Delivering the future

KAZ MINERALS
ANNUAL REPORT AND ACCOUNTS
2017

...Today

Copper is essential for all modern infrastructure, energy generation and transmission, transportation, communications, industrial machinery and electrical appliances.

As a pure-play copper producer with a portfolio of low cost, long life assets and a track record of delivering world class copper projects, KAZ Minerals is well positioned to take advantage of continued growth in the demand for copper.

We are delivering the future, today.

Contents

1 Definitions of non-IFRS financial metrics used throughout this Annual Report are included in the Glossary

Building the infrastructure of the future Today

Global population growth and continued urbanisation requires significant investment in infrastructure, for which copper is an essential raw material

For more information, see
www.kazminerals.com

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90 kg

copper in an electric vehicle, compared to 20 kg in an internal combustion vehicle

Source: UBS Global Research[1]

1.2 Mt

additional annual copper consumption from increased adoption of electric vehicles by 2025

Source: UBS Global Research[1]

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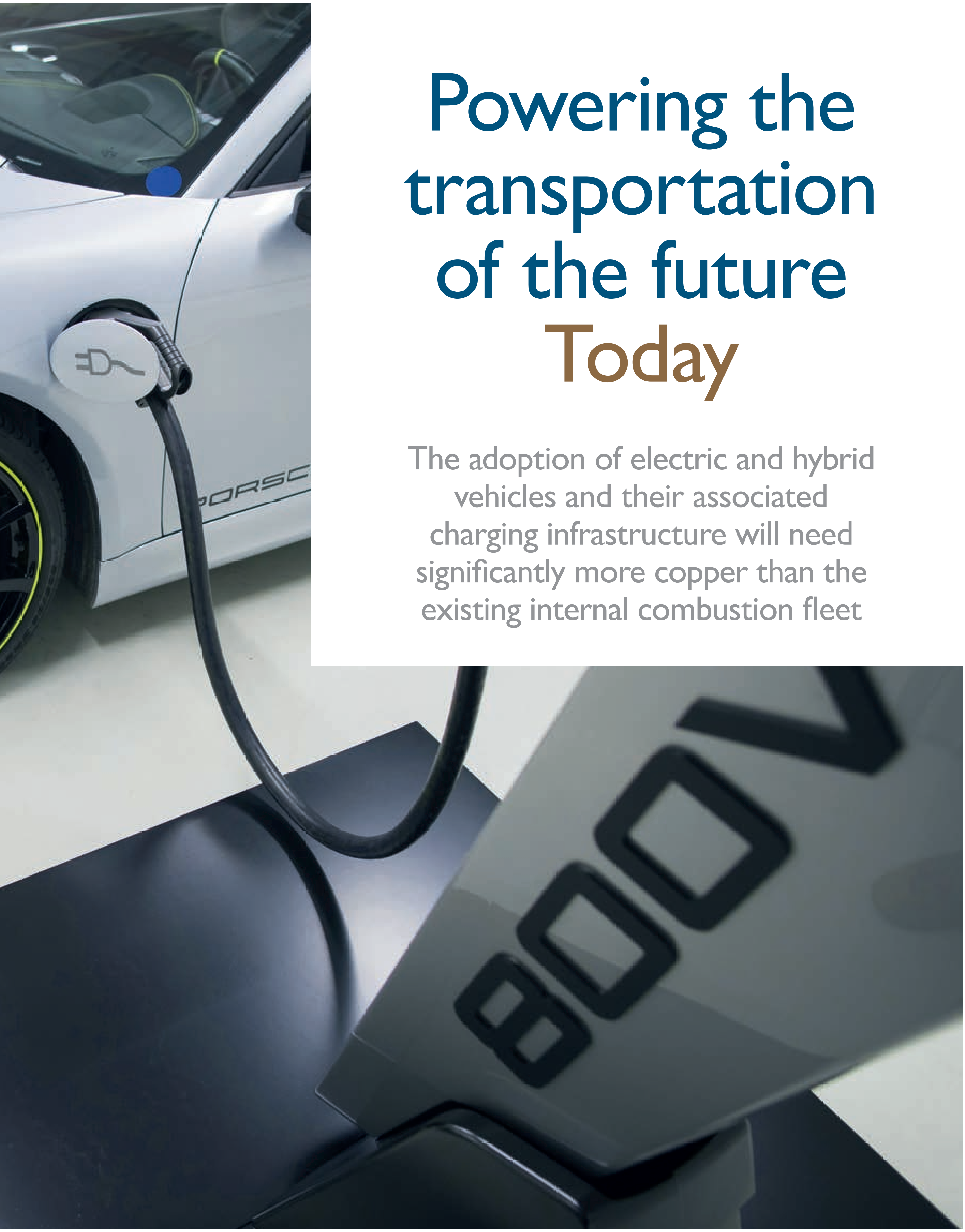
Powering the transportation of the future Today

The adoption of electric and hybrid vehicles and their associated charging infrastructure will need significantly more copper than the existing internal combustion fleet



5x

more intensive use of copper in renewable power generation compared to conventional sources

Source: Bernstein Research

72%

of the $10.2 tn forecast to be invested in new power generation by 2040 will be in solar and wind energy

Source: Bloomberg New Energy Finance

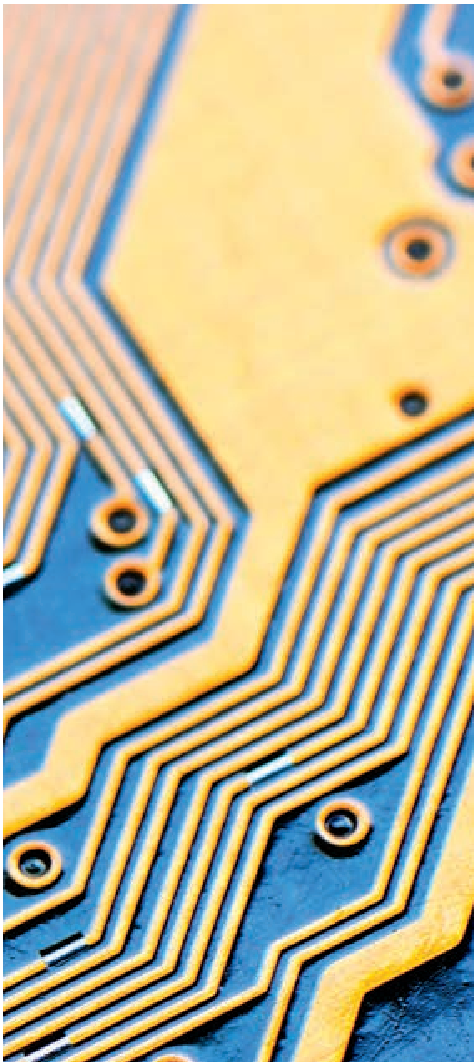
For more information, see
www.kazminerals.com

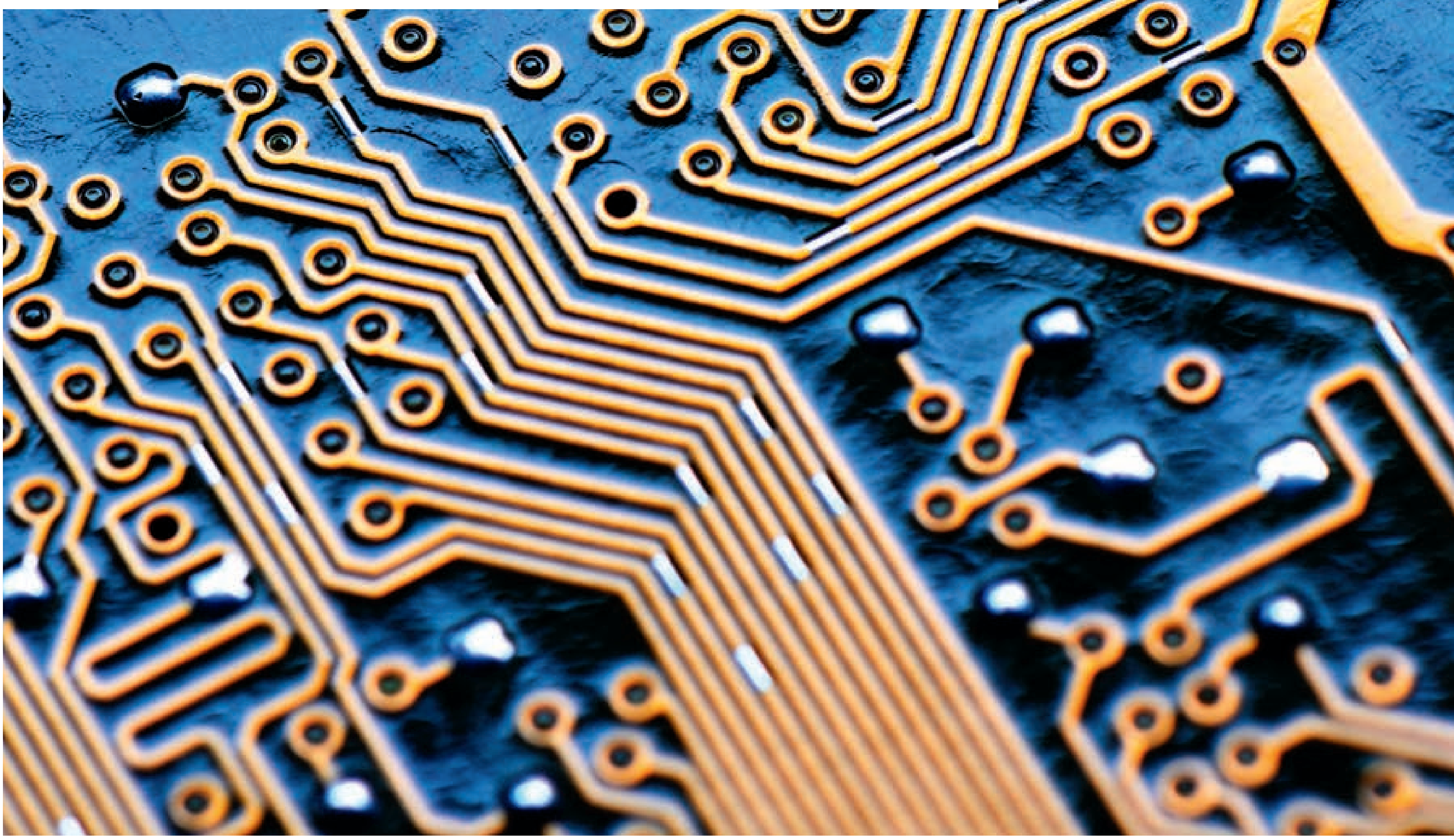
Providing the clean energy of the future Today

The world is rapidly transitioning to greener sources of energy. Solar and wind power require higher amounts of copper per unit of energy produced than fossil fuel based power generation

Creating the products of the future Today

Consumer electronics, air conditioning and refrigeration are a growing source of demand for copper, as developing economies transition to consumption led growth





For more information, see www.kazminerals.com

1.0 Mt

additional annual copper demand from consumer goods by 2025

Source: Wood Mackenzie

24%

of global copper demand in 2016 came from consumer products

Source: Wood Mackenzie

Our operations

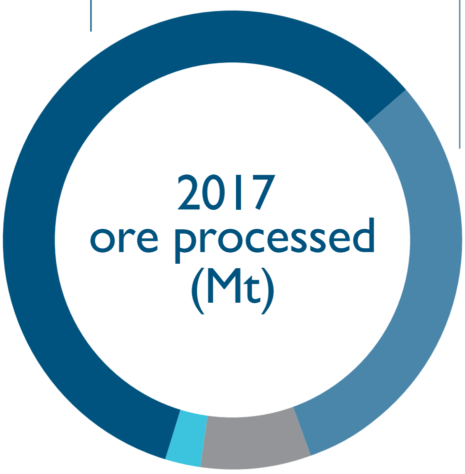
KAZ Minerals operates the Bozshakol and Aktogay open pit copper mines in Pavlodar and the East Region of Kazakhstan, three underground mines in the East Region of Kazakhstan and the Bozymchak copper-gold mine in Kyrgyzstan.

Bozshakol

- Large scale open pit mine
- 1,183 Mt of mineral resources with a copper grade of 0.35%
- Copper production of 101 kt in 2017
- Gold, silver and molybdenum by-products

Aktogay

- Large scale open pit mine
- 1,674 Mt of mineral resources with a copper grade of 0.33%
- Copper production of 90 kt in 2017
- Molybdenum by-product
- Expansion approved to double processing capacity by 2021



Bozymchak

- Copper-gold open pit mine in Kyrgyzstan
- 16 Mt of mineral resources with a copper grade of 0.84% and gold grade of 1.4 g/t
- Produced 8 kt copper and 41 koz gold in 2017

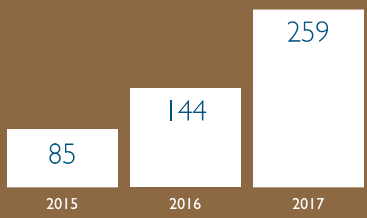
East Region

- Underground operations
- Three mines and associated concentrators
- 42 Mt of mineral resources with a copper grade of 2.41%
- Copper production of 59 kt in 2017
- Significant zinc, gold and silver by-products

High growth, low cost

KAZ Minerals has been transformed into one of the lowest cost copper producers in the world. The Group has tripled its copper production from 2015 to 2017, following the completion and ramp up of Bozshakol and Aktogay. Our asset base now mainly consists of large scale, low cost copper mines which are set to generate significant cash flows in the future.

High growth



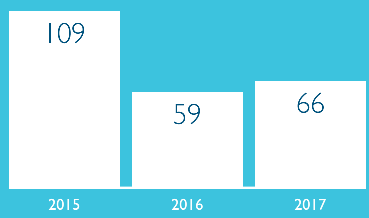
The Group has grown copper production from 85 kt in 2015 to 259 kt in 2017 as output from the new mines at Bozshakol and Aktogay ramped up.

Copper production CAGR

+74%

FY 2015-17

Low cost



In 2017, all of our operating divisions recorded net cash costs in the first quartile of the global copper cash cost curve. Costs have been driven down through the launch of new low cost open pit mines, operational efficiencies and the tenge devaluation.

Group net cash cost (USc/lb)

-39%

FY 2015-17

Delivering value to our stakeholders

KAZ Minerals is focused on the mining and processing of copper. The Group benefits from a number of advantages which enable it to deliver value for its shareholders and other key stakeholders.

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 3,217 Mt of measured and indicated mineral resources at our mining assets, with an average copper grade of 0.39%. The ore also contains by-products of gold, silver, zinc and molybdenum.

Power

Our operations in Kazakhstan benefit from competitive domestic power tariffs, 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.

Transport

Our mines are connected to the existing infrastructure of the national rail network which enables us to efficiently deliver our products to customers in China and Europe.

Labour

We employ approximately 13,000 people in our operations. There is a skilled mining workforce in Kazakhstan.

Finance

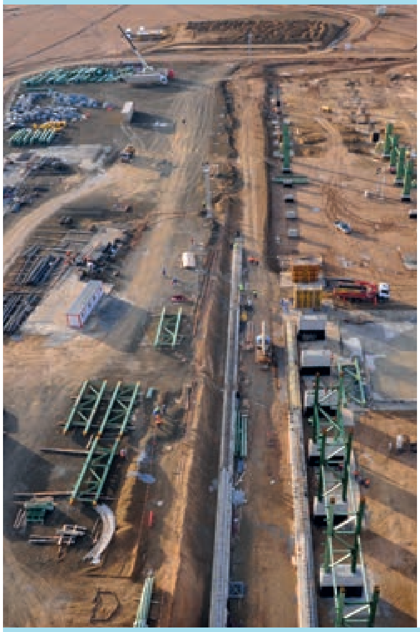
$1.8 billion of gross liquid funds at 31 December 2017, supported by long term debt facilities.

Low cost operations

The Group's net cash cost in 2017 of 66 USc/lb was amongst the lowest of any pure-play listed copper miner.

EXPLORATION AND DEVELOPMENT

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



0.39%
Average grade of copper in ore in mineral resources

3,217 Mt
Mineral resources (measured and indicated)

MINING AND PROCESSING

65 Mt
Ore mined in 2017

How we run our business

Health and safety

Safety is our highest strategic priority.

Our aim is zero fatalities and a reduction in the rate of injuries (TRIFR) at our operations.

Environment

The Group seeks to minimise the impact of its activities on the environment. We report all material impacts in our Corporate responsibility report, see pages 43 to 55 for details.

Local communities

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

For more information, see pages
22 Strategy
27 Operating review

SALE OF CONCENTRATE

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

Zinc concentrate from the East Region is sold to customers in Kazakhstan, China or Russia.

Treatment and refining

East Region and Bozymchak copper concentrate is toll processed in Kazakhstan at the Balkhash smelter.

Sale of finished metals

The Group sells finished metals produced from East Region and Bozymchak concentrate at Balkhash, as well as copper cathode produced from oxide ore at Aktogay.

The Group operates six copper concentrators with a total processing capacity of 60 Mt per annum. 13 Mt of oxide ore was also processed via heap leaching in 2017.

0.71%

Copper grade of ore processed in 2017

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 56 to 63 for a detailed analysis of the key risks to our business.

Corporate governance

KAZ Minerals adheres to the highest standards of corporate governance.

DELIVERING VALUE FOR OUR STAKEHOLDERS

Shareholders

We seek to deliver long-term value for our shareholders.

Customers

Our customers in China and Europe rely on our supplies of metal and concentrate.

Suppliers

We prioritise local content where possible and require suppliers to meet our codes of conduct.

Communities

We create jobs and business opportunities for local communities. We support local social projects.

Our people

We invest in our people, helping them to further their careers.

Kazakhstan

We are a major economic contributor to Kazakhstan. Our tax contributions support the Government in providing public services and infrastructure. The Group funds social projects at local and national level.

Delivering growth in copper

In 2017, the Group delivered against the key strategic goals we set out in 2014, completing our transformation into a pure-play copper company focused on large scale, low cost open pit mining in Kazakhstan. Copper production has more than tripled from 85 kt in 2015 to 259 kt in 2017. Our growth was delivered over a period in which the outlook for copper has improved significantly.

The Group recorded amongst the lowest cash costs of any pure-play copper miner globally in 2017, at 66 USc/lb. Having successfully ramped up production at our new operations, Bozshakol and Aktogay, we have also demonstrated our ability to deliver large scale capital projects which we will apply in the recently announced Aktogay expansion.

Health and safety

Improving the Group's health and safety performance remains our highest priority and I am disappointed to report that four fatalities occurred during the year. No fatality is acceptable to us and we continue to work towards our target of zero fatalities. We are committed to making additional investments, adopting international best practice and driving cultural change in this critical area of the business. In 2017, we approved a new three year strategy for improving our health and safety performance.

