817)
Total assets							6,889
Liabilities							
Non-current liabilities	18	13	99	4	3	14	151
Inter-segment borrowings	787	501	56	319	–	200	1,863
Current liabilities[3]	111	72	52	22	–	62	319
Segment liabilities	916	586	207	345	3	276	2,333
Borrowings							3,900
Taxes payable							124
Elimination							(1,892)
Total liabilities							4,465

At 31 December 2019

$ million	Aktogay	Bozshakol	East Region and Bozymchak	Mining Projects Baimskaya	Mining Projects Koksay	Corporate Services[4]	Total
Assets							
Non-current assets[1]	1,758	1,112	398	1,044	243	6,220	10,775
Current assets excluding cash and cash equivalents[2]	414	325	173	19	–	1,928	2,859
Cash and cash equivalents	6	6	16	1	64	448	541
Segment assets	2,178	1,443	587	1,064	307	8,596	14,175
Taxes receivable							47
Elimination							(8,156)
Total assets							6,066
Liabilities							
Non-current liabilities	18	12	64	5	3	2	104
Inter-segment borrowings	845	837	91	146	–	–	1,919
Current liabilities[3]	168	56	64	12	1	82	383
Segment liabilities	1,031	905	219	163	4	84	2,406
Borrowings							3,300
Taxes payable							126
Elimination							(1,940)
Total liabilities							3,892

1 Non-current assets includes property, plant and equipment, mining assets and intangible assets which are located in the principal country of operations of each operating segment. Aktogay, Bozshakol and Koksay (within Mining Projects) segments principally operate in Kazakhstan. The East Region and Bozymchak segment includes property, plant and equipment, mining assets and intangible assets of $350 million relating to the East Region assets located in Kazakhstan and $42 million of Bozymchak assets located in Kyrgyzstan (2019: $303 million and $52 million respectively). The Baimskaya (within Mining Projects) segment relates to assets located in Russia. Additionally, included within non-current assets is long-term stockpiled ore of $115 million at Bozshakol and $53 million at Aktogay (2019: $135 million and $42 million respectively).

2 Current assets excluding cash and cash equivalents and current investments comprise inventories, prepayments and other current assets and trade and other receivables, including intragroup non-financing receivables.

3 Current liabilities comprise trade and other payables, including intragroup non-financing related payables, and other current liabilities including provisions.

4 Corporate Services non-current assets include $4,925 million of intra-group investments while current assets include $1,863 million of inter-segment loans, which are eliminated within total assets (2019: $6,216 million and $1,919 million respectively).

4. Segment information continued

(a) Operating segments continued

(iii) Capital expenditure[1]

	Year ended 31 December 2020						
				Mining Projects			
$ million	Aktogay	Bozshakol	East Region and Bozymchak	Baimskaya	Koksay	Corporate Services	Total
Property, plant and equipment	290	39	40	54	2	2	427
Mining assets	7	1	42	103	2	–	155
Intangible assets	–	–	–	2	–	–	2
Capital expenditure	297	40	82	159	4	2	584

	Year ended 31 December 2019						
				Mining Projects			
$ million	Aktogay[2]	Bozshakol[3]	East Region and Bozymchak	Baimskaya[4]	Koksay	Corporate Services	Total
Property, plant and equipment	549	89	53	45	–	1	737
Mining assets	3	3	45	501	5	–	557
Intangible assets	1	–	–	–	–	–	1
Capital expenditure	553	92	98	546	5	1	1,295

1 Capital expenditure presented by operating segment reflects cash paid and is aligned with the Group's internal capital expenditure reporting. Capital expenditure includes non-current advances paid for items of property, plant and equipment and mining assets.

2 Includes $19 million for the payment of final retentions relating to the construction of the original Aktogay project.

3 Includes $37 million for the payment of final retentions relating to the construction of the sulphide and clay plants.

4 Includes $436 million paid on 22 January 2019 to acquire the asset.

(b) Information in respect of revenues

Revenues by product to third parties are as follows:

	Year ended 31 December 2020			
$ million	Aktogay	Bozshakol	East Region and Bozymchak	Total
Copper cathodes	331	117	311	759
Copper in concentrate	459	612	–	1,071
Gold	2	48	87	137
Gold in concentrate	–	233	–	233
Silver	3	3	43	49
Silver in concentrate	7	17	–	24
Zinc in concentrate	–	–	64	64
Other revenues including other by-products	4	2	12	18
	806	1,032	517	2,355

	Year ended 31 December 2019			
$ million	Aktogay	Bozshakol	East Region and Bozymchak	Total
Copper cathodes	394	60	374	828
Copper in concentrate	455	541	–	996
Gold	4	49	80	133
Gold in concentrate	–	185	–	185
Silver	3	1	36	40
Silver in concentrate	7	12	–	19
Zinc in concentrate	–	–	58	58
Other revenues including other by-products	–	3	4	7
	863	851	552	2,266

Most of the Group's sales agreements are based on provisional pricing with the final pricing usually determined by the average market price of the respective metal in the month (for gold and silver bar), the month following (for copper cathode and zinc concentrate) or the second month following (for copper concentrate including by-products) dispatch to the customer. At 31 December, the Group's provisionally priced volumes and their respective average provisional price were as follows:

	At 31 December 2020		At 31 December 2019	
	Provisionally priced volumes	Weighted average provisional price	Provisionally priced volumes	Weighted average provisional price
Copper cathodes	–	–	9 kt	5,919 $/t
Copper in concentrate[1]	**27 kt**	**6,700 $/t**	32 kt	5,338 $/t
Gold in concentrate[1]	**16 koz**	**1,868 $/oz**	23 koz	1,502 $/oz
Silver in concentrate[1]	**148 koz**	**24 $/oz**	184 koz	17 $/oz
Zinc in concentrate[1]	**1 kt**	**1,808 $/t**	1 kt	1,784 $/t

1 Payable metal in concentrate. Typically priced after deduction of a processing charge.

The final prices for the provisionally priced volumes shown above will be determined during the quarter after the year end. At 31 December 2020, sales contracts which had not been finally priced were marked to market to reflect the expected settlement price based on the appropriate forward metal price. This adjustment increased revenue by $16 million (2019: $12 million). There were no copper cathodes provisionally priced at 31 December 2020 due to the timing of shipments across the Kazakhstan-China border. The cumulative commodity pricing adjustments recorded during 2020 between the final price and the forward price at the expected settlement date, at the time of the sale, resulted in a $90 million (2019: $26 million) increase which is included within revenue.

Revenues by destination from sales to third parties are as follows:

	Year ended 31 December 2020			
$ million	Aktogay	Bozshakol	East Region and Bozymchak	Total
China	**797**	**752**	**329**	**1,878**
Europe	**7**	**232**	**73**	**312**
Kazakhstan and Central Asia	**2**	**48**	**115**	**165**
	806	**1,032**	**517**	**2,355**

	Year ended 31 December 2019			
$ million	Aktogay	Bozshakol	East Region and Bozymchak	Total
China	836	546	350	1,732
Europe	23	256	103	382
Kazakhstan and Central Asia	4	49	99	152
	863	851	552	2,266

The Group's copper concentrate sales and certain copper cathode and zinc sales have been contracted to Advaita East Trade DMCC ('Advaita'). Advaita is a member of a metals trading group with significant experience in marketing metals the Group produces into China and Europe. Sales from all the Group's segments to Advaita comprise 84% ($1,986 million) of revenues (2019: 87% or $1,971 million).

The Group's sales contract with Advaita contains a clause such that the agreement terminates in the event of a change of control. This contract may therefore be subject to renegotiation in the event the Recommended Offer becomes wholly unconditional.

5. Cost of sales, selling and distribution expenses and administrative expenses

(a) Cost of sales

$ million	2020	2019
Raw materials	325	322
Employee salaries and payroll taxes	149	126
Production overheads	107	109
Refining services	76	91
Energy and utilities	64	54
Other taxes	29	21
Depreciation, depletion and amortisation	227	247
Mineral extraction tax	194	205
Change in work in progress and finished goods	(70)	(51)
	1,101	1,124

(b) Selling and distribution expenses

$ million	2020	2019
Transportation expenses	71	75
Royalties	13	9
Other	10	7
	94	91

(c) Administrative expenses

$ million	2020	2019
Employee salaries and payroll taxes	61	54
Social responsibility costs	33	25
Legal and professional fees	25	14
Supplies	8	8
Business travel	2	6
Levies and charges	5	6
Utilities	3	5
Depreciation and amortisation	6	4
Personal injury claims	2	1
Other	7	9
	152	132

6. Impairment losses

$ million	2020	2019
Impairment charges against property, plant and equipment	3	1
Impairment charges against mining assets	–	2
Impairment charges against current VAT receivable	–	2
	3	5

An assessment of the key external and internal factors affecting the Group and its CGUs at 31 December 2020 did not result in any impairment or reversal thereof at any of the Group's CGUs (see note 3). The impairments noted in the table above for 2020 relate to specifically identified assets that are no longer expected to be utilised and therefore have been impaired to their estimated recoverable amount.

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.

$ million	2020	2019
Special items within operating profit		
Legal and professional fees resulting from the Recommended Offer	11	–
	11	–

Further information on special items is in the Financial review on page 47.

Legal and professional fees resulting from the Recommended Offer are expected to be incurred during 2021 and reported as special items.

8. Employee information

$ million	2020	2019
Wages and salaries	234	197
Social security costs – employer contributions	26	21
Employee benefits – note 26	(4)	1
	256	219

In 2020, employee costs included $50 million (2019: $37 million) capitalised to property, plant and equipment and mining assets primarily related to the construction of the major growth projects. Of the employee costs capitalised, $15 million (2019: $15 million) relates to the Group's share of costs at its joint operation, ICG.

The average monthly number of employees within the operations and shown by segment, during the year, was as follows:

	2020	2019
Aktogay	5,031	4,166
Bozshakol	1,758	1,702
East Region and Bozymchak	8,628	9,224
Mining Projects	179	64
Central services including Corporate	490	481
	16,086	15,637

Analysed by location of employees as:

	2020	2019
Central Asia[1]	15,857	15,543
UK	33	32
Russia	176	46
Rest of the world	20	16
	16,086	15,637

1 Includes Kazakhstan and Kyrgyzstan.

The average monthly number of employees at ICG was 5,234 (2019: 4,148) with the Group's proportionate share included in the above table.

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. Key management personnel in 2020 and 2019 were deemed to be the Directors of the Company, the Chief Financial Officer, the Aktogay General Director, the Bozshakol General Director and the General Director for the Group's Mining Projects.

Compensation for key management personnel (including Directors) comprises the following:

$ million	2020	2019
Salaries	5.9	5.5
Annual bonuses	2.9	3.2
Share awards[1]	2.4	2.5
Benefits	0.4	0.3
	11.6	11.5

1 Share awards are long-term in nature and may be awarded with a vesting period of up to three years and reflect the IFRS 2 charge.

The aggregate amount paid and accrued in respect of Directors was £5.9 million (2019: £6.1 million), including £1.1 million (2019: £1.1 million) in fees and expenses paid to non-executive Directors and £3.0 million (2019: £3.1 million) in fixed remuneration and annual performance bonus, excluding LTIP share awards, paid to executive Directors. Details are included in the Directors' Remuneration Report (see pages 113 and 119).

10. Auditor's remuneration

The auditor's remuneration for services provided to the Group during the year ended 31 December 2020 was $1.9 million (2019: $1.7 million), comprised as follows:

$ million	2020	2019
Audit and other services:		
Amounts receivable by the Company's auditor and its associates for the audit of these financial statements	**0.7**	0.7
Amounts receivable by the Company's auditor and its associates in respect of:		
– the audit of financial statements of subsidiaries of the Company	**1.0**	0.8
– audit-related assurance services	**0.2**	0.2
Total remuneration	**1.9**	1.7

11. Finance income and finance costs

Finance income

$ million	2020	2019
Interest income	**10**	18
Fair value gains on debt related derivative financial instruments	**4**	–
	14	18

Finance costs

$ million	2020	2019
Total interest incurred on borrowings	**196**	226
Less: amounts capitalised to the cost of qualifying assets[1]	**(55)**	(37)
Interest expense on borrowings	**141**	189
Unwinding of discount on provisions and other liabilities	**4**	5
Interest on employee obligations	**1**	1
	146	195

1 In 2020, the Group capitalised to the cost of the Aktogay expansion project $20 million (2019: $6 million) of borrowing costs from the DBK-Aktogay expansion facility at an average rate of interest of 4.87% (2019: 5.98%). The Group also capitalised $35 million (2019: $31 million) of borrowing costs to the cost of the Aktogay expansion and the Baimskaya copper project and other qualifying assets at an average rate of interest of 5.11% (2019: 6.97%) from all other borrowings outstanding during the year, which are regarded as general borrowings for Group reporting purposes. In accordance with *'Borrowing Costs Eligible for Capitalisation (Amendments to IAS 23)'*, project specific borrowings are included as general borrowings once those assets are operating as intended and therefore the associated interest will become available for capitalisation on other qualifying assets. The interest cost on borrowings capitalised to qualifying assets is deductible for tax purposes against income in the current year.

Further information relating to net finance costs is in the Financial review on page 47.

12. Income taxes

(a) Income tax expense

The major components of income tax expense are:

$ million	2020	2019
Current income tax		
Corporate income tax – current period (UK)	–	–
Corporate income tax – current period (overseas)	164	117
Corporate income tax – prior periods (overseas)	(1)	2
	163	119
Deferred income tax		
Corporate income tax – current period temporary differences	–	35
Corporate income tax – prior periods temporary differences	2	1
	2	36
	165	155

A reconciliation of the income tax expense applicable to the accounting profit before tax at the statutory income tax rate, to the income tax expense at the effective income tax rate, is as follows:

$ million	2020	2019
Profit before tax	804	726
At UK statutory income tax rate of 19.0%	153	138
(Over)/under provided in prior periods – current income tax	(1)	2
Underprovided in prior periods – deferred income tax	2	1
Effect of changes in future tax rates	(2)	–
Effect of domestic tax rates applicable to individual Group entities	1	(2)
Tax effect of non-deductible items:		
Transfer pricing	3	2
Other non-deductible expenses	9	14
	165	155

Corporate income tax ('CIT') is calculated at 19.0% (2019: 19.0%) of the assessable profit for the year for the Company and its UK subsidiaries and 20.0% (2019: 20.0%) for the operating subsidiaries in Kazakhstan and Russia. In Kyrgyzstan, changes to legislation applicable from November 2017 have reduced CIT to 0%, replaced by a tax on gold revenues, which is reflected as royalties within selling expenses.

Historical tax years relating to various companies within the Group remain open for tax audits. The tax authorities in Kazakhstan are able to raise additional tax assessments for five years after the end of the relevant tax period. In Kyrgyzstan, the tax authorities are able to raise additional tax assessments for a period of six years after the end of the relevant tax period. In Russia, the tax authorities are able to raise additional tax assessments for a period of three years prior to the year of review. In all three jurisdictions, under certain circumstances, historical tax years may remain open for inspection for longer periods.

Effective tax rate

The effective tax rate was 21% (2019: 21%). Tax charges are affected by the mix of profits and tax jurisdictions in which the Group operates. The impact of unrecognised tax losses and non-deductible items increases the Group's overall effective tax rate.

Non-deductible expenses

The 2020 non-deductible items were mainly comprised of certain social responsibility costs and costs resulting from the Recommended Offer. In 2019, non-deductible items were mainly comprised of certain social responsibility costs, fines and penalties, and other non-deductible expenses.

Further information relating to income taxes and the change in the effective tax rate is in the Financial review on page 47.

12. Income taxes continued

(b) Recognised deferred tax assets and liabilities

The amounts of deferred tax (liabilities)/assets provided in the consolidated financial statements are as follows:

$ million	At 1 January 2020	Charged to income statement	Charged to other comprehensive income	Net exchange adjustment	At 31 December 2020
Capital allowances	(145)	**(26)**	–	**15**	**(156)**
Inventories and receivables	(3)	**(5)**	–	–	**(8)**
Borrowings	(9)	**3**	–	–	**(6)**
Provisions and employee benefits	17	**8**	–	**(2)**	**23**
Trade and other payables	16	**6**	–	**(1)**	**21**
Tax losses	53	**12**	–	**(7)**	**58**
Share-based payment schemes	1	–	–	–	**1**
Deferred tax (liability)/asset, net	(70)	**(2)**	–	**5**	**(67)**
Analysed as:					
Deferred tax asset	40	**5**	–	**(5)**	**40**
Deferred tax liability	(110)	**(7)**	–	**10**	**(107)**

$ million	At 1 January 2019	Acquisition of the Baimskaya copper project	Charged to income statement	Charged to other comprehensive income	Net exchange adjustment	At 31 December 2019
Capital allowances	(103)	(17)	(24)	–	(1)	(145)
Inventories and receivables	4	–	(7)	–	–	(3)
Borrowings	(10)	–	1	–	–	(9)
Provisions and employee benefits	14	–	3	–	–	17
Trade and other payables	12	–	3	–	1	16
Tax losses	33	30	(12)	–	2	53
Share-based payment schemes	2	–	–	(1)	–	1
Deferred tax (liability)/asset, net	(48)	13	(36)	(1)	2	(70)
Analysed as:						
Deferred tax asset	28	13	(2)	(1)	2	40
Deferred tax liability	(76)	–	(34)	–	–	(110)

(c) Unrecognised deferred tax assets

Deferred tax assets not recognised in the consolidated financial statements are as follows:

$ million	2020	2019
UK – losses carried forward		
Temporary difference	**80**	80
Deferred tax asset	**15**	14

Certain companies in the UK have tax losses that can be carried forward and used against future taxable profits and interest income. There is no time restriction on the utilisation of tax losses. Where there is sufficient certainty that a taxable profit or interest income will arise in these companies against which the losses can be offset, deferred tax assets are recognised.

(d) Unrecognised deferred tax liability

The gross temporary differences in respect of the undistributed reserves of the Group's Kazakhstan subsidiaries, as shown in their statutory accounts prepared in accordance with applicable accounting standards and translated at the historical rate where relevant, are as follows:

$ million	2020	2019
Undistributed reserves of subsidiaries subject to withholding tax on distribution[1]	**1,474**	973

1 The reserves are presented at historical exchange rates. At the closing exchange rates they are $1,317 million (2019: $906 million).

The Group has not recognised a deferred tax liability in respect of the distributable reserves of its subsidiaries, as (i) it controls the timing of any such distribution and the temporary differences are not expected to reverse in the foreseeable future and (ii) under certain conditions withholding tax may not be payable.

