

VALUE AND VOLUME

KAZ
MINERALS



Baimskaya copper project

2 August 2018

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1. TRANSACTION OVERVIEW

ACQUISITION OF BAIMSKAYA



- ▶ The Group has agreed to acquire the Baimskaya copper project for \$900 million in cash and shares
 - \$675 million Initial Consideration plus Deferred Consideration of \$225 million

Delivers value and volume

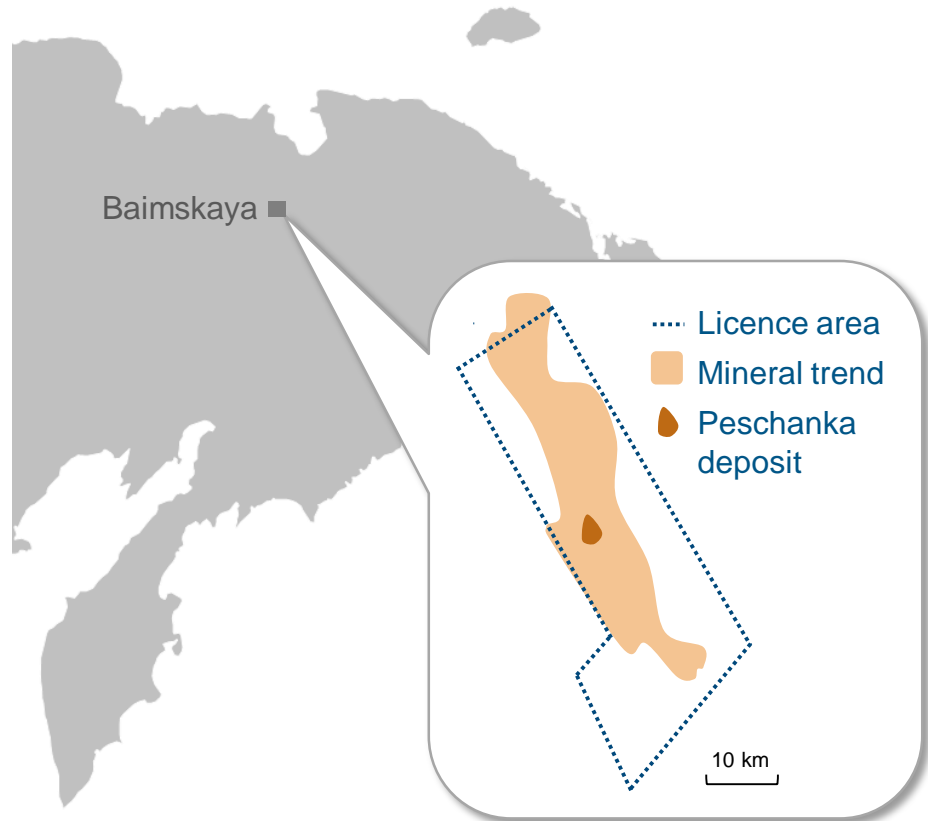
- ▶ Continues KAZ Minerals' industry leading growth
- ▶ A large scale, long life, low cost copper mine
- ▶ Proven project delivery capability
- ▶ Government support for infrastructure
- ▶ Significant NPV per share uplift expected from attractive IRR



PROJECT SUMMARY

Pre-feasibility study highlights

- ▶ Indicative \$5.5 billion capex budget over 2018-26¹
- ▶ 60 Mtpa sulphide ore processing capacity from two concentrators
- ▶ Average annual production of 250 kt copper and 400 koz gold²
 - Copper equivalent production 330 ktpa^{2,3}
- ▶ Initial mine life c.25 years, strip ratio 0.8
- ▶ First quartile net cash costs over life of mine, higher grades in first ten years of operations
- ▶ Potential for resource expansion, licence area c.1,300 sq. km



Baimka mineral trend and licence area

1. In nominal terms based on 100% share of development capital expenditure, subject to confirmation in feasibility study.
2. Average for first ten years of operations, based on 100% share of production.
3. Assuming analyst consensus long term copper price of 6,700 \$/t and gold price of 1,300 \$/oz.