Delivering high growth and low costs

Over the past six years the Group has successfully executed the construction of two major growth projects, Bozshakol and Aktogay and we enter 2018 with both mines in the final stages of ramping up production to design capacity. With our project development capability now proven we are considering investment in further growth opportunities, although suitable projects are highly sought after in the current market environment given the positive outlook for copper. I am therefore pleased to have announced the launch of the Aktogay expansion in December 2017, a low risk project to construct a duplicate of the sulphide processing facilities we have previously commissioned at Bozshakol and Aktogay.

> "The Group has successfully executed the construction of Bozshakol and Aktogay over a period in which the outlook for copper has improved significantly."

Oleg Novachuk
Chair

The expansion will deliver meaningful production growth from 2022 and a strong return on investment.

Our contribution to Kazakhstan

KAZ Minerals is the largest copper producer in Kazakhstan. We are a major contributor to the national economy, having invested approximately $4 billion into the Bozshakol and Aktogay projects since 2011. Both mines are now generating economic growth, export earnings and tax contributions. The Group made a total tax contribution of $365 million in Kazakhstan in 2017.

Our investment in Kazakhstan will continue with the $1.2 billion expansion of the Aktogay project. The impact of the growth projects in Kazakhstan has been far more than purely financial as we have created employment opportunities, invested in the training and development of thousands of local personnel and prioritised the use of local contractors where possible. We are bringing new skills, technology and expertise into the country, helping to maximise the potential of its natural resources.

The Group's largely Kazakhstan based workforce has one of the highest levels of female representation of any major global mining company, at 24% of total employees and 23% of senior managers. We are proud to offer equality of opportunity to all current and potential future employees, regardless of ethnicity, gender or background.

Governance changes

Following consultation with its major shareholders, the Group announced a number of Board and management changes on 27 April 2017 which took effect from the start of 2018. Simon Heale decided to stand down from the Board having served eleven years as a Director including the past five as Chair. I would like to thank Simon for his valuable contribution over a period which included significant change, including the Restructuring in 2014 and the completion of our major growth projects. His advice and leadership will be greatly missed.

The Board considered the most appropriate leadership and governance structure to meet the challenges of the next stage of the Group's development. The result of the review conducted by the Board was that I should take on the role of Chair, including responsibility for leadership on strategy, government relations and business development. Andrew Southam has become Chief Executive Officer and is responsible for the day to day executive management of the Group. Andrew has a deep understanding of the business, its culture and stakeholders and was one of the key architects of the October 2014 Restructuring which created KAZ Minerals. Further details on the background to these changes can be found in the Corporate governance overview on pages 64 and 65 of this report.

In the second half of 2017, we appointed a new Chief Financial Officer designate, John Hadfield, and an additional independent non-executive Director, Alison Baker. Both John and Alison bring extensive experience to the Group and will make an important contribution as we enter the next stage of our development.

In recognition of the need to maintain the Group's existing high standards of corporate governance the Board appointed Michael Lynch-Bell, Senior Independent Director, to the additional role of Deputy Chair. As Deputy Chair, Michael has responsibility for matters related to Board governance including the annual review of Board effectiveness, the leadership of the Nomination Committee and acting as an intermediary between non-executive Directors and the Chair.

Dividends

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

The Group has a strong record of payments to shareholders, with returns of $2,095 million in ordinary dividends, buy-backs and special dividends since its Listing in 2005. Dividend payments were suspended from 2013 during the capital intensive stages of the development of the Bozshakol and Aktogay projects. This has supported the pursuit of a counter-cyclical growth strategy through a period of low commodity prices and helped to deliver value for shareholders.

Whilst the outlook for the Group's financial position is positive given the ramp up of Bozshakol and Aktogay and the improved copper market, the Group has invested heavily in these projects and it is our near-term priority to continue to reduce our gearing metrics. Accordingly, the Board does not recommend a dividend in respect of the 2017 financial year. The Board will continue to assess the Group's financial position, cash flows and growth requirements in determining when to resume dividends in the future.

Outlook

The outlook for the global copper market is improving, as supply from existing mines continues to decline and additional output from new projects has been delayed. There is also potential for supply disruption in the short term which could affect a market that is tightly balanced. In the medium term, economic growth is expected to drive demand from traditional sources, combined with the potential development of new markets for copper such as the increased adoption of clean energy generation and electric vehicles.

The cash flow generated by our low cost assets in 2017 has materially strengthened the Group's financial position and we are investing in a low risk project to deliver further growth through the expansion of Aktogay. I am proud to take on the role of Chair of the Group at this time and I look forward to meeting the challenges ahead as we continue with the next stage of our development.

Oleg Novachuk
Chair

Achieving our goals

KAZ Minerals has continued the ramp up of production at the new Bozshakol and Aktogay mines in 2017, resulting in an 80% increase in copper output and 40% higher gold production. This is the ninth consecutive year in which the Group has achieved its guided copper production target and our third year as a first quartile producer on the global copper cash cost curve, with a net cash cost of 66 USc/lb.

Health and safety

I am disappointed to report that four fatalities occurred during 2017 in the Group's underground mines in the East Region of Kazakhstan. Two incidents resulted from electrical safety failures, one from rock fall and one from contact with moving machinery. The causes of these incidents have already been identified as key fatality risks and are the subject of ongoing programmes aimed at improving safety standards in our underground operations. No fatality is acceptable to us and we continue to work towards our goal of zero fatalities.

The number and frequency rate of fatalities in 2017 have reduced compared to the prior year and this is a continuation of a long term trend of improvement in our overall health and safety performance. We have operated our open pit facilities at Bozshakol, Aktogay and Bozymchak without any fatal incidents since each of these mines commenced production, for a combined total of 25 million man hours.

Looking ahead to 2018, we will be investing in improvements to our emergency response capabilities and increasing direct supervision of working practices at mine sites. We will also continue with a newly established programme of workshops and other communication initiatives aimed at sharing best practice across the Group. In the coming year these events will focus on improving leadership, culture and behaviour and applying lessons learned from incident investigations and near-misses.

Our people

The Group employs approximately 11,800 staff in Kazakhstan and 1,200 at its Bozymchak operation in Kyrgyzstan. Around 5,000 contractor employees are also active on our sites. We are committed to ensuring that employees receive fair remuneration, are provided with a safe working environment and continue their professional development. The Group takes a long-term view of building capability amongst its staff, recognising their critical role in our successes to date and in meeting future challenges. I would like to thank all my colleagues for their contributions in 2017 and for their ongoing commitment to our future success.

Review of operations

The ramp up of our new mines proceeded in line with management expectations in 2017, with the 25 million tonne per annum Bozshakol sulphide concentrator achieving 100% of design capacity in August. The smaller 5 million tonne clay processing plant at Bozshakol ramped up to 82% of capacity in the fourth quarter of 2017, after commencing production at the end of 2016. Total copper production at Bozshakol in 2017 was 101 kt, an increase of 111% compared to 2016.

> "KAZ Minerals has successfully ramped up production at the new Bozshakol and Aktogay mines to date, resulting in an 80% increase in copper output and 40% higher gold production."

How we have transformed the business from 2015-2017

5 million tonnes Ore processed	42 million tonnes Ore processed
85 kt Copper production	259 kt Copper production

For more information, see pages
22 Strategy
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Andrew Southam
Chief Executive Officer

The Aktogay sulphide concentrator started production in February 2017 and ramped up ahead of schedule. Combined sulphide and oxide copper production was 90 kt against initial guidance of 65-85 kt, five times higher than the 18 kt produced in 2016 from the oxide plant. The sulphide concentrator achieved commercial levels of production at the end of September in line with guidance and remains on track to achieve 100% of design capacity during 2018.

At the East Region and Bozymchak, copper production of 67 kt exceeded the target for the year of around 65 kt and gold production of 59 koz was at the upper end of guidance. Works to extend the life of the Artemyevsky mine continued according to the project plan.

The Group produced 259 kt of copper in 2017, at the upper end of the original guidance range of 225-260 kt given at the start of the year and in line with the revised guidance range of 250-270 kt set in the second half, following good progress with the ramp up at Aktogay. Gold production of 179 koz was at the upper end of expectations, supported by high gold grades at Bozshakol and strong output from Bozymchak. Silver production was in line with guidance at 3,506 koz, with lower silver grades in the East Region in the fourth quarter offset by the contribution from both Bozshakol and Aktogay. Zinc in concentrate production of 58 kt was below guidance of 60-65 kt, as access to high zinc grade areas in the East Region mines was deferred.

Production outlook

With Bozshakol entering 2018 at close to full capacity and Aktogay scheduled to ramp up to 100% of mill throughput during the year, guidance for copper production in 2018 is set at 270-300 kt.

Bozshakol will benefit from a full year of production at or near design levels in both the main sulphide concentrator and the clay plant, although this will be offset by a decline in copper grade from the 0.53% processed in 2017. Copper production at Bozshakol is guided at 95-105 kt for 2018. At Aktogay, copper guidance is set at 110-130 kt, consisting of 20-25 kt of copper cathode from oxide ore and 90-105 kt from sulphide ore. Copper production in the East Region and Bozymchak is expected to remain stable at around 65 kt.

Zinc in concentrate production is guided to be in the region of 60 kt in 2018. Gold production in 2018 is expected to be slightly lower at 160-175 koz, as gold grades at Bozshakol and Bozymchak reduce from the elevated levels processed in 2017. Silver output is anticipated to be approximately 3,000 koz.

Financial performance

The Group generated $1,663 million of revenues in 2017, excluding pre-commercial sales from the Aktogay sulphide concentrator and the Bozshakol clay plant. Gross Revenues, including $275 million of pre-commercial sales, were $1,938 million. 75% of the increase in Gross Revenues was a result of higher production volumes compared to the prior year as Bozshakol and Aktogay ramped up and the remaining 25% of the increase resulted from stronger commodity prices. The average LME copper price in 2017 of $6,163/t was 27% above the 2016 average of $4,860/t, reaching a four year high of approximately $7,250/t in the fourth quarter.

All of the Group's assets recorded net cash costs in the first quartile of the global cash cost curve and the consolidated Group net cash costs were an industry leading 66 USc/lb. Our competitive unit costs are based on low strip ratios, low energy, water and transport costs, high levels of automation, strong by-product credits and access to markets for the Group's products. Many of these factors are structural features of our asset portfolio.

At Bozshakol, gross cash costs of 121 USc/lb were in line with guidance of 115-135 USc/lb. Gold production for the year of 119 koz was at the upper end of guidance, delivering a highly competitive net cash cost of 54 USc/lb.

Aktogay's ramp up in 2017 delivered production volumes ahead of expectations at the beginning of the year, reducing unit costs and resulting in a combined gross cash cost from oxide and sulphide operations of 100 USc/lb, slightly below the lower end of the guidance range of 110-130 USc/lb. Small quantities of payable silver delivered a net cash cost of 98 USc/lb, placing Aktogay in the first quartile of the cost curve in its first year of operations at the main sulphide plant.

Gross cash costs in the East Region and Bozymchak increased by 9% from 191 USc/lb in 2016 to 208 USc/lb, against 2017 guidance of 205-225 USc/lb. Strong by-product output resulted in net cash costs of 42 USc/lb (2016: 68 USc/lb).

The Group recorded EBITDA of $1,038 million, representing an EBITDA margin of 62%. Gross EBITDA, which includes pre-commercial earnings of $197 million from Aktogay sulphide and the Bozshakol clay plant, was $1,235 million. Operating profit increased by 228% compared to the prior year, to $715 million. Underlying Profit was $476 million and earnings per share based on Underlying Profit increased by 168% to $1.07, from $0.40 in 2016. Free Cash Flow increased to $452 million due to the ramp up of the new mines, which delivered $512 million higher operating cash flows. The Group also received $243 million of VAT refunds relating to the construction of the major growth projects.

Net debt reduced from $2,669 million at the 2016 year end to $2,056 million at the end of 2017, supported by strong operating cash flow and lower than expected project funded expansionary capital expenditure of $196 million against guidance of $300 million. Around half of the unspent capital expenditure will be carried over into 2018. Gross borrowings were $3,877 million at the year end and cash and cash equivalents were $1,821 million, as the extended $600 million PXF facility signed in June was fully drawn down in December. The Group's gearing metrics strengthened significantly in 2017 with the ratio of net debt to Gross EBITDA falling to 1.7x, from 5.4x in 2016.

Financial guidance

Following two full years of operations at Bozshakol, normal maintenance cycles are being established and a slightly lower average copper grade is expected in the 2018 mine plan. Gross cash costs are therefore expected to increase to 130-150 USc/lb. At Aktogay, there will be downward pressure on unit costs as processing volumes continue to ramp up, offset by lower grades and higher maintenance expenses after the initial ramp up period, resulting in gross cash cost guidance of 110-130 USc/lb for 2018. Gross cash costs in the East Region and Bozymchak are expected to rise in line with local inflation and reduced sales volumes, to 230-250 USc/lb.

Expansionary capital expenditures of up to $350 million will be incurred at Aktogay in 2018 in respect of the original project, to settle $300 million of deferred invoices outstanding with the main construction contractor and on construction of the final stage of heap leach cells for the oxide operation. Expenditure on the Aktogay expansion project will commence in 2018, with $200 million expected to be spent on purchasing long lead items and other early project costs. At Bozshakol project capital expenditure of around $40 million will be incurred in 2018 for final contractor retention payments. $40 million will be invested in the East Region and Bozymchak, mainly for the expansion of the Artemyevsky mine, resulting in total expansionary capital expenditure guidance of $630 million for 2018.

Sustaining capital expenditure in 2018 is expected to be in the region of $35 million at Bozshakol, approximately $30 million at Aktogay and around $50 million in the East Region and Bozymchak.

Investing in growth

The growth phase associated with the delivery of Bozshakol and the first stage of the Aktogay project is now largely complete and the Group is preparing to embark on the next phase of its development.

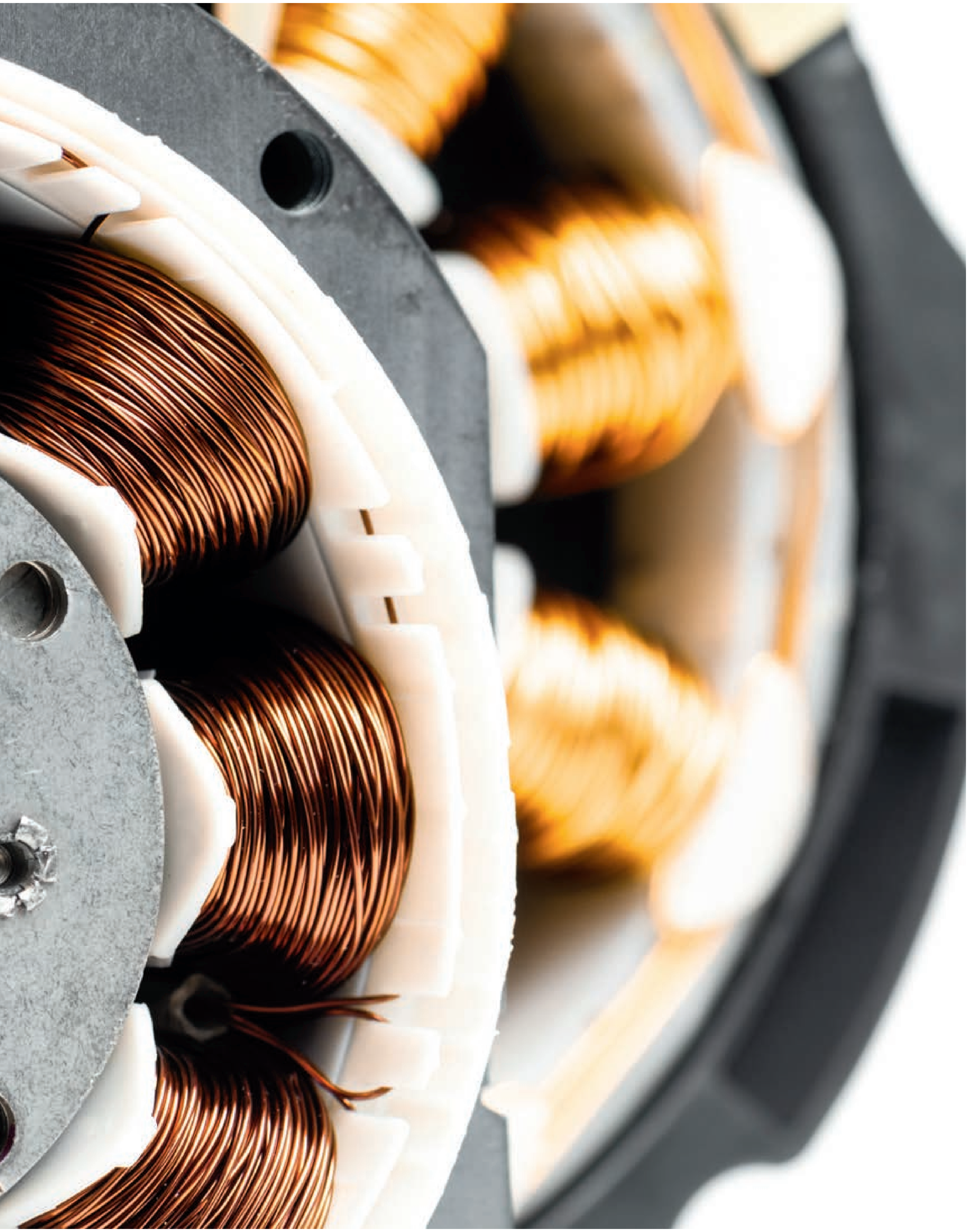
In December 2017, we announced the Board's approval of a $1.2 billion project to double sulphide ore processing capacity at Aktogay through the construction of an additional concentrator, identical to the facilities already successfully installed at both Bozshakol and Aktogay. This project represents a low risk brownfield expansion which will enable us to add approximately 80 kt to the Group's annual copper output in the period 2022-2027 and 60 kt thereafter. The mine life of Aktogay will reduce from over 50 years to 28 years as processing volumes are brought forward.

The Koksay copper deposit, situated close to Almaty in the south east of Kazakhstan, represents a future growth option, although the Aktogay expansion project is the immediate priority.