13. Earnings per share

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

$ million (unless otherwise stated)	2020	2019
Profit attributable to equity holders of the Company	639	571
Special items net of tax – note 7	11	–
Underlying Profit[1]	650	571
Weighted average number of ordinary shares of 20 pence each for EPS calculation – basic	472,438,622	470,215,553
Potential dilutive ordinary shares, weighted for the period outstanding	21,009,973	19,801,180
Weighted average number of ordinary shares of 20 pence each for EPS calculation – diluted	493,448,595	490,016,733
Ordinary EPS – basic ($)	1.35	1.21
Ordinary EPS – diluted ($)	1.29	1.17
EPS based on Underlying Profit[1] – basic ($)	1.38	1.21
EPS based on Underlying Profit[1] – diluted ($)	1.32	1.17

1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 192.

Basic EPS (both Ordinary EPS and EPS based on Underlying Profit) is calculated by dividing profit or Underlying Profit for the year attributable to equity holders 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 any share buy-back programmes are held in treasury and treated as own shares.

For the purposes of calculating diluted EPS, it is assumed that the $225 million Deferred Consideration arising on the acquisition of the Baimskaya copper project (see note 23(c)(iii)) will be settled in 21.0 million shares, reflecting the Group's ability to waive the Project Delivery Conditions that are not met and settle in shares.

In 2019, the resulting 21,009,973 potential ordinary shares were weighted over the period they were outstanding, from acquisition on 22 January 2019 to 31 December 2019, providing an additional 19,801,180 shares included in the calculation of diluted EPS.

Further information relating to EPS based on Underlying Profit is in the Financial review on page 48.

14. Dividends

The dividends paid during the years ended 31 December 2020 and 2019 were as follows:

	Per share US cents	Amount $ million
Year ended 31 December 2020		
Interim dividend in respect of year ended 31 December 2020	4.0	19
Final dividend in respect of year ended 31 December 2019	8.0	38
Year ended 31 December 2019		
Interim dividend in respect of year ended 31 December 2019	4.0	19
Final dividend in respect of year ended 31 December 2018	6.0	28

The Board have not recommended a final dividend for the year ended 31 December 2020. Further information relating to dividends is in the Financial review on page 48.

15. Property, plant and equipment

$ million	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Cost					
At 1 January 2019	915	1,694	137	133	2,879
Additions[1]	25	38	17	735	815
Capitalised borrowing costs	–	–	–	34	34
Capitalised depreciation	–	–	–	6	6
Transfers	106	25	37	(168)	–
Disposals	(12)	(12)	(3)	(1)	(28)
Net exchange adjustment	8	13	1	8	30
At 31 December 2019	1,042	1,758	189	747	3,736
Additions[1]	31	15	9	417	472
Capitalised borrowing costs	–	–	–	45	45
Capitalised depreciation	–	–	–	7	7
Transfers	134	81	16	(231)	–
Disposals	(3)	(14)	(17)	(3)	(37)
Net exchange adjustment	(108)	(169)	(18)	(80)	(375)
At 31 December 2020	**1,096**	**1,671**	**179**	**902**	**3,848**
Depreciation and impairment					
At 1 January 2019	268	397	67	17	749
Depreciation charge	60	158	24	–	242
Transfers	3	(6)	3	–	–
Disposals	(5)	(11)	(3)	–	(19)
Impairment	–	–	–	1	1
Net exchange adjustment	2	4	1	–	7
At 31 December 2019	328	542	92	18	980
Depreciation charge	56	154	21	–	231
Transfers	7	(5)	(2)	–	–
Disposals	(2)	(15)	(17)	(1)	(35)
Impairment	–	–	–	3	3
Net exchange adjustment	(42)	(56)	(9)	(2)	(109)
At 31 December 2020	**347**	**620**	**85**	**18**	**1,070**
Net book value					
At 31 December 2020	**749**	**1,051**	**94**	**884**	**2,778**
At 31 December 2019	714	1,216	97	729	2,756

1 Includes increase of $28 million (2019: $21 million) arising from changes in closure provision estimates.

16. Mining assets

$ million	Mineral licences and properties	Exploration costs	Mine development costs	Mine stripping costs	Construction in progress	Total
Cost						
At 1 January 2019	234	20	250	60	52	616
Additions[1,2]	880	94	4	2	46	1,026
Capitalised borrowing costs	–	–	–	–	3	3
Capitalised depreciation	–	–	–	1	–	1
Transfers	–	–	21	–	(21)	–
Disposals	–	–	(13)	–	–	(13)
Net exchange adjustment	6	4	3	–	–	13
At 31 December 2019	1,120	118	265	63	80	1,646
Additions[2]	**–**	**120**	**(2)**	**7**	**37**	**162**
Capitalised borrowing costs	**–**	**–**	**–**	**–**	**10**	**10**
Capitalised depreciation	**–**	**2**	**–**	**3**	**–**	**5**
Transfers	**–**	**–**	**24**	**–**	**(24)**	**–**
Disposals	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Net exchange adjustment	**(7)**	**(32)**	**(31)**	**(8)**	**(7)**	**(85)**
At 31 December 2020	**1,113**	**208**	**256**	**65**	**95**	**1,737**
Depletion and impairment						
At 1 January 2019	1	2	157	24	–	184
Depletion charge	–	–	11	4	–	15
Disposals	–	–	(13)	–	–	(13)
Impairment	–	–	–	–	2	2
Net exchange adjustment	–	–	1	–	–	1
At 31 December 2019	1	2	156	28	2	189
Depletion charge	**–**	**–**	**11**	**3**	**–**	**14**
Disposals	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Net exchange adjustment	**–**	**–**	**(20)**	**(4)**	**–**	**(24)**
At 31 December 2020	**1**	**2**	**147**	**27**	**1**	**178**
Net book value						
At 31 December 2020	**1,112**	**206**	**109**	**38**	**94**	**1,559**
At 31 December 2019	1,119	116	109	35	78	1,457

1 In 2019, additions to mineral licences and properties related to the acquisition of the Baimskaya copper project.
2 Includes reduction of $3 million (2019: $nil) arising from changes in closure provision estimates.

17. Other non-current assets

$ million	2020	2019
Non-current inventories[1]	**168**	176
Advances paid for property, plant and equipment and mining assets	**70**	144
Non-current VAT receivable[2]	**15**	15
Long-term bank deposits[3]	**5**	4
Gross value of other non-current assets	**258**	339
Provision for impairment	**(1)**	(1)
	257	338

1 Non-current inventories comprise ore stockpiles that are expected to be processed in excess of 12 months from the balance sheet date and relate mainly to clay ore at Bozshakol and low grade sulphide ore at Aktogay.

2 Comprises VAT incurred at Bozymchak and Koksay which is subject to audit and other administrative procedures prior to refund, with anticipated refund dates in excess of 12 months from the balance sheet date.

3 Long-term bank deposits are monies placed in escrow accounts with financial institutions in Kazakhstan and Kyrgyzstan as required by the Group's site restoration obligations.

18. Inventories

$ million	2020	2019
Raw materials and consumables	381	358
Work in progress	162	156
Finished goods	78	45
Gross value of inventories	621	559
Inventories provision	(7)	(6)
	614	553

19. Prepayments and other current assets

$ million	2020	2019
VAT receivable	142	175
Advances paid for goods and services	28	20
Other	12	7
Gross value of prepayments and other current assets	182	202
Provision for impairment of prepayments and other current assets	(8)	(9)
	174	193

20. Trade and other receivables

$ million	2020	2019
Trade receivables[1]	154	176
Interest receivable	1	1
Gross value of trade and other receivables	155	177
Allowance for expected credit losses	–	(1)
	155	176

1 At 31 December 2020, $143 million of trade receivables related to provisionally priced contracts measured at fair value through profit or loss (2019: $158 million), as outlined in note 32(b), including an increase of $16 million (2019: $12 million) arising from marked to market adjustments at 31 December 2020.

21. Current investments

$ million	2020	2019
Current investments[1]	425	–
	425	–

1 Includes term deposits with original maturity of greater than three months.

22. Cash and cash equivalents

$ million	2020	2019
Cash deposits with maturities of less than three months[1]	841	517
Cash at bank	33	24
	874	541

1 Excludes term deposits with original maturity of greater than three months which are classified within current investments. Included within cash and cash equivalents is $59 million (2019: $64 million) which is to be used solely for the investment into the Koksay project (see note 24).

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 2019	458,379,033	92	171
Shares issued	22,344,944	4	6
At 31 December 2019 and 2020	480,723,977	96	177

On 22 January 2019, the Company issued 22,344,944 KAZ Minerals PLC shares allotted as part of the Initial Consideration for the Baimskaya copper project. The issued share capital was fully paid.

During the year, 48,283 (2019: 1,859,786) treasury shares were used to satisfy awards under the Company's Save As You Earn ('SAYE'), Long Term Incentive Plans ('LTIP') and Deferred Share Bonus Plan ('DSBP') schemes. At 31 December 2020, the Company holds 8,238,821 (2019: 8,287,104) ordinary shares in treasury and the issued share capital of the Company which carries voting rights of one vote per share comprised 472,485,156 (2019: 472,436,873) ordinary shares (excluding treasury shares).

(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 'Trust'). The cost of shares purchased by the Trust is charged against retained earnings as treasury shares. The Trust has waived the right to receive dividends on these shares. The Company made no purchases through the Trust in 2020 or 2019. 5,162 shares (2019: no shares) were transferred out of the Trust in settlement of share awards granted to employees that were exercised during the year. Following approval from shareholders, shares held in treasury will be used to settle future awards.

At 31 December 2020, the Group did not own shares in the Company through the Trust (2019: 5,162 shares with a market value of $36 thousand and a cost of $79 thousand, representing less than 0.01% of the issued share capital).

(c) Capital reserves

$ million	Notes	Currency translation reserve	Capital redemption reserve	Deferred Consideration reserve	Total
At 1 January 2019		(2,488)	31	–	(2,457)
Exchange differences on retranslation of foreign operations		65	–	–	65
Deferred Consideration on acquisition of the Baimskaya copper project		–	–	225	225
Part disposal of subsidiary	24	9	–	–	9
At 31 December 2019		(2,414)	31	225	(2,158)
Exchange differences on retranslation of foreign operations		**(335)**	**–**	**–**	**(335)**
At 31 December 2020		**(2,749)**	**31**	**225**	**(2,493)**

(i) 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. The decrease in the US dollar value of the Group's foreign currency operations attributable to equity holders of the Company of $335 million (2019: increase of $65 million) follows a 10% decrease in the value of the tenge from 31 December 2019 to 31 December 2020.

(ii) 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.

(iii) Deferred Consideration reserve

On 22 January 2019, the Group announced the Initial Completion of the acquisition of the Baimskaya copper project in the Chukotka region of Russia. The Deferred Consideration of $225 million represents the consideration for the remaining interest in Baimskaya and is payable in 21.0 million shares, subject to the achievement of certain Project Delivery Conditions, including a pre-determined level of throughput and development of infrastructure by the Russian state. Under the Baimskaya share purchase agreement, the Group can at any time waive in whole or in part, conditionally or unconditionally any of the Project Delivery Conditions by notice to the Vendor and hence has the right to settle in shares. To the extent these conditions are not met or waived by the Group and therefore not settled in shares, the Deferred Consideration will become payable in cash on 31 March 2029.

The Deferred Consideration has been included within equity, representing the Group's ability to settle this amount through the issue of 21.0 million shares, measured according to the fair value of the asset acquired on Initial Completion.

Under the Baimskaya share purchase agreement the Vendor has the right, in limited circumstances, to fix an earlier date for the settlement of the Deferred Consideration, at which point the $225 million will become payable in cash and not shares. These circumstances include the cancellation of the premium listing of KAZ Minerals shares on the Official List, which Nova Resources has stated that it intends to do as soon as reasonably practicable in the event of the Recommended Offer becoming wholly unconditional. If cancellation of the premium listing of KAZ Minerals shares occurs and the Vendor chooses to exercise its right to fix an earlier date for the settlement of the Deferred Consideration, the resulting cash payment will be accounted for as the settlement of the obligation.

24. Non-controlling interests

Non-controlling interests that are material to the Group are reflected in the table below, relating to the transfer of a 19.4% equity stake in KAZ Minerals Koksay B.V., the parent company of the entity which holds the Koksay mining licence in Kazakhstan, to NFC in July 2019. The $70 million cash consideration (including $45 million received in 2019 and $25 million received in 2018) invested by NFC is being used solely for the development of Koksay, including a feasibility study, which will determine the detailed design for mining and processing operations and the associated capital budget. Following completion of the transaction in 2019, NFC's interest in KAZ Minerals Koksay B.V. was reflected as a non-controlling interest of $59 million, being its share of Koksay's net assets, with the remaining amount recognised directly within equity and attributed to the Group's shareholders. The principal operations of KAZ Minerals Koksay B.V. relate to the Koksay exploration licence located in Kazakhstan.

24. Non-controlling interests continued

Summarised financial information on a 100% basis for Koksay is as follows:

$ million	2020	2019
Non-current assets	**241**	243
Current assets[1]	**59**	64
Non-current liabilities	**(3)**	(3)
Current liabilities	**–**	(1)
Net assets	**297**	303
Attributable to non-controlling interests	**58**	59
Attributable to KAZ Minerals PLC	**239**	244

1 Current assets comprise cash and cash equivalents of $59 million (2019: $64 million) which are to be used solely for the investment into the Koksay project.

The loss for the year and net movement in cash and cash equivalents for Koksay was as follows:

$ million	2020	2019
Loss for the year	**(1)**	(1)
Net (decrease)/increase in cash and cash equivalents	**(5)**	39
Net cash flows used in operating activities	**(1)**	(1)
Net cash flows used in investing activities	**(4)**	(5)
Net cash flows from financing activities	**–**	45

25. Borrowings

	Maturity	Average interest rate during the year	Currency of denomination	Current $ million	Non-current $ million	Total $ million
At 31 December 2020						
CDB-Bozshakol and Bozymchak (US$ LIBOR + 4.50%)	2025	5.72%	US dollar	**181**	**804**	**985**
CDB-Aktogay facility (PBoC 5 year, amended to fixed 4.90%)[1]	2028	3.99%	CNY	**12**	**80**	**92**
CDB-Aktogay facility (US$ LIBOR + 4.20%)	2029	5.23%	US dollar	**107**	**904**	**1,011**
PXF facility (US$ LIBOR + 2.25% to 3.50%)	2024	2.99%	US dollar	**163**	**826**	**989**
DBK-Aktogay facility (US$ LIBOR + 4.50%)	2025	5.62%	US dollar	**43**	**148**	**191**
DBK-Aktogay expansion facility (US$ LIBOR + 3.90%)	2034	4.87%	US dollar	**–**	**545**	**545**
CAT facility (US$ LIBOR + 2.25% to 3.50%)	2025	3.72%	US dollar	**22**	**65**	**87**
				528	**3,372**	**3,900**
At 31 December 2019						
CDB-Bozshakol and Bozymchak (US$ LIBOR + 4.50%)	2025	7.06%	US dollar	180	985	1,165
CDB-Aktogay facility (PBoC 5 year)[1]	2028	5.42%	CNY	12	85	97
CDB-Aktogay facility (US$ LIBOR + 4.20%)	2029	6.69%	US dollar	105	1,012	1,117
PXF facility (US$ LIBOR + 3.00% to 4.50%)	2021	5.30%	US dollar	200	100	300
DBK-Aktogay facility (US$ LIBOR + 4.50%)	2025	7.11%	US dollar	43	191	234
DBK-Aktogay expansion facility (US$ LIBOR + 3.90%)	2034	5.98%	US dollar	–	315	315
CAT facility (US$ LIBOR + 3.00% to 4.50%)	2024	4.91%	US dollar	5	67	72
				545	2,755	3,300

1 The average interest rate during the year shown for the CDB-Aktogay CNY facility reflects US$ interest paid under the cross currency interest rate swaps.

CDB-Bozshakol and Bozymchak facilities

At 31 December 2020, $1.0 billion (2019: $1.2 billion) was drawn under the facility agreements. The facilities accrue interest at US$ LIBOR plus 4.50% and arrangement fees with an amortised cost at 31 December 2020 of $6 million (2019: $9 million) have been netted off against these borrowings in accordance with IFRS 9 '*Financial Instruments*'. During 2020, $183 million of the borrowing was repaid, with $181 million due to be repaid within 12 months of the balance sheet date (including $2 million of unamortised debt costs). The facilities are repayable in semi-annual instalments in January and July with final maturity in 2025. KAZ Minerals PLC acts as guarantor of the facilities.

CDB-Aktogay facilities

The CDB-Aktogay facilities consist of a CNY 1.0 billion facility and a $1.3 billion US dollar facility. KAZ Minerals PLC acts as guarantor of both facilities.

At 31 December 2020, the drawn US dollar equivalent amount under the CNY facility was $92 million (2019: $97 million). During 2020, the CNY interest basis was amended to a fixed rate of 4.90% consistent with the previous benchmark lending rate published by the People's Bank of China. This facility is repayable in semi-annual instalments in March and September of each year until final maturity in 2028. $11 million was repaid in 2020, while $12 million is due to be repaid within 12 months of the balance sheet date. To protect the Group from currency risks arising on the CNY denominated debt, the Group has entered into CNY/US$ cross currency interest rate swaps for a portion of the exposure. This derivative instrument provides a hedge against movements in the CNY exchange rate against the US dollar and also swaps the interest basis from the fixed CNY interest rate of 4.90% into a fixed US$ interest rate of 3.67% effective from 20 March 2020. The fair value of the swaps at 31 December 2020, included within payables, was $8 million (2019: $12 million).

The US dollar facility accrues interest at US$ LIBOR plus 4.20%. At 31 December 2020, $1.0 billion (2019: $1.1 billion) was outstanding under the facility. Arrangement fees with an amortised cost of $8 million (2019: $9 million) have been netted off against these borrowings in accordance with IFRS 9. The facility is repayable in semi-annual instalments in March and September until final maturity in 2029. During 2020, $107 million was repaid, with $107 million due to be repaid within 12 months of the balance sheet date (including $2 million of unamortised debt costs).

PXF facility

On 28 January 2020, the Group completed an amendment and extension of the PXF facility which includes an increase in facility commitments to $1.0 billion, an extension of the loan tenor and a reduction in the facility margin. The amendment represented a net increase of $700 million above the $300 million outstanding under the previous facility and the maturity profile was extended by 3.5 years, from June 2021 until December 2024 with two annual extension options which, if exercised, would extend final maturity of the facility to December 2025 or December 2026 respectively. The amended facility accrues interest at a variable margin of between 2.25% and 3.50% above US$ LIBOR (previously between 3.00% and 4.50% above US$ LIBOR), dependent on the ratio of net debt to EBITDA which will be tested semi-annually. Monthly repayments commenced in January 2021, with a final balloon repayment of one-third of the facility amount ($333 million) due in December 2024, which will be amortised during 2025 and 2026 if the extension options are exercised. In November 2020, all lenders agreed to postpone the period during which the Group is permitted to deliver the first annual extension request by six months to 28 May 2021.