TRANSACTION TERMS

- ▶ The Group has agreed to acquire Baimskaya for \$900 million in cash and shares
- ▶ Initial Consideration of \$675 million for 75% stake
 - \$436 million in cash
 - 22.3 million new KAZ Minerals shares¹ issued to Vendor, subject to 3 year lock-in (5.0% of issued share capital)
 - Initial Completion and payment expected in H1 2019, pending regulatory approvals
- ▶ Deferred Consideration of \$225 million for remaining 25% stake, payable in shares or cash dependent on Project Delivery Conditions
 - Vendor will not contribute to development capital expenditure due to Deferred Consideration structure



Peschanka deposit, Baimskaya copper project, July 2018

1. Value of 22,344,944 shares is approximately \$239 million, based on 30 day VWAP as at 31 July 2018.

DEFERRED CONSIDERATION

- ▶ Project Delivery Conditions:
 1. Commercial production being achieved from the first concentrator for six months
 2. State construction of road and power infrastructure
 3. Year-round sea access to Pevek port
 4. Confirmation of TASED tax incentives¹
- ▶ If Project Delivery Conditions are met before 31 March 2029 then Deferred Consideration becomes payable in shares²
- ▶ If conditions are not met before 31 March 2029, Deferred Consideration of \$225 million is payable in cash at that date
- ▶ The opportunity to receive equity creates a strong incentive for the Vendor to assist with delivery of the Project and aligns interests with all shareholders



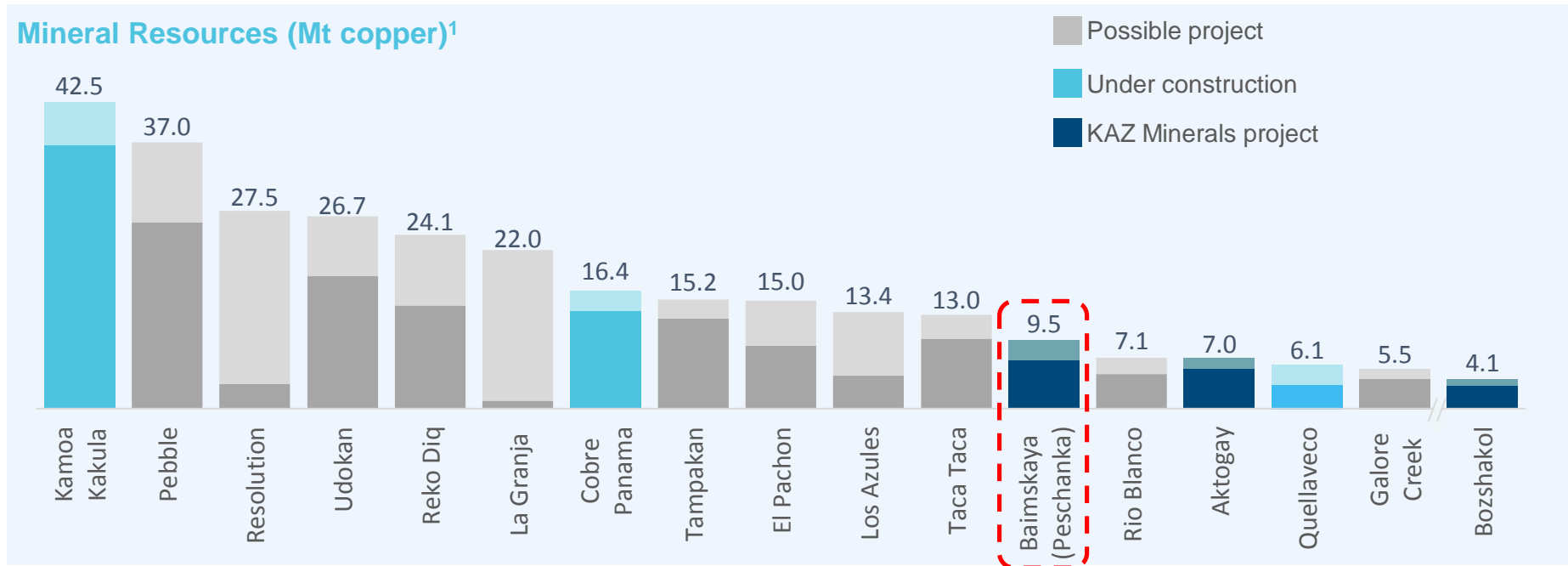
Bozshakol mine commercial production, October 2016