Outlook

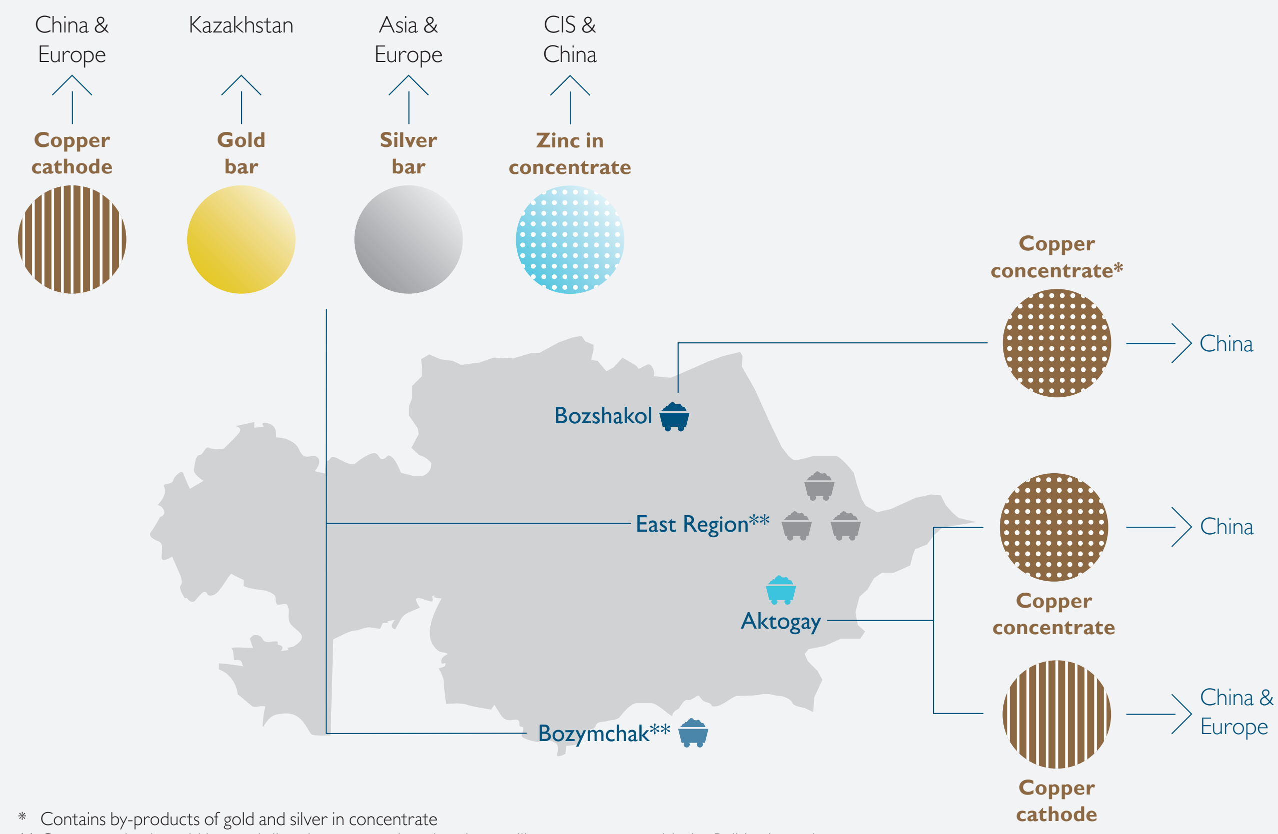
The Group has delivered another year of high production growth in 2017 as Bozshakol and Aktogay have continued to ramp up. Our asset base now mainly consists of large scale, low cost copper mines which are set to generate significant cash flows in the future. We have established a strong platform and we are well positioned to benefit from the expected tightness in the copper market, as declining global supply coincides with continued growth in demand.

Andrew Southam
Chief Executive Officer



Market overview

Our asset base mainly consists of large scale, low cost copper mines. We are well positioned to benefit from the expected tightness in the copper market, as declining global supply coincides with continued growth in demand.



* 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 highly impacted by 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, dependent upon geopolitical and macroeconomic factors, with the outlook for the Chinese economy, the biggest consumer of copper and the main physical market for the Group, of particular significance.

Copper concentrate is sold at a provisional LME copper price, less TC/RCs, which is adjusted to a final price, typically the second month after delivery. Copper cathode is sold to Chinese and European customers, with typically around 80% contracted on an annual basis and 20% sold onto spot markets. Sales are made at a provisional LME price, which is adjusted to a final price, typically one month after delivery.

Copper

2017 market performance

Copper performed strongly during 2017, supported by a favourable macro-economic environment, stronger than expected demand from China and supply disruptions. The average LME copper price during 2017 was $6,163/t, a 27% increase compared with $4,860/t in the prior year.

An improvement in market sentiment, which began in November 2016 extended into the first quarter of 2017 as prices continued to rise due to supply disruptions, including export restrictions and labour disputes in South America. Prices resumed their upward trajectory in the second half of 2017 due to positive data and policy measures supportive of copper from China and upgrades to copper demand expectations, including widespread coverage of the potential of electric vehicles. A weaker US dollar, combined with market anticipation of possible supply disruption from labour disputes contributed to strengthening copper prices in the fourth quarter. The LME copper price ended the year at $7,157/t, 30% above the price at the end of 2016.

The copper market has remained tight, and is expected to have been broadly in balance during 2017. For the first time since 2011, global mine production is estimated to have fallen, a result of supply disruptions during the year and delays to the commissioning of new projects.

Average price movement in 2017

Copper	Gold	Silver	Zinc
+27%	+1%	-1%	+38%

Market outlook

Over the next few years the copper market is expected to remain tight. Positive supply growth from new projects and brownfield expansions is expected to hit the market and broadly offset declining production from existing sources. As a result, any disruption from labour disputes or other geopolitical factors is likely to result in price volatility.

Demand is expected to maintain a moderate growth path, with China the key market. Overall consumption is expected to increase, in particular from energy grid and transport sector investment, as well as the long-term potential consumption increase from electric vehicles.

In the longer term a market deficit is expected to occur, from around 2021, driven by structural supply issues. Production growth is expected to reduce owing to declining ore grades, restricted investment, a lack of new major deposits and increased environmental, political and social risks to existing and new sources of production. With the long lead times required to bring new capacity to production, this could result in a period of consistent supply deficit and support higher long-term copper prices.

By-products

2017 market performance

Gold and silver prices were relatively stable throughout 2017, trading in narrow ranges. Average gold and silver LBMA prices were $1,257 and $17.0 per ounce respectively in 2017, both broadly in line with the prior year. The silver market is expected to have recorded a surplus in 2017, the first time since 2012, due to weak demand factors. Prices fell to an average of $16.2 per ounce in December.

Zinc was one of the strongest performers among the base metals during the year. The average LME zinc price was $2,896/t in 2017, 38% above the average price in 2016. Prices were supported by constraints in mine supply, with falling output resulting in lower inventories and a tight physical market for both concentrate and refined metal.

Market outlook

The outlook for gold and silver will be highly dependent upon macroeconomic factors. Inflationary pressures, political or economic uncertainty may benefit prices. Prices could also be supported if investor demand increases, as gold and silver are a potential source of portfolio insurance, with global stock markets currently on a long positive run.

The outlook for zinc remains positive, due to a lack of potential supply growth from new projects. Mine supply is now increasing, but not at the levels required to move the market into surplus. A continued shortage of concentrates means that treatment charges are forecast to continue to reduce.

Market fluctuations: how we respond

We continually monitor 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 the 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 Gross EBITDA resulting from a 10% movement in the average realised commodity prices on the Group's results is shown, assuming all other variables remain constant:

	Average realised price 2017	Impact of 10% price movement on Gross EBITDA ($m)
Copper sales ($/t)	5,992	153
Gold sales ($/oz)	1,273	22
Silver sales ($/oz)	17	6
Zinc sales ($/t)	2,038	12

Our strategic framework

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

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

Vision

To become a world-leading developer and operator of large scale, low cost copper mines.

Objective

To deliver value for our shareholders whilst maintaining a strong social commitment to our employees, the environment and communities around us.

KPIs

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

Deliver major growth projects

We will seek to undertake growth projects which have the potential to deliver a high return on investment, including brownfield expansions of existing assets and new greenfield development projects.

Relevant KPIs
- EBITDA (excluding special items)
- Ore processed
- Net cash cost of copper sold
- Copper production
- Maintenance spend per tonne of copper cathode produced
- Number of fatalities
- Total Recordable Injury Frequency Rate

Optimise existing assets

Improve health and safety, increase productivity and maintain low operating costs and capital expenditure.

Relevant KPIs
- EBITDA (excluding special items)
- Ore processed
- Net cash cost of copper sold
- Copper production
- Maintenance spend per tonne of copper cathode produced
- Number of fatalities
- Total Recordable Injury Frequency Rate

Take advantage of natural resource opportunities

Seek out natural resource opportunities, focusing on copper assets in Kazakhstan and the surrounding region.

Be a socially responsible operator

Relevant KPIs
- Number of fatalities
- Total Recordable Injury Frequency Rate

For more information, see pages
22 Key performance indicators
27 Operating review

Stated priorities for 2017	Progress in 2017	Priorities for 2018
Bozshakol • Ramp up sulphide concentrator to design capacity • Ramp up clay plant **Aktogay** • Ramp up sulphide concentrator • Achieve commercial levels of production in the second half of 2017 • Deliver 20 kt production from oxide ore **Smelter project** • Continue project studies • Assess financing options	**Bozshakol** • Sulphide concentrator achieved 100% throughput in August and 91% in December • Clay plant declared commercial in July **Aktogay** • Ramped up to 68% in the fourth quarter • Declared commercial from October • 25 kt oxide production **Smelter project** • Studies completed, project not approved	**Bozshakol** • Sustained operation of main plant at design capacity • Complete ramp up of clay plant **Aktogay** • Ramp up sulphide concentrator to design capacity during 2018
East Region • Evaluate mine life extensions and nearby greenfield site potential • Yubileyno-Snegirikhinsky mine site liquidation • Seek operational efficiencies to manage costs **Bozymchak** • Evaluate potential additional resources • Seek operational efficiencies to manage costs **Health and safety** • Target zero fatalities • Reduce injury rate	**East Region** • East Region and Bozymchak maintained net cash costs in first quartile of cost curve, 42 USc/lb in 2017 • Artemyevsky II expansion project progressed **Bozymchak** • Operated at design capacity throughout 2017 **Health and safety** • Zero fatalities in open pit operations • Number of serious injuries reduced	**East Region** • Evaluate mine life extensions and nearby greenfield site potential • Yubileyno-Snegirikhinsky mine site liquidation • Seek operational efficiencies **Bozymchak** • Evaluate potential additional resources • Seek operational efficiencies **Health and safety** • Zero fatalities • Reduce injury rate
• Evaluate any new opportunities identified • Consider options for the future development of Koksay	• Aktogay expansion approved • Potential future growth projects screened • Koksay growth option maintained	• Commence Aktogay expansion project • Evaluate any new opportunities identified
• Improve health and safety performance • Minimise environmental impact	• Fatalities reduced • Site collaboration on safety issues improved • CO_2 and energy intensity reduced	• Target zero fatalities • Reduce injury rate • Improve energy efficiency and CO_2 intensity

Measuring our progress

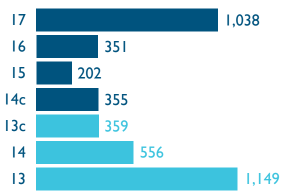
The Group uses a set of Key Performance Indicators (KPIs) to monitor performance in the delivery of the strategic objective set out on page 22.

The Group's KPIs are regularly reviewed to ensure they remain relevant and are aligned with the Group's strategies and objective. The suitability and relevance of these KPIs will continue to be monitored in the future. 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.

Objective deliver value for our shareholders

EBITDA (excluding special items) ($ million)

1,038



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, mineral extraction tax and royalties, as adjusted for special items.

2017 Performance
EBITDA (excluding special items) was almost three times higher than in 2016 due to sales volumes from the ramp up of production at Bozshakol and Aktogay combined with an increased copper price.

Bozshakol EBITDA of $503 million (2016: $67 million) grew significantly after a full year of commercial production from the sulphide plant and incremental volumes from the clay plant which achieved commercial production on 1 July 2017.

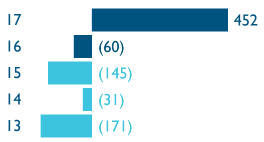
Aktogay EBITDA of $189 million (2016: $29 million) increased as the oxide plant delivered a full year of production and the sulphide plant was declared commercial on 1 October 2017.

East Region and Bozymchak EBITDA rose by 33% to $371 million (2016: $279 million) as improved commodity prices and lower operating costs offset a 13% reduction in copper volumes.

EBITDA of $1,038 million excludes Aktogay EBITDA of $185 million (2016: $4 million) and Bozshakol EBITDA of $12 million (2016: $137 million) capitalised in the periods prior to the plants achieving commercial production.

Free Cash Flow ($ million)

452



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

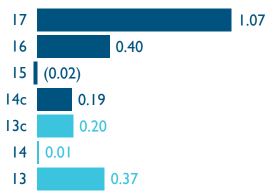
How we measure
Net cash flow from operating activities before capital expenditure and non-current VAT associated with expansionary and new projects less sustaining capital expenditure.

2017 Performance
Group Free Cash Flow for the year improved by $512 million compared to the prior year with an inflow of $452 million (2016: outflow of $60 million) as the increase in profitability was reflected in strong cash generation from the Group's operations, in particular Bozshakol and Aktogay.

The Group Free Cash Flow of $452 million is after increased MET payments, which more than doubled from $73 million to $151 million due to additional ore extraction volumes and higher LME prices and interest paid, which rose by 24% to $222 million due to higher LIBOR rates in 2017, additional borrowing costs associated with the DBK loan drawn in December 2016 and $10 million in PXF amendment costs.

EPS based on Underlying Profit/(Loss) ($)

1.07



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

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

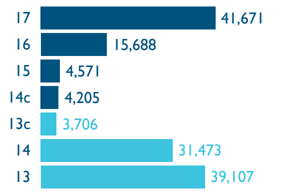
2017 Performance
EPS based on Underlying Profit/(Loss) increased by more than 160% to $1.07 per share from $0.40 per share in 2016. Underlying Profit/(Loss) rose by $296 million to $476 million due to increased contributions from the Bozshakol and Aktogay operations and improved copper prices, partly offset by a $116 million higher interest expense as the capitalisation of financing costs to the cost of the projects ceased during 2017.

- 14c represents continuing operations only in 2014
- 13c represents continuing operations only in 2013

Strategic priorities optimise existing assets and deliver growth projects

Ore processed (kt)

41,671



Relevance

Ore processed indicates our ability to efficiently process ore that has been extracted, to maximise output.

How we measure

Kilotonnes of ore processed from our mining operations. In the previous years, the Group reported an ore output KPI which has been replaced in 2017 by the ore processed KPI to reflect the Group's transition to large scale open pit mining. Comparatives have been restated to align with the new definition.

2017 Performance

Ore processed of 41,671 kt (2016: 15,688 kt) was over two and a half times more than the prior year due to the ramp up of volumes processed at Bozshakol and the start-up of the Aktogay sulphide concentrator.

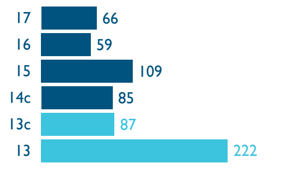
At Bozshakol, ore processed increased by over 120% to 24,558 kt compared to 11,068 kt in 2016 as the sulphide plant approached its design capacity and the clay plant continued its ramp up.

At Aktogay, the sulphide concentrator commenced production in February 2017 and processed 12,941 kt of sulphide ore.

Ore processed at the East Region and Bozymchak mines was just under 10% lower at 4,172 kt compared to 4,620 kt in the prior year due to the closure of the Yubileyno-Snegirikhinsky mine at the end of 2016.

Net cash cost of copper sold (USc/lb)

66



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 plus TC/RCs paid on the sale of concentrate, less by-product revenues, divided by the volume of own copper sales. Net cash cost is calculated over the full year including the periods prior to the achievement of commercial production.

2017 Performance

The 2017 net cash cost of 66 USc/lb was slightly above the Group's net cash cost in 2016 of 59 USc/lb. The Group is a low cost producer and its 2017 net cash cost is believed to place it amongst the lowest of pure-play copper companies globally. Excluding the impact of by-product credits, the Group's gross cash cost in 2017 of 138 USc/lb has reduced compared to 156 USc/lb in 2016, due to increased production from the lower cost operations of Bozshakol and Aktogay.

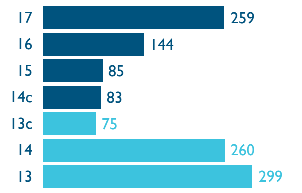
Bozshakol reported a gross cash cost of 121 USc/lb (2016: 106 USc/lb) and a net cash cost of 54 USc/lb (2016: 27 USc/lb).

Aktogay reported gross and net cash costs of 100 USc/lb and 98 USc/lb respectively (2016: 114 USc/lb). Aktogay's gross cash costs reflect the benefit of a very low strip ratio.

East Region and Bozymchak reported a gross cash cost of 208 USc/lb, a slight increase compared to 191 USc/lb in 2016 due to reduced production levels. The net cash cost of 42 USc/lb (2016: 68 USc/lb) benefited from higher zinc prices raising by-products credits.

Copper production (kt)

258.5



Relevance

Copper, the Group's principal product, represents 79% of Gross 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.

2017 Performance

Copper production increased by 80% to 258.5 kt from 143.5 kt in 2016 due to the contribution from sulphide operations at Bozshakol and Aktogay.

At Bozshakol, copper production more than doubled to 101.3 kt from 48.0 kt in 2016 as the sulphide plant ramped up towards its design capacity and the clay plant was commissioned in February.

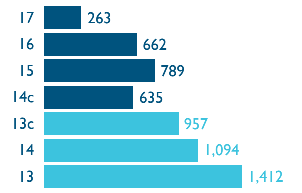
At Aktogay, total production increased to 90.2 kt (2016: 18.1 kt) following production from the sulphide plant which started in February 2017 and increased output from the oxide plant as it operated for a full year at capacity.

Copper production at the East Region and Bozymchak of 67.0 kt was 13% lower than the prior year due to the closure of the Yubileyno-Snegirikhinsky mine.

In 2017, the copper cathode equivalent production KPI was replaced with copper production to reflect the change in the Group's output from cathode to copper in concentrate. Comparatives have been restated in line with the new definition.

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

263



Relevance

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

How we measure

Sustaining capital expenditure for our mining operations, divided by copper production volumes.

In 2017 the KPI includes production and sustaining capital expenditure from all operations as compared to 2016 where the KPI excluded the production and capital expenditure from Bozshakol and Aktogay.

2017 Performance

Maintenance spend per tonne of copper production has decreased by 60% compared to the prior year following inclusion of the Bozshakol and Aktogay operations which delivered significant production volumes with limited sustaining capital expenditure.

Comparatives have been restated to align with the 2017 copper production definition.

"Improving our health and safety performance is our highest strategic priority. Over the last five years we have seen material improvements but we will continue our efforts in this critical area until we have achieved our goal of zero fatalities."

In 2017, the number of fatal incidents occurring at our operations reduced to four, from six in the prior year. No fatality is ever acceptable to management or the Board and we will continue our efforts to eliminate such incidents in 2018.