At 31 December 2020, $1.0 billion (2019: $300 million) was drawn under the PXF facility, with a repayment in January 2020 of $17 million and subsequent drawings of $702 million (net of arrangement fees) in the first quarter of 2020. As the present value of the cash flows under the previous facility was not determined to be substantially different, arrangement fees relating to the amendment have been netted off against these borrowings in accordance with IFRS 9 with an amortised cost at 31 December 2020 of $11 million (2019: $nil). $163 million was due to be repaid within 12 months of the balance sheet date (including $4 million of unamortised debt costs). KAZ Minerals PLC, Vostoktsvetmet LLC and KAZ Minerals Sales Limited act as guarantors of the facility.

DBK-Aktogay facilities

The DBK-Aktogay facilities consist of a $600 million credit facility agreement relating to the Aktogay expansion project and a $300 million facility relating to the original Aktogay project. KAZ Minerals PLC acts as guarantor of both facilities.

The $600 million facility was entered into in June 2019 and will be drawn in accordance with capital expenditure incurred on certain contracts committed for the Aktogay expansion project. At 31 December 2020, $549 million (2019: $320 million) was drawn under the facility, with drawings of $229 million in the year. Arrangement fees with an amortised cost of $4 million (2019: $5 million) have been netted off against these borrowings in accordance with IFRS 9. The facility extends for a term of 15 years and accrues interest at a rate of US$ LIBOR plus 3.90%. The facility is repayable in instalments with the first repayment due in June 2022, followed by semi-annual repayments in May and November of each year from November 2022 until the final repayment in 2034.

The $300 million facility was entered into in December 2016 and was fully drawn at 31 December 2016. The facility extends for a term of eight and a half years and accrues interest at US$ LIBOR plus 4.50%. The facility is repayable in semi-annual instalments in May and November with a final repayment in 2025. At 31 December 2020, $192 million (2019: $235 million) was drawn under the facility. Arrangement fees with an amortised cost of $1 million (2019: $1 million) have been netted off against these borrowings in accordance with IFRS 9. During 2020, $43 million of the borrowing was repaid, with $43 million due to be repaid within 12 months of the balance sheet date.

CAT facility

On 15 November 2019, the Group entered into a credit facility with CAT of up to $100 million. On 7 December 2020, the CAT facility agreement was amended and restated to include an extension of the availability period, adjustments to the drawing and repayment profile and a reduction in the facility margin so it is aligned with the margin in the PXF facility. At 31 December 2020, $88 million (2019: $74 million) was drawn under the facility. Arrangement fees with an amortised cost of $1 million (2019: $2 million) have been netted off against these borrowings in accordance with IFRS 9. The facility accrues interest with a variable margin of between 2.25% and 3.50% above US$ LIBOR (previously 3.00% and 4.50% above US$ LIBOR), dependent on the ratio of net debt to EBITDA which will be tested semi-annually. It is comprised of two sub-facilities of $40 million and $60 million secured against existing and new Caterpillar equipment, which will be drawn by December 2021 (previously March 2021). The facility is repayable in quarterly instalments commencing in December 2020 until final maturity at the end of 2025 (previously 2024). During 2020, drawings of $19 million and repayments of $5 million were made, with $22 million due to be repaid within 12 months of the balance sheet date. KAZ Minerals PLC acts as guarantor of the facility.

25. Borrowings continued

Undrawn facilities

At 31 December 2020, $51 million (2019: $280 million) remained to be drawn under the DBK-Aktogay expansion facility and $11 million (2019: $26 million) remained to be drawn under the CAT facility. All other debt facilities were fully drawn at 31 December 2020 and 2019.

26. Employee benefits

Vostoktsvetmet LLC provides post-retirement benefits and other long-term benefits in Kazakhstan which are partially funded. The largest portion of the employee benefits provision is for other long-term benefits, of which the most significant is for long-term disability allowances and which exposes the Group to actuarial risks reflected in the key assumptions below. 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.

The movement in the defined benefit obligation is as follows:

$ million	2020	2019
At 1 January	23	18
Actuarial (gain)/loss arising in the income statement	(4)	4
Actuarial (gain)/loss recognised in other comprehensive income	(1)	1
Interest cost on benefit obligation	1	1
Benefits paid	(2)	(2)
Net exchange adjustment	(2)	1
Defined benefit obligation at 31 December	**15**	**23**

The movement in the plan assets is as follows:

$ million	2020	2019
At 1 January	6	4
Contributions by employer	1	1
Benefits paid	(2)	(2)
Actuarial gain on plan assets recognised in the income statement	–	3
Fair value of plan assets at 31 December	**5**	**6**

The net actuarial gain arising in the income statement of $4 million (2019: loss of $1 million) mainly resulted from a reduction in the defined benefit obligation due to an increase in the discount rate and was recognised within administrative expenses. The interest cost on the defined benefit obligation of $1 million (2019: $1 million) was recognised within finance costs.

The net liability and expected settlement of the defined benefit obligation is as follows:

$ million	2020	2019
Defined benefit obligation	15	23
Less: fair value of plan assets	(5)	(6)
Net liability recognised at 31 December	**10**	**17**
Current	2	2
Non-current	8	15
	10	17

The net employee benefits obligation of $10 million (2019: $17 million) consists of $2 million (2019: $2 million) related to post-employment benefits and $8 million (2019: $15 million) related to other long-term benefits, mainly disability allowances.

The principal actuarial assumptions used in determining the employee benefits obligation are as follows:

	2020	2019
Discount rate at 31 December	10.5%	5.2%
Future salary increases	4.1%	3.6%
Medical and other related cost increases	4.1%	3.9%

In addition, mortality rates were determined with reference to the 2018 mortality table of Kazakhstan as published by the Government of Kazakhstan, adjusted by life expectancy in Kazakhstan forecast by the United Nations in 2019.

27. Provision for closure and site restoration

$ million	2020	2019
At 1 January	74	59
Utilised	–	(1)
Change in estimate[1]	35	21
Disposals	–	(9)
Unwinding of discount	4	4
Net exchange adjustment	(6)	–
At 31 December	**107**	**74**
Current	–	–
Non-current	107	74
	107	74

1 In 2020, the amount capitalised to property, plant and equipment was $28 million (2019: $21 million), whilst a reduction in estimate of $3 million was deducted from the cost of mining assets (2019: $nil), and $10 million was expensed (2019: $nil).

The costs of decommissioning and reclamation of mines and processing facilities within the Group are based on the current obligations under Kazakhstan and Kyrgyzstan legislation governing closure and rehabilitation. The provision represents the discounted values of the estimated costs to decommission and reclaim the mines based on the current estimated life of mine for each deposit. The liability usually becomes payable after the end of the useful life of each mine, which ranges from seven years to around 40 years. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives, the levels of discount and inflation rates and the estimated timing of closure and decommissioning.

In order to reflect current market assessments of the time value of money and the risks specific to the liability, the present value of these provisions has been calculated using discount rates of between 4.5% and 4.9% in Kazakhstan, depending on the life of each mine (2019: between 5.0% and 5.8%) and 6.4% in Kyrgyzstan (2019: 6.7%). Management estimates the discount rate for its provisions in Kazakhstan based on sovereign bond yields denominated in US dollars adjusted for the differential inflation between the tenge and the US dollar, which is lower in the long term.

Management has not calculated its provisions using Kazakhstan sovereign bond yields denominated in tenge, as these bonds have largely been purchased by local institutions and there are limited bonds with maturities which are comparable to the remaining life of each mine. Management therefore concluded that using estimates based on a more established market for bonds with yields denominated in US dollars was a more appropriate basis to assess the time value of money and risks specific to the liability. As a sensitivity, discounting the provisions at each mine using a discount rate of around 10%, based on Kazakhstan sovereign bond yields denominated in tenge, in isolation, would result in a reduction in the present value of the liability by approximately $52 million to $55 million. This is a simple sensitivity holding all other variables constant.

The Group periodically reviews the closure cost estimates at each operation on a rolling basis. In 2020, the increase in the provision arose mainly following a review performed by an external consultant of the cost estimates in respect of East Region and Bozymchak operations. Aktogay and Bozshakol comprise modern facilities with significantly longer mine lives and lower levels of disturbance than East Region operations, therefore at 31 December 2020 these assets have lower provisions for closure and site restoration. In 2019, the increased estimate for the provision arose mainly from the use of a lower discount rate.

28. Other liabilities

$ million	2020	2019
Payments for licences	6	7
Other including leases[1]	8	8
Other liabilities regarded as financial instruments for disclosure purposes – note 32	**14**	**15**
Non-current other taxes payable	3	–
	17	15
Current	4	3
Non-current	13	12
	17	15

1 Includes lease contracts, which mainly related to leased office buildings and payments for land, for which related liability was found to be immaterial.

29. Trade and other payables

$ million	2020	2019
Payables for non-current assets	79	128
Interest payable	40	61
Trade payables	53	50
Salaries and related payables	25	22
Derivative instrument[1]	8	12
Amounts payable to related parties	5	4
Other payables and accrued expenses	14	11
Payables regarded as financial instruments for disclosure purposes – note 32	**224**	288
MET and royalties payable	45	56
Other taxes payable	21	10
Payments received in advance from customers	17	6
	307	360

1 Relates to the CNY/US$ cross currency and interest rate swap on the CDB-Aktogay loan. The change in the fair value of the derivative is included within finance income in the income statement.

30. Reconciliation of profit before tax to net cash inflow from operating activities

$ million	Notes	2020	2019
Profit before tax		804	726
Finance income	11	(14)	(18)
Finance costs	11	146	195
Share-based payments	35	3	3
Depreciation, depletion and amortisation		235	251
Impairment losses	6	3	5
Unrealised foreign exchange loss and other movements		71	20
Operating cash flows before changes in working capital and provisions		**1,248**	1,182
Increase in inventories		(127)	(161)
Increase in prepayments and other current assets		(136)	(113)
Decrease/(increase) in trade and other receivables		23	(51)
Increase/(decrease) in trade and other payables and provisions		130	(23)
Cash flows from operations before interest and income taxes paid		**1,138**	834

31. Movement in net debt

$ million	At 1 January 2020	Cash flow	Other movements	At 31 December 2020
Cash and cash equivalents	541	331	2	874
Current investments[1]	–	425	–	425
Borrowings[2]	(3,300)	(584)	(16)	(3,900)
Net debt[3]	**(2,759)**	**172**	**(14)**	**(2,601)**

$ million	At 1 January 2019	Cash flow	Other movements	At 31 December 2019
Cash and cash equivalents	1,219	(676)	(2)	541
Less: restricted cash	(2)	–	2	–
Current investments[1]	250	(250)	–	–
Borrowings[2]	(3,453)	158	(5)	(3,300)
Net debt[3]	(1,986)	(768)	(5)	(2,759)

1 Current investments include term deposits with original maturity of greater than three months.

2 The cash flows on borrowings in 2020 reflect repayments on existing facilities of $366 million (2019: $545 million) and drawings of $950 million (2019: $387 million), net of arrangement fees (see note 25). Other movements include non-cash amortisation of fees on borrowings of $10 million (2019: $6 million) and foreign exchange losses on the CDB-Aktogay CNY facility of $6 million (2019: $1 million gain).

3 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 192.

32. Financial risk management

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 one derivative used for risk management purposes. The Group's borrowings, surplus liquidity and derivative financial instrument are controlled and managed centrally by the Group's Treasury department. Liquidity retained within Kazakhstan, Kyrgyzstan and Russia is only held for working capital purposes.

The Group's accounting policies with regard to financial instruments are detailed in note 37(s).

(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 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 and fair values of financial assets and financial liabilities

The carrying amounts of financial assets and liabilities by categories are as follows:

$ million	Notes	2020	2019
Financial assets at amortised cost			
Long-term bank deposits	17	5	4
Trade and other receivables not subject to provisional pricing	20	12	18
Current investments	21	425	–
Cash and cash equivalents	22	874	541
		1,316	563
Financial assets at fair value through profit or loss			
Trade receivables subject to provisional pricing[1]	20	143	158
Financial liabilities at amortised cost			
Borrowings[2]	25	(3,900)	(3,300)
Other liabilities[3]	28	(14)	(15)
Trade and other payables[4]	29	(216)	(276)
		(4,130)	(3,591)
Financial liabilities at fair value through profit or loss			
Derivative instrument[5]	29	(8)	(12)

1 Trade receivables subject to provisional pricing include a $16 million favourable adjustment (2019: $12 million) arising from the marked to market valuation on provisionally priced contracts at the year end. These are measured according to quoted forward prices in a market that is not considered active, which is a level 2 valuation method within the fair value hierarchy.

2 The fair value of borrowings approximates its carrying value and is measured by discounting future cash flows using currently available interest rates for debt of similar maturities, which is a level 3 valuation method within the fair value hierarchy.

3 Excludes non-current other taxes payable that are not regarded as financial instruments.

4 Excludes payments received in advance from customers, other taxes payable and MET and royalties payable that are not regarded as financial instruments.

5 Derivative financial instruments, representing a cross currency and interest rate swap, are measured according to inputs other than quoted prices that are observable for the derivative financial instrument, either directly or indirectly, which is a level 2 valuation method within the fair value hierarchy.

The fair values of each category of financial asset and liability are not materially different from their carrying values as presented.

32. Financial risk management continued

(c) Foreign exchange risk

The Group's entities have transactional currency exposures which arise from sales or purchases in currencies other than that entity's functional currency. The different functional currencies of the Group's entities are outlined in note 37(a) and the currencies giving rise to this foreign currency risk are primarily the US dollar and the CNY. Exchange gains and losses arise principally from bank deposits, trade and other receivables, borrowings, certain intercompany funding balances that exist within the Group and trade and other payables.

Where possible, the Group attempts to conduct its business, maintain its monetary assets and source corporate debt capital in US dollars to minimise its exposure to other currencies. The Group retains surplus cash balances in US dollars for capital expenditure, servicing of debt, returns to shareholders and acquisitions. 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 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 transactions 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 foreign currency risks arising on the CDB-Aktogay CNY denominated debt, the Group has entered into a CNY/US$ cross currency interest rate swap. This derivative instrument provides a hedge against movements in the CNY exchange rate against the US dollar and also swaps the interest basis from a CNY interest rate into a fixed US$ interest rate. This derivative is measured at fair value with the fair value adjustment recorded in the income statement.

(i) Foreign currency exposure by balance sheet account profile

The Group's exposure to foreign currency risk based on gross amounts, which include intercompany balances, is shown below. The table sets out the Group's financial assets and liabilities which are denominated in the stated currencies but held in subsidiaries or joint operations with a different functional currency, thereby exposing the Group to transactional net currency gains and losses which are recognised in the income statement:

$ million	US dollar[1]	UK sterling	CNY	RUB	Other	Total
2020						
Long-term bank deposits	**4**	**–**	**–**	**–**	**–**	**4**
Trade and other receivables	**330**	**–**	**–**	**–**	**–**	**330**
Cash and cash equivalents	**416**	**2**	**8**	**–**	**–**	**426**
Borrowings	**(1,053)**	**(100)**	**(92)**	**–**	**–**	**(1,245)**
Other liabilities	**(8)**	**–**	**–**	**–**	**–**	**(8)**
Trade and other payables	**(103)**	**–**	**–**	**(1)**	**(16)**	**(120)**
	(414)	**(98)**	**(84)**	**(1)**	**(16)**	**(613)**

$ million	US dollar[1]	UK sterling	CNY	RUB	Other	Total
2019						
Long-term bank deposits	3	–	–	–	–	3
Trade and other receivables	519	–	–	–	1	520
Cash and cash equivalents	39	2	2	–	1	44
Borrowings	(723)	(91)	(97)	–	–	(911)
Other liabilities	(8)	–	–	–	–	(8)
Trade and other payables	(165)	(1)	–	(2)	(15)	(183)
	(335)	(90)	(95)	(2)	(13)	(535)

1 The US dollar net monetary liability arises from KZT, KGS and RUB functional currency entities.

(ii) Foreign currency sensitivity analysis

The estimated impact of a movement in foreign currencies has been determined based on the balances of financial assets and liabilities at 31 December 2020 that are not denominated in the functional currency of the subsidiary or joint operation. 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 and assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening of the US dollar against the following currencies at 31 December would have changed profit after tax by the amounts shown below.

$ million	2020	2019
KZT	(5)	(9)
KGS	(4)	(7)
UK sterling	8	7
CNY	7	8
RUB	(25)	(12)

A 10% weakening of the US dollar against the above currencies at 31 December would have an equal and opposite effect, on the basis that all other variables remain constant.

(d) Commodity price risk

The Group's revenues and earnings are directly impacted by fluctuations in the prices of the commodities it produces. The Group's principal commodities (copper, gold, silver and zinc) 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 2020. 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 impact the Group's provisionally priced sales volumes and increase/(decrease) profit after tax by the amounts shown below.

$ million	2020	2019
Copper cathodes	–	4
Copper in concentrate	15	14
Gold	2	3

(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. 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 2020, the Group had an outstanding cross currency and interest rate swap on the CDB-Aktogay CNY facility of $8 million (2019: $12 million).

The exposure of the Group's floating and fixed rate financial assets and liabilities to interest rate risk is as follows:

	At 31 December 2020			
$ million	Floating rate	Fixed rate	Non-interest bearing	Total
Long-term bank deposits	–	5	–	5
Trade and other receivables	–	–	155	155
Current investments	–	425	–	425
Cash and cash equivalents	754	115	5	874
Borrowings	(3,808)	(92)	–	(3,900)
Other liabilities[1]	–	(5)	(9)	(14)
Trade and other payables[2]	–	–	(224)	(224)
	(3,054)	448	(73)	(2,679)

32. Financial risk management continued

(e) Interest rate risk continued

	At 31 December 2019			
$ million	Floating rate	Fixed rate	Non-interest bearing	Total
Long-term bank deposits	–	4	–	4
Trade and other receivables	–	–	176	176
Cash and cash equivalents	267	250	24	541
Borrowings	(3,300)	–	–	(3,300)
Other liabilities[1]	–	(7)	(8)	(15)
Trade and other payables[2]	–	–	(288)	(288)
	(3,033)	247	(96)	(2,882)

1 Excludes non-current other taxes payable that are not regarded as financial instruments.

2 Excludes payments received in advance from customers, 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 2020. 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 $21 million (2019: $23 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 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, as outlined in note 32(b).

Credit risk relating to trade receivables

Sales of metal to customers are made either on receipt of cash prior to delivery and transfer of title of goods, cash on delivery and transfer of title of goods or through letters of credit which are received from the customer's bank. Credit risk on trade receivables is limited. The Group monitors the credit quality of its significant customers on an ongoing basis and receivables that are neither past due nor impaired are considered of good credit quality.