1. Territory of Accelerated Social and Economic Development. If the Project is eligible for TASED tax incentives there would be no tax on profits payable by the project entity for a period of five years from the year the first profit is recorded, and a reduced tax rate for the following five years.
2. Value of 21,009,973 shares is approximately \$225 million, based on 30 day VWAP as at 31 July 2018.



2. STRATEGIC RATIONALE

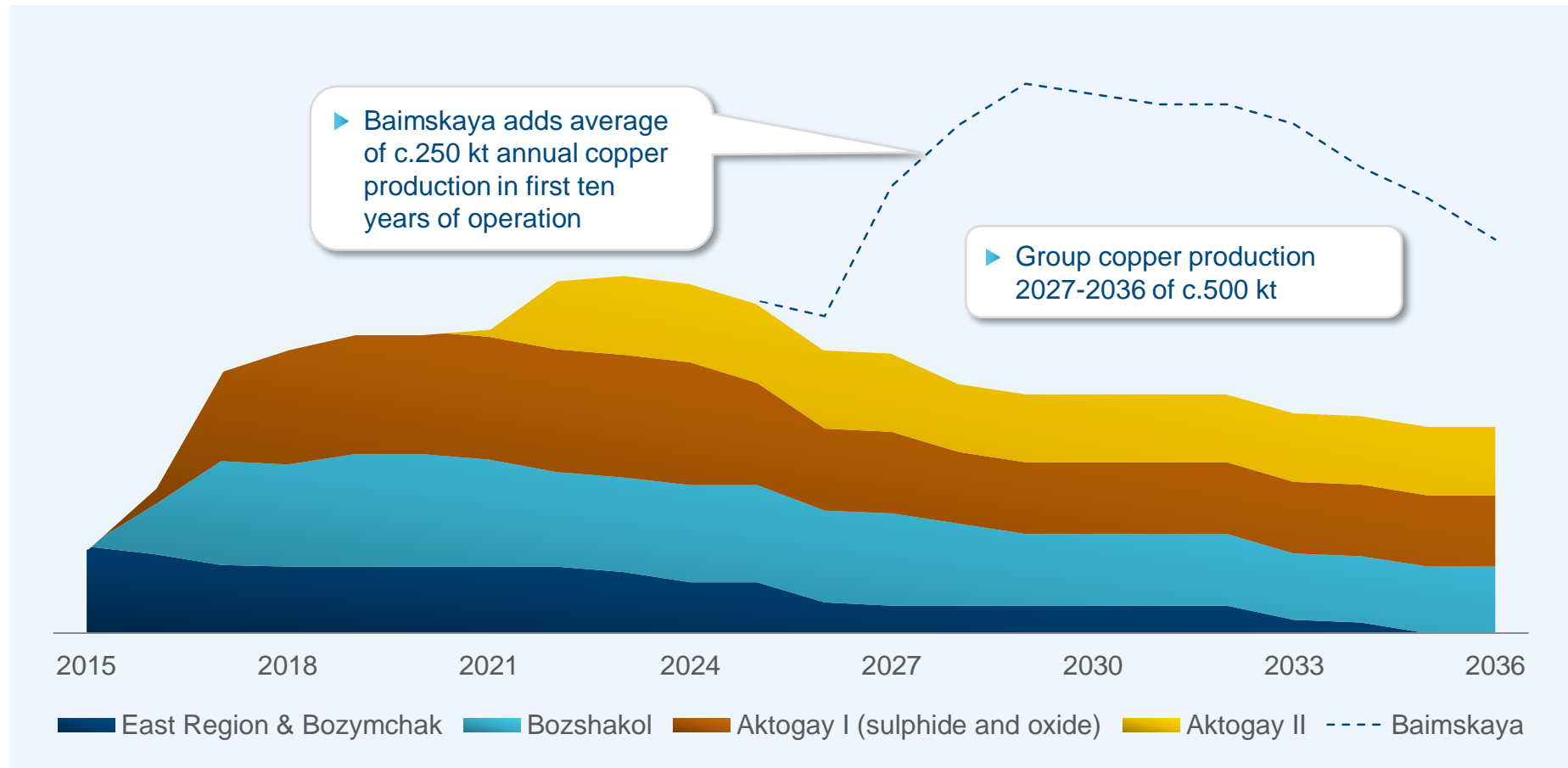
GLOBALLY SIGNIFICANT COPPER RESOURCE