We have continued to operate our new open pit mining assets at Bozshakol, Aktogay and Bozymchak without any fatalities since each of these mines commenced production, which now covers a total of 25 million man-hours. The key safety challenges we face in the underground assets in the East Region, including rock fall, electrical safety and contact with moving machinery, are the subject of initiatives to improve working practices and procedures.

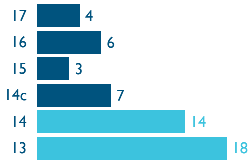
In 2018, we will focus on improving site management supervision of workers and contractors, increased communication and sharing of best practice between operational sites and in improvements to our emergency response capabilities.

Andrew Southam
Chief Executive Officer

Health and safety targeting zero fatalities

Number of fatalities (employees and contractors)

4



Relevance

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

How we measure

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

2017 performance

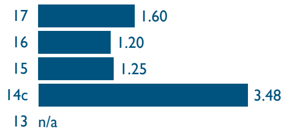
Four employee fatalities occurred in 2017 in the Group's underground mines in the East Region, compared to six fatalities in 2016. KAZ Minerals considers all fatalities to be avoidable and has a target of zero fatalities.

The overall number and frequency of fatal incidents remains significantly lower than five years ago. Two fatalities in 2017 resulted from electrical safety failures, one from a rock fall incident and one from contact with moving machinery. No fatalities have occurred in any of the operational teams at Bozshakol, Aktogay or Bozymchak from the commencement of production through to the end of 2017.

In 2018, the Group will focus on improving leadership, culture and behaviour through regular health and safety workshops aimed at sharing best practice across the Group.

Total Recordable Injury Frequency Rate (TRIFR)

1.60



Relevance

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

How we measure

The number of Total Recordable Injury (TRI) cases occurring for every million man-hours worked during the year. The definitions of TRI and TRIFR are taken from the ICMM health and safety performance indicators published in January 2014.

Historically, the Group reported injury rates as LTIFR (lost time injury frequency rate). Following the adoption of the ICMM indicators, the Group has stated its injury statistics from 2014 onwards as TRIFR. TRI data is not available for 2013.

2017 performance

There were 51 TRI cases in 2017, in line with the 51 incidents recorded in 2016. Due to a reduction in man hours worked, the TRIFR has increased to 1.60 from 1.20 in the prior year.

The main causes of injury across the Group were falls from same height, falls from height and rock falls. There were 13 serious injuries out of a total number of 51 recordable injuries, compared to 19 serious injuries in 2016.

The average TRIFR for ICMM members in 2016 was 4.26, compared the TRIFR for the Group in 2017 of 1.60. The reporting of minor injuries and near misses are important management tools for improving health and safety performance and a culture of open reporting has been successfully implemented in the new Bozshakol and Aktogay mines. The Group is working to encourage a similar reporting culture across all assets and therefore the reporting of minor injuries and near misses may increase in the short term.

Review of operations

The Group's operations in 2017 comprised the Bozshakol and Aktogay open pit copper mines in the Pavlodar and East regions of Kazakhstan, three underground mines in the East Region of Kazakhstan, the Bozymchak copper-gold mine in Kyrgyzstan and their associated concentrators.

Group production summary

kt (unless otherwise stated)	2017	2016
Copper production	**258.5**	143.5
Bozshakol	**101.3**	48.0
Aktogay	**90.2**	18.1
East Region and Bozymchak	**67.0**	77.4
Zinc in concentrate	**57.6**	75.4
Gold production (koz)	**178.7**	127.7
Silver production (koz)	**3,506**	3,284

Group copper production of 258.5 kt was an 80% increase from the prior year and in line with market guidance as Bozshakol and Aktogay ramped up. Bozshakol production more than doubled as throughput at the primary concentrator increased and the clay plant achieved commercial production in July 2017. At Aktogay, output increased from 18.1 kt to 90.2 kt, driven by the commissioning of the sulphide plant in February 2017, which recorded copper production of 65.1 kt in its first year of operations and benefited from elevated grades. As expected, production from East Region and Bozymchak reduced following the closure of the Yubileyno-Snegirikhinsky mine at the end of 2016.

Gold production of 178.7 koz was 40% above the prior year and at the upper end of market guidance. Silver production of 3,506 koz was in line with forecast. Zinc in concentrate output of 57.6 kt was below the prior year and guidance due to delayed access to higher grade zones in the East Region.

Group financial summary

$ million (unless otherwise stated)	2017	2016
Sales volumes[1]		
Copper sales (kt)	**256**	141
Gold sales (koz)	**169**	120
Silver sales (koz)	**3,759**	3,026
Zinc in concentrate (kt)	**57**	75
Gross Revenues[1]	**1,938**	969
Realised price: copper in concentrate ($/t)[1]	**5,804**	4,483
Realised price: copper cathode ($/t)[1]	**6,233**	4,898
Gross EBITDA (excluding special items)[1]	**1,235**	492
EBITDA (excluding special items)	**1,038**	351
Gross cash costs (USc/lb)[1]	**138**	156
Net cash costs (USc/lb)[1]	**66**	59

1 Includes the results of operations throughout the year, including pre-commercial production.

Gross Revenues doubled from the prior year to $1,938 million, driven by the volume growth at Bozshakol and Aktogay and a higher copper price. The average LME copper price increased by 27%, from $4,860/t in the prior year to $6,163/t. With copper representing almost 80% of Gross Revenues, this price movement had a favourable impact of $183 million. Over half of the Group's gross copper revenues are now derived from the sale of copper in concentrate, whereas in the prior year the majority were derived from the sale of cathode. Copper in concentrate is sold by reference to the LME price minus a deduction for TC/RCs.

Gross EBITDA increased by over 150% benefiting from higher Gross Revenues and a greater proportion of output from the lower cost operations of Bozshakol and Aktogay. EBITDA, which excludes the results from operations during pre-commercial production, was $1,038 million. This is significantly higher than the prior year with 2017 benefiting from a full year of operations from Bozshakol sulphide and Aktogay oxide, which were declared commercial in the second half of 2016. A significant portion of the Group's costs are based in tenge, which strengthened slightly, trading at an average of 326 KZT/$ versus 342 KZT/$ in the prior year. Whilst this was an upward pressure on operating costs, actions taken by management combined with muted inflationary pressures ensured that costs were controlled.

The Group recorded a net cash cost of 66 USc/lb which continues to place the Group's operations competitively on the global cost curve and amongst the lowest of pure-play copper producers. The increase in net cash cost versus the prior year is due to a higher proportion of Aktogay volumes which reduce the gross cash cost, but increase the net cash cost as Aktogay has lower by-product credits.

For more information, see pages
20 Market overview
24 Financial review

Bozshakol

Development approved

Commenced commissioning

Sulphide plant achieves design capacity

Copper production	Gross EBITDA	Net cash cost
101 kt	$ 515 million	54 USc/lb

The Bozshakol mine and on-site processing facilities are located in the north of Kazakhstan and have an annual ore processing capacity of 30 million tonnes and a mine life of 39 years at a copper grade of 0.35%. The main sulphide concentrator commenced production in the first quarter of 2016 and was declared commercial on 27 October 2016. The separate clay plant, which has a processing capacity of 5 million tonnes, began commissioning in the fourth quarter of 2016 with the first shipment of saleable material during the first quarter of 2017 and commercial production was achieved on 1 July 2017.

Production summary

kt (unless otherwise stated)	2017	2016
Ore extraction	**34,612**	28,272
Ore processed	**24,558**	11,068
Average copper grade processed (%)	**0.53**	0.56
Copper recovery rate (%)	**81**	80
Copper in concentrate	**106.0**	50.3
Copper production	**101.3**	48.0
Average gold grade processed (g/t)	**0.28**	0.33
Gold recovery rate (%)	**58**	58
Gold in concentrate (koz)	**127.2**	68.0
Gold production (koz)	**119.0**	64.2
Silver production (koz)	**687**	304

Ore processed volumes more than doubled to 24.6 million tonnes versus the prior year following the ramp up of the new processing plants. The main sulphide concentrator saw an increase in ore throughput from 10.9 million to 21.2 million tonnes in the year. The plant achieved 100% of design capacity during August and 93% for the third quarter. Throughput reduced in the fourth quarter to 80% following a 13-day shutdown for scheduled maintenance and other repairs in November. The concentrator returned to 91% throughput in December. Following the commissioning of the clay plant at the end of 2016, ramp up has progressed well, with ore throughput achieving 82% of design capacity during the fourth quarter. Ore processing at both concentrators is forecast to be close to design capacity during 2018.

Ore extraction increased by 22% versus the prior year, to 34.6 million tonnes, to support the higher processing volumes. Of the 34.6 million tonnes extracted in the year, 19.5 million related to sulphide ore and 15.1 million to clay material as there was a continued build-up of stockpiled clay material to enable access to sulphide ores. At 31 December 2017 there are approximately 33 million tonnes of stockpiled material available for processing at the clay plant.

Copper production of 101.3 kt was 111% above the prior year and in line with market guidance of 100-110 kt. The higher output reflected the increase in processing volumes, partially offset by an anticipated reduction in grades. The overall recovery rate increased from 80% to 81% in 2017, as an improvement in recovery at the sulphide plant was partially offset by lower recovery from the newly commissioned clay plant. Gold production of 119.0 koz was at the high end of market guidance of 110-120 koz and significantly above the prior year. Silver production of 687 koz was above market guidance of around 650 koz.

The majority of copper in concentrate production was dispatched to customers in China, with 11.3 kt of material sent for toll processing at the Balkhash smelter in Kazakhstan, where additional capacity on attractive terms was available.

Copper production in 2018 is forecast to be between 95-105 kt as the sulphide plant benefits from a full year of production close to 100% of design capacity. This will be offset by a reduction in the expected copper grade to around 0.44%. By-products from gold and silver of between 115-125 koz and around 500 koz respectively are expected in 2018. Testing of the molybdenum circuit started at the end of 2017 and production in 2018 will be dependent on successful commissioning and market conditions.

Financial summary

$ million (unless otherwise stated)	2017	2016
Gross Revenues[1]	719	280
Copper	572	202
Gold	137	73
Silver	10	5
Revenues	698	93
Sales volumes[1]		
Copper sales (kt)	99	45
Gold sales (koz)	107	60
Silver sales (koz)	617	286
Gross EBITDA (excluding special items)[1]	515	204
Capitalised EBITDA	(12)	(137)
EBITDA (excluding special items)	503	67
Gross cash costs (USc/lb)[1]	121	106
Net cash costs (USc/lb)[1]	54	27
Capital expenditure	74	104
Sustaining	10	–
Expansionary (direct project)	57	168
Expansionary (pre-commercial)	7	(64)

1 Includes sulphide and clay operations during the periods prior to commercial production.

Gross Revenues

Prior to the achievement of commercial production, revenues and operating costs were capitalised and not recognised in the income statement. Sulphide operations achieved commercial levels of production on 27 October 2016 and clay operations on 1 July 2017. The income statement for 2017 therefore excludes revenues and costs from clay operations during the first half of the year and the income statement for 2016 represents only sulphide operations from 27 October. Gross Revenues and Gross EBITDA include all revenues and operating costs, including periods prior to commercial production.

Gross Revenues increased by over 150%, driven by volume growth which contributed additional sales of $378 million. Favourable commodity prices contributed a further $61 million, mainly relating to the increase in copper price. Copper sales of 99 kt include 10 kt of material sold as copper cathode after processing at the Balkhash smelter. Revenues recorded in the income statement during the year of $698 million exclude $21 million of capitalised clay revenues from the first half of the year.

EBITDA (excluding special items)

Bozshakol contributed Gross EBITDA of $515 million, with EBITDA of $503 million excluding clay operations in the first half of the year. A strong EBITDA margin of over 70% has been maintained.

The gross cash cost is expressed on a unit of copper sales basis, after adjustment for the copper payable and TC/RC terms. The gross cash cost of 121 USc/lb for the year was in line with market guidance of 115-135 USc/lb. The gross cash cost has increased versus the prior year when costs benefited from several factors relating to the early nature of operations, including limited maintenance expenditure, the processing of higher grade material and the absence of clay operations, which have a higher operating cost, particularly during the early stages of ramp up. After deducting the by-product credits from gold and silver, the net cash cost for Bozshakol in 2017 was 54 USc/lb, which makes Bozshakol highly competitive on the global cost curve.

The gross cash cost for 2018 is estimated to be around 130-150 USc/lb which reflects the continued normalisation of operating costs as the plant and mine fleet enter their third year. Unit costs will also be impacted by the reduction in feed grades to 0.44% from 0.53% during 2017.

Capital expenditure

At 31 December 2017, construction activities were complete with final outstanding project capital payments of approximately $40 million to the principal contractor carried over into 2018. In 2017, direct capital expenditure on Bozshakol, excluding capitalised interest on debt facilities, was $57 million. This included $35 million in respect of the stockpiling of clay material to provide access to sulphide material. In addition, there was an outflow of $7 million from clay operations during the period prior to commercial production.

Sustaining capital requirements were low in 2017 given the early nature of operations, incurring expenditure of $10 million, mainly related to the overhaul of mining equipment. Sustaining capital is expected to increase to around $35 million in 2018, broadly in line with the expected life of mine average and reflecting the requirements of the mine fleet and both processing plants.

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Aktogay

Development approved

First production from oxide plant

Sulphide plant declared commercial

Copper production
90 kt

Gross EBITDA
$ 374 million

Net cash cost
98 USc/lb

The Aktogay mine is a large scale, open pit operation similar to Bozshakol. Aktogay commenced production of copper cathode from oxide ore in December 2015 and achieved commercial production on 1 July 2016. The production of copper in concentrate from sulphide ore began in the first quarter of 2017 and achieved commercial production on 1 October 2017. The existing concentrator has an annual ore processing capacity of 25 million tonnes when fully ramped up. On 21 December 2017 the Group announced a $1.2 billion expansion project at Aktogay, to double sulphide ore processing capacity to 50 million tonnes from 2021. With an expanded processing capacity Aktogay will have an estimated mine life of 28 years.

Production summary

kt (unless otherwise stated)	2017	2016
Oxide		
Ore extraction	13,040	15,989
Copper grade (%)	0.36	0.41
Copper cathode production	25.1	18.1
Sulphide		
Ore extraction	13,208	97
Ore processed	12,941	–
Average copper grade processed (%)	0.66	–
Recovery rate (%)	80	–
Copper in concentrate	68.2	–
Copper production	65.1	–
Total copper production	90.2	18.1

Copper cathode production from oxide material was 25.1 kt in 2017, in line with market guidance. Cathode production reached full capacity in the prior year which was maintained during 2017 when output was also assisted by improved equipment availability rates and efficiencies in the SX/EW process. Due to the higher levels of available copper in solution, the quantity of oxide ore required decreased, with an 18% reduction in ore extraction versus the prior year.

Initial sulphide ore extraction began at the end of 2016 and mining activities expanded in 2017 to the levels required to feed the concentrator following its commissioning in February. Ore processed was 66% of design capacity during the third quarter and remained relatively constant during the fourth quarter at 68%. Operations benefited from a copper grade of 0.66%, above the life of mine grade of 0.33%, due to the mining of a layer of supergene enriched ore. The majority of output was exported to China based smelters during the year with 9.7 kt of copper in concentrate dispatched for toll processing at Balkhash in Kazakhstan.

Copper production was 65.1 kt from sulphide material which, combined with cathode output from the SX/EW plant resulted in total copper production for the year of 90.2 kt, in line with market guidance of 85-95 kt.

Copper production guidance for 2018 is 110-130 kt, consisting of 20-25 kt of copper cathode from oxide ore and 90-105 kt from sulphide material. The sulphide concentrator is on track to achieve design capacity during 2018 and increase ore throughput from 2017 levels, although this will be partly offset by a reduction in copper grades as a lower volume of supergene enriched ores are processed.

Financial summary

$ million (unless otherwise stated)	2017	2016
Gross Revenues[1]	530	68
Revenues	276	52
Copper sales (kt)[1]	87	14
Gross EBITDA (excluding special items)[1]	374	33
Capitalised EBITDA	(185)	(4)
EBITDA (excluding special items)	189	29
Gross cash costs (USc/lb)[1]	100	114
Capital expenditure	(27)	156
Sustaining	4	–
Expansionary (direct project)	103	144
Expansionary (pre-commercial)	(134)	12

1 Includes sulphide and oxide operations during the periods prior to commercial production.

Gross Revenues

Prior to the achievement of commercial production all revenues and operating costs were capitalised and excluded from the income statement. Commercial production was achieved for oxide operations on 1 July 2016 and sulphide operations on 1 October 2017. The income statement for the prior year therefore represents only oxide operations for the second half of the year, whilst 2017 includes a full year of oxide operations together with sulphide operations for the fourth quarter. Gross Revenues and Gross EBITDA shown in the above table include the pre-commercial production period.

Gross Revenues increased substantially from the prior year to $530 million, reflecting the growth in copper sales volumes, particularly from sulphide operations. The sulphide plant contributed additional copper sales volumes of 62 kt and sales from oxide operations increased from 14 kt to 25 kt.

EBITDA (excluding special items)

Gross EBITDA of $374 million is mainly derived from sulphide operations which began production and ramped up during the year. EBITDA of $189 million excludes $185 million of capitalised EBITDA generated from sulphide operations prior to 1 October 2017 during pre-commercial production.

The gross cash cost has reduced from 114 USc/lb to 100 USc/lb, reflecting the significant volume growth provided by the lower cost sulphide operations. This was below market cost guidance of 110-130 USc/lb as the sulphide plant benefited from a higher than expected copper grade, lower maintenance expenditures and muted inflationary pressures. Unit costs at the oxide operations have reduced as volumes have increased and efficiencies from higher plant automation have been realised.

The gross cash cost in 2018 is estimated to increase to 110-130 USc/lb, in line with the level achieved by Bozshakol in 2017. Aktogay benefited from limited maintenance expenditure during 2017, however this will increase as maintenance programmes such as mine equipment overhauls and mill relines occur during 2018. In addition, whilst copper grades will remain above the life of mine average, they are forecast to reduce from the elevated levels reported in 2017. These factors, as well as tariff and general inflation will more than offset the expected economies of scale from higher production volumes.

Capital expenditure

Construction activities in respect of the main phase of the Aktogay project are now substantially complete. Direct project capital expenditure of $103 million was incurred in 2017. This included payments for construction, the acquisition of mining equipment and first fill items. Expenditure was below market guidance as there have been no payments at Aktogay to purchase rather than lease rail wagons, as it has now been determined that these are not required. Cash inflows relating to the pre-commercial activity of the sulphide plant of $134 million were capitalised and netted against capital expenditure.

In 2018 payments of $300 million to the principal construction contractor are scheduled in respect of work performed in 2016. $250 million was paid in January 2018, with the remaining $50 million to be paid in July. In addition, further outstanding capital expenditure of $70 million is expected to be invested from the project budget, mainly in relation to the expansion of the heap leach cells, with approximately $50 million scheduled for the second half of 2018 and $20 million in 2019.