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 sales made to Chinese customers without letters of credit, cash is received prior to delivery and transfer of title of the goods.

Sales to 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. The impairment requirements of IFRS 9 relating to expected credit losses do not apply to the Group's trade receivables subject to provisional pricing, which are measured at fair value through profit or loss.

The East Region may at times 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, if any, expected credit losses are recognised on a forward-looking basis taking into account past payment history. The Group applies a simplified approach to measure the loss allowance for trade receivables not subject to provisional pricing and possible default events have been considered over the lifetime of those receivables. The effect of this assessment has not resulted in a material revision in the loss allowance compared to the prior year.

(i) Concentrations for trade and other receivables by geographical regions

At 31 December 2020, one customer (2019: one customer) accounted for 94% (2019: 86%) of the trade and other receivables balance. By 23 February 2021, 84% (14 February 2020: 49%) of the year-end balance due from this customer had been received in full.

The maximum exposure to credit risk for trade and other receivables at 31 December by geographic areas was:

$ million	2020	2019
China	**138**	168
Kazakhstan	**8**	5
Europe	**7**	1
Other	**2**	2
	155	176

Of the above, $143 million relates to trade receivables measured at fair value through profit or loss and $12 million is measured at amortised cost (2019: $158 million and $18 million respectively).

(ii) Impairment losses for trade and other receivables measured at amortised cost

The ageing of trade and other receivables measured at amortised cost at 31 December, was:

	2020		2019	
$ million	Gross	Impairment	Gross	Impairment
Not past due	9	–	15	–
Past due 1-90 days	3	–	3	–
Past due 91-180 days	–	–	–	–
Past due 181-270 days	–	–	–	–
More than 270 days	–	–	1	(1)
	12	–	19	(1)

Credit risk related to cash and cash equivalents and current investments

Credit risk relating to the Group's other financial assets, principally cash and cash equivalents and current investments, arises from the potential default of counterparties. Credit risk arising from balances with banks and financial institutions is managed by the Group's Treasury department 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, Kyrgyzstan and Russia are utilised mainly for working capital purposes. 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. There have been no significant increases in credit risk since initial recognition and possible default events have been considered over a period of 12 months after the reporting date. At 31 December 2020, there were no expected credit losses in respect of cash and cash equivalents and current investments (2019: none).

(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 liabilities

The table below analyses the Group's financial 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
2020						
Borrowings[1]	–	(234)	(466)	(2,899)	(1,026)	(4,625)
Other liabilities[2]	–	(1)	(3)	(8)	(3)	(15)
Trade and other payables[3]	–	(154)	(7)	(15)	–	(176)
Derivative instrument	–	–	–	(3)	(5)	(8)
	–	(389)	(476)	(2,925)	(1,034)	(4,824)

$ million	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
2019						
Borrowings[1]	–	(285)	(472)	(2,174)	(1,359)	(4,290)
Other liabilities[2]	–	–	(4)	(9)	(2)	(15)
Trade and other payables[3]	–	(205)	(8)	(2)	–	(215)
Derivative instrument	–	–	–	(12)	–	(12)
	–	(490)	(484)	(2,197)	(1,361)	(4,532)

1 Borrowings include expected future interest payments based on contracted margins and prevailing LIBOR rates at the balance sheet date.

2 Excludes non-current other taxes payable that are not regarded as financial instruments.

3 Excludes payments received in advance from customers, other taxes payable and MET and royalties payable that are not regarded as financial instruments and interest payable which is reflected within borrowings.

32. Financial risk management continued

(h) Capital management

The overriding 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 and benefits to other stakeholders and to maintain an optimal capital structure in order to reduce the Group's cost of capital.

Baimskaya is a large-scale project and its development will require additional financing which will increase the debt levels of the Group. The financing requirements of the Baimskaya copper project will be assessed during the Bankable Feasibility Study, following which the Board will further review the Group's allocation of capital. The Group ordinarily seeks to maintain a level of net debt which does not exceed two times 'normalised' EBITDA through the commodity cycle but the Board maintains the flexibility to suspend the ratio to allow for higher gearing during periods of major capital investment, as was the case for the development and ramp up of Aktogay and Bozshakol. 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 does not have a target debt to equity ratio. Included within the current 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.

At 31 December 2020, total capital employed (which comprises equity holders' funds, non-controlling interests and borrowings) of the Group amounted to $6,324 million, compared to $5,474 million at 31 December 2019. Total capital employed is the measure that is used by the Directors in managing capital. The Group was in a net debt position of $2,601 million (2019: $2,759 million).

33. 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 2020 and 2019, the Group was not involved in any significant legal proceedings, including arbitration, which may crystallise a material financial loss for the Group.

(b) Taxation contingencies

(i) Inherent uncertainties in interpreting tax legislation

The Group is subject to uncertainties relating to judgements used in the determination of its tax liabilities and the timing of recovery of tax refunds. In Kazakhstan, Kyrgyzstan and Russia, tax and customs legislation are in a state of continuous development and therefore are subject to frequent changes and varying interpretations. 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 tax audit. 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. 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. In Russia, the tax authorities are able to raise additional tax assessments for a period of three years prior to the year of review. In all three jurisdictions, under certain circumstances, historical tax years may remain open for inspection for longer periods. A number of the Group's operating subsidiaries in Kazakhstan are currently undergoing or expected to undergo routine tax audits which could give rise to substantial tax assessments. As such, additional tax payments could arise for the Group.

(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, the Directors estimate 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 in the countries in which it operates, and 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, withholding tax, VAT and subsoil use taxes).

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 or may be refused. Therefore it is not practical for the Directors to estimate the financial effect of the timing of tax refunds and of additional tax liabilities, if any, together with any associated penalties and charges for which the Group may be liable that may arise from different interpretations applied by the tax authorities.

The Group has not limited the deduction of its net interest expense in the UK as the Group has received external advice that the UK corporate interest restriction rule limits do not apply to its circumstances due to other applicable law and treaties. The Directors believe the Group's position has a more than probable chance of being accepted by the tax authorities. In the unlikely event that this position is successfully challenged, the Directors estimate that limiting this deduction would increase the current tax payable at 31 December 2020 by approximately $25 million. As the interest expense subject to restriction can be carried forward and deducted in future periods, the Directors do not believe there would be a material change to the Group's overall income tax charge due to the recognition of a corresponding deferred tax asset.

The Directors do not believe that there are other material uncertain tax positions at 31 December 2020.

(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. 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 27), is based upon the estimation of the Group's specialists or external consultants. 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 Industry and Infrastructural 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.

In Kyrgyzstan, 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.

In Russia, all subsoil reserves belong to the State, with the Federal Agency for Mineral Resources ('Rosnedra') 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 Rosnedra if the Group 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. The total commitments for property, plant and equipment at 31 December 2020 amounted to $424 million (2019: $537 million). These amounts relate mainly to the Aktogay expansion, the Artemyevsky expansion and the Baimskaya copper project, which reflect contractual commitments, not the minimum cost which would be incurred in the event of delay or cancellation.

(f) Lease commitments

The Group has elected not to recognise right-of-use assets and lease liabilities for leases which have low value, or short-term leases with a duration of 12 months or less. The payments associated with such leases are charged directly to the income statement on a straight-line basis over the lease term. During the year, the expense associated with the Group's short-term contracts for leased assets within the scope of IFRS 16 *'Leases'*, including certain construction related equipment, vehicles and office buildings, as well as the associated commitment for short-term lease contracts at 31 December 2020, was not material (2019: not material).

34. 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 Kazakhmys Holding Group, are disclosed below.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year:

$ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties[1]	Amounts owed to related parties
Kazakhmys Holding Group				
2020	**1**	**105**	**3**	**8**
2019	1	113	3	4

1 No provision is held against the amounts owed by related parties at 31 December 2020 and 2019.

34. Related party disclosures continued

(a) Transactions with related parties continued

Kazakhmys Holding Group

The related party transactions and balances with companies which are part of the Kazakhmys Holding Group (a company owned by Vladimir Kim, a Director of the Company, and Eduard Ogay, a former Director of the Company) include the provision of smelting and refining of the Group's copper concentrate at the Balkhash smelter, electricity supply and certain maintenance functions. The Group additionally commenced renting office space in Almaty from Kazakhmys Holding Group in December 2020, for which the remaining liability of $3 million is payable over the three year lease term. In 2019, the Group sold the Belousovsky concentrator and the associated site restoration obligation to a subsidiary of the Kazakhmys Holding Group for proceeds of less than $1 million, which resulted in no material gain or loss on disposal.

At 31 December 2020, the Group's joint operation, ICG, held cash and cash equivalents of $nil (2019: $3 million) with Bank RBK JSC (a company majority owned by Vladimir Kim, a Director of the Company). Joint operations are proportionally consolidated such that the Group's share of its cash and cash equivalents are included within the consolidated financial statements (see note 37(b)).

(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.

(c) Subsidiaries and joint operations

Details of investments in subsidiaries and joint operations are disclosed in note 38(i).

35. Share-based payment plans

The Company's share-based payment plans consist of a Long Term Incentive Plan ('LTIP'), and a Deferred Share Bonus Plan ('DSBP'). The total expense for the year ended 31 December 2020 arising from these plans was $3 million (2019: $3 million). The total number of shares outstanding under these schemes as at 31 December 2020 was 2,290,904 (2019: 1,609,173). The total number of shares exercisable under these schemes as at 31 December 2020 was 700,545 (2019: 344,877).

These are discretionary plans 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. For future awards, the Company may issue new shares or use shares held as treasury by the Company, as approved by shareholders, rather than purchase the shares in the open market through the Employee Benefit Trust.

36. Post balance sheet events

Recommended Offer

On 4 February 2021, it was announced that the Recommended Offer was increased to 780 pence in cash for each KAZ Minerals share. The offer has been unanimously recommended by the Independent Committee of KAZ Minerals. In the event of the Recommended Offer becoming wholly unconditional it would be expected to complete in the first half of 2021. Further details in respect of the Recommended Offer and expected timetable are included in the Offer Document which is published on the Group's website.

In the event that the Recommended Offer becomes wholly unconditional, Nova Resources have stated an intention to delist the Company from the London Stock Exchange and Kazakhstan Stock Exchange and focus on the execution of a higher risk, capital intensive strategy to deliver the Baimskaya copper project.

Upon delisting of the Company from the London Stock Exchange, the Vendor would have the right to accelerate Deferred Consideration of $225 million, which if exercised, would be payable in cash (see note 23(c)(iii)). The Group's sales contract with Advaita contains a clause such that the agreement terminates in the event of a change of control. This contract may therefore be subject to renegotiation in the event the Recommended Offer becomes wholly unconditional (see note 4(b)). There are no other significant change of control clauses contained in the Group's material contracts which would be affected by the Recommended Offer, including in respect of the Group's debt facilities.

In the event that the Recommended Offer becomes wholly unconditional and subject to the delisting of the Company, it has been agreed to grant transition awards to the Chief Executive Officer and Chief Financial Officer. The transition awards would replace certain existing share incentives. More information on the transition awards can be found in the Offer Document.

37. 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. Transactions denominated in foreign currencies and that result in the recognition of non-monetary assets and liabilities are translated to the functional currency at the foreign exchange rate ruling at the date of each 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 their UK based project finance companies, as applicable, is the Kazakhstan tenge, with the functional currency of the Group's Russian entities being the Russian rouble, and the Bozymchak functional currency being the Kyrgyz som. 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.

The following foreign exchange rates against the US dollar have been used in the preparation of the consolidated financial statements:

	31 December 2020		31 December 2019	
	Spot	Average	Spot	Average
Kazakhstan tenge	420.71	412.95	381.18	382.75
Kyrgyzstan som	82.65	77.28	69.64	69.79
UK pounds sterling	0.73	0.78	0.75	0.78
Russian rouble	73.88	72.13	61.91	64.69

(b) Business combinations and joint operations

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.

Joint operations

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control such that decisions about the relevant activities of the arrangement (those that significantly affect the Group's returns) require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which the parties that share joint control have rights to the assets and obligations for the liabilities, relating to the arrangement. This includes situations where the parties benefit from the joint activity through a share of the output, rather than by receiving a share of the results of trading.

Joint operations are proportionally consolidated such that the Group's share of its assets, liabilities, revenue and expenses are included within the consolidated financial statements. On consolidation, transactions and balances, including any profit earned, between the Group and the joint operation are eliminated, to the extent of its interest.

(c) 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, this 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 sustained period of around three months.

Management intends to early adopt *'Proceeds before Intended Use (Amendments to IAS 16)'* in 2021 once it is endorsed by the UK. The amendment will prohibit the deduction of proceeds from the sale of output produced before an asset is operating in the manner intended by management from the cost of property, plant and equipment (see note 2(f)).

37. Summary of significant accounting policies continued

(c) Property, plant and equipment continued

(ii) Depreciation

The cost of each item of property, plant and equipment is depreciated over its useful life to its estimated residual value. 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 and residual values 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 to its estimated residual value.

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, including major overhauls which are infrequent, are 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.

(d) 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.

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 proved and probable mineral reserves as determined by the KAZRC and JORC Codes 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.

(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 ongoing mining and development of the open pit mines is generally performed via a succession of individual phases. The costs of extracting material from an open pit mine are generally allocated between ore and waste stripping in proportion to the tonnes of waste and ore material extracted (the stripping ratio). The waste stripping costs are generally absorbed into inventory and expensed as that inventory is processed and sold. Where the stripping costs relate to a waste stripping campaign which is expected to provide improved access to an identifiable component of the ore body, the costs of removing waste in order to improve access to that part of the ore body will be capitalised within mining assets. The capitalised costs will then be amortised in a systematic manner over the reserves that directly benefit from the specific stripping activity. Changes to the stripping ratio arising from changes to mine plans or mineral reserves are regarded as changes in estimates and are accounted for prospectively.

(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; or
- 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 transferred to mine development costs when attributable to producing interests are amortised on a unit of production basis over the remaining life of the associated mine.

(e) Impairment

The carrying values of mining assets including capitalised exploration and evaluation expenditure and property, plant and equipment are assessed for impairment when indicators of such impairment exist. In performing impairment reviews, assets are categorised into the smallest identifiable groups (cash generating units) that generate cash flows independently. If any indication of impairment exists, the estimated recoverable amount of the asset or cash generating unit ('CGU') is calculated.

If the carrying amount of the asset or CGU exceeds its recoverable amount, it is impaired with the loss charged to the income statement so as to reduce the carrying amount to its recoverable amount.

Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset or CGU.

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 an asset or CGU is the greater of its value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows of the asset or CGU in its present condition 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. In determining fair value less costs to sell, consideration will be given to whether the value of the asset or CGU can be determined from an active market (e.g. recognised exchange) or a binding sale agreement which are classified as level 1 in the fair value hierarchy under IFRS 13 '*Fair Value Measurements*'. Where this is not determinable, fair value less costs to sell for a CGU is usually estimated with reference to a discounted cash flow model, similar to the method used for value in use, but may include estimates of future production, revenues, costs and capital expenditure not currently included in the life of mine plan. Additionally, cash flow estimates include the impact of tax and are discounted using a post-tax discount rate. An estimate made on this basis is classified as level 3 in the fair value hierarchy.

(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.

(f) 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.

Inventory, usually stockpiled ore that has been extracted, which is not expected to be processed within 12 months of the balance sheet date and is considered to fall outside the normal operating cycle of the operation, is included within non-current assets.

(g) Current investments

Current investments are cash deposits which do not satisfy the criteria of being held to meet short-term commitments and which have original maturities of more than three months but less than 12 months. These deposits are held mainly with major European and US financial institutions with high credit worthiness (minimum 'A-', 'A3' and 'AAA' rated liquidity funds) and within approved credit limits. Current investments are included within the definition of net debt which is a measure used by management and the Group's lenders in assessing compliance with borrowing covenants (see note 31).

(h) Cash and cash equivalents

Cash and cash equivalents, held for the purpose of meeting short-term commitments, comprise cash at bank and in hand, short-term deposits held on call or with original maturities of three months or less 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.

37. Summary of significant accounting policies continued

(i) Employee benefits

(i) Long-term employee benefits

The Group's entities located in Kazakhstan remit contributions to State managed pension plans on behalf of its employees. Contributions to be paid by the Group are withheld from employees' salaries based on prescribed rates 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 government bond rates. The 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.

(j) Own shares

Own equity instruments which are re-acquired either by the Employee Benefit 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.

(k) 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.

(l) 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) 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.

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(m) Revenue

Revenue mainly represents the income arising from the sale of the Group's mineral products and is measured at the transaction price it expects to receive. The Group's products are priced with reference to LME, for copper and zinc, or LBMA, for gold and silver, market prices. The prices achieved for the sale of copper, zinc, gold and silver in concentrate are reduced by contractually determined treatment and refining charges (TC/RCs), which are usually agreed annually in advance and with reference to market rates.

Revenue is recognised when the Group has satisfied its contractual performance obligations to customers, which generally require the delivery of an agreed quantity of a metal product to a specified location. Revenue is recognised as control of the material, including legal title and the risks and rewards of ownership have transferred to the customer, per the contractual delivery Incoterms, and the Group has no other performance obligations. For copper concentrate (including any contained gold and silver by-products), the contractual terms may include an additional performance obligation for the delivery of the material to a specified location, usually a smelter, after control of the product has passed to the customer. For such contractual terms, normally referred to as CIP (Carriage Insurance Paid), the majority of revenue will be recognised when control of the product passes to the customer. Where the revenue attributed to the delivery performance obligation is material, it will be recognised once the concentrate is delivered to the customer.

Most of the sales agreements for the Group's mineral products are provisionally priced, whereby the selling price is subject to final adjustment at the end of a quotation period (typically one to three months), based on the average LME/LBMA market price for the period stipulated in the contract. At each reporting date, provisionally priced metal sales are marked to market using forward prices aligned with the quotation period (up to a maximum of two months), with any gains and losses recorded in revenue in the income statement and in trade receivables in the balance sheet.

Copper (including any contained by-products) and zinc concentrates are subject to final volume adjustments based on independent laboratory confirmation of volumes produced, compared to volumes estimated at the time of pricing. Revenue recognised from the sale of copper (including by-products) and zinc concentrates is restricted to the extent that a material reversal in revenue resulting from final volume adjustments will not occur in a subsequent period. In applying the restriction, the Group uses its experience in assessing whether material negative volume adjustments are likely to occur in the next reporting period.

(n) Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, calculated in accordance with the effective interest rate method.

(o) Finance costs

Finance costs comprise interest on borrowings which are not capitalised under the borrowing costs accounting policy (see note 37(p) below), and the unwinding of interest costs on provisions.

(p) 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 period of time 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 costs. 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.

(q) 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.

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.

37. Summary of significant accounting policies continued

(q) Income tax continued

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 and in combination with other deferred tax assets. 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.