- The Peschanka deposit in the Baimskaya licence area ranks in the top 10 undeveloped greenfield copper projects globally

1. Source: Company data. Mineral Resources include Measured and Indicated Resources (bottom bar) and Inferred Resources (top bar).

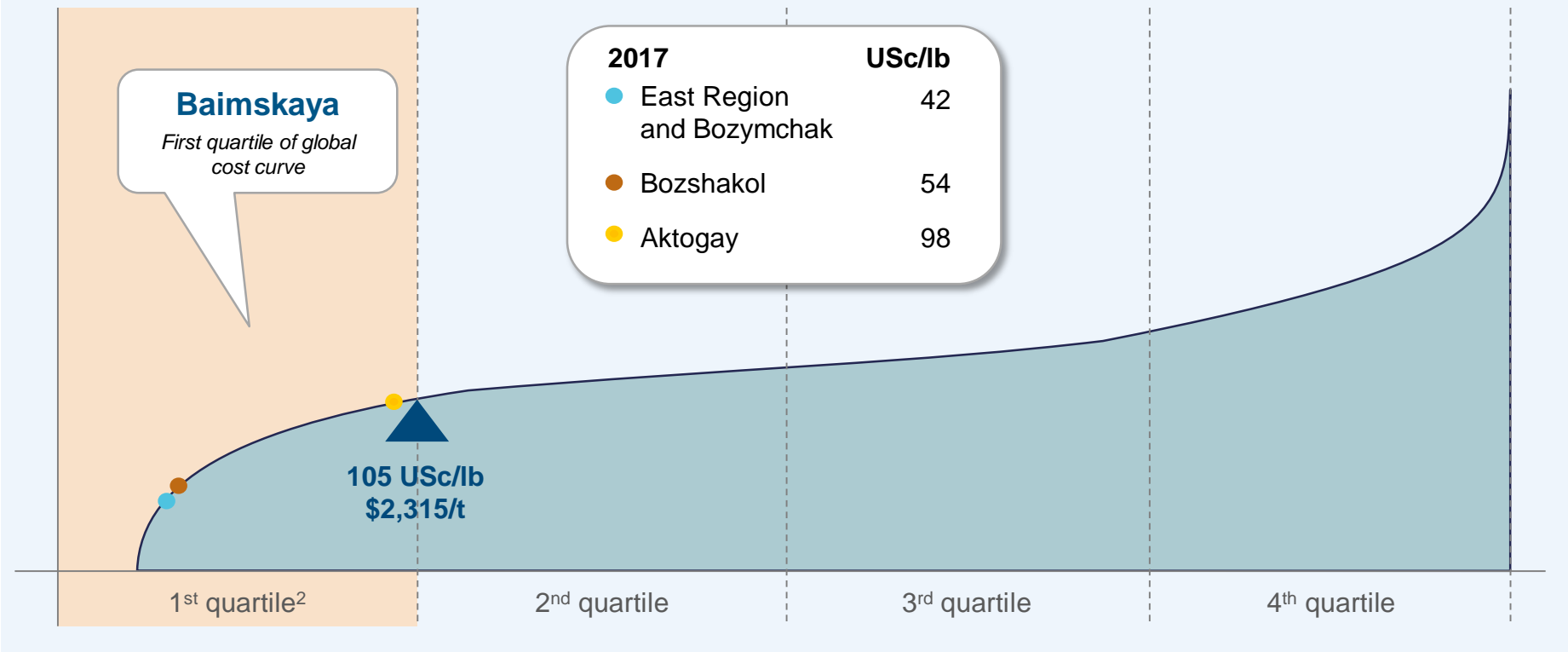
DELIVERS TRANSFORMATIONAL GROWTH



1. Indicative production schedule, not to scale. Assumes first production from Baimskaya in 2026 and ramp up from 2027. Actual construction timetable to be determined during feasibility study.