Sustaining capital expenditure was limited during 2017 but is expected to increase to around $30 million in 2018.

The Board has approved an expansion project to double the ore processing capacity at Aktogay. The expansion represents a low-risk growth opportunity, being a duplicate of the existing plants at Aktogay and Bozshakol and which will be managed by the same project team. First production from the new plant is expected by the end of 2021. The capital budget for the expansion project is $1.2 billion with approximately $200 million to be invested in 2018, $400 million in each of 2019 and 2020 and $200 million in 2021. The mining fleet will be upgraded to support the higher ore throughput.

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East Region and Bozymchak

Copper production
67 kt

EBITDA
$ 371 million

Net cash cost
42 USc/lb

Production summary

Copper

kt (unless otherwise stated)	2017	2016
Ore extraction	3,919	4,664
Ore processed	4,172	4,620
Average copper grade processed (%)	1.89	1.96
Average recovery rate (%)	90	90
Copper in concentrate	71.0	81.0
Copper production	67.0	77.4

Copper production in the East Region and Bozymchak reduced by 13% to 67.0 kt versus the prior year mainly due to the closure of the Yubileyno-Snegirikhinsky mine. As a result, ore extraction and ore processed were 16% and 10% lower than the prior year respectively. Ore processed was higher than ore extracted in the year as it included 135 kt of ore from the closed Yubileyno-Snegirikhinsky mine and the use of ore stockpiles at Artemyevsky. A small volume of stockpiled material from Yubileyno-Snegirikhinsky will be processed during 2018.

The reduction in copper grade from 1.96% to 1.89% was mainly due to a lower proportion of material from the higher grade Orlovsky mine. Copper recoveries remained unchanged at 90%.

Copper production of 67.0 kt was above market guidance for the year of 65 kt. Bozymchak operated at full design capacity during the year, contributing copper production of 7.5 kt, consistent with the prior year of 7.9 kt. East Region and Bozymchak copper production in 2018 will remain relatively stable, at around 65 kt.

By-products

koz (unless otherwise stated)	2017	2016
Zinc bearing ore processed (kt)	3,163	3,586
Zinc grade processed (%)	2.65	2.95
Zinc in concentrate (kt)	57.6	75.4
Gold bearing ore processed (kt)	4,172	4,620
Gold grade processed (g/t)	0.76	0.81
Gold in concentrate	62.7	67.6
Gold production	58.9	63.5
Silver bearing ore processed (kt)	4,172	4,620
Silver grade processed (g/t)	33.6	37.6
Silver in concentrate	2,801	3,224
Silver production	2,549	2,980

Output of all by-products was lower than the prior year, as expected. Zinc in concentrate output reduced by 24% due to lower processing volumes as well as a reduction in grades at Orlovsky and Artemyevsky. Access to higher zinc grades at Artemyevsky, scheduled to occur in the second half of 2017 is now delayed until 2018. Lower than expected grades at Orlovsky also contributed to the decline, with full year zinc in concentrate output of 57.6 kt, slightly below the guidance range of 60-65 kt.

Full year gold production of 58.9 koz was at the top end of external guidance of 50-60 koz. Bozymchak delivered a strong production performance of 41.3 koz which offset lower grades in the East Region, mainly from Orlovsky, as the average gold grade reduced from 0.81 g/t to 0.76 g/t. As Bozymchak provides the majority of production, the 7% reduction in gold output was lower than other by-products.

Silver production of 2,549 koz for the year represents a reduction of 14% compared to the prior year due to lower processing volumes as well as lower grades from the Orlovsky mine.

East Region and Bozymchak is forecast to produce 45-50 koz and around 2,000 koz of gold and silver production respectively in 2018. Zinc in concentrate production will be in the region of 60 kt.

Financial summary

$ million (unless otherwise stated)	2017	2016
Revenues	689	621
Copper	433	399
Zinc	115	95
Gold	79	75
Silver	51	46
Other	11	6
Sales volumes		
Copper sales (kt)	70	82
Zinc sales (kt)	57	75
Gold sales (koz)	62	60
Silver sales (koz)	2,979	2,740
EBITDA (excluding special items)	371	279
Gross cash costs (USc/lb)	208	191
Net cash costs (USc/lb)	42	68
Capital expenditure	74	62
Sustaining	52	50
Expansionary	22	12

Revenues

Revenues generated by East Region and Bozymchak increased by 11% to $689 million as a 27% improvement in the average LME copper price more than offset a 15% fall in sales volumes. Revenues from zinc were also higher, despite a 24% reduction in sales volumes, as the average zinc price improved from $2,095/t to $2,896/t, a 38% increase. Due to the sale of material built up at the end of 2016, gold and silver sales volumes increased, despite lower production in the year.

EBITDA (excluding special items)

EBITDA improved by $92 million compared to the prior year, mainly due to the increase in revenues as well as a reduction in aggregate cash costs. Cash operating costs of $318 million were 7% below the prior year as the impact of reduced volumes was partially offset by a 5% appreciation in the tenge. Management also took action to control costs by limiting certain tariff and contract price rises. During the second half of 2017, however, some inflationary pressures were experienced and these are expected to impact 2018 costs. At Bozymchak costs increased as a result of adverse exchange rate movements and legislative changes which raised salary costs.

The gross cash cost of copper for East Region and Bozymchak of 208 USc/lb was 9% above the prior year, principally due to the 15% reduction in copper sales volumes. Gross cash costs were however at the bottom end of market guidance of 205-225 USc/lb.

Gross cash costs for 2018 are estimated to increase to around 230-250 USc/lb, impacted by a reduction in copper sales volumes to around 65 kt, compared to the 70 kt recorded in 2017 which benefited from the sale of finished goods carried forward from 2016. The impact of a full year of inflation on salaries and other costs, as well as an assumed modest appreciation of the tenge would also place upward pressure on costs. At Bozymchak costs will rise due to the impact of a deeper pit and longer haul distances and as the processing plant enters its third year of full capacity operations.

The improvement in net cash costs from 68 USc/lb to 42 USc/lb is due to the increase in by-product revenues. Gold and silver revenues benefited from the sale of prior year material, with sales volumes higher than production levels for the year. In addition, despite the significant reduction in zinc sales volumes, zinc revenues increased due to favourable market prices.

Capital expenditure

Sustaining capital expenditure of $52 million was broadly in line with the prior year and below market guidance of around $60 million, as certain projects and payments were deferred into 2018. Expenditure in the year relates to development work across the underground mines, purchase of equipment, expansion of tailings facilities and maintenance of support infrastructure.

In 2018, sustaining capital requirements for the East Region and Bozymchak will remain constant at around $50 million.

Expansionary capital in 2017 of $22 million predominantly relates to the initial development work for the extension of the existing Artemyevsky mine to develop a ventilation tunnel. Expansionary capital in 2018 is expected to be around $40 million as work continues on the Artemyevsky extension as well as development works at the Bozymchak mine. The Artemyevsky extension will require around $60 million per annum during 2019 to 2022 with limited annual spend thereafter.

Other projects

Expenditure on other projects was $14 million, to investigate the feasibility of constructing a copper smelter in Kazakhstan and further studies of the Koksay project. Following an assessment of partnering options and a review of the smelter project it has been determined not to progress the project further. The next step for the Koksay project, which represents a future growth option, is the launch of a feasibility study, however the recently announced Aktogay expansion project is the immediate priority for the Group's project division.

Financial review

Basis of preparation

The financial information has been prepared in accordance with IFRSs, as adopted by the EU, using accounting policies consistent with those adopted in the consolidated financial statements for the year ended 31 December 2017. In preparing the consolidated financial statements, the Group did not apply or adopt any standards, interpretations or amendments that were issued but not yet effective.

The Bozshakol clay and Aktogay sulphide plants commenced sales in 2017 and were in pre-commercial production until they were declared commercial on 1 July 2017 and 1 October 2017 respectively. The Bozshakol sulphide and Aktogay oxide plants commenced sales in 2016 and were in pre-commercial production until 27 October 2016 and 1 July 2016 respectively. During the pre-commercial production phase, revenues and operating costs were capitalised within property, plant and equipment as part of the cost of construction and are not included in the income statement.

The Financial review and the consolidated financial statements (note 4(a)(i)) include the non-IFRS measures Gross Revenues and Gross EBITDA, which incorporate the results of the Bozshakol and Aktogay plants before capitalisation to provide a measure of their performance for the full year. For the year ended 31 December 2017, Bozymchak did not satisfy the quantitative requirements of IFRS 8 'Operating Segments' for disclosure as a separate segment and was combined with the East Region operations, given their similar economic characteristics, similar concentrate production processes and as their combined output is toll processed at the Balkhash smelter and subsequently sold to the Group's customers. The comparative information has been restated accordingly.

Income statement

An analysis of the consolidated income statement is shown below:

$ million (unless otherwise stated)	2017	2016
Gross Revenues	1,938	969
Gross EBITDA (excluding special items)	1,235	492
Revenues	1,663	766
Cash operating costs	(625)	(415)
EBITDA (excluding special items)	1,038	351
Less: special items	(19)	(3)
Less: MET and royalties	(132)	(70)
Less: depreciation, depletion and amortisation	(172)	(60)
Operating profit	715	218
Net finance (costs)/income	(135)	2
Profit before taxation	580	220
Income tax expense	(133)	(43)
Profit for the year	447	177
Non-controlling interests	–	–
Profit attributable to equity holders of the Company	447	177
Earnings per share attributable to equity shareholders of the Company		
EPS – basic and diluted ($)	1.00	0.40
EPS based on Underlying Profit ($)	1.07	0.40

Gross Revenues and revenues

Gross Revenues for 2017 were $1,938 million, double the prior year principally due to the additional contributions from Bozshakol and Aktogay of $439 million and $462 million respectively, as they delivered significantly higher production into a tightening copper market. Gross Revenues at the East Region and Bozymchak increased by $68 million as lower copper and zinc production was more than offset by higher prices.

The total copper sold in 2017 was 256 kt compared to 141 kt in the prior year, driven by higher output from Bozshakol and Aktogay. The LME copper and zinc prices averaged $6,163/t and $2,896/t respectively during 2017, above their 2016 average prices of $4,860/t and $2,095/t.

Gross Revenues from by-products were $406 million, of which gold sales were $216 million. This compares to gold sales of $148 million in the prior year, with the increase driven primarily by the ramp up in sales from Bozshakol.

By-products made up 21% of Gross Revenues in 2017 compared to 31% in the prior year due to the significant increase in copper sales from Bozshakol and Aktogay.

Revenues recognised in the income statement increased by 117% to $1,663 million, mainly due to increased volumes from the continued ramp up of the Bozshakol and Aktogay mines and higher LME copper prices. Revenues exclude sales earned during pre-commercial production of $21 million and $254 million from the Bozshakol clay plant and Aktogay sulphide plant respectively, which were capitalised to property, plant and equipment. In 2016, pre-commercial revenues at Bozshakol and Aktogay were $187 million and $16 million respectively.

Further information on Gross Revenues and revenues by operating segment can be found in the Operating review.

Operating profit

The operating profit for 2017 was $715 million compared to $218 million in 2016, primarily driven by higher sales volumes from Bozshakol and Aktogay as well as stronger commodity prices.

The Group's operating profit margin, defined as operating profit divided by revenues, increased to 43% in the current year from 28% in the prior year due to an increased proportion of production coming from Bozshakol and Aktogay, which are lower cost on a per unit basis than the East Region and Bozymchak operations, in addition to higher prices. Within operating profit, the Group's cost of sales and selling and distribution expenses rose, primarily reflecting the increase in volumes from the recently launched operations.

EBITDA (excluding special items)

EBITDA (excluding special items) 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. This performance measure removes depreciation, depletion, amortisation, MET, royalties and special items. The Directors believe that the exclusion of MET and royalties provides an informed measure of the operational profitability given the nature of the tax, as further explained in the 'Taxation' section. The Directors also believe that this measure closely reflects the operating cash generative capacity and therefore the trading performance of the business as a whole. Special items are excluded to enhance the comparability of EBITDA (excluding special items) from period to period. A reconciliation of this measure to operating profit can be found in note 4(a)(i) of the consolidated financial statements.

Gross EBITDA (excluding special items) includes the EBITDA (excluding special items) earned by the Group's major growth projects in the period prior to commercial production, which is capitalised to property, plant and equipment.

A reconciliation of EBITDA (excluding special items) by operating segment is shown below:

$ million	2017	2016
Bozshakol	**515**	204
Aktogay	**374**	33
East Region and Bozymchak	**371**	279
Corporate services	**(25)**	(24)
Gross EBITDA (excluding special items)	**1,235**	492
Less: capitalised pre-commercial production EBITDA	**(197)**	(141)
Bozshakol	**(12)**	(137)
Aktogay	**(185)**	(4)
EBITDA (excluding special items)	**1,038**	351

Gross EBITDA (excluding special items) for the Group rose by 151% to $1,235 million due to a full year of production from the Bozshakol sulphide and Aktogay oxide plants, the start up of the Bozshakol clay and Aktogay sulphide plants and higher copper and zinc prices. The Gross EBITDA (excluding special items) margin for the Group improved from 51% in 2016 to 64% in 2017 due to higher commodity prices and as the proportion of EBITDA (excluding special items) from the lower cost Bozshakol and Aktogay operations increased compared to the prior year.

At Bozshakol, Gross EBITDA (excluding special items) increased from $204 million in the previous year to $515 million following a full year of production from the sulphide plant and the commencement of sales from the clay plant in the first quarter of 2017. The Bozshakol clay plant reached commercial levels of production on 1 July 2017, from when revenues and operating costs were recognised in the income statement. Copper sales volumes increased from 45 kt in 2016 to 99 kt in 2017, similarly gold sales volumes increased from 60 koz in 2016 to 107 koz.

Aktogay's Gross EBITDA (excluding special items) was $374 million in 2017 due to the commencement of sales from the sulphide plant in the first quarter and a full year's contribution from the oxide plant. Copper sales volumes increased from 14 kt in the prior year to 87 kt.

The East Region and Bozymchak's Gross EBITDA (excluding special items) increased by 33% to $371 million in 2017 due to the favourable impact of commodity prices and lower cash operating costs, which more than offset reduced copper and zinc sales volumes. Cash operating costs in 2017 of $318 million were $24 million below the prior year, due to lower volumes and management action to control costs.

Corporate service costs were in line with the prior year, at $25 million.

The increase in EBITDA (excluding special items) from $351 million in the prior year to $1,038 million is attributable to a stronger financial performance from all of the Group's operations, in particular the low cost production growth from Bozshakol and Aktogay.

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

Special items

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

Special items within operating profit:

Impairment charges

The Group invested $16 million over the past two years on a feasibility study on constructing a copper smelter in Kazakhstan. Following an assessment of partnering options and a review of the project, the Group has determined that it will not progress the smelter project further and the costs incurred were expensed.

An impairment of $4 million (2016: $3 million) at the East Region and Bozymchak was recognised against property, plant and equipment which is not expected to be utilised.

Other items excluded from EBITDA (excluding special items)

MET and royalties

The MET and royalties charge in the income statement rose from $70 million in 2016 to $132 million in 2017, reflecting the higher volume of metal mined at Bozshakol and Aktogay and increased copper and zinc prices.

The total MET incurred at Bozshakol was $88 million (2016: $65 million) of which $32 million (2016: $33 million) relates to long-term stockpiled clay ore included within non-current inventory on the balance sheet and $3 million relates to clay ore (2016: $25 million relating to sulphide ore) mined during pre-commercial production which was capitalised to property, plant and equipment.

The total MET incurred at Aktogay was $49 million (2016: $17 million) of which $23 million relates to sulphide ore (2016: $9 million relating to oxide ore) mined during pre-commercial production and capitalised to property, plant and equipment. The difference to the charge (see note 4(a)(i)) of $5 million (2016: $nil) reflects MET in unsold inventory mostly on the oxide ore heap leach pads.

The MET and royalties charged at the East Region and Bozymchak operations of $59 million for 2017 was above the $55 million in the prior year reflecting higher realised metal prices, partly offset by lower metal in ore volumes mined.

Depreciation, depletion and amortisation

Depreciation, depletion and amortisation for 2017 of $172 million is higher than the $60 million charge in 2016 due to a full year of depreciation of the Bozshakol sulphide and Aktogay oxide plants and from the start of depreciation of the Bozshakol clay and Aktogay sulphide plants on achievement of commercial production. At the East Region and Bozymchak, depreciation was in line with the prior year.

Net finance (costs)/income

Net finance (costs)/income includes:

$ million	2017	2016
Interest income	17	9
Fair value gains on debt related derivative financial instruments	13	–
Finance income	30	9
Interest on borrowings	(221)	(197)
PXF fees	(10)	–
Unwinding of discount on NFC deferral	(15)	(8)
Total interest expense	(246)	(205)
Interest capitalised	88	163
Interest expense	(158)	(42)
Interest on employee obligations and unwinding of discounts	(7)	(3)
Fair value losses on debt related derivative financial instruments	–	(11)
Finance costs	(165)	(56)
Net foreign exchange gains	–	49
Net finance (costs)/income	(135)	2

Net finance costs were $135 million compared to net finance income of $2 million in 2016.

The total interest on borrowings amounted to $221 million, which was $24 million higher than the $197 million incurred in the prior year. The increase is attributed to higher US dollar LIBOR rates in 2017 and from additional borrowing costs associated with the DBK loan drawn in December 2016. The PXF amendment fees of $10 million which were incurred on the refinancing are classified as a special item and excluded from Underlying Profit. The unwinding of the discount on the NFC deferral of $15 million, being the implied interest cost on the $300 million deferral agreed in 2015, was capitalised to the cost of the Aktogay sulphide plant, until it reached commercial production on 1 October 2017. The increase in the unwinding of the discount on the NFC deferral to $15 million from $8 million in the prior year is due to the full $300 million being outstanding for the whole year in 2017.

The interest expense recognised in the income statement of $158 million (2016: $42 million) is after the capitalisation of interest relating to the construction of the new mines. The increase is due to a full year of interest cost relating to the Bozshakol sulphide and Aktogay oxide plants being expensed in 2017, whereas this was mostly capitalised in the prior year. Interest costs relating to the Aktogay sulphide and Bozshakol clay plants were expensed in the current year once these plants achieved commercial production.

The net impact of foreign exchange was neutral over the year. The initial appreciation of the tenge in the first half of the year and subsequent depreciation in the second half gave rise to a small exchange gain of $13 million. This was offset by exchange losses from the weakening of the US dollar against the Chinese yuan on the CDB Aktogay CNY debt of $9 million and from its depreciation against the British pound on sterling intercompany liabilities. A cross currency and interest rate swap derivative financial instrument is used to hedge part of the currency and interest rate exposure on the CDB Aktogay CNY debt. The fair value gain on this instrument was $12 million, which more than offset the $9 million exchange loss on the CDB Aktogay CNY debt.