Current and deferred income tax balances are based on the tax legislation in the countries in which the Group operates. Where tax legislation may not be clear or result in uncertainty, the Group will determine its tax obligations and resulting income tax expense using an approach which it believes has a probable chance of being accepted by the tax authorities based on historical experience, legal advice and communication with the tax authorities, where appropriate. Where the Group adopts an approach to an uncertain tax position that it regards as having a less than probable chance of being accepted by the tax authorities, the income tax expense and resulting income and deferred tax balances are adjusted to reflect this uncertainty using either the most likely outcome method or the expected value method.

(r) 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.

(s) 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

Classification and initial measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at amortised cost, fair value through profit or loss or fair value through other comprehensive income. The Group determines this classification at initial recognition depending on the business model for managing the financial asset and the contractual terms of the cash flows.

The Group's financial assets include cash and cash equivalents, current investments, trade and other receivables, long-term bank deposits and derivative financial instruments.

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 measured at amortised cost are held for the collection of contractual cash flows where those cash flows have specified dates and represent solely payments of principal and interest, such as cash and cash equivalents, current investments or trade receivables that are not based on listed commodity metal prices or subject to provisional pricing.

The Group's financial assets measured at fair value through profit or loss are those financial assets where the contractual cash flows do not represent solely payments of principal and interest, such as trade receivables which are priced with reference to LME or LBMA prices and are subject to provisional pricing.

Subsequent measurement

Financial assets held for the collection of contractual cash flows that are solely payments of principal and interest (and classified as amortised cost) 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.

Almost all sales agreements for the Group's mineral products are provisionally priced based on the LME/LBMA market price for the relevant quotation period stipulated in the contract (refer to the revenue accounting policy note 37(m)). At each reporting date, provisionally priced metal sales are marked to market using the relevant forward prices aligned with the quotation period. A gain or loss on a trade receivable which is priced based on listed metal prices, being a financial asset measured at fair value through profit or loss, is recognised within revenue in the income statement in the period in which it arises.

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 on a forward-looking basis the expected credit losses that might arise on financial assets measured at amortised cost. This assessment considers the probability of a default event occurring that could result in the expected cash flows due from a counterparty falling short of those contractually agreed.

Expected credit losses are estimated for default events possible over the lifetime of a financial asset measured at amortised cost. However, where the financial asset is not a trade receivable measured at amortised cost and there have been no significant increases in that financial asset's credit risk since initial recognition, expected credit losses are estimated for default events possible within 12 months of the reporting date.

(ii) Financial liabilities

Classification and initial measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortised cost or fair value through profit or loss. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include trade and other payables, other liabilities and borrowings which are classified as amortised cost, and a derivative financial instrument which is classified as fair value through profit or loss. Trade payables may be designated and measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis.

All financial liabilities are recognised initially at fair value while financial liabilities at amortised cost additionally include directly attributable transaction costs.

Subsequent measurement

Trade and other payables, borrowings and other financial liabilities are subsequently measured at amortised cost using the EIR method after initial recognition. Gains and losses are recognised in the income statement 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.

A gain or loss on a financial liability measured at fair value through profit or loss is recognised in the income statement in the period in which it arises.

Where the Group enters into derivative contracts that are not hedging instruments in hedge relationships as defined by IFRS 9, these are carried on the balance sheet at fair value with subsequent changes recognised in finance income or 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 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) 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.

(iv) Fair value of financial instruments

At each reporting date, the fair value of financial instruments that are traded in active markets 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.

38. Company financial statements

(a) Company balance sheet

$ million	Notes	2020	2019
Assets			
Non-current assets			
Investments	38(d)	4,194	4,193
Deferred tax asset		1	–
Other non-current assets		7	2
		4,202	4,195
Current assets			
Prepayments and other current assets		1	2
Intercompany loan	38(e)	614	567
Intercompany receivables	38(f)	14	13
Cash and cash equivalents		1	–
		630	582
Total assets		4,832	4,777
Equity and liabilities			
Equity			
Share capital	23(a)	177	177
Share premium		2,883	2,883
Capital reserves	38(g)	256	256
Retained earnings		1,408	1,367
Total equity		4,724	4,683
Non-current liabilities			
Other non-current liabilities		7	2
		7	2
Current liabilities			
Trade and other payables		1	1
Intercompany payables		100	91
		101	92
Total liabilities		108	94
Total equity and liabilities		4,832	4,777

These financial statements on pages 182 to 188 were approved by the Board of Directors on 1 March 2021.

Signed on behalf of the Board of Directors

Andrew Southam
Chief Executive Officer

John Hadfield
Chief Financial Officer

(b) Company statement of changes in equity

$ million	Notes	Share capital	Share premium	Capital reserves[1]	Retained earnings	Total
At 1 January 2019		171	2,650	31	1,385	4,237
Total comprehensive income for the year		–	–	–	27	27
Shares issued and Deferred Consideration arising from acquisition of the Baimskaya copper project		6	233	225	–	464
Share-based payments, net of taxes		–	–	–	2	2
Dividends	14	–	–	–	(47)	(47)
At 31 December 2019		177	2,883	256	1,367	4,683
Total comprehensive income for the year		–	–	–	**95**	**95**
Share-based payments, net of taxes		–	–	–	**3**	**3**
Dividends	14	–	–	–	**(57)**	**(57)**
At 31 December 2020		**177**	**2,883**	**256**	**1,408**	**4,724**

1 See note 38(g) for an analysis of 'Capital reserves'.

(c) Company accounting policies

Basis of preparation

The KAZ Minerals PLC parent company balance sheet, statement of changes in equity and related notes have been prepared in accordance with FRS 101 *'Reduced Disclosure Framework'*, which applies the recognition and measurement bases of IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU, in accordance with the requirements of the Companies Act 2006 with reduced disclosure requirements. The financial information has been prepared on a historical cost basis. These financial statements have been prepared on a going concern basis (see note 2(a)).

The functional currency of the Company and the presentational currency adopted is US dollars.

In accordance with FRS 101, the following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 '*Share-based Payment*' (details of the number and weighted average exercise prices of share options and how the fair value of goods or services received was determined)
- IFRS 7 '*Financial Instruments: Disclosures*'
- Paragraphs 91 to 99 of IFRS 13 '*Fair Value Measurement*' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The following paragraphs of IAS 1 '*Presentation of Financial Statements*':
  - 10(d) (statement of cash flows)
  - 10(f) (a statement of financial position at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
  - 16 (statement of compliance with all IFRSs)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7 '*Statement of Cash Flows*'
- Paragraph 30 and 31 of IAS 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24 '*Related Party Disclosures*' (key management compensation) and
- Requirements in IAS 24 '*Related Party Disclosures*' to disclose related party transactions entered into between two or more members of a group.

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The profit after tax for the year of the Company amounted to $95 million (2019: $27 million).

38. Company financial statements continued

(c) Company accounting policies continued

Principal accounting policies

The principal accounting policies are consistent with those applied in the consolidated financial statements (see notes 2 and 37) except for the additional accounting policy relating to non-current investments set out below. There were no changes to the non-current investments accounting policy during the year.

The preparation of financial statements in conformity with the recognition and measurement bases of IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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. In the event of any positive change 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 previously recognised impairments should be reversed.

(d) Company non-current investments

$ million	2020	2019
Cost		
At 1 January	**7,831**	7,831
Additions	**1**	–
At 31 December	**7,832**	7,831
Provision for impairment		
At 1 January	**3,638**	3,638
Impairment charges	**–**	–
At 31 December	**3,638**	3,638
Net book value	**4,194**	4,193

(i) KAZ Minerals Investments Limited

At 31 December 2020, the Company reviewed the carrying value of its underlying investments to determine whether there were any indicators of impairment. This assessment requires judgement, taking into account the future operational and financial plans of the underlying investment, commodity prices and cost estimates. The Group uses a consistent methodology for impairment indicator reviews across its cash generating units.

On 28 October 2020, the Independent Committee of KAZ Minerals initially announced the Recommended Offer under which KAZ Minerals shareholders would have been entitled to receive 640 pence in cash for each share. The Company's share price has since traded above 640 pence and market prices and consensus forecasts for copper improved at the end of 2020 and into early 2021. On 4 February 2021, the Recommended Offer was increased to 780 pence per share, indicating a higher valuation of $5,034 million at that date. On the basis that the revised offer was made shortly after the year end, following a period of improving market sentiment since the original offer in October, and after subsequent negotiation with Nova Resources, management believes it supports the value of KAZ Minerals PLC's investments at the balance sheet date. The market value implied by the increased offer price was above the carrying value of the Company's net assets of $4,724 million therefore indicating no evidence of impairment as at 31 December 2020. Management has also concluded there is no indication of impairment reversal as there has not been a significant change in estimate used to determine the investment's recoverable amount since the last impairment loss or reversal was recognised. The previous impairment reversal in 2017 followed the achievement of commercial production of the Bozshakol clay and Aktogay sulphide plants.

Changes in the outlook for commodity prices as well as any future changes in mine production plans could impact the recoverable amount of the investment, which is subject to the significant accounting judgements and key sources of estimation uncertainty as disclosed in note 3. In 2019, management did not identify any impairment indicators in respect of the carrying value of the Company's investments and no impairment review was performed. Additionally, no indicators of impairment reversal were identified.

(ii) 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 and Russia.

(e) Company intercompany loans

Intercompany loans receivable include $389 million due from KAZ Minerals Finance PLC (2019: $342 million), which has been advanced by the Company for general corporate purposes and is repayable on demand. Intercompany loans receivable also include $225 million (2019: $225 million) due from KAZ Minerals Investments Limited, the intermediate parent company of the entity which holds the Baimskaya mining licence in Russia, relating to the Company's obligation under the Baimskaya share purchase agreement to settle the Deferred Consideration for the remaining interest in Baimskaya which is payable by the Company by issuing 21.0 million shares to the Vendor subject to certain conditions (see note 38(g)(ii)). The loan to KAZ Minerals Finance PLC bears interest at US$ LIBOR minus 0.10%. At 31 December 2020, interest receivable of $14 million (2019: $12 million) had accrued on this loan balance and is included within intercompany receivables (see note 38(f)). The expected credit loss was estimated at $nil.

(f) Company intercompany receivables

$ million	2020	2019
Interest receivables	14	12
Other receivables	–	1
	14	13

(g) Company capital reserves

$ million	Capital redemption reserve	Deferred Consideration reserve	Total
At 1 January 2019	31	–	31
Deferred Consideration on acquisition of the Baimskaya copper project	–	225	225
At 31 December 2019 and 2020	31	225	256

(i) 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.

(ii) Deferred Consideration reserve

On 22 January 2019, the Company announced the Initial Completion of the acquisition of the Baimskaya copper project in the Chukotka region of Russia (see note 24), which was acquired by its subsidiary KAZ Minerals Investments Limited. The Deferred Consideration of $225 million represents the consideration for the remaining interest in Baimskaya and is payable in 21.0 million shares, subject to the achievement of certain Project Delivery Conditions, including a pre-determined level of throughput and development of infrastructure by the Russian state. Under the Baimskaya share purchase agreement, the Company can at any time waive in whole or in part, conditionally or unconditionally any of the Project Delivery Conditions by notice to the Vendor and hence has the right to settle in shares. To the extent these conditions are not met or waived by the Company and therefore not settled in shares, the Deferred Consideration will become payable in cash on 31 March 2029.

The Deferred Consideration has been included within equity, representing the Company's ability to settle this amount through the issue of 21.0 million shares, measured according to the fair value of the asset acquired on Initial Completion.

Under the Baimskaya share purchase agreement the Vendor has the right, in limited circumstances, to fix an earlier date for the settlement of the Deferred Consideration, at which point the $225 million will become payable in cash and not shares. These circumstances include the cancellation of the premium listing of KAZ Minerals shares on the Official List, which Nova Resources has stated that it intends to do as soon as reasonably practicable in the event of the Recommended Offer becoming wholly unconditional. If cancellation of the premium listing of KAZ Minerals shares occurs and the Vendor chooses to exercise its right to fix an earlier date for the settlement of the Deferred Consideration, the resulting cash payment will be settled by KAZ Minerals Investments Limited on behalf of the Company.

(h) Company related party disclosures

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.

38. Company financial statements continued

(i) Subsidiaries and joint operations

The consolidated financial statements include the financial statements of the Company and its subsidiaries and joint operations listed in the following table:

	Principal activity	Operating division	Country of incorporation	Share class	Equity interest at 31 December 2020 %	Equity interest at 31 December 2019 %
Aktogay Copper Smelter B.V.[2]	Inactive	Mining Projects	The Netherlands	€1.00 A Class and B Class Ordinary shares	**51.0**[1]	51.0[1]
Aktogay Smelter LLP	Smelting feasibility	Aktogay	Kazakhstan	–	**100.0**[1]	100.0[1]
GDK Baimskaya LLC	Baimskaya exploration licence	Mining Projects (Baimskaya)	Russia	–	**75.0**[1]	75.0[1]
Industrial Construction Group LLC	Construction	Aktogay	Kazakhstan	–	**49.0**[1]	49.0[1]
KAZ Minerals Aktogay B.V.	Holding company	Aktogay	The Netherlands	€10.00 Ordinary shares	**100.0**[1]	100.0[1]
KAZ Minerals Aktogay Finance Limited	Group project financing company	Corporate Services	England and Wales	US$1.00 Ordinary shares	**100.0**[1]	100.0[1]
KAZ Minerals Aktogay LLC	Copper mining and concentrating	Aktogay	Kazakhstan	–	**100.0**[1]	100.0[1]
KAZ Minerals Aktogay Project Finance Limited	Group project financing company	Corporate Services	England and Wales	US$1.00 Ordinary shares	**100.0**[1]	100.0[1]
KAZ Minerals Baimskaya Holdings Limited	Holding company	Mining Projects (Baimskaya)	Cyprus	€0.01 A Class and B Class Ordinary shares	**75.0**[1]	75.0[1]
KAZ Minerals Baimskaya Infrastructure LLC[2]	Project management company	Mining Projects (Baimskaya)	Russia	–	**100.0**[1]	100.0[1]
KAZ Minerals Bozshakol B.V.	Holding company	Bozshakol	The Netherlands	€10.00 Ordinary shares	**100.0**[1]	100.0[1]
KAZ Minerals Bozshakol LLC	Copper mining and concentrating	Bozshakol	Kazakhstan	–	**100.0**[1]	100.0[1]
KAZ Minerals Bozymchak LLC	Copper/gold mining and concentrating	Bozymchak	Kyrgyzstan	–	**100.0**[1]	100.0[1]
KAZ Minerals Copper B.V.	Holding company	East Region	The Netherlands	€10.00 Ordinary shares	**100.0**[1]	100.0[1]
KAZ Minerals Copper Finance Limited[3]	Financing company	Corporate Services	England and Wales	US$1.00 Ordinary shares	**–**	99.9[1]
KAZ Minerals Copper Smelter B.V.	Holding company	Mining Projects	The Netherlands	€10.00 Ordinary shares	**100.0**[1]	100.0[1]
KAZ Minerals Finance PLC	Group financing company	Corporate Services	England and Wales	£1.00 Ordinary shares	**100.0**	100.0
KAZ Minerals Fourteen B.V.	Holding company	Corporate Services	The Netherlands	€10.00 Ordinary shares	**100.0**[1]	100.0[1]
KAZ Minerals Gold B.V.	Holding company	Bozymchak	The Netherlands	€10.00 Ordinary shares	**100.0**[1]	100.0[1]
KAZ Minerals Holding B.V.	Holding company	Corporate Services	The Netherlands	€10.00 Ordinary shares	**100.0**[1]	100.0[1]
KAZ Minerals Holdings International B.V.	Holding company	Corporate Services	The Netherlands	€10.00 Ordinary shares	**100.0**[1]	100.0[1]
KAZ Minerals Investments Limited	Holding company	Corporate Services	England and Wales	£1.00 Ordinary shares	**100.0**	100.0
KAZ Minerals Koksay B.V.	Holding company	Mining Projects (Koksay)	The Netherlands	€10.00 Ordinary shares	**80.6**[1]	80.6[1]

	Principal activity	Operating division	Country of incorporation	Share class	Equity interest at 31 December 2020 %	Equity interest at 31 December 2019 %
KAZ Minerals Koksay Holding B.V.	Holding company	Mining Projects (Koksay)	The Netherlands	€10.00 Ordinary shares	100.0[1]	100.0[1]
KAZ Minerals Kupfer B.V.	Holding company	Corporate Services	The Netherlands	€10.00 Ordinary shares	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	Inactive	East Region	Hong Kong	HK$1.00 Ordinary shares	100.0[1]	100.0[1]
KAZ Minerals Mining B.V.	Holding company	Corporate Services	The Netherlands	€10.00 Ordinary shares	100.0[1]	100.0[1]
KAZ Minerals One Limited	Holding company	Corporate Services	England and Wales	£1.00 Ordinary shares	100.0[1]	100.0[1]
KAZ Minerals Projects B.V.	Project management company	Aktogay and Mining Projects	The Netherlands	€10.00 Ordinary shares	100.0[1]	100.0[1]
KAZ Minerals Projects Finance Limited	Group project financing company	Corporate Services	England and Wales	US$1.00 and US$0.65 Ordinary shares	100.0[1]	100.0[1]
KAZ Minerals Russia LLC	Project management company	Mining Projects (Baimskaya)	Russia	–	100.0[1]	100.0[1]
KAZ Minerals Sales Limited	Sales and logistics	Aktogay, Bozshakol, East Region and Bozymchak	England and Wales	£1.00 Ordinary shares	100.0	100.0
KAZ Minerals Service LLP	Repairs and maintenance service entity	East Region	Kazakhstan	–	100.0[1]	100.0[1]
KAZ Minerals Services Limited	Management and services company	Corporate Services	England and Wales	£1.00 Ordinary shares	100.0	100.0
KM Trading LLP	Kazakhstan sales company	Aktogay, Bozshakol, East Region and Bozymchak	Kazakhstan	–	100.0[1]	100.0[1]
Konsolidirovannaya Stroitelnaya Gornorudnaya Kompaniya LLP	Koksay exploration licence	Mining Projects (Koksay)	Kazakhstan	–	80.6[1]	80.6[1]
Kytco B.V.	Holding company	Bozymchak	The Netherlands	€100.00 Ordinary shares	100.0[1]	100.0[1]
Regional Mining Company LLC[3]	Project management company	Mining Projects (Baimskaya)	Russia	–	–	75.0[1]
VCM Invest LLC	Holding company	East Region	Kazakhstan	–	99.9[1]	99.9[1]
Vostokenergo LLC	Utility company (heat, water, electricity supply and distribution)	East Region	Kazakhstan	–	99.9[1]	99.9[1]
Vostoktsvetmet LLC	Copper mining and concentrating	East Region	Kazakhstan	–	99.9[1]	99.9[1]

1 Indirectly held by the Company.
2 In the process of deregistration or liquidation.
3 Entity dissolved during 2020.

All companies in the above list incorporated in England and Wales have their registered address at 6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, United Kingdom.