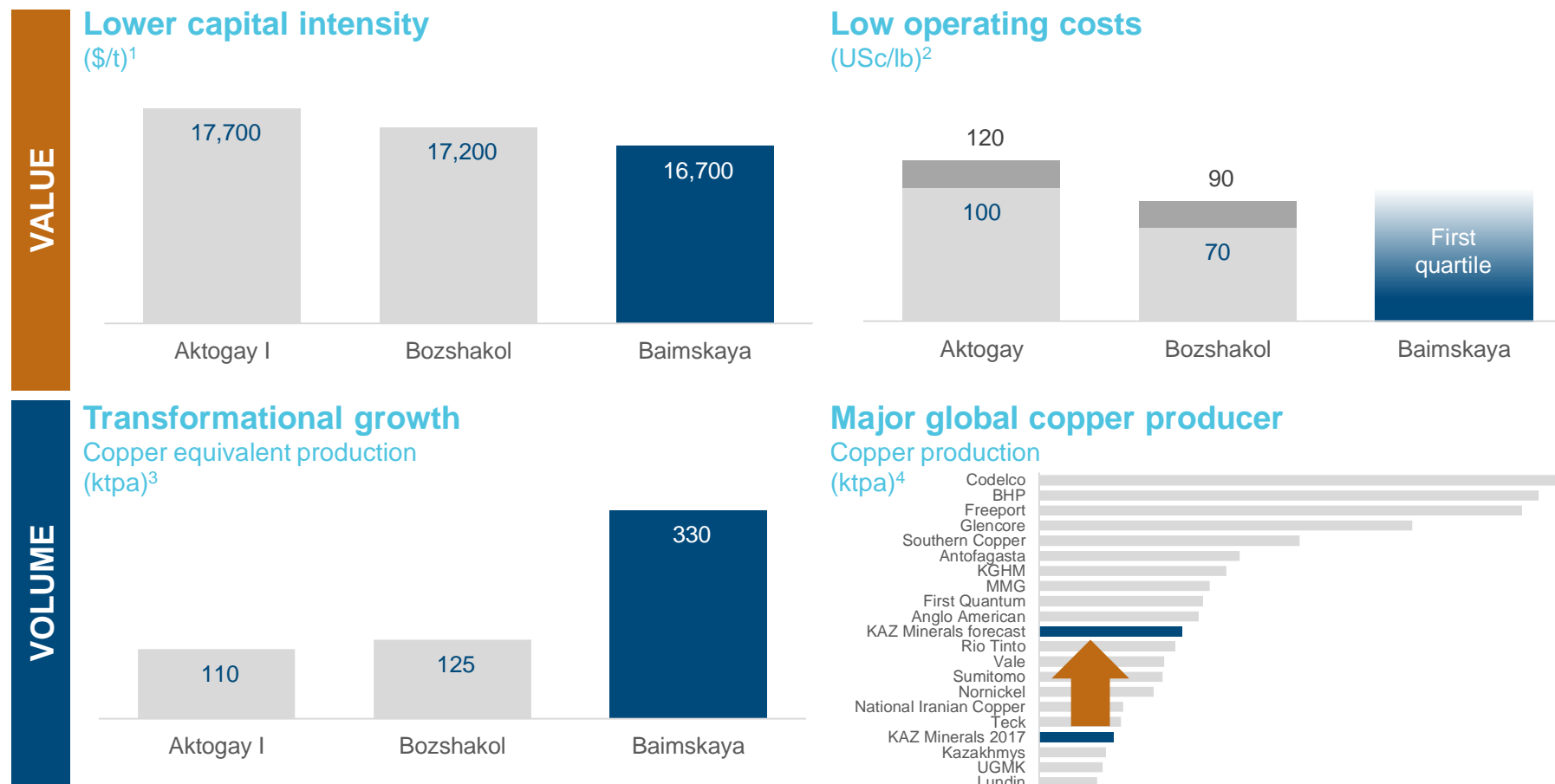
CONSOLIDATES LOW COST POSITION

Net cash cost curve¹



1. Conceptual representation as at 31 December 2017, not to scale.
2. Wood Mackenzie first quartile cut off 105 USc/lb, 31 December 2017.