The $49 million net foreign exchange gain in 2016 was principally driven by a 9% appreciation of the Kyrgyz som and from the 18% depreciation in the UK pound sterling against the US dollar. The appreciation of the som resulted in net exchange gains of $20 million on Bozymchak's US dollar denominated intercompany debt, while the depreciation of the UK pound sterling from June 2016 against the US dollar gave rise to a $16 million gain on intercompany British pound sterling liabilities. The depreciation of the Chinese yuan resulted in exchange gains of $9 million on the CDB Aktogay CNY borrowing, which was mostly offset by the fair value loss on the cross currency and interest rate swap of $11 million used as a hedge. The net gain was largely offset by translation losses recognised within 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)	2017	2016
Profit before taxation	580	220
Add: MET and royalties	132	70
Add: special items	29	3
Adjusted profit before taxation	741	293
Income tax expense	133	43
Add: MET and royalties	132	70
Less: recognition of deferred tax liability on special items	–	–
Adjusted tax expense	265	113
Effective tax rate (%)	23	20
All-in effective tax rate[1] (%)	36	39

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

Effective tax rate

The effective tax rate in 2017 was 23% reflecting the corporate income tax rates applicable to the Group's operations and the impact of certain non-deductible expenses. The prior year effective rate was slightly lower at 20% due to a reduced level of non-deductible expenses.

All-in effective tax rate

The all-in effective tax rate decreased from 39% in 2016 to 36% as higher profitability from increased volumes and prices more than offset the higher MET and royalties charge. As MET and royalties are determined independently of the profitability of operations, in periods of higher profitability, the MET and royalties' impact on the all-in effective tax rate decreases. Conversely, during periods of lower profitability this puts upward pressure on the all-in effective tax rate.

Future tax rates

Future tax rates are materially affected by the application of corporate income tax ('CIT') and MET. The CIT rate in Kazakhstan is 20% whilst MET and royalties are revenue-based and dependent on commodity prices. The CIT rate in the UK decreased from 20% to 19% in April 2017 and is due to become 17% from 2020. 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.

Underlying Profit

Underlying Profit is a non-IFRS measure and is the profit for the year after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resulting tax and non-controlling effects.

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

$ million	2017	2016
Net profit attributable to equity holders of the Company	447	177
Special items within operating profit, net of tax – note 7	19	3
Special items within profit before taxation, net of tax – PXF fees	10	–
Underlying Profit	476	180
Weighted average number of shares in issue (million)	447	447
EPS – basic and diluted ($)	1.00	0.40
EPS based on Underlying Profit – basic and diluted ($)	1.07	0.40

The Group's net profit attributable to equity holders of the Company was $447 million in 2017 compared to $177 million for the year ended 31 December 2016. The Underlying Profit for the year increased to $476 million compared to $180 million in the prior year, primarily due to greater profit contributions from the ramp up of the Bozshakol and Aktogay operations, partially offset by interest costs on project borrowings being expensed in the current year whilst capitalised in the prior year.

Earnings per share

Basic earnings per share of $1.00 increased from $0.40 in 2016, whilst earnings per share based on Underlying Profit rose to $1.07 from $0.40, reflecting the Group's improved profitability.

Dividends

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

Taking into consideration the Group's increase in net debt during the construction and ramp up phase of two of the major growth projects, the Directors did not declare an interim dividend and will not recommend a final dividend for 2017. The Board will continue to assess the Group's financial position, cash flows and growth requirements in determining when to resume dividends in the future.

Cash flows

Free Cash Flow is defined as the net cash flow from operating activities before capital expenditure and non-current VAT associated with major projects less sustaining capital expenditure. This measure is used by the Directors to monitor the Group's ability to reduce debt, fund returns to shareholders and invest in the future growth and development of the business.

$ million	2017	2016
EBITDA (excluding special items)[1]	1,038	351
Change in inventories[2]	(37)	(19)
Change in prepayments and other current assets[2]	(41)	(14)
Change in trade and other receivables[2]	27	(38)
Change in trade and other payables and provisions[2]	11	(2)
Interest paid	(222)	(179)
MET and royalties paid[2]	(151)	(73)
Income tax paid	(110)	(39)
Foreign exchange and other movements	5	4
Net cash flows from/(used in) operating activities before capital expenditure and non-current VAT associated with major projects[3]	520	(9)
Sustaining capital expenditure	(68)	(51)
Free Cash Flow	452	(60)
Expansionary and new project capital expenditure[4]	(69)	(273)
Net non-current VAT received/(paid) associated with major projects	232	(89)
Proceeds from disposal of property, plant and equipment	1	1
Interest received	16	9
Other movements	(1)	(3)
Cash flow movement in net debt	631	(415)

1 EBITDA (excluding special items) is defined as profit before interest, taxation, depreciation, depletion, amortisation, MET, royalties and special items. Please refer to note 4(a)(i) of the consolidated financial statements.
2 Excludes working capital and MET movements arising from pre-commercial production activities at the Bozshakol and Aktogay operations.
3 The difference between 'net cash flows from/(used in) operating activities before capital expenditure and non-current VAT associated with major projects' and 'net cash from/(used in) operating activities' as reflected on the Group cash flow statement, is the VAT received/(paid) on the construction of the major projects.
4 Expansionary and new project capital expenditure includes operating cash flows relating to pre-commercial production activities, as explained further under "capital expenditure" below.

Summary of the year

Net cash flows from operating activities before capital expenditure and non-current VAT associated with major projects improved by $529 million due to significantly higher profitability.

Working capital

Working capital movements exclude the period of pre-commercial production which are included within expansionary and new project capital expenditure:

- inventory levels have risen by $37 million following higher consumables at Bozshakol and Aktogay to support the operational ramp up and from an increase in finished goods in transit to customers. The $65 million increase in inventory as reflected in the IFRS based cash flow statement (see note 29) includes MET and depreciation which are excluded from the cash flow above as MET is reflected separately and EBITDA (excluding special items) is stated before depreciation and amortisation;
- prepayments and other current assets increased by $41 million primarily due to a build-up of operating VAT receivable at Bozshakol and Aktogay and smaller increases at East Region and Bozymchak. During the year, $36 million of VAT receivable at the East Region and $10 million of non-project VAT receivable from Bozshakol and Aktogay was refunded;
- trade and other receivables decreased by $27 million reflecting lower sales volumes at Bozshakol in December following repairs in November, partly offset by increased sales volumes from Aktogay; and
- trade and other payables increased by $11 million due to increased operational spend at Bozshakol and Aktogay, partly offset by the reduction of advance receipts from customers. The $6 million accounts payable inflows reflected in the IFRS based cash flow statement (see note 29) includes the accruals, net of payments, relating to MET and royalties. The cash flow shown above reflects MET and royalty payments separately.

Working capital movements relating to the Bozshakol clay and Aktogay sulphide plants incurred during pre-commercial production in 2017 are reflected within expansionary capital expenditure in the cash flow above and are excluded from Free Cash Flow. These include outflows of $35 million for long-term clay ore that was stockpiled during the current year at Bozshakol and $29 million for consumables and inventory at Aktogay (both funded out of their respective project budgets). Other pre-commercial working capital movements included a $52 million increase in trade and other receivables and prepayments partly offset by increased accounts payable of $6 million and a $12 million increase in MET payable. In 2016, pre-commercial working capital movements at Bozshakol and Aktogay included a $39 million outflow for consumables and raw materials, a $52 million outflow for stockpiled clay ore and a $43 million increase in trade and other receivables, partly offset by a $45 million increase in trade and other payables, including MET payable during 2017.

In 2016, inventory levels rose by $19 million from raw material requirements at the Bozshakol sulphide and Aktogay oxide plant post commercial production and from a small increase in East Region and Bozymchak work in progress at the Balkhash smelter. Prepayments increased by $14 million primarily from the build-up of VAT receivables at the East Region operations and from increased advances paid at the Aktogay oxide operations. During 2016, the East Region received $30 million in VAT refunds. Trade and other receivables increased by $38 million mainly due to higher volumes and prices of Bozshakol concentrate sales over the last two months of the year while trade and other payables and provisions decreased by $2 million as creditor reductions from the East Region, Bozymchak and Corporate segments were largely offset by increased trade and other payables at the Bozshakol and Aktogay segments.

Interest cash flows

Interest paid during the year was $222 million compared with $179 million paid in the prior year. The increased payments, which include the $10 million PXF amendment costs, are broadly consistent with the higher borrowing costs for the year at $231 million compared to $197 million in the prior year. Interest payments are made semi-annually under the CDB Bozshakol/Bozymchak, CDB Aktogay US dollar and DBK facilities, quarterly under the CDB Aktogay RMB facility and monthly under the PXF facility.

Income taxes and mineral extraction tax

Income tax paid of $110 million includes $48 million of withholding tax on interest accrued in previous years financing the major projects and is consistent with higher profitability and the current income tax portion of the income tax expense in the income statement. At 31 December 2017, the Group's net income tax payable was $2 million, compared to $4 million in 2016.

MET and royalty payments increased to $151 million reflecting the payments made by Bozshakol and Aktogay following the achievement of commercial production and the impact of higher copper and zinc metal prices. The total MET paid on ore mined at Bozshakol and Aktogay in 2017 was $94 million and $33 million respectively, with $27 million relating to Bozshakol clay ore and $11 million relating to Aktogay sulphide material included within expansionary capital expenditure. At 31 December 2017, MET and royalties payable was $55 million, broadly consistent with the prior year payable of $49 million.

Free Cash Flow

The Group's Free Cash Flow before interest payments on borrowings was $674 million compared to $119 million in 2016 due to the higher profitability of the Group, in particular the sales contributions from Bozshakol, Aktogay and the improved copper price. After interest payments, Free Cash Flow was an inflow of $452 million compared to an outflow of $60 million in the prior year.

Capital expenditure

Sustaining capital expenditure increased by $17 million to $68 million principally due to the additional spend at the Bozshakol and Aktogay operations in the second half of the year.

Expansionary and new project expenditure of $69 million includes operating cash flows relating to pre-commercial production activities at the Aktogay sulphide and Bozshakol clay plants. The spend was below the $273 million invested in 2016 as construction was largely completed in the prior year and pre-commercial production cash flows were offset against project spend. At Aktogay, capital expenditure financed out of the project budget was $103 million and includes $29 million for consumables and inventory, while operating cash inflows from pre-commercial production activities of the sulphide plant were $134 million to arrive at a total expansionary capital expenditure inflow of $31 million. At Bozshakol, expenditure financed from the project budget was $57 million, including $35 million for long-term stockpiled clay ore, while operating cash outflows from pre-commercial production activities at the clay plant amounted to $7 million, resulting in total expansionary capital spend of $64 million. The Group spent $22 million on expansionary projects including the Artemyevsky mine extension in the East Region and $14 million on the smelter feasibility study, which was subsequently expensed in the income statement. Please refer to the Operating review for an analysis of the Group's capital expenditure by operating segment.

Non-current VAT

The non-current VAT associated with the major projects cash flow includes the receipt of $243 million of VAT incurred during the construction of Bozshakol and Aktogay.

Other investing and financing cash flows

In 2017, other investing cash flows relates to interest received on cash and cash equivalents and deposits of $16 million (2016: $9 million).

Balance sheet

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

$ million	2017	2016
Equity attributable to owners of the Company	995	533
Non-controlling interests	3	3
Borrowings	3,877	3,777
Capital employed	**4,875**	4,313

Summary of movements

The Group's attributable profit for the year of $447 million led to the increase in the equity attributable to owners of the Company and a marginal appreciation of the tenge increased the US dollar value of the Group's foreign currency operations by $8 million.

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

$ million	2017	2016
Cash and cash equivalents	1,821	1,108
Current investments	–	–
Borrowings	(3,877)	(3,777)
Net debt	**(2,056)**	(2,669)

Cash and cash equivalents at 31 December 2017, totalled $1,821 million and was above the $1,108 million at 31 December 2016, due to the increased Free Cash Flow generated across the Group's operations, receipt of VAT of $243 million relating to the major projects and draw downs of $376 million from the amended PXF facility. These cash inflows more than offset the repayment of debt of $294 million and expansionary capital expenditure. The $294 million repayment of debt in 2017 includes $40 million to fully repay the CAT facility.

In June 2017, the Group completed an amendment and extension of the PXF facility. The new facility extends the maturity profile of the facility by two and a half years from December 2018 until June 2021. Principal repayments will commence in July 2018 and then continue in equal monthly instalments over a three year period until final maturity in June 2021. The facility amount was increased to $600 million and was fully drawn at 31 December 2017.

In order to manage counterparty and liquidity risk, surplus funds within the Group are held predominantly in the UK and funds remaining in Kazakhstan and Kyrgyzstan are utilised mainly for working capital purposes. The funds within the UK are held primarily with major European and US financial institutions and highly rated liquidity funds. At 31 December 2017, $1,780 million of cash and short-term deposits were held in the UK and Europe and $41 million in Kazakhstan and Kyrgyzstan.

At 31 December 2017, borrowings (net of unamortised fees) were $3,877 million, an increase of $100 million from 31 December 2016, reflecting the drawdown of $376 million under the amended PXF facility partly offset by $59 million repaid under the previous PXF facility, the $40 million repayment of the CAT facility, $183 million in principal repayments of the CDB Bozshakol/Bozymchak finance facility and $12 million paid under the CDB Aktogay RMB facility. The $18 million other movement in borrowings consists of $9 million of amortisation of fees on the Group's financing facilities and $9 million of foreign exchange differences on the CDB Aktogay RMB facility. The borrowings (net of unamortised fees) consisted of $1,524 million under the CDB Bozshakol/Bozymchak facilities, $1,455 million under the CDB Aktogay finance facilities, $298 million under the DBK facility and $600 million under the PXF debt facility.

Further details of the terms of the Group's borrowings are included in note 24 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 of the Group taking into consideration the expected outlook of the Group's financial position, cash flows, future capital expenditure and required debt repayments.

On 9 June 2017, the Group announced that it had successfully completed an amendment and extension to its PXF facility. The amended facility was increased to $600 million, the maturity profile was extended by two and a half years to June 2021 and financial covenants were revised to increase headroom as production at Bozshakol and Aktogay continues to ramp up. The Board has considered the outlook for commodity prices, production levels from the Group's operations, its future capital requirements, including the planned expansion of Aktogay and the deferred capital payments to NFC and the principal repayments due under the Group's debt facilities. 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 foreseeable future. Accordingly, it is appropriate to adopt the going concern basis of accounting in the preparation of these consolidated financial statements.

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

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 Kazakhstan. 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.

Tax governance & risk appetite:

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.

The Group's risk management framework, which is reviewed by the Board, 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 the use of a tax risk register and as part of the Senior Accounting Officer process, UK tax risks, including compliance and controls are reviewed. 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.

Attitude towards tax planning:

The Group's attitude towards tax planning is consistent with the Group's overall aim of compliance with laws and regulations and maximising shareholder value. Any business transaction undertaken will be in accordance with the Group's strategy and underpinned by commercial objectives. We do not engage in aggressive tax planning that lacks commercial substance or may harm the Group's business operations, reputation or stakeholders and 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 BEPS 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.

Relationship with tax authorities:

We seek to build an equitable relationship with the tax authorities in the jurisdictions in which we operate. 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. 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.

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.

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. 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 $381 million compared to $227 million in 2016, with the increase attributed to the ramp up of the Bozshakol and Aktogay operations.

Payments to governments

The table below includes the information in the format required to be disclosed under the Regulation. The report shows payments made in excess of £86,000 ($116,000) 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. In addition to the disclosures required under the Regulation, the Group has presented in the same format, payments made for other types of taxes to more fully present 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 2017, total payments to governments under the Regulation amounted to $312 million, while total tax contributions, which includes tax payments not covered by the Regulation amounted to $381 million and are contained in the table below.

Social payments represent payments made to bodies, associations, trusts 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 $10 million were made during 2017. Projects supported in 2017 included the purchase of medical equipment for hospitals in the East Region, a programme to fund information technology in schools, sponsorship of a football team, the construction of sports facilities in Pavlodar and support for the 2017 EXPO 'Future Energy' event in Astana. At Bozymchak the Group invested in infrastructure improvements for the use of the local community such as the construction of bridges and roads of less than $1 million.

Payments to governments

$ million	Corporate income taxes	MET and royalties[1]	Withholding tax	Signature bonus and licence fee[2]	Social payments	SUBTOTAL Total payments to governments per Regulation	Employers' payroll taxes	Property taxes	Environmental taxes	Employee payroll taxes	Customs and duties	Total
KAZAKHSTAN												
Artemyevsky – licence	–	16	–	–	–	**16**	1	–	–	1	–	**18**
Irtyshsky – licence	–	12	–	1	–	**13**	1	–	–	1	–	**15**
Orlovsky – licence	–	26	–	–	–	**26**	1	–	–	3	–	**30**
Yubileyno-Snegirikhinsky – licence	–	2	–	–	–	**2**	–	–	–	–	–	**2**
Legal entity	43	–	–	–	4	**47**	3	1	1	5	1	**58**
Total East Region	43	56	–	1	4	**104**	6	1	1	10	1	**123**
Aktogay licence and legal entity	12	33	14	1	–	**60**	2	5	1	4	2	**74**
Bozshakol licence and legal entity	7	94	34	–	6	**141**	2	6	4	4	1	**158**
Koksay licence and legal entity	–	–	–	–	–	**–**	–	–	–	–	–	**–**
Other legal entities	–	–	–	–	–	**–**	4	–	–	6	–	**10**
TOTAL	**62**	**183**	**48**	**2**	**10**	**305**	**14**	**12**	**6**	**24**	**4**	**365**
RECIPIENT												
State Revenue Committee	62	183	48	1	–	**294**	–	–	–	–	3	**297**
Local government	–	–	–	1	10	**11**	14	12	6	24	1	**68**
TOTAL	**62**	**183**	**48**	**2**	**10**	**305**	**14**	**12**	**6**	**24**	**4**	**365**
KYRGYZSTAN												
Bozymchak licence and legal entity	–	6	1	–	–	**7**	2	–	–	2	–	**11**
RECIPIENT												
State Tax Administration (central government)	–	5	1	–	–	**6**	–	–	–	–	–	**6**
Local government	–	1	–	–	–	**1**	2	–	–	2	–	**5**
TOTAL	**–**	**6**	**1**	**–**	**–**	**7**	**2**	**–**	**–**	**2**	**–**	**11**
UNITED KINGDOM												
Legal entity paid to HMRC	–	–	–	–	–	**–**	1	–	–	4	–	**5**
Total payments to governments	**62**	**189**	**49**	**2**	**10**	**312**	**17**	**12**	**6**	**30**	**4**	**381**

1 The Mineral Extraction Tax is payable on the value of the mineral resources extracted based on average price of the minerals on the LME or LBMA.
2 Payments made as required under subsoil use licence.