All companies in the list incorporated in the Netherlands have their registered address at Strawinskylaan 453, 1077XX, Amsterdam, The Netherlands.

38. Company financial statements continued

(i) Subsidiaries and joint operations continued

KAZ Minerals Aktogay LLC, KAZ Minerals Management LLP, KM Trading LLP and Konsolidirovannaya Stroitelnaya Gornorudnaya Kompaniya LLC have their registered office at Building 8, Zhamal Omarova Street, Almaty, 050020, Kazakhstan.

The following entities and their registered office are as follows:

- Aktogay Smelter LLP, 115 Zheltoksan Street, Almaty, 050000, Kazakhstan.
- GDK Baimskaya LLC, 1 Dezhneva Street, Anadyr, Chukotka Autonomus Okrug, 689000, Russia.
- Industrial Construction Group LLC, 159 Chokan Valikhanov Street, Zharkent, Almaty oblast, Panfilovsky district, 041300, Kazakhstan.
- KAZ Minerals Baimskaya Holdings Limited, 5th Floor, Kaimakliotis Building, 59 Griva Digeni, Larnaca, 6043, Cyprus.
- KAZ Minerals Baimskaya Infrastructure LLC and KAZ Minerals Russia LLC, 1st Floor, 4/1 Sadovnicheskaya Street, Moscow, 115035, Russia.
- KAZ Minerals Bozshakol LLC, Building 13, Tortkuduk village, Tort-Kudukskiy village region, Ekibastuz city, Pavlodar oblast, 141218, Kazakhstan.
- KAZ Minerals Bozymchak LLC, 109 K. Akiev Street, Bishkek, 720010, Kyrgyzstan.
- KAZ Minerals Marketing and Logistics Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- KAZ Minerals Service LLP, Office 34, 9 Pobedy Avenue, Ust-Kamenogorsk city, East-Kazakhstan oblast, 070004, Kazakhstan.
- Vostokenergo LLC, 81/2 Kazakhstan Street, Ust-Kamenogorsk, East-Kazakhstan oblast, 070019, Kazakhstan.
- Vostoktsvetmet LLC and VCM Invest LLC, 121 Protozanov Street, Ust-Kamenogorsk city, East-Kazakhstan oblast, 070004, Kazakhstan.

(j) Guarantees

The Company is the guarantor for the following:

- the $1.0 billion PXF debt facility (together with Vostoktsvetmet LLC and KAZ Minerals Sales Limited) (see note 25);
- the CDB-Bozshakol and Bozymchak finance facilities totalling $1.5 billion (see note 25);
- the CDB-Aktogay finance facilities totalling $1.5 billion for the Aktogay project (see note 25);
- the $300 million DBK-Aktogay facility (see note 25);
- the $600 million DBK-Aktogay expansion facility (see note 25);
- the $100 million CAT facility (see note 25); and
- the operating lease on the Company's office in London.

(k) Subsequent events

Recommended Offer

On 4 February 2021, it was announced that the Recommended Offer was increased to 780 pence in cash for each KAZ Minerals share. The offer has been unanimously recommended by the Independent Committee of KAZ Minerals. In the event of the Recommended Offer becoming wholly unconditional it would be expected to complete in the first half of 2021. Further details in respect of the Recommended Offer and expected timetable are included in the Offer Document which is published on the Group's website.

In the event that the Recommended Offer becomes wholly unconditional, Nova Resources have stated an intention to delist the Company from the London Stock Exchange and Kazakhstan Stock Exchange and focus on the execution of a higher risk, capital intensive strategy to deliver the Baimskaya copper project.

Upon delisting of the Company from the London Stock Exchange, the Vendor would have the right to accelerate Deferred Consideration of $225 million, which if exercised, would be payable in cash (see note 23(c)(iii)). The Group's sales contract with Advaita contains a clause such that the agreement terminates in the event of a change of control. This contract may therefore be subject to renegotiation in the event the Recommended Offer becomes wholly unconditional (see note 4(b)). There are no other significant change of control clauses contained in the Group's material contracts which would be affected by the Recommended Offer, including in respect of the Group's debt facilities.

In the event that the Recommended Offer becomes wholly unconditional and subject to the delisting of the Company, it has been agreed to grant transition awards to the Chief Executive Officer and Chief Financial Officer. The transition awards would replace certain existing share incentives. More information on the transition awards can be found in the Offer Document.

SUPPLEMENTARY INFORMATION
CONSOLIDATED FIVE YEAR SUMMARY
Year ended 31 December 2020

$ million (unless otherwise stated)	2020	2019	2018	2017	2016
Results					
Revenues	**2,355**	2,266	2,162	1,663	766
Operating profit	**1,005**	923	851	715	218
Profit before tax	**804**	726	642	580	220
Profit for the year	**639**	571	510	447	177
Profit attributable to equity holders of the Company	**639**	571	510	447	177
Assets employed					
Non-current assets	**4,639**	4,596	2,897	3,215	3,536
Current assets	**2,250**	1,470	2,143	2,407	1,521
Non-current liabilities	**(3,607)**	(2,966)	(3,067)	(3,617)	(3,866)
Current liabilities	**(858)**	(926)	(919)	(1,007)	(655)
Net assets	**2,424**	2,174	1,054	998	536
Financed by					
Equity	**2,366**	2,115	1,050	995	533
Non-controlling interests	**58**	59	4	3	3
	2,424	2,174	1,054	998	536
Key statistics					
EBITDA[1]	**1,431**	1,355	1,310	1,038	351
Underlying Profit[1]	**650**	571	530	476	180
Free Cash Flow[1]	**691**	411	585	452	(60)
Free Cash Flow excluding interest payments	**899**	641	814	674	119
Ordinary EPS – basic ($)	**1.35**	1.21	1.14	1.00	0.40
EPS based on Underlying Profit[1] – basic ($)	**1.38**	1.21	1.18	1.07	0.40
Dividends per share (US cents) – paid	**12.0**	10.0	6.0	–	–
Maintenance spend per tonne of copper produced[1,2] ($/t)	**406**	456	288	263	662

1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 192.

2 Comparatives for 2016 have been restated to reflect the new definition of copper production used from 2017.

PRODUCTION AND SALES FIGURES

Year ended 31 December 2020

1. Summary of significant production and sales figures

kt (unless otherwise stated)	2020	2019
Ore mined	**77,089**	94,706
Ore processed	**59,222**	58,491
Average copper grade processed (%)	**0.60**	0.60
Copper production[1]	**305.7**	311.4
Copper sales	**300**	317
Gold production[2] (koz)	**196.3**	201.5
Silver production[2] (koz)	**3,374**	3,382
Zinc in concentrate production	**49.7**	38.3

1 Payable metal in concentrate and copper cathodes from Aktogay oxide ore.

2 Payable metal in concentrate.

2. Copper processing

(a) Concentrating

	Ore processed		Copper grade		Copper concentrate produced		Copper in concentrate	
	2020 kt	2019 kt	**2020 %**	2019 %	**2020 kt**	2019 kt	**2020 %**	2019 %
Aktogay								
Aktogay – sulphide	**24,138**	25,230	**0.56**	0.58	**491.9**	549.7	**23.4**	23.4
Bozshakol								
Bozshakol – sulphide	**25,780**	25,147	**0.48**	0.48	**494.3**	461.6	**21.5**	22.0
Bozshakol – clay	**5,838**	4,323	**0.61**	0.51	**116.4**	71.9	**18.4**	18.9
	31,618	29,470	**0.51**	0.48	**610.7**	533.5	**20.9**	21.6
East Region and Bozymchak								
Orlovsky	**928**	969	**3.19**	3.05	**145.4**	142.0	**18.2**	18.9
Nikolayevsky	**1,730**	1,307	**1.50**	1.54	**101.5**	80.2	**23.3**	23.3
Belousovsky	**–**	491	**–**	1.38	**–**	32.2	**–**	18.2
Bozymchak	**808**	1,024	**0.76**	0.82	**22.5**	31.2	**23.8**	23.6
	3,466	3,791	**1.78**	1.71	**269.4**	285.6	**20.6**	20.6
Total	**59,222**	58,491	**0.60**	0.60	**1,372.0**	1,368.8	**21.8**	22.1

(b) Heap leaching

	Ore to leach pad		Copper grade	
	2020 kt	2019 kt	**2020 %**	2019 %
Aktogay	**10,577**	19,284	**0.28**	0.32

3. Production

	Copper[1]		Gold[2]		Silver[2]		Zinc	
	2020 kt	2019 kt	2020 koz	2019 koz	2020 koz	2019 koz	2020 kt	2019 kt
Aktogay – oxide	21.3	22.7	–	–	–	–	–	–
Aktogay – sulphide	109.9	123.0	0.6	3.0	479	555	–	–
Bozshakol	122.0	110.2	151.7	144.8	949	803	–	–
East Region	47.4	48.5	13.5	12.9	1,746	1,761	49.7	38.3
Bozymchak	5.1	7.0	30.5	40.8	200	263	–	–
Total	305.7	311.4	196.3	201.5	3,374	3,382	49.7	38.3

1 Payable metal in concentrate and copper cathodes from Aktogay oxide ore.

2 Payable metal in concentrate.

4. Tolled production

	Copper cathode		Gold bar		Silver bar	
	2020 kt	2019 kt	2020 koz	2019 koz	2020 koz	2019 koz
Aktogay – sulphide	36.0	39.8	0.8	2.8	131	173
Bozshakol	19.7	10.1	27.8	15.1	152	76
East Region	45.3	52.4	13.5	15.2	1,739	1,978
Bozymchak	6.1	7.2	37.0	42.5	232	265
Total	107.1	109.5	79.1	75.6	2,254	2,492

5. Other production

	2020 kt	2019 kt
Acid	276.4	409.5
Lead dust	1.6	3.1
Molybdenum	0.4	0.3

6. Sales

	2020		2019	
kt (unless otherwise stated)	Volume	$ million	Volume	$ million
Copper cathodes	123	759	138	828
Copper in concentrate[1]	177	1,071	179	996
Gold bar (koz)	76	137	97	133
Gold in concentrate[1] (koz)	129	233	128	185
Silver bar (koz)	2,386	49	2,460	40
Silver in concentrate[1] (koz)	1,110	24	1,106	19
Zinc in concentrate	50	64	38	58

1 Payable metal in concentrate.

7. Average realised prices

	2020	2019
Copper cathodes ($/t)	6,166	6,027
Copper in concentrate ($/t)	6,042	5,551
Gold bar ($/oz)	1,791	1,374
Gold in concentrate ($/oz)	1,816	1,443
Silver bar ($/oz)	20.5	16.2
Silver in concentrate ($/oz)	21.2	16.7
Zinc concentrate ($/t)	1,270	1,548

Alternative Performance Measures (APMs) are measures of financial performance, financial position or cash flows that are not defined or specified under IFRS. APMs are used by the Directors internally to assess the performance of the Group and assist in providing relevant and useful information to users of the Annual Report and Accounts.

APMs are not uniformly defined by all companies, including those in the Group's industry. APMs used by the Group may not be comparable with similarly titled measures and disclosures made by other companies. APMs should be considered in addition to and not as a substitute for measures of financial performance, financial position or cash flows reported in accordance with IFRS.

The Group uses APMs to improve the comparability of information between reporting periods and segments, either by adjusting for special items which impact upon IFRS measures or by aggregating or disaggregating IFRS measures, in order to aid understanding of the Group's performance. The definitions and relevance of the APMs used by the Group are set out below and are consistent with the previous reporting period.

(a) EBITDA

EBITDA is defined as earnings before interest, taxation, depreciation, depletion, amortisation, MET and royalties and special items[1]. EBITDA is a key non-IFRS measure that the Directors use internally to assess the performance of the Group's segments and is viewed as relevant to capital intensive industries with long life assets. The Directors believe that the exclusion of MET and royalties provides an informed measure of the operational profitability given the nature of the taxes, as further explained in the 'Taxation' section on page 47. Special items are excluded to enhance the comparability of EBITDA and certain other APMs from period to period. This performance measure is one of the Group's KPIs, the relevance of which is shown on page 34. A reconciliation to operating profit is provided in note 4(a)(i) to the consolidated financial statements.

(b) Underlying Profit

Underlying Profit is defined as profit excluding special items[1] and their resulting tax and non-controlling interest effects. This measure is considered to be useful as it provides an indication of the profit resulting from the underlying trading performance of the Group. Underlying Profit is reconciled from profit attributable to equity holders of the Company on page 157 and as set out in note 13 to the consolidated financial statements.

(c) EPS based on Underlying Profit

EPS based on Underlying Profit is profit excluding special items[1] and their resulting tax and non-controlling interest effects, divided by the weighted average number of ordinary shares in issue during the period. This is one of the Group's KPIs for measuring financial performance, the relevance of which is outlined on page 34. A calculation of EPS based on Underlying Profit is included within note 13 to the consolidated financial statements.

(d) Gross liquid funds

Gross liquid funds is defined as the aggregate of cash and cash equivalents and current investments less restricted cash.

$ million	2020	2019
Cash and cash equivalents	874	541
Current investments	425	–
Gross liquid funds	1,299	541

(e) Net debt

Net debt is the excess of current and non-current borrowings over gross liquid funds. The Board uses this measure for the purposes of capital management. A reconciliation of net debt is included in note 31 to the consolidated financial statements on page 166.

(f) Free Cash Flow

Free Cash Flow is net cash flows from operating activities, as reflected in the consolidated statement of cash flows on page 140, before capital expenditure and VAT associated with major growth projects less sustaining capital expenditure. This is one of the Group's KPIs for measuring financial performance, the relevance of which is outlined on page 34. A reconciliation from net cash flows from operating activities is provided below.

$ million	2020	2019
Net cash flows from operating activities	807	512
Net VAT paid associated with major growth projects	8	41
Less: sustaining capital expenditure	(124)	(142)
Free Cash Flow	691	411

1 Special items are defined as those items which are non-recurring or variable in nature and do not impact the underlying trading performance of the Group. In 2020, special items of $11 million (2019: none) were excluded from EBITDA. Special items are identified in note 7 to the consolidated financial statements.

(g) Gross cash costs

Gross cash costs are defined as cash operating costs, including pre-commercial production costs, excluding purchased cathode plus TC/RC on concentrate sales, divided by the volume of own copper sales. Gross cash costs exclude certain costs which are not directly associated with production, including Corporate costs and other non-recurring items which are not directly attributable to mining and processing. Cash costs are a standard industry measure applied by most major copper mining companies. The Directors use gross cash costs to measure the performance of the Group in managing its costs. A reconciliation from revenues is shown below.

$ million (unless otherwise stated)	2020	2019
Revenues	2,355	2,266
Less: EBITDA – see note 4(a)(i)	(1,431)	(1,355)
Cash operating costs	924	911
Less: cash operating costs excluded from gross cash costs (including Corporate)	(57)	(37)
Add: TC/RC on concentrate sales	82	104
Gross cash costs	949	978
Own copper sales (kt)	300.4	316.9
Gross cash costs ($/t)	3,159	3,086
Gross cash costs (USc/lb)	143	140

(h) Net cash costs

Net cash costs are defined as gross cash costs less by-product revenues, divided by the volume of own copper sales. This is one of the Group's KPIs for measuring cost performance, the relevance of which is outlined on page 35. A reconciliation from gross cash costs is shown below.

$ million (unless otherwise stated)	2020	2019
Gross cash costs – see note (g) above	949	978
Less: by-product revenues – see note 4(b), excluding tolling revenues	(525)	(442)
Net cash costs	424	536
Own copper sales (kt)	300.4	316.9
Net cash costs ($/t)	1,411	1,691
Net cash costs (USc/lb)	64	77

(i) Maintenance spend per tonne of copper produced

Maintenance spend per tonne of copper produced is defined as sustaining capital expenditure, divided by copper production volumes. This is one of the Group's KPIs which indicates how much cash is required to maintain current output and the efficiency of the Group's sustaining capital expenditure, as outlined on page 35. A reconciliation from capital expenditure included within the consolidated statement of cash flows is shown below.

$ million (unless otherwise stated)	2020	2019
Purchase of intangible assets – cash flow statement	2	1
Purchase of property, plant and equipment – cash flow statement	427	737
Investments in mining assets – cash flow statement	155	122
Less: expansionary and new project capital expenditure – see Financial review	(460)	(718)
Sustaining capital expenditure	124	142
Copper production (kt)	305.7	311.4
Maintenance spend per tonne of copper produced ($/t)	406	456

Mineral Reserves and Mineral Resources estimation methods

The annual review of Mineral Reserves and Mineral Resources is mainly focused on mine reserve reports, depletion through production, analysis of company plans, new exploration results, new technical reports and other changes affecting the Mineral Reserves and Mineral Resources.

Kazakhstan inherited the classification system and estimation methods for minerals that were established in 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 (and the mining plans to which they relate) must be submitted for approval to the corresponding committees of the Ministry of Industry and Infrastructural Development, for which adherence to the standardised national system of resource and reserve estimation is mandatory.

Under the FSU inherited system, copper deposits are classified according to their degree of geological complexity into one of three deposit categories, which determine the density of exploration sampling and the proportions and classifications of the State Commission on Mineral Reserves (GKZ) reserves that must be estimated. As part of the exploitation licence for each mineral deposit, a set of 'Conditions for Estimation of Reserves' are prepared by a Kazakhstan licenced 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.

Kazakhstan is now in a transition period where it will relinquish the old GKZ based reporting system and will fully adopt the KAZRC reporting code by 2023.

The three operating mines in the East Region are being migrated to KAZRC reporting of Mineral Reserves and Resources. The estimation assumptions and ore body models used by GKZ have been reproduced using computer-based models. Resource estimates show almost identical tonnage values and similar, but arguably more accurate, grade values. Under the GKZ system, grade estimation was based on polygonal methods with no interpolation between data points. Under KAZRC, the estimation method is not prescribed but ordinary kriging has been selected which allows for interpolating data between data points and, in theory, produces a smoother grade distribution. When future exploration drilling results are received, the computer models and resource estimates will be updated independently of GKZ considerations.

To convert resources to reserves in the East Region, a system of computerised three-dimensional mine planning is being implemented. During 2020, the new system was used at Artemyevsky and introduced at Orlovsky, where it will be fully implemented in 2021. Although it is time consuming to set up the new computerised mine planning system, because of the extent of historical survey data that has to be captured, it will enhance and expedite mine planning in the future, and is an introduction of international best practice.