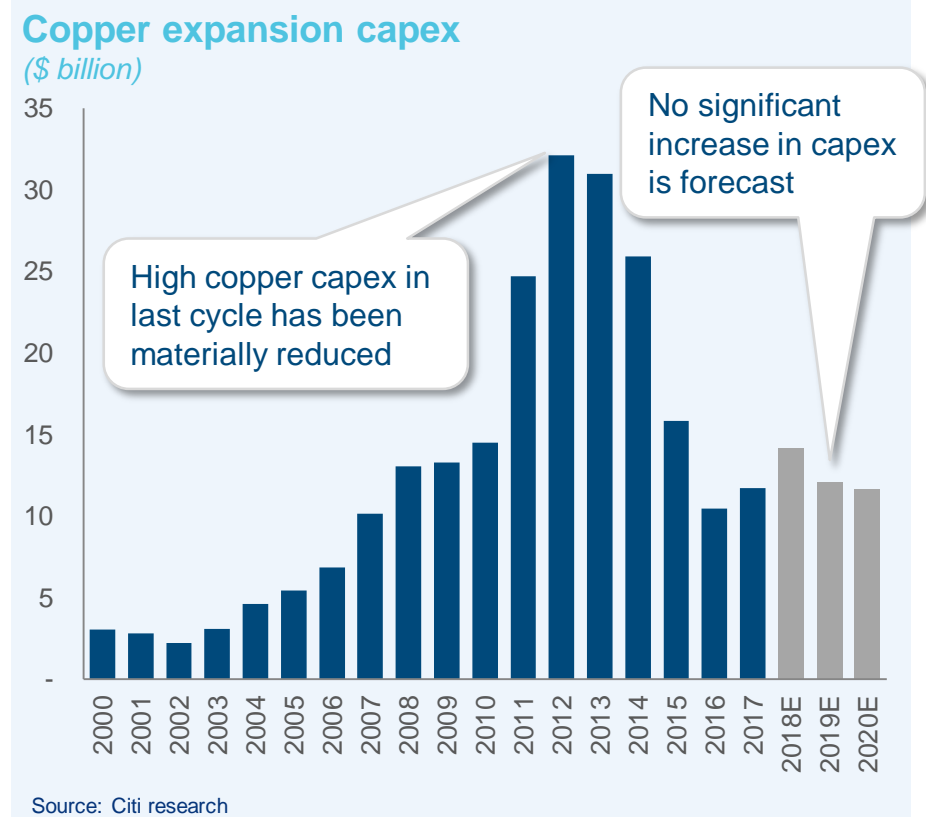
VALUE AND VOLUME



1. Approximate capital expenditure per ktpa copper equivalent production calculated as capital expenditure divided by forecast annual copper equivalent production for the first ten years after commissioning.
2. Net cash cost guidance in US\$/lb for first ten years of operations. Aktogay and Bozshakol ranges given in 2016 USD terms. Baimskaya operating costs subject to feasibility study.
3. Ten year average copper equivalent production guidance calculated based on 100% share of production, copper price of 6,700 \$/t and gold price of 1,300 \$/oz.
4. Comparison of KAZ Minerals 2017 copper production to forecast Group production after delivery of the Baimskaya copper project. Peer group copper production sourced from Company data for most recently available financial year, or Wood Mackenzie.