Sustainable growth

KAZ Minerals is a responsible developer and operator of mining assets in Kazakhstan and Kyrgyzstan. Corporate responsibility is at the core of our strategy and licence to operate.

"Our employees, investors, local communities, governments and other stakeholders expect us to develop mineral wealth for the benefit of wider society in Kazakhstan and Kyrgyzstan."

Our approach to corporate responsibility

KAZ Minerals is a responsible developer and operator of mining assets in Kazakhstan and Kyrgyzstan. We are 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.

Our employees, investors, local communities, governments and other stakeholders expect us to develop mineral wealth for the benefit of wider society in Kazakhstan and Kyrgyzstan, to ensure our employees and contractors are provided with a safe working environment and to minimise the impact of our activities on the surrounding environment and local communities.

We are carefully managing the environmental and social impacts of our activities during a period in which the Group's production has grown significantly with the ramp up of Bozshakol and Aktogay.

Oleg Novachuk
Chair

National context and contribution

KAZ Minerals is a copper miner based in Kazakhstan and Kyrgyzstan.

In Kazakhstan the Group operates the newly developed Bozshakol and Aktogay mines and concentrators, as well as three mines and associated concentrators in the East Region, employing approximately 11,800 staff. In 2017 the Group exported 112 kt of copper cathode from Kazakhstan to customers in both Asia and Europe (2016: 93 kt) and 144 kt of copper in concentrate mainly to China based customers (2016: 48 kt). As a result of our economic activities, the Group generated revenues of $1,663 million in 2017 and made a total tax contribution of $365 million in Kazakhstan, including $183 million of MET and $182 million of Corporate Income Tax and other taxes.

The Group employs approximately 1,200 staff in Kyrgyzstan where it operates the Bozymchak copper-gold mine, contributing $11 million in taxes paid in 2017.

From 2011 to date the Group has invested a total of approximately $4.0 billion in the construction of its two major growth projects, Bozshakol and Aktogay. In addition to their financial contribution, these new mines created employment for around 3,000 operational staff who received extensive training in the use of modern equipment and production techniques. In December 2017 the Group announced a new expansion project at Aktogay, requiring a further $1.2 billion investment in the construction of a second processing facility at the site, which will double sulphide ore processing capacity and increase copper production by around 80 kt per annum over the period from 2021-27 and 60 kt per annum thereafter.

Economic value generated and distributed

$ million	2017	2016
Direct economic value generated		
Gross Revenues	**1,938**	969
Economic value distributed		
Operating cash costs[1]	**523**	288
Employee wages and benefits[2]	**170**	181
Payments to providers of capital[3]	**222**	179
Taxes paid[4]		
Kazakhstan	**317**	173
Kyrgyzstan	**7**	4
United Kingdom	**–**	–
Community investments	**10**	8
Economic value retained	**689**	136

1 Operating cash costs as disclosed in the Financial review (see page 34), being the difference between Gross Revenues and Gross 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 cost incurred by the Group of the total labour cost and associated social taxes (see note 8 to the financial statements).
3 Payments to providers of capital represents interest paid on borrowing facilities during the period (see consolidated statement of cash flows on page 112).
4 Taxes paid for each region is reflected in the payments to governments table on page 42 (see Financial review) and is the total taxes paid adjusted to remove employee and employers' payroll taxes, which are reflected within employee wages and benefits for each region and excludes social spend, reflected as community investments.

Health and safety

Fatalities

We are disappointed to report that there were four fatalities at our underground operations in the East Region of Kazakhstan in 2017. Two incidents resulted from electrical safety failures, one as a result of a rock fall and one from contact with moving machinery. The root causes of these incidents represent key risks for the Group and are the subject of ongoing programmes to improve safety standards at our underground operations. Following all fatal incidents, operations in the affected area are suspended and senior management attend the site within a short period of the incident occurring.

Fatalities

Fatality frequency rate

KAZ Minerals considers all fatalities to be avoidable and has a target of zero fatalities. There have been no operational fatalities in any of the Group's open pit mining assets at Bozshakol, Aktogay and Bozymchak since the mines commenced production, covering a total of 25 million man hours. Open pit mining is inherently safer than

Bozshakol Pit Wall Monitoring System

A key health and safety risk in the operation of an open pit mine is pit wall collapse. KAZ Minerals has invested in technology to continuously monitor pit wall stability at Bozshakol using the Leica 'GeoMos' system. By detecting small movements, prior warning of potential deformations can be given and steps taken to avoid damage or safety risk in the event of a slide.

underground mining and significant efforts have been made at our new operations to establish and maintain a strong health and safety culture from the outset, in line with international best practice.

Injuries

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

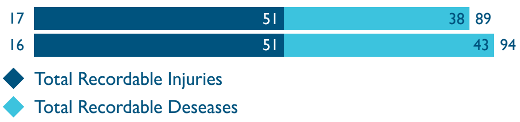
The average TRIFR for ICMM members in 2016 was 4.26. The reporting of minor injuries and near misses are important management tools for improving health and safety performance. Under ICMM definitions, all injuries including minor injuries requiring treatment beyond first aid or resulting in the worker's inability to perform his or her routine work function on the next calendar day, are recordable injuries. A culture of open reporting of minor injuries and near misses has been successfully implemented in the new Bozshakol and Aktogay mines, which enables pre-emptive action to be taken to manage risks. The Group is working to encourage a similar reporting culture across all of its assets and therefore the reporting of recordable injuries and near misses may increase in the short term.

There were 51 TRI cases in 2017, in line with the 51 incidents recorded in 2016. Due to a reduction in man hours worked, the reported TRIFR has increased to 1.60 from 1.20 in the prior year. The main causes of injury across the Group were falls from same height, falls from height and rock falls. The highest increase in recordable injuries occurred at Aktogay where there were 13 recordable injuries (2016: 5), representing a TRIFR at Aktogay of 3.06 (2016: 1.95). The leading cause was falls from height or from same height, of which there were five in 2017, compared to no falls in 2016.

There were 13 serious injuries out of a total of 51 recordable injuries, compared to 19 serious injuries in 2016.

Total Recordable Injury Frequency Rate

Total Recordable Cases



Total Recordable Cases Frequency Rate

Occupational health

There were 38 new cases of occupational disease recorded in 2017, compared to 43 in 2016. The majority of new cases in 2017 resulted from musculoskeletal disorders and neuropathic pain. Occupational health problems arising today are usually the result of long-term exposure to risks such as poor ergonomics, vibration, dust or noise. The Group has in place preventative measures 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 such as vibration.

Improving our performance

Looking ahead to 2018 we will be investing in improvements to our emergency response capabilities and increasing direct supervision of working practices at site level. We have an established programme of workshops and other communication initiatives to share best practices across the Group. In 2018, we aim to improve leadership, culture and behaviour and learnings from incident investigations. In 2017 the Group approved a new three year health and safety strategic plan to improve performance. The plan aims to strengthen the leadership and cultural foundations for safe and productive work as well as addressing specific priority risk areas for workplace safety and occupational health.

Environmental impacts

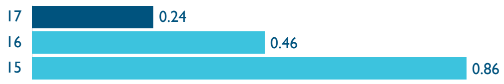
KAZ Minerals seeks to reduce the impact of its activities on the environment and to increase environmental awareness amongst its employees, contractors and suppliers. The Group has an environmental policy which sets out its commitment to environmental protection, reduction of emissions and waste and efficient consumption of resources such as energy and water.

The 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. Where possible, the Group aligns its environmental reporting with the GRI4 framework which is a set of sustainability reporting standards published by the Global Reporting Initiative ('GRI'). GRI is an independent organisation established in 1997 to create common standards for sustainability reporting by companies and governments.

The Health, Safety and Environment ('HSE') 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 HSE Committee please see the HSE Committee section in the Governance framework on page 68 of this report.

Energy use

TJ/kt sulphide ore processed (energy consumption)



The Group has undergone a period of significant change since 2014 following the Restructuring in which 12 out of 16 mines and other assets were divested, followed by the completion of the construction of the major growth projects at Bozshakol and Aktogay. The new mines are world class copper assets with amongst the lowest operating costs in the world. Two important contributors to the low operating costs are the energy efficiency of the processing facilities and the low levels of waste rock that must be removed per tonne of copper ore mined. As the new mines have ramped up production and come to dominate the Group's output, the overall energy efficiency of our operations has improved. The amount of energy used per kt of sulphide ore processed has reduced from 0.86 TJ in 2015 to 0.24 TJ in 2017.

Our improving energy efficiency demonstrates the benefits of using large scale, modern technology as well as the natural advantages of open pit mining of copper deposits with low strip ratios.

Energy use by asset (PJ)	2017	2016
Bozshakol	3.71	2.44
Aktogay	2.53	1.05
East Region	3.33	3.39
Bozymchak	0.36	0.34
Total	9.93	7.22

Energy use by type (PJ)	2017	2016
Electricity	6.91	4.27
Diesel	1.66	1.62
Heat	1.27	1.25
Coal	0.02	0.02
Petrol	0.07	0.06
Total	9.93	7.22

Total energy use increased by 38% in 2017 compared to the prior year, reflecting the increase in copper output which grew by 80% as Bozshakol and Aktogay ramped up. Energy use of 3.69 PJ in the East Region and Bozymchak was in line with the prior year (2016: 3.73 PJ). The main driver of the increase in energy use was higher electricity consumption at Bozshakol and Aktogay.

Electricity Consumption (PJ)	2017	2016
Bozshakol	2.95	1.68
Aktogay	2.11	0.74
East Region	1.68	1.69
Bozymchak	0.17	0.16
Total	6.91	4.27

The commencement of processing at the Aktogay sulphide concentrator in February 2017 and the ramp up of the main sulphide plant and clay ore processing plant at Bozshakol resulted in a 109% increase in combined electricity consumption to 5.06 PJ, from a total of 2.42 PJ consumed in 2016. In the East Region and Bozymchak electricity consumption remained in line with the prior year at 1.85 PJ (2016: 1.85 PJ).

Diesel Consumption (PJ)	2017	2016
Bozshakol	0.75	0.76
Aktogay	0.42	0.32
East Region	0.33	0.39
Bozymchak	0.16	0.15
Total	1.66	1.62

Diesel consumption increased to 1.66 PJ, 2% higher than the level consumed in 2016 as mining activity increased at Aktogay to feed the ramp up of the new sulphide concentrator. Consumption of diesel at Bozshakol reduced by 1% to 0.75 PJ as the increase in ore extraction to 34,612 kt (2016: 28,272 kt) was offset by a lower volume of waste material mined of 6,425 kt (2016: 11,219 kt). Diesel consumption was also lower in the East Region as ore extraction volumes reduced to 3,919 kt from 4,664 kt in the prior year, following the closure of the Yubileyno-Snegirikhinsky mine at the end of 2016.

The Group utilises an automated remote dispatch system at Aktogay and Bozshakol to monitor fleet movements and utilisation in real time, enabling constant adjustments to improve efficiency and minimise diesel consumption. Bozshakol and Aktogay also benefit from close proximity to pre-existing rail infrastructure which enables rail networks to be used to transport copper concentrate to customers, eliminating the need to transport concentrate by diesel powered trucks.

CO_2 emissions

CO_2 emissions by type (kt)	2017	2016
Scope 1	410	416
Scope 2	1,733	1,056
Group	2,143	1,473
Copper production	258.5	143.5
CO_2 per unit of copper	8.3	10.3
Ore processed	41,671	15,688
CO_2 per unit of ore processed	0.05	0.09

CO_2 emissions intensity per tonne of copper produced has continued to reduce in 2017, falling by 19% compared to 2016, to 8.3 t. CO_2 efficiency per tonne of ore processed has also improved, falling by 45% to 0.05 t from 0.09 t in the prior year, reflecting the increased utilisation of large scale, modern technology at Bozshakol and Aktogay.

Total CO_2 emissions in 2017 increased by 45%, reflecting the growth in copper output as the Group's new mines ramped up production. Scope 1 emissions of 410 kt were in line with 2016 emissions of 416 kt, with increased mining activity at Bozshakol and Aktogay offset by reduced emissions in the East Region and Bozymchak. Scope 2 emissions increased by 677 kt to 1,733 kt, as power consumption at both Bozshakol and Aktogay increased in line with higher processing volumes.

The Group is committed to minimising the CO_2 intensity of its operations as stated in its Environmental Policy. The Group HSE Committee is responsible for the monitoring of CO_2 intensity. The operations' General Directors and Chief Operating Officer 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. In the longer term the Group will seek to increase the use of renewable energy sources where possible. The 0.17 PJ of electricity consumed at the Bozymchak mine comes from renewable energy sources (hydropower).

The Government of Kazakhstan is committed to increasing electricity generation from renewable sources as part of its national development strategy, with a target of 30% of power generation by 2030 and 50% by 2050.

CO_2 intensity, t per $ million revenue	2017	2016
Revenue ($m)	1,663	766
Total CO_2 emissions (Scope 1, Scope 2, kt)	2,143	1,473
CO_2 emissions, t per $ million revenue	1,289	1,923

The Group's CO_2 intensity by revenue, as measured by the Carbon Disclosure Project (tonnes of CO_2 per $1 million of revenue), has improved as the major growth projects have ramped up and commodity prices have increased, from 1,923 tonnes in 2016 to 1,289 tonnes in 2017.

Water

The Group is committed to reducing water consumption where possible, as set out in its Environmental Policy. The Group HSE Committee is responsible for monitoring water use. The operations' General Directors and Chief Operating Officer 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, will always consider 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' mining and processing sites benefit from access to sufficient fresh water and none of the Group's operations are located in water stressed areas. We seek to conserve and recycle as much water as possible, with the main sources of reusable water being from tailings and mine water inflow. The Bozshakol and Aktogay sulphide concentrators are expected to recycle over 75% of water withdrawn. Each operational site uses a combination of surface water and groundwater sources and seeks to access different water sources to those used by local communities. Water withdrawal rates are monitored and reported annually.

Water withdrawal by asset (megalitres)	2017	2016
Bozshakol	29,034	15,863
Aktogay	8,552	1,105
East Region	11,356	13,291
Bozymchak	278	226
Group	49,220	30,485

Water withdrawal across the Group increased by 61% to 49,220 megalitres in 2017, compared to 30,485 megalitres in 2016. Aktogay required significant quantities of water during the initial ramp up of its sulphide concentrator which commenced operations in February 2017. This was similar to Bozshakol's requirements during the same stage of ramp up in 2016. Water withdrawal at Aktogay increased to 8,552 megalitres, compared to 1,105 megalitres consumed in 2016 by the oxide heap leaching operations.

Bozshakol water withdrawal also increased by 83% to 29,034 megalitres as the ramp up of operations continued in 2017. The rate of withdrawal is expected to reduce in the future as process water is now being reclaimed from the tailings storage area and recycled through the concentrator, as planned.

Water consumption in the East Region and Bozymchak reduced by 14% to 11,634 megalitres following the closure of the Yubileyno-Snegirikhinsky mine at the end of 2016 and a 10% reduction in the quantity of ore processed.

Water withdrawal by source (megalitres)	2017	2016
Surface water	32,775	20,278
Groundwater	16,445	10,207
Group	49,220	30,485

Total water extraction of 49,220 megalitres consisted of 32,775 megalitres extracted from surface water sources including rivers or municipal water supplies and 16,445 megalitres extracted from groundwater wells. The increase in water extracted from groundwater wells is due to the ramp up of output at Aktogay, where water is drawn primarily from groundwater sources. The increase in surface water consumption is due to the ramp up of Bozshakol, where water is sourced from the Satpayev canal system.

The total discharge of water back into the environment in 2017 was 1,745 megalitres (2016: 5,302 megalitres). The main reason for the reduction in 2017 is the exclusion of water treated on behalf of other operators, which was previously included in the Group's 2016 reported volumes. Discharge of water took place at three locations in the East Region. Two of these locations are at underground mining operations which are situated large distances from the processing plants, making it uneconomic to pump the water back for 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 the water is treated prior to release to the environment and the quality of discharged water is monitored.

Waste

Waste rock by asset (Mt)	2017	2016
Bozshakol	6.4	11.2
Aktogay	1.1	1.3
East Region	0.1	0.7
Bozymchak	6.7	5.9
Group	**14.3**	19.1

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

The largest volume of waste generated by the Group is waste rock from the mining of overburden, mainly at Bozshakol and Bozymchak. Generation of waste rock at Bozshakol and Aktogay is not considered to be a significant stakeholder issue due to the remote locations of the mines and their separation distances from local communities. Waste rock generation decreased to 14.3 million tonnes in 2017 (2016: 19.1 million tonnes) as the new open pit mines transitioned from stripping to ore extraction, to feed the concentrator ramp ups.

Aktogay generated 1.1 million tonnes of waste rock in 2017 compared to 6.4 million tonnes at Bozshakol. Aktogay will continue to generate less waste per unit of ore mined in the long term due to its lower strip ratio of 0.2 compared to 0.7 at Bozshakol. The strip ratios at both Bozshakol and Aktogay are low compared to industry averages.

Tailings by asset (Mt)	2017	2016
Bozshakol	24.1	10.9
Aktogay	12.6	0.1
East Region	2.5	3.1
Bozymchak	1.0	1.0
Group	**40.2**	15.1

The safe and effective management of tailings waste is a high priority for the Group. Strict internal operating procedures are in place for the monitoring and maintenance of tailings storage facilities, including regular inspection and testing of nearby groundwater to detect seepage and to maintain structural integrity. The Group is also required to comply with the laws of the Government of Kazakhstan and the Government of Kyrgyzstan in relation to the licencing, upkeep and maintenance of tailings

East Region Environmental Waste Improvement Initiatives

"We have 15 ecologists working in the East Region. Our team at the Irtyshsky complex is constantly looking for ways to minimise our impact on the environment. For example, the waste water treatment plant is being reconstructed and the new facility will remove more pollutants such as oil products, sulfates, nitrites and nitrates. We also carried out projects to improve the management of industrial construction waste at the Nikolayevsky and Orlovsky concentrators and the Irtyshsky mine."

Shynar Tleukenova
Chief Environmental Specialist, Irtyshsky

Environmental monitoring in the East Region

Aktogay tailings storage distribution system

At the Aktogay site we developed a new procedure for the distribution of tailings within the designated storage area, using Central Thickened Discharge ('CTD') technology. A central unit disperses high pressure tailings material from the main pipeline between 30 separate outlets, reducing the pressure of the flow of the material significantly and resulting in a more uniform and stable distribution of tailings.

Aktogay tailings storage facility

storage facilities. State authorities regularly inspect the Group's tailings facilities to ensure compliance with these regulations and the Group periodically arranges for inspection of its tailings facilities by independent external experts.