At Bozymchak in Kyrgyzstan, a review has been made of the mine's reserves statements and they are presented in accordance with the criteria to meet JORC standards. The Committee for Mineral Reserves International Reporting Standards (CRIRSCO) guidelines for the alignment of former Soviet reporting standards and the CRIRSCO Template have been used. Under these guidelines, categories of Kyrgyzstan reserves (B, C1 and C2) have been aligned with appropriate JORC Mineral Resource categories (Measured, Indicated and Inferred). The Competent Person, however, remains responsible for any estimate that is reported.

For the Company's newer mining operations at Aktogay and Bozshakol, the assessment of Mineral Reserves and Mineral Resources is based on computer modelling and estimated in accordance with the guidelines of KAZRC. At both mines during 2020, new models were created incorporating recent exploration drilling results. The new models were created in-house and replace previous models which were inherited from consultants since the pre-operational stage.

A new geological model was also created in-house for the Koksay deposit to include additional exploration drilling results. This forms the basis of a revised Mineral Resource estimate according to KAZRC.

An updated JORC compliant Mineral Resource estimate was released for the Peschanka deposit in 2020. The work was undertaken by an external consultant and incorporates additional exploration drilling results. The Competent Person for this work has provided consent for the disclosure of the estimates for which they are responsible, as shown at the end of this report.

Stockpiling of mined ore is common practice at large open pit mines, usually as a means of providing a consistent tonnage and grade feed to the processing plant. Stockpiled ore is included in the inventory of Mineral Reserves and Mineral Resources, but reference is made to the quantity of material held in stockpile at year end. In the case of mined ore added to a heap leach pad, this is considered as 'in process' and hence is not included in the Mineral Reserve and Mineral Resource Statement.

All Mineral 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. Tonnage figures refer to dry metric tonnes.

Mineral Resources are reported inclusive of Mineral Reserves, but not discounted for loss and dilution.

Summary of Mineral Reserves

		Reserves[1] Mt		Copper %		Gold g/t		Silver g/t		Zinc %		Lead %		Molybdenum %	
		2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Artemyevsky[2]	Proved	**10.7**	8.9	**1.65**	2.00	**0.56**	0.76	**48**	57	**2.41**	2.92	**0.72**	1.03	**–**	–
	Probable	**11.0**	12.7	**1.56**	1.58	**1.07**	0.85	**108**	85	**4.28**	4.14	**1.41**	1.32	**–**	–
	Total	**21.7**	21.6	**1.60**	1.75	**0.82**	0.82	**79**	74	**3.35**	3.64	**1.07**	1.20	**–**	–
Irtyshky[2]	Proved	**1.5**	3.0	**1.29**	1.48	**0.19**	0.26	**40**	64	**2.31**	3.69	**0.29**	0.50	**–**	–
	Probable	**0.9**	0.9	**1.35**	2.25	**0.19**	0.34	**36**	75	**2.04**	4.51	**0.22**	0.57	**–**	–
	Total	**2.4**	3.9	**1.31**	1.66	**0.19**	0.28	**39**	67	**2.21**	3.89	**0.26**	0.51	**–**	–
Orlovsky[2]	Proved	**4.4**	3.0	**3.05**	2.36	**1.14**	1.07	**65**	57	**4.29**	7.30	**1.09**	1.60	**–**	–
	Probable	**3.0**	3.5	**4.16**	3.77	**0.48**	0.48	**26**	30	**2.58**	2.37	**0.60**	0.56	**–**	–
	Total	**7.4**	6.5	**3.50**	3.11	**0.87**	0.75	**50**	43	**3.59**	4.66	**0.89**	1.04	**–**	–
Total East Region[2]	**Proved**	**16.6**	14.9	**1.99**	1.97	**0.68**	0.72	**52**	59	**2.90**	3.96	**0.78**	1.04	**–**	–
	Probable	**14.9**	17.1	**2.07**	2.06	**0.90**	0.75	**87**	73	**3.80**	3.80	**1.17**	1.13	**–**	–
	Total	**31.5**	32.0	**2.03**	2.02	**0.79**	0.74	**69**	66	**3.32**	3.87	**0.96**	1.08	**–**	–
Bozymchak	Proved	**4.8**	7.4	**0.78**	0.73	**1.32**	1.20	**7.5**	7.4	**–**	–	**–**	–	**–**	–
	Probable	**6.1**	4.3	**0.74**	0.70	**1.17**	1.05	**8.8**	6.0	**–**	–	**–**	–	**–**	–
	Total	**10.9**	11.7	**0.76**	0.72	**1.23**	1.15	**8.3**	6.9	**–**	–	**–**	–	**–**	–
Aktogay sulphide[3, 4]	Proved	**556.2**	727.8	**0.32**	0.33	**–**	–	**–**	–	**–**	–	**–**	–	**0.008**	0.007
	Probable	**828.6**	628.5	**0.32**	0.34	**–**	–	**–**	–	**–**	–	**–**	–	**0.007**	0.008
	Total	**1,384.8**	1,356.3	**0.32**	0.33	**–**	–	**–**	–	**–**	–	**–**	–	**0.008**	0.007
Aktogay oxide	Proved	**49.5**	42.5	**0.25**	0.39	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
	Probable	**–**	0.2	**–**	0.25	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
	Total	**49.5**	42.7	**0.25**	0.39	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total Aktogay[3, 4]	**Proved**	**605.7**	770.3	**0.31**	0.33	**–**	–	**–**	–	**–**	–	**–**	–	**0.008**	0.007
	Probable	**828.6**	628.7	**0.32**	0.34	**–**	–	**–**	–	**–**	–	**–**	–	**0.007**	0.008
	Total	**1,434.3**	1,399.0	**0.32**	0.34	**–**	–	**–**	–	**–**	–	**–**	–	**0.007**	0.007
Bozshakol sulphide[4]	Proved	**521.1**	446.8	**0.35**	0.35	**0.13**	0.14	**1.0**	1.1	**–**	–	**–**	–	**0.007**	0.008
	Probable	**375.5**	306.7	**0.33**	0.35	**0.12**	0.13	**0.8**	1.0	**–**	–	**–**	–	**0.007**	0.009
	Total	**896.6**	753.5	**0.34**	0.35	**0.13**	0.14	**0.9**	1.1	**–**	–	**–**	–	**0.007**	0.008
Bozshakol clay[4]	Proved	**106.5**	109.8	**0.38**	0.42	**0.19**	0.19	**1.0**	1.2	**–**	–	**–**	–	**0.006**	0.006
	Probable	**0.3**	0.8	**0.35**	0.38	**0.18**	0.23	**1.1**	1.3	**–**	–	**–**	–	**0.004**	0.004
	Total	**106.8**	110.6	**0.38**	0.42	**0.19**	0.19	**1.0**	1.2	**–**	–	**–**	–	**0.005**	0.006
Total Bozshakol[4]	**Proved**	**627.6**	556.6	**0.35**	0.36	**0.14**	0.15	**1.0**	1.1	**–**	–	**–**	–	**0.007**	0.007
	Probable	**375.8**	307.5	**0.33**	0.35	**0.12**	0.13	**0.8**	1.0	**–**	–	**–**	–	**0.007**	0.009
	Total	**1,003.4**	864.1	**0.34**	0.36	**0.13**	0.14	**0.9**	1.1	**–**	–	**–**	–	**0.007**	0.008
Total KAZ Minerals	**Proved**	**1,254.7**	1,349.2	**0.36**	0.36	**0.09**	0.08	**1.2**	1.1	**0.04**	0.04	**0.01**	0.01	**0.007**	0.007
	Probable	**1,225.4**	957.6	**0.35**	0.38	**0.05**	0.06	**1.3**	1.7	**0.05**	0.07	**0.01**	0.02	**0.007**	0.008
	Total	**2,480.1**	2,306.8	**0.35**	0.37	**0.07**	0.07	**1.3**	1.4	**0.04**	0.05	**0.01**	0.02	**0.007**	0.007

1 Includes allowance for ore loss and dilution. Reserves = Resources – ore loss + dilution.

2 East Region zinc, lead, gold and silver grades shown in the Proved Reserve are estimated only to the Probable Reserve confidence level.

3 The Aktogay molybdenum grade shown in the Proved Reserve is estimated to the Probable Reserve confidence level.

4 Proved Reserves include stockpiled material.

Summary of Mineral Resources

		Resources[1] Mt		Copper %		Gold g/t		Silver g/t		Zinc %		Lead %		Molybdenum %	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Artemyevsky[2]	Measured	**10.4**	8.9	**1.95**	2.26	**0.62**	0.83	**53**	63	**2.74**	3.25	**0.81**	1.14	–	–
	Indicated	**10.6**	12.4	**1.77**	1.76	**1.21**	0.95	**121**	94	**4.81**	4.59	**1.59**	1.46	–	–
	Total	**21.0**	21.3	**1.86**	1.96	**0.92**	0.90	**88**	81	**3.79**	4.03	**1.20**	1.33	–	–
Irtyshsky[2]	Measured	**1.8**	2.4	**1.74**	2.02	**0.37**	0.35	**70**	87	**4.91**	5.02	**0.59**	0.68	–	–
	Indicated	**0.7**	0.8	**2.17**	3.02	**0.30**	0.46	**58**	100	**3.27**	6.05	**0.36**	0.76	–	–
	Total	**2.5**	3.2	**1.86**	2.25	**0.35**	0.38	**66**	90	**4.45**	5.27	**0.53**	0.70	–	–
Orlovsky[2]	Measured	**4.3**	4.2	**3.25**	2.40	**1.22**	1.14	**70**	62	**4.57**	7.32	**1.16**	1.71	–	–
	Indicated	**4.7**	5.9	**3.58**	3.22	**0.55**	0.54	**26**	26	**2.36**	2.39	**0.57**	0.55	–	–
	Total	**9.0**	10.1	**3.42**	2.88	**0.87**	0.79	**47**	41	**3.42**	4.43	**0.86**	1.03	–	–
Total East Region[2]	**Measured**	**16.5**	15.5	**2.26**	2.26	**0.75**	0.84	**59**	66	**3.45**	4.62	**0.88**	1.22	–	–
	Indicated	**16.0**	19.1	**2.32**	2.26	**0.97**	0.80	**91**	73	**4.03**	3.97	**1.23**	1.15	–	–
	Total	**32.5**	34.6	**2.29**	2.26	**0.86**	0.82	**75**	70	**3.74**	4.26	**1.05**	1.18	–	–
Bozymchak	Measured	**6.2**	8.7	**0.80**	0.79	**1.41**	1.35	**8.2**	8.4	–	–	–	–	–	–
	Indicated	**6.5**	4.9	**0.83**	0.76	**1.37**	1.21	**10.2**	7.1	–	–	–	–	–	–
	Total	**12.7**	13.6	**0.82**	0.78	**1.39**	1.30	**9.2**	7.9	–	–	–	–	–	–
Aktogay sulphide[3, 4]	Measured	**838.2**	772.4	**0.35**	0.33	–	–	–	–	–	–	–	–	**0.008**	0.008
	Indicated	**1,029.4**	784.8	**0.32**	0.32	–	–	–	–	–	–	–	–	**0.008**	0.008
	Total	**1,867.6**	1,557.2	**0.33**	0.33	–	–	–	–	–	–	–	–	**0.008**	0.008
	Inferred	**98.8**	485.9	**0.28**	0.30	–	–	–	–	–	–	–	–	**0.007**	0.007
Aktogay oxide	Measured	**46.9**	46.1	**0.27**	0.35	–	–	–	–	–	–	–	–	–	–
	Indicated	–	0.3	–	0.33	–	–	–	–	–	–	–	–	–	–
	Total	**46.9**	46.4	**0.27**	0.35	–	–	–	–	–	–	–	–	–	–
	Inferred	–	0.5	–	0.19	–	–	–	–	–	–	–	–	–	–
Total Aktogay[3, 4]	**Measured**	**885.1**	818.5	**0.34**	0.33	–	–	–	–	–	–	–	–	**0.008**	0.008
	Indicated	**1,029.4**	785.1	**0.32**	0.32	–	–	–	–	–	–	–	–	**0.008**	0.008
	Total	**1,914.5**	1,603.6	**0.33**	0.33	–	–	–	–	–	–	–	–	**0.008**	0.008
	Inferred	**98.8**	486.4	**0.28**	0.30	–	–	–	–	–	–	–	–	**0.007**	0.007
Bozshakol sulphide[4]	Measured	**525.3**	449.2	**0.34**	0.36	**0.14**	0.15	**1.1**	1.1	–	–	–	–	**0.007**	0.008
	Indicated	**490.3**	429.8	**0.34**	0.35	**0.12**	0.13	**0.9**	1.1	–	–	–	–	**0.008**	0.009
	Total	**1,015.6**	879.0	**0.34**	0.36	**0.13**	0.14	**1.0**	1.1	–	–	–	–	**0.007**	0.008
	Inferred	**109.0**	261.3	**0.37**	0.34	**0.13**	0.14	**1.4**	1.2	–	–	–	–	**0.009**	0.008
Bozshakol clay[4]	Measured	**107.2**	111.8	**0.40**	0.43	**0.19**	0.19	**1.2**	1.2	–	–	–	–	**0.006**	0.006
	Indicated	**0.5**	1.1	**0.35**	0.48	**0.18**	0.27	**1.1**	1.7	–	–	–	–	**0.004**	0.004
	Total	**107.7**	112.9	**0.40**	0.43	**0.19**	0.19	**1.2**	1.3	–	–	–	–	**0.006**	0.006
	Inferred	**0.3**	0.1	**0.44**	0.36	**0.20**	0.40	**1.5**	1.7	–	–	–	–	**0.003**	0.003
Total Bozshakol[4]	**Measured**	**632.5**	561.0	**0.35**	0.37	**0.15**	0.16	**1.1**	1.1	–	–	–	–	**0.007**	0.007
	Indicated	**490.8**	430.9	**0.34**	0.35	**0.12**	0.13	**0.9**	1.1	–	–	–	–	**0.008**	0.009
	Total	**1,123.3**	991.9	**0.35**	0.36	**0.14**	0.15	**1.0**	1.1	–	–	–	–	**0.007**	0.008
	Inferred	**109.3**	261.4	**0.37**	0.34	**0.13**	0.14	**1.4**	1.2	–	–	–	–	**0.008**	0.008
Koksay[5]	Measured	**425.6**	246.5	**0.37**	0.41	**0.06**	–	–	–	–	–	–	–	**0.004**	0.004
	Indicated	**223.4**	340.8	**0.51**	0.45	**0.08**	–	–	–	–	–	–	–	**0.004**	0.003
	Total	**649.0**	587.3	**0.42**	0.43	**0.07**	–	–	–	–	–	–	–	**0.004**	0.003
	Inferred	**235.5**	148.7	**0.45**	0.37	**0.06**	–	–	–	–	–	–	–	**0.004**	0.002
Peschanka[6] (Baimskaya)	Measured	**178.0**	139.0	**0.72**	0.72	**0.42**	0.39	**4.0**	4.0	–	–	–	–	**0.017**	0.014
	Indicated	**1,258.0**	1,289.0	**0.43**	0.44	**0.24**	0.26	**2.3**	2.4	–	–	–	–	**0.011**	0.012
	Total	**1,436.0**	1,428.0	**0.46**	0.47	**0.26**	0.27	**2.5**	2.6	–	–	–	–	**0.012**	0.012
	Inferred	**1,074.0**	774.0	**0.30**	0.36	**0.13**	0.16	**1.8**	2.0	–	–	–	–	**0.007**	0.009
Total KAZ Minerals	**Measured**	**2,143.9**	1,789.2	**0.40**	0.40	**0.10**	0.09	**1.1**	1.3	**0.03**	0.04	**0.01**	0.01	**0.007**	0.007
	Indicated	**3,024.1**	2,869.8	**0.40**	0.41	**0.13**	0.14	**1.6**	1.7	**0.02**	0.03	**0.01**	0.01	**0.009**	0.009
	Total	**5,168.0**	4,659.0	**0.40**	0.41	**0.12**	0.12	**1.4**	1.6	**0.02**	0.03	**0.01**	0.01	**0.009**	0.009
	Inferred	**1,517.6**	1,670.5	**0.33**	0.34	**0.11**	0.10	**1.3**	1.1	–	–	–	–	**0.008**	0.008

1 Resources include undiscounted Reserves. No ore loss or dilution has been included.
2 East Region zinc, lead, gold and silver grades shown in Measured Resources are estimated only to Indicated Resource confidence level.
3 Aktogay molybdenum grades shown in Measured Resources are estimated only to the Indicated Resource confidence level.
4 Measured Resources include stockpiled material.
5 In 2019, the Koksay gold grade was estimated for a 249.5 Mt portion of the Measured and Indicated Resource at a grade of 0.07 g/t.
6 The Mineral Resource estimate for the Peschanka deposit in the Baimskaya licence area was prepared by AMC Consultants Pty Ltd with an effective date of 1 October 2019 and is based on a copper equivalent cut-off grade of 0.15%.

Revision of Mineral Reserves and Mineral Resources Statement to 31 December 2020

KAZ Minerals PLC has undertaken a review of the Company's Mineral Reserve and Mineral Resource estimates as the basis for the preparation of a Statement of Mineral Reserves and Mineral Resources for the Company as at 31 December 2020. The review has been conducted by a Company appointed Competent Person who is also an employee of KAZ Minerals.

KAZ Minerals is reporting Mineral Reserves and Mineral Resources within Kazakhstan according to the 2017 KAZRC. Mineral Reserves and Mineral Resources outside Kazakhstan, in Kyrgyzstan and Russia, are reported according to the 2012 edition of the JORC Code.

The KAZRC sets out minimum requirements for public reporting by Kazakhstan mining and exploration companies. It was developed by representatives of the mining industry in Kazakhstan in conjunction with CRIRSCO, and with support from The Geology Committee of the Ministry of Ecology, Geology and Natural Resources. Kazakhstan has now become a member of the CRIRSCO organisation and is aligned with international best practice for reporting within its mining industry.

The JORC Code is widely used internationally in jurisdictions where the national reporting standard is not consistent with the reporting requirements of stock markets such as the London Stock Exchange.

In most respects, the two codes are identical but there is a difference in terminology whereby KAZRC uses the term 'Mineral Reserve' (used in this report) where the JORC Code uses the term 'Ore Reserve'.

The full adoption of the KAZRC within Kazakhstan is currently in a transition period. New mining licences must comply with KAZRC requirements and existing licences, and subsoil contracts, can continue reporting to the standards of GKZ, or use KAZRC. The interim period lasts until the end of 2023 when the KAZRC system will become compulsory.

The consideration of Mineral Resources is based on the KAZRC/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 Mineral Reserves in accordance with the KAZRC/JORC, a number of Modifying Factors are considered. Consequently, the codes define a Mineral 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 under KAZRC/JORC, and short-term fluctuations in factors such as metal prices or operating expenditure do not warrant the reclassification from Mineral Reserves to Mineral Resources. If, however, the changes are expected to be long-term or permanent in nature, then such reclassification is required.