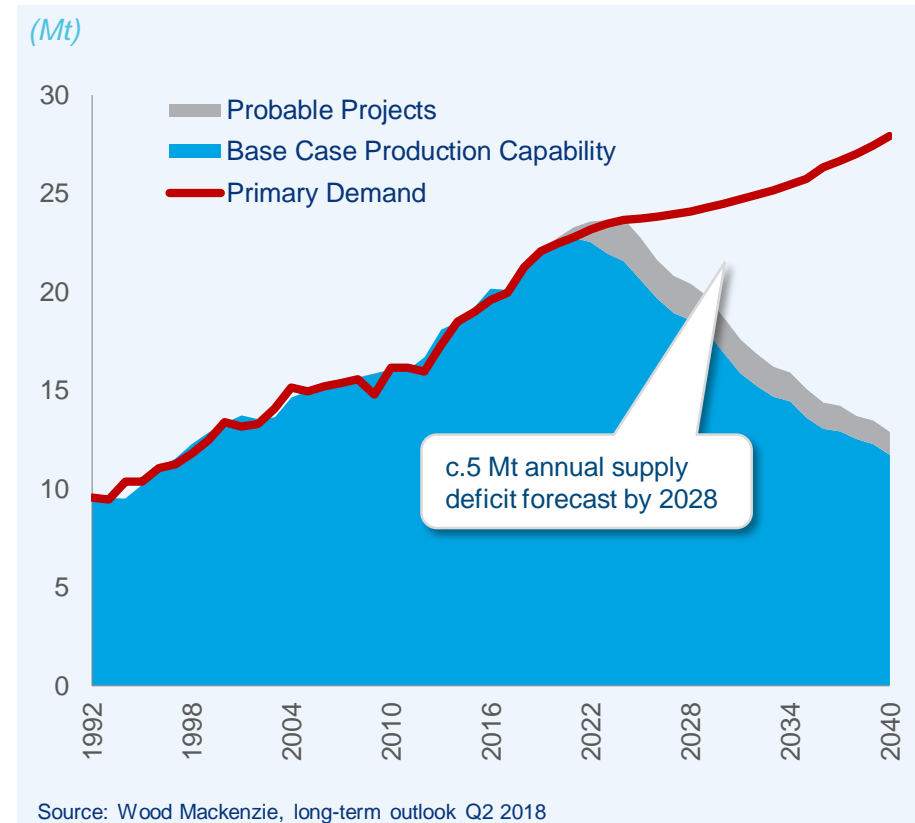
INDUSTRY CAPITAL EXPENDITURE REDUCED

- ▶ Capital expenditure on new copper projects reduced from a high of \$32 billion in 2012 to \$12 billion in 2017
- ▶ Few signs of new project approvals that would be required to meet the forecast supply shortfall
- ▶ Long lead time for exploration, study and construction of new copper projects creates potential for significant deficits
- ▶ Focus on balance sheet strength by peers has helped create the conditions for the forecast supply deficit



COPPER SUPPLY DEFICIT

- ▶ Supply from existing mines is forecast to decline materially
- ▶ New copper projects will be required to meet demand, but many face major challenges and large scale deposits are rare
- ▶ Demand forecasts are based on modest growth from traditional sources such as infrastructure, urbanisation and consumer goods
- ▶ Growth in new markets for copper including clean energy generation or electric vehicles and associated distribution networks could significantly increase the supply shortage





3. DELIVERING THE PROJECT

OPERATING IN RUSSIA

- ▶ Development of the Far East of Russia is a high priority strategic objective of the Russian Government
- ▶ Significant support from the Russian Government is available in the form of power and transport infrastructure investments and tax incentives
- ▶ Vendor retained as local partner for development phase
- ▶ KAZ Minerals will have a number of advantages operating in Russia:
 - Close political links with Kazakhstan
 - Common language and business culture
 - Customs union (Eurasian Economic Union)
 - Experience of cold climate and remote locations



Chukotka region, Russia

PROJECT DEVELOPMENT TRACK RECORD

- ▶ KAZ Minerals has a proven capability to deliver large scale, low cost, open pit copper mining projects in the CIS region
- ▶ Successfully developed two large scale open pit copper mines in parallel from 2011 to 2017
 - Bozshakol completed in December 2015
 - Aktogay sulphide I completed in December 2016
 - Delivered on time and on budget
- ▶ Aktogay sulphide II commenced in 2018 – repeat of previous projects
- ▶ Baimskaya will be managed by the KAZ Minerals projects division, drawing on experience gained from previous projects in Kazakhstan



Bozshakol concentrator construction, 2014

INDICATIVE TIMETABLE



1. Deferred Consideration payable in cash on Long Stop Date if Project not completed.

PROJECT INFRASTRUCTURE

Power

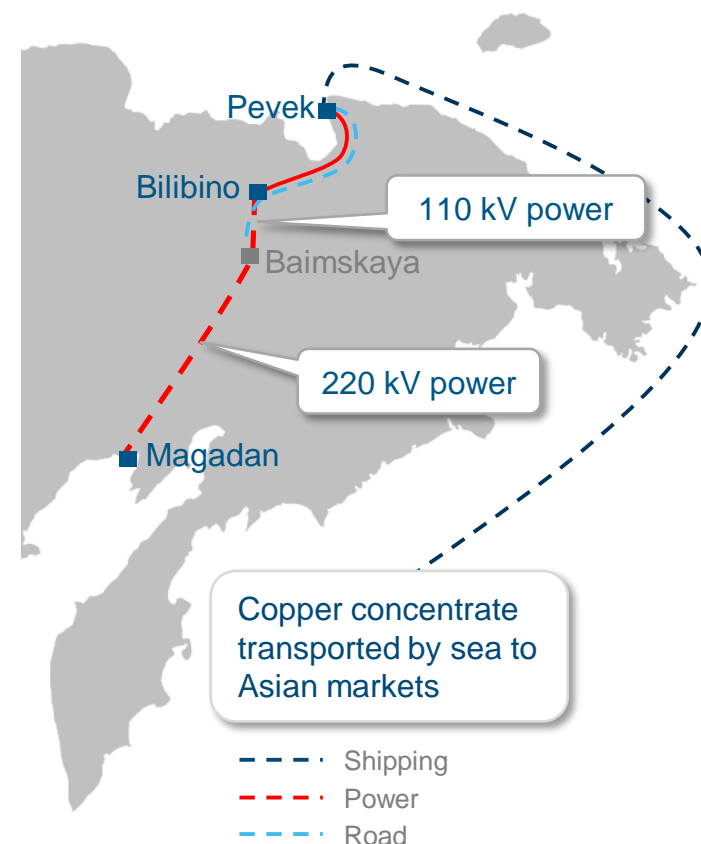
- ▶ Power generation for the construction phase of the project is currently being installed at Pevek
- ▶ Government funded 110 kV Bilibino-Baimskaya power line is under construction
- ▶ Financing allocated to commence construction of a 220 kV line linking the project to existing hydropower near Magadan for the production phase

Transport

- ▶ Access to the site initially via winter road from Pevek
- ▶ Permanent road expected to receive government financing
- ▶ Air access to be established during project construction
- ▶ Copper concentrate will be shipped to customers from Pevek with year-round navigation expected in Northern Sea Route

Water

- ▶ The site benefits from access to sufficient fresh water



*Government funded
Omolon-Anadyr road
infrastructure under
construction*



*Delivery of pylons for
110 kV power line,
Pevek*



Port of Pevek



FINANCING

Acquisition cost

- ▶ Cash component (\$436 million) covered by existing cash resources

Project development

- ▶ Large scale, low cost project and strong execution credentials will attract a range of finance options
- ▶ The Group has a strong track record of obtaining debt facilities to fund major project development
- ▶ Financing requirements are manageable:
 - Capex spread over 2018-26
 - Existing asset base is highly cash generative
 - Options for phasing of capex deployment
- ▶ Financing structure to be developed during feasibility
- ▶ Expected to attract interest from Russian, Chinese and international lenders
- ▶ May explore opportunities for partnering



Bozshakol construction, 2014



4. DELIVERING VALUE AND VOLUME

DELIVERING VALUE AND VOLUME



- ▶ Continues KAZ Minerals' industry leading growth
- ▶ A large scale, low cost copper mine
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- ▶ Significant NPV uplift with attractive IRR





Q&A