For the sake of clarity in this report, references to the KAZRC/JORC categories 'Mineral Reserve' and 'Mineral Resource' are capitalised. The non-capitalised term 'reserve' refers to the historical Kazakhstan use of the word, which, depending on the context, can be broadly synonymous with both KAZRC/JORC terms 'Mineral Reserve' and 'Mineral Resource'.

The Competent Person is satisfied, from the audit undertaken, that the recently revised estimates of reserves and resources prepared by the Company for its operating mines in Kazakhstan and Kyrgyzstan are in accordance with the classification system required by law 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, the Competent Person has applied the same technical criteria as used in previous audits, for preparation and restatement of Mineral Reserves and Mineral Resources as at 31 December 2020, in accordance with the KAZRC and JORC Codes.

Competent Persons

Mineral Reserve and Mineral Resource estimates are based on information compiled by Competent Persons (as defined by the KAZRC and JORC Codes). The Competent Persons have the appropriate professional membership and the relevant experience in relation to the Mineral Reserves and/or Mineral Resources being reported by them to qualify as a Competent Person as defined by the relevant code. They have consented to the inclusion of their Mineral Reserve and Mineral Resource estimates in the form and context in which they appear in this report.

Operating mines and Koksay

Simon Pepper – a Member of the Institute of Materials, Minerals and Mining, registered as a Chartered Engineer, a Fellow of the Professional Society of Independent Experts of the Subsurface Resources of the Republic of Kazakhstan and a full-time employee of KAZ Minerals.

Peschanka

Tracie Burrows – a Member and Registered Professional Geologist of The Australasian Institute of Geoscientists, employed by AMC Consultants Pty Ltd and engaged as an external independent consultant by KAZ Minerals.

Annual General Meeting

The Annual General Meeting of the Company will be held at 12.15pm on Thursday 29 April 2021 at KAZ Minerals PLC, 6th Floor, Cardinal Place, London SW1E 5JL 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 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 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 for further information.

Electronic voting

Shareholders can submit proxies for the 2021 Annual General Meeting electronically by logging onto www.investorcentre.co.uk/eproxy. Electronic proxy appointments must be received by the Company's registrar no later than 12.15pm on Tuesday 27 April 2021 (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 registrar; and
- press releases – current and historical.

Shareholder interests at 31 December 2020

Number of shareholders: 1,267

Number of shares in issue: 480,723,977

By size of holding	No. of accounts	% of total accounts	% of ordinary share capital
1,000 and under	589	46.49	0.04
1,001 – 5,000	251	19.81	0.13
5,001 – 10,000	89	7.02	0.14
10,001 – 100,000	169	13.34	1.34
100,001 +	169	13.34	98.35
Total	**1,267**	**100.00**	**100.00**

By category of shareholder	No. of accounts	% of total accounts	% of ordinary share capital
Private Shareholders	597	47.12	0.75
Banks/Nominees	632	49.88	56.40
Pension Funds	1	0.08	0.00
Investment/Unit Trusts	4	0.32	0.00
Corporate Holders	30	2.37	41.13
Share Plan Control Account	1	0.08	0.01
Treasury Account	1	0.08	1.71
Vested Share Account Service	1	0.08	0.00
Total	**1,267**	**100.00**	**100.00**

Events calendar

Q1 Production Report	29 April 2021
Annual General Meeting	29 April 2021
Q2 Production Report	29 July 2021
Half-yearly results announced	17 August 2021
Q3 Production Report	28 October 2021

Registrars

For information about proxy voting, dividends and to report changes in personal details, shareholders holding their shares on the UK register should contact:

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

Shareholders holding their shares on the Kazakhstan Stock Exchange should contact:

Shareholder Enquiries

KAZ Minerals PLC
6th Floor, Cardinal Place
100 Victoria Street
London SW1E 5JL
United Kingdom
Tel: +44 (0)20 7901 7807
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 whether 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 0300 123 2040 (UK) or +44 300 123 2040 (international). Further information is available at www.fca.org.uk/scansmart. Details of any share dealing facilities that the Company endorses will be included in Company mailings and on our website.

Dividends

The terms of the Recommended Offer stipulate that Nova Resources has the right to reduce the consideration payable to shareholders by the same amount as any dividend payments made during the Offer Period. The Board has therefore not recommended the payment of a final dividend in respect of the 2020 financial year.

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, can contact the Company's registrar to request a currency election form.

Shareholders on the UK register can arrange for dividends to be paid directly into a UK bank or building society account. To take advantage of this facility, they can contact the Company's 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

Susanna Freeman
Tel: +44 (0)20 7901 7800
Email: susanna.freeman@kazminerals.com

Registered office

KAZ Minerals PLC
6th Floor, Cardinal Place
100 Victoria Street
London SW1E 5JL
United Kingdom
Tel: +44 (0)20 7901 7800
Registered number: 05180783

Joint corporate brokers

Citigroup Global Markets Limited
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

UBS Limited
5 Broadgate
London EC2M 2QS
United Kingdom

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL
United Kingdom

GLOSSARY

Aktogay II or Aktogay expansion
the expansion project at Aktogay to increase sulphide processing capacity at the site

APMs
Alternative Performance Measures being measures of financial performance, financial position or cash flows that are not defined or specified under IFRS but used by the Directors internally to assess the performance of the Group

Baimskaya or Baimskaya copper project
the mining licence covering the Peschanka copper deposit, located in the Chukotka region of Russia

Bankable Feasibility Study
the feasibility study for the Baimskaya copper project

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

Brexit
the UK's departure from the European Union

CAGR
compound annual growth rate

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

cash operating costs
all costs included within profit before finance items and taxation, net of other operating income, excluding MET, royalties, depreciation, depletion, amortisation and special items

CAT
Caterpillar Financial Services (UK) Limited, a subsidiary of Caterpillar Financial Services Corporation and Caterpillar Inc.

CDB or China Development Bank
China Development Bank Corporation

CIS
Commonwealth of Independent States, comprising former Soviet Republics

CIT
corporate income tax

CNY
Chinese yuan, basic unit of the renminbi, the official currency of the People's Republic of China

CO_2
carbon dioxide

Code or UK Corporate Governance Code
the UK Corporate Governance Code issued by the Financial Reporting Council in July 2018

Committee or Committees
any or all of the Audit; Health, Safety and Sustainability; Remuneration; Nomination; and Projects Assurance Committees depending on the context in which the reference is used

Company or KAZ Minerals
KAZ Minerals PLC

Competent Person
a minerals industry professional responsible for preparing and/or signing off reports on exploration results and mineral resources and reserves estimates and who is accountable for the prepared reports. A Competent Person has a minimum of five years' relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking

Completion of the Recommended Offer
should the Recommended Offer become wholly unconditional it is expected to complete in the first half of 2021

Consortium
together, Oleg Novachuk and Vladimir Kim

Copper Equivalent Production
copper equivalent production units, consisting of copper production plus by-product production converted into copper units, assuming appropriate long-term average price forecasts

Covid-19
disease caused by Severe Acute Respiratory Syndrome Coronavirus-2

CREST
an electronic means of settling share transactions and registering investors on a company's register of members

DBK
Development Bank of Kazakhstan

Deferred Cash Consideration
$225 million in cash payable to the Vendor at the Long Stop Date, in lieu (in whole or in part) of payment of Deferred Equity Consideration at Final Completion, if and to the extent that the Project Delivery Conditions are not satisfied at the date of Commercial Production under the Baimskaya acquisition agreement

Deferred Consideration
any Deferred Equity Consideration payable at Final Completion and any Deferred Cash Consideration payable at the Long Stop Date, with a total value of $225 million under the Baimskaya acquisition agreement

Deferred Equity Consideration
up to 21,009,973 KAZ Minerals shares to be issued to the Vendor or its nominee at Final Completion, if and to the extent that the Project Delivery Conditions are satisfied at the date of Commercial Production under the Baimskaya acquisition agreement

Directors
the Directors of the Company

dollar or $ or US$
United States dollar, the currency of the United States of America

DTR
Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority

EBITDA
earnings before interest, taxation, depreciation, depletion, amortisation, MET and royalties and special items. A reconciliation to operating profit is in note 4(a)(i) of the consolidated financial statements

EPS
earnings per share

EPS based on Underlying Profit
profit excluding special items and their resulting tax and non-controlling interest effects, divided by the weighted average number of ordinary shares in issue during the period (see note 13 of the consolidated financial statements)

ESIA
Environmental and Social Impact Assessment

EU
European Union

EUR
Euro, the currency of certain member states of the European Union

Final Completion
completion of the acquisition by KAZ Minerals of the remaining 25 per cent interest in the Baimskaya copper project, which will be at the earlier of (i) a date shortly after the date of Commercial Production and (ii) the Long Stop Date under the Baimskaya acquisition agreement

Free Cash Flow
net cash flows from operating activities before capital expenditure and VAT associated with major growth projects less sustaining capital expenditure (see page 192 for a reconciliation to the closest IFRS based measure)

General Directors
the heads of the Group's operations at Bozshakol, Aktogay, the East Region and Bozymchak

GHG
greenhouse gas

g/t
grammes per metric tonne

gross cash costs
cash operating costs, including pre-commercial production costs, excluding purchased cathode plus TC/RC on concentrate sales, divided by the volume of own copper sales

gross liquid funds
the aggregate amount of cash and cash equivalents and current investments less restricted cash

the Group
KAZ Minerals PLC and its subsidiary companies

HSS
Health, Safety and Sustainability

IAS
International Accounting Standard

IASB
International Accounting Standards Board

ICG
Industrial Construction Group LLC

ICMM
International Council on Mining and Metals

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standard

Independent Committee
the committee of the Board of KAZ Minerals formed for the purposes of considering the Recommended Offer, consisting of the Directors other than Oleg Novachuk and Vladimir Kim

Initial Cash Consideration
$436 million in cash under the Baimskaya acquisition agreement

Initial Completion
completion of the acquisition by KAZ Minerals of a 75 per cent interest in the Baimskaya copper project in the first half of 2019, after obtaining anti-monopoly and other regulatory approvals and satisfaction of certain other conditions under the Baimskaya acquisition agreement

Initial Consideration
the Initial Cash Consideration and the Initial Equity Consideration payable at Initial Completion, with a total value of $675 million (at 31 July 2018) under the Baimskaya acquisition agreement

Initial Equity Consideration
22,344,944 new KAZ Minerals shares valued at $239 million at 31 July 2018 under the Baimskaya acquisition agreement

IRR
internal rate of return

JORC
Joint Ore Reserves Committee

JORC Code
the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, a professional code of practice that sets minimum standards for Public Reporting of Minerals Exploration Results, Mineral Resources and Ore Reserves

Kazakhmys Holding Group
Kazakhmys Holding Group B.V., the entity to which the mining, processing, auxiliary, transportation and heat and power assets of the Group in the Zhezkazgan and Central Regions of Kazakhstan were transferred (formerly Cuprum Netherlands Holding B.V.), a company owned by Vladimir Kim, a Director of the Company, and Eduard Ogay, a former Director of the Company

Kazakhstan
the Republic of Kazakhstan

KAZRC
The Kazakhstan Code for the public reporting of Exploration Results, Mineral Resources and Mineral Reserves, which sets out minimum requirements for public reporting by Kazakhstan mining and exploration companies

koz
thousand ounces

KPI
key performance indicator

kt
thousand metric tonnes

Kyrgyzstan
the Kyrgyz Republic

KZT or tenge
the official currency of the Republic of Kazakhstan

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

Listing Rules
the Listing Rules of the UK Listing Authority

LME
London Metal Exchange

LNG
liquid natural gas

Long Stop Date
31 March 2029 under the Baimskaya acquisition agreement

major growth projects
the initial construction of Aktogay, Bozshakol, the Aktogay expansion project and the Baimskaya copper project

megalitre
thousand cubic metres

MET
mineral extraction tax

Moz
million ounces

Mt
million metric tonnes

Mtpa
million metric tonnes per annum

net cash costs
gross cash costs less by-product revenues, divided by the volume of own copper sales

net debt
the excess of current and non-current borrowings over gross liquid funds. A reconciliation of net debt is in note 31 of the consolidated financial statements

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

Nova Resources
Nova Resources B.V., a private company with limited liability incorporated in the Netherlands and indirectly owned by joint offerors Oleg Novachuk and Vladimir Kim

Offer Document
the document sent to KAZ Minerals shareholders and persons with information rights by Nova Resources on 8 February 2021 containing, amongst other things, the terms of the Recommended Offer

Offer Period
the period commencing on (and including) 28 October 2020 and ending on whichever of the following dates shall be the latest of: (i) the date on which the Recommended Offer lapses or is withdrawn; and (ii) the time and date on which the Recommended Offer becomes or is declared unconditional as to acceptances

ounce or oz
a troy ounce, which equates to 31.1035 grammes

PBoC
People's Bank of China

PCR test
polymerase chain reaction test

PJ
a standard unit of energy, work and heat equal to 10^{15} joules

Project Delivery Conditions
conditions to the payment of Deferred Equity Consideration at Final Completion in lieu of payment of Deferred Cash Consideration at the Long Stop Date, which relate to state construction of transport and power infrastructure, confirmation of federal tax incentives and demonstration of year-round concentrate shipment from the port of Pevek on agreed terms under the Baimskaya acquisition agreement

PXF
pre-export finance debt facility

Recommended Offer
the recommended cash offer as described in the Offer Document being made by Nova Resources by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act to acquire the entire issued and to be issued share capital of KAZ Minerals (other than the KAZ Minerals shares already owned or controlled by either Oleg Novachuk or Vladimir Kim), on the terms and subject to the conditions set out in the Offer Document (and, where the context admits, any subsequent revision, variation, extension or renewal of such offer, including any revision, variation, extension or renewal of such offer)

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 of the mining, processing, auxiliary, transportation and heat and power assets of the Group in the Zhezkazgan and Central Regions of Kazakhstan to Kazakhmys Holding Group, which was approved by shareholders at the General Meeting on 15 August 2014 and completed on 31 October 2014. The assets transferred included 12 copper mines, mine development opportunities, four concentrators, two smelters, two coal mines and three captive heat and power stations.

rouble or RUB
the official currency of the Russian Federation

Russia
Russian Federation

$/t or $/tonne
US dollars per metric tonne

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

som or KGS
the official currency of Kyrgyzstan

Speak Up
the Group's confidential whistleblowing arrangements

special items
those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the Group. 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 metric tonnes

TCFD
Task Force on Climate-related Financial Disclosures

TC/RCs
treatment charges and refining charges for smelting and refining services

TJ
a standard unit of energy, work and heat equal to 10^{12} joules

Total Recordable Cases 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
profit excluding special items and their resulting tax and non-controlling interest effects. Underlying Profit is set out in note 13 to the consolidated financial statements

US
United States of America

USc/lb
US cents per pound

Vendor
Aristus Holdings Limited, a company owned and controlled by a consortium of individual investors including Roman Abramovich and Alexander Abramov

CAUTIONARY NOTICE

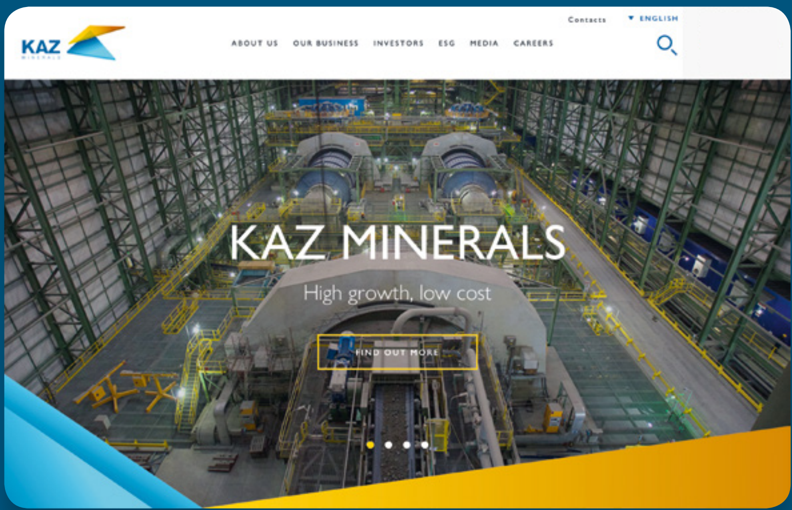
This Annual Report and Accounts includes certain forward-looking statements. All statements other than historical facts are forward-looking statements. Examples of forward-looking statements include those regarding the business, strategy and plans of KAZ Minerals and its current goals, assumptions and expectations relating to its future financial condition, performance and results, commodity demand and trends in commodity prices, growth opportunities and any assumptions underlying or relating to any of the foregoing. Forward-looking statements are sometimes but not always identified by words such as 'aim', 'intend', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should' or in each case their negative and similar expressions. By their nature, forward-looking statements involve known and unknown risks, assumptions and uncertainties and other factors which are unpredictable as they relate to events and depend on circumstances, that will occur in the future, which may cause actual results, performance or achievements of KAZ Minerals to be materially different from those expressed or implied in these forward-looking statements. Principal risk factors that could cause KAZ Minerals' actual results, performance or achievements to differ materially from those in the forward-looking statements include (without limitation) health and safety, community and labour relations, employees, environmental, business interruption, new projects and commissioning, reserves and resources, political, legal and regulatory compliance, commodity price, foreign exchange and inflation, exposure to China, acquisitions and divestments, liquidity, and such other risk factors disclosed in this Annual Report and Accounts. Forward-looking statements should therefore be construed in light of such risk factors. These forward-looking statements should not be construed as a profit forecast.

No part of this Annual Report and Accounts constitutes, or shall be taken to constitute, an invitation or inducement to invest in KAZ Minerals PLC, or any other entity, and shareholders are cautioned not to place undue reliance on the forward-looking statements. Except as required by the Listing Rules and applicable law, rule or regulation, KAZ Minerals does not undertake any obligation to publicly update or change any forward-looking statements, to reflect events or new information occurring after the date of this Annual Report and Accounts.

This Annual Report and Accounts is for information purposes only and is not intended to, and does not, constitute or form part of any offer to sell or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Recommended Offer or otherwise. The Recommended Offer has been made solely through the Offer Document, which together with the associated forms of proxy will contain the full terms and conditions of the Recommended Offer, including details of how to vote in respect of the Recommended Offer. Any acceptance or other response to the Recommended Offer should be made only on the basis of the information in the Offer Document.

This Annual Report and Accounts does not constitute a prospectus or prospectus equivalent document.

For all the latest information
and to find out more
about the Company,
please visit our website
www.kazminerals.com



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Designed and produced by Black Sun Plc

Printed by Westerham

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