At Bozshakol and Aktogay, a central thickened discharge method is in use, which is most appropriate for the terrain and conditions at these sites. The flat terrain surrounding Bozshakol and Aktogay and their remote locations mean that there is a comparatively low risk of environmental damage from tailings storage issues.

In the East Region, active tailings storage facilities are located at Orlovsky, Nikolaevsky and Belousovsky and there is a closed facility at Berezovsky.

At Bozymchak, the Group employs a dry tailings facility where material is filtered before storage to reduce moisture content to approximately 14%, before waste is deposited in plastic lined cells by conveyor. Use of this type of facility was selected during the design phase due to Bozymchak's mountainous terrain and the possibility of seismic activity.

All of the Group's tailings storage facilities are operating within safe limits. Ongoing work programmes are in place to develop the tailings dams in line with future production plans and to address any issues identified.

Tailings increased from 15.1 million tonnes in 2016 to 40.2 million tonnes in 2017, in line with the increased ore processing volumes at Bozshakol and Aktogay.

Mine closure

The Group is committed to rehabilitating mining sites after closure, as it is required by law in Kazakhstan and Kyrgyzstan. The operations' General Directors are responsible for the Group's 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. Funds are set aside to cover the costs of closure and rehabilitation. The provision for these costs amounted to $67 million at 31 December 2017 and can be found in note 26 to the financial statements on page 135 of this document. 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.

In December 2016 mining operations at Yubileyno-Snegirikhinsky ceased as mineral resources at the mine were fully exploited. A closure plan has been developed by the Group and is expected to be approved shortly. The closure plan includes the sealing of all mine access points, the contouring of waste heaps, removal of buildings and infrastructure, and management of water runoff. The site will be returned as closely as possible to its pre-development state as required by legislation. After the appropriate remedial works have been undertaken, no significant adverse impacts on the local environment are anticipated.

Environmental permitting and compliance

Environmental permits are granted for our operations, setting annual limits for emissions, water use and water discharge. If levels exceed these limits, charges are applied in proportion to the amount of emissions or usage in excess of the limits. The Group reports the total charges paid and any material environmental incidents (with materiality determined by their nature or resulting in a fine in excess of $100,000) in this Corporate responsibility report and in the Corporate Responsibility section of its website.

The Group paid excess emissions charges of approximately $80,000 in 2017 (2016: $640,000) mainly in relation to minor permitting charges at the Irtyshsky complex in the East Region. These payments are administrative in nature and are not considered to be 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.

Other environmental fines amounted to a total of approximately $180,000 for the Group, spread across 12 separate instances none of which are considered material and with no single payment exceeding the Group's quantitative materiality threshold of $100,000.

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 Equality and Diversity 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.

Consultation and communication

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, 83% of the Group's employees in Kazakhstan belonged to one of the three trade unions active in the mining industry, an increase compared to 69% in 2016 following growth in union membership at the new Bozshakol and Aktogay sites.

Employee Communication – 'Direct Line' Events

Every year for the last three years Oleg Novachuk has hosted the KAZ Minerals 'Direct Line' event, in which employees are invited to participate in a live question and answer session with senior management. All of the Group's sites are brought together using video conferencing. Over 1,400 employees participated in the 2017 Direct Line, which lasted for four hours and covered 58 questions. In total, over 250 questions were submitted and written answers were provided separately if the topic was not covered in the live event.

Oleg Novachuk, Chair, said: "This event is very useful for me because it is an opportunity to hear what people think, how they live, what challenges they face and how I can help them. Employees can hear directly from me what the future holds for the company and how we are going to develop over the coming years."

2017 Direct Line event

Employee 'Communicator' programme

"In 2017 we rolled out a new initiative to improve communication between management and our employees. Each operational complex has assigned an official 'Communicator' to improve the exchange of information and ideas between the different parts of the Group. We have seen many benefits from the programme this year, with improved understanding of the Group's goals and ambitions at all staffing levels. Communicators also fulfil an important role as providers of feedback directly from employees."

Maksut Zhapabayev,
Head of Communications, Almaty

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 health and safety 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 living cost inflation, 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.

In accordance with regulations in Kazakhstan and our employee agreements, we make payments to employees 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 25 on page 133.

Training and development

Professional development is one of the Group's five core values. We are committed to ensuring that employees continue their professional development, with the aim of increasing productivity, efficiency and safety. The Group takes a long-term view of building capabilities and leadership qualities amongst its staff since these are critical to our growth strategy.

In 2017, employees each received an average of 60 hours of training (2016: 45 hours) typically consisting of 33 hours of safety training, 24 hours of professional education and three hours of additional education. Operational training includes a significant health and safety component that is not recorded separately as health and safety training. Topics include safe operation of machinery and vehicles, electrical and fire safety, labour protection training, physical fitness and professional development.

Training needs for the new workforce at Bozshakol and Aktogay have been significant. The aim is to transfer skills from senior and experienced team members to a new generation of operators.

Equality and diversity

Our goal is to employ a skilled workforce that reflects the demographic of the regions in which we operate. We aim to develop the expertise required for our operations from our existing workforce, recruiting locally where possible. Our operations are located in Kazakhstan and Kyrgyzstan and in 2017, 98% 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 Bozshakol and Aktogay working alongside local teams who will take over the management of operations in due course. At Bozshakol, following the initial commissioning and establishment of working practices, operational management has been transferred from expatriates on fixed-term assignments to permanent employees, with international expertise retained to provide support on specific technical matters.

KAZ Minerals has a relatively high female representation in its workforce benchmarked against major mining companies, at 24% of total employees and an equal representation with 23% of senior managers female. 25% of the members of the Board are female. KAZ Minerals is committed to offering equality of opportunity to all current and potential future employees, regardless of ethnicity, gender or background. During 2018 we will continue to build on the successes that we have achieved.

Female employees (% of total)

Notes: Peer group information sourced from data published in 2017, KAZ Minerals data shown as of 31 December 2017.

Corporate Values

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

Safety
Protect the health and wellbeing of all of our employees and contractors and protect the safety of the environment

Long Term Efficiency
Anticipate the long-term consequences of today's actions

Teamwork
Take responsibility for personal and team goals, accept compromise, encourage colleagues and appreciate different perspectives

Professional development
Improve competency and skills, encourage education and training, share experience and knowledge with colleagues

Integrity
Uphold honesty in everything that we do. Keep promises and admit mistakes

The Group organises regular competitions to reward projects and initiatives undertaken by employees which reflect our corporate values. In April 2017 the winning project was an initiative called 'Pit Stop', which promoted the use of video recordings of concentrator maintenance to improve the process for future work. The project reflected the Group's core values of long-term efficiency, professional development and teamwork.

Ethics, compliance, anti-bribery and corruption

Integrity is one of the Group's five core corporate values. The Board is responsible for managing our 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 and has been in force across all operations, with relevant clauses included as part of the Group's standard terms and conditions with suppliers since 2011. See page 73 for a description of the Group's policies and due diligence procedures undertaken in relation to anti-bribery and corruption. In 2017 all existing contracts were updated to incorporate a new Suppliers' Charter which includes the Group's expectations of its suppliers with regard to the prevention of 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.

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. At the end of 2017, a total of 63 contracting firms were working at the Group's underground mines in the East Region and a further 28 firms were employed at the new open pit mines at Bozshakol and Aktogay, together employing around 5,000 contractor employees at our sites.

Suppliers' Charter

KAZ Minerals is committed to high standards of corporate social responsibility. To ensure that our suppliers understand what standards we require of them, we established the KAZ Minerals Suppliers' Charter in 2016. A copy of the charter can be viewed on the Group's website.

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.

During 2017 the Group amended its supplier agreements (approximately 2,500 contracts) to include a commitment to upholding the standards set out in the Suppliers' Charter. Suppliers were required to sign the amendment as a condition of continuing to work with KAZ Minerals. The Group also conducts a due diligence exercise on new suppliers to ensure that we only work with suppliers who meet our standards.

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 in 2016 which sets out the standards it expects to be upheld in relation to its own employees as well the employees of suppliers or contractors to the Group. As part of the exercise conducted during 2017 to incorporate the Suppliers' Charter into all the Group's contracts, suppliers were 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 labour, child labour, human trafficking 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, as required by the UK Modern Slavery Act 2015.

Supply chain monitoring

In addition to requiring suppliers to sign up to the Suppliers' Charter, a training programme was implemented for approximately 800 individuals from procurement teams and managers involved in the supervision of contractors in 2017. 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.

Human rights

KAZ Minerals has a formal Human Rights policy, approved by the Board and available to view on the Group's website. See page 74 for a description of the policy.

KAZ Minerals recognises all human rights as defined in the Universal Declaration of Human Rights. We are committed to ensuring our operations do not infringe these rights, for instance by providing fair, safe and secure working conditions in line with the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We respect the right to freedom of association and consult our employees and trade unions about proposed changes to our business and employment conditions. 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.

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 operations' General Directors 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 74. 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 supports communities in Kazakhstan and Kyrgyzstan by investing in projects that benefit society close to its operations as well as national projects. Social investments of $10 million were made during 2017.

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 and sport; (ii) national projects in the

Community Consultation

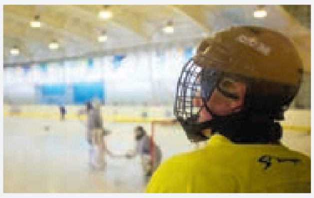
KAZ Minerals is committed to consulting regularly with communities close to its operations. Formal meetings take place around licencing of new project developments. Other consultations are held to discuss local development initiatives or social projects which the Group may support.

In December 2017 a group of community representatives from the nearby villages of Aktogay and Kopa were hosted at the Aktogay mine site. "During the visit we visited the tailings storage area and saw that birds are nesting on the site. The site is generally very clean and tidy. We were shown how geomembranes are used to prevent leach solution from seeping into the local environment. I really liked it. Our guides showed us everything and answered all of our questions." Nursha Balabekova, former chemistry teacher and local resident

2017 Aktogay community site visit

Sports facilities

KAZ Minerals supports sport through social projects close to our mining operations, contributing to the construction of sports facilities for the benefit of local communities.



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.

Projects supported in 2017 included the purchase of medical equipment for hospitals in the East Region, a programme to fund information technology in schools, sponsorship of a football team, the construction of sports facilities in Pavlodar and support for the 2017 EXPO 'Future Energy' event in Astana. At Bozymchak the Group invested in infrastructure improvements for the use of the local community such as the construction of bridges and roads.

As required by subsoil use law, the Group also prioritises local procurement to assist diverse economic growth within Kazakhstan. During 2017 the level of procurement from outside Kazakhstan has been higher than in the past due to the requirements of the major growth projects at Bozshakol and Aktogay, which employ modern technology that is only possible to source internationally. In the East Region local procurement was 77% of total spending (2016: 76%).

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 Bozshakol and Aktogay could have. These issues are carefully considered in the feasibility stages of planning a new project and in consultation with local communities.

Materiality assessment

We reviewed our materiality assessment in 2017, promoting biodiversity to a 'Moderate' priority and adding equality and diversity as a high priority:

External stakeholder priorities	Internal business priorities: Moderate	Internal business priorities: High
High	Emissions to air GHG emissions Human rights Licence to operate Safety training	Anti-bribery and corruption Contractor safety Energy use Equality and diversity Fatalities 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 Social investment Supplier conduct Biodiversity	Occupational health Pay and benefits Resource use efficiency

Effective risk management

The Group's risk management process is essential to mitigate risk exposure, identify business opportunities, improve operations and protect our stakeholders.

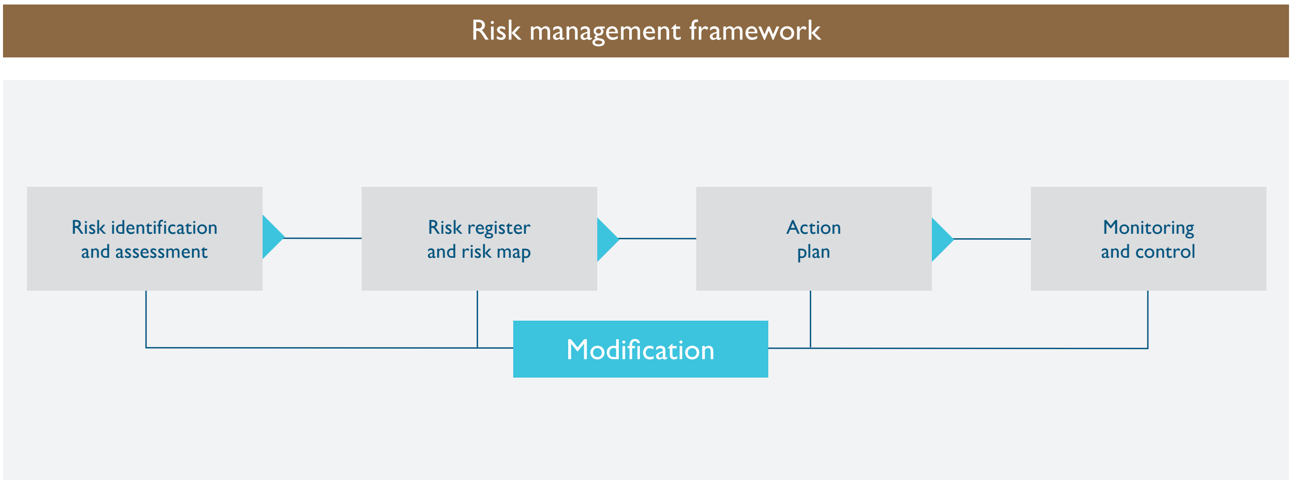
Further details of the Group's approach to internal control are set out in the Governance framework report on pages 68 and 73.

Risk management framework

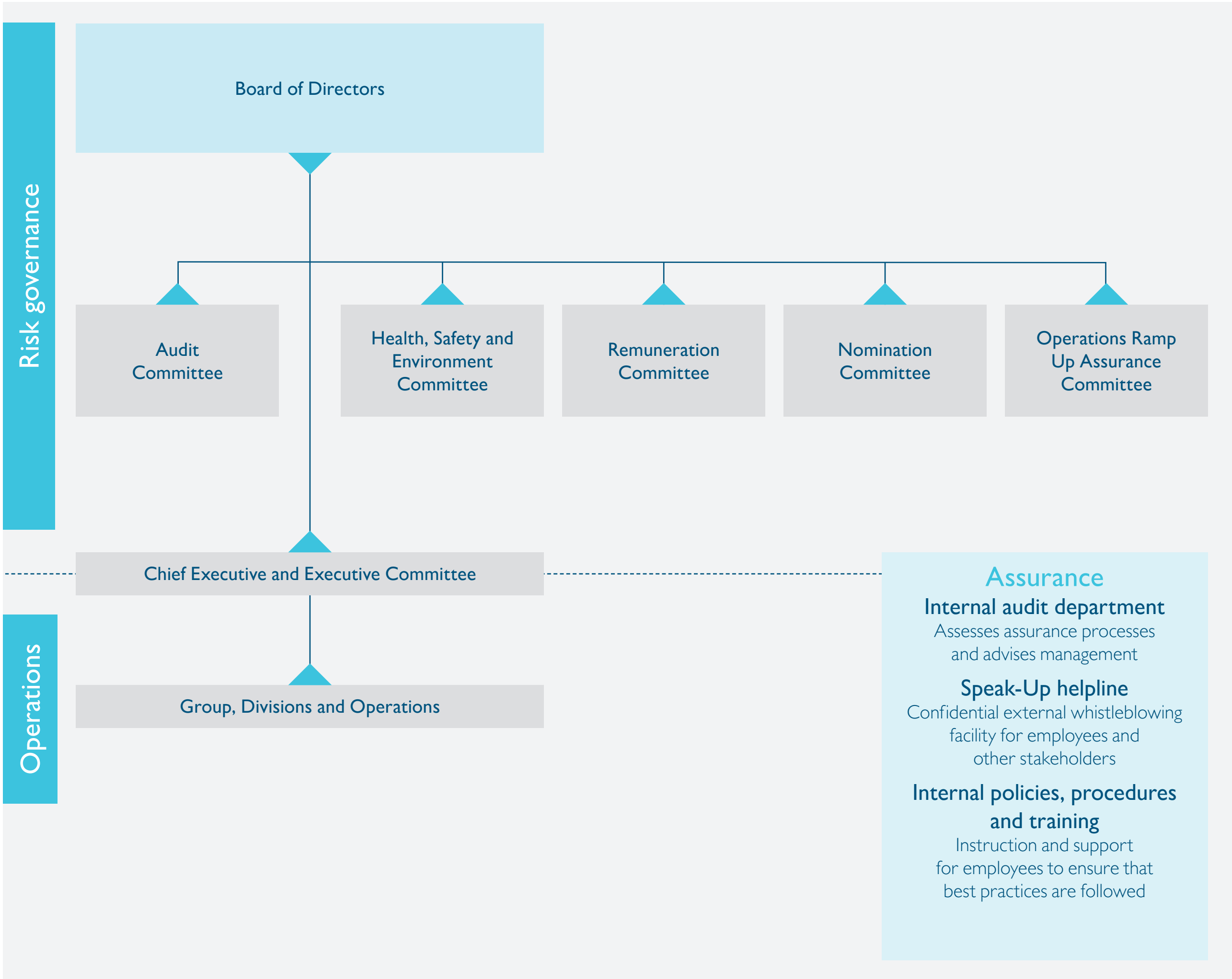
The Group operates a formal and rigorous risk management framework, designed to ensure that risks are clearly identified, effectively managed and continually monitored.

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

- The Board has overall responsibility for risk management and determines the Group's risk strategy, assessing the balance of risk necessary for the Group to carry out its business successfully and to achieve its strategic goals.
- The Audit Committee oversees the Group's risk management framework.
- The Health, Safety and Environment Committee reviews health, safety and environmental risk management across the Group.
- The Remuneration Committee ensures that the remuneration structure does not encourage excessive risk taking by management.
- The Nomination Committee ensures that the composition of the Board and its Committees is appropriate to oversee risk management.
- The interim Operations Ramp Up Assurance Committee monitors risks relating to the ramp up of operations at the Group's major growth projects.
- The Chief Executive Officer and Executive Committee implement the risk strategy determined by the Board.



Risk governance structure



Identification of principal risks

Through the risk management framework, the Group's principal risks are identified and each risk is assessed according to the potential severity of its effect and the likelihood of occurrence. The principal risks are placed on the Group risk map. The Board and Audit Committee receive benchmarking of the Group's principal risks against industry peers, review reports on the Group's risk environment and risk management activities and monitor the Group risk map to ensure that risks continue to be accurately represented. This continual monitoring process indicates where mitigating actions may need to be taken.

A description of our principal risks, including impact and mitigating actions, can be found on pages 59 to 63.

Viability statement

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 2020, for this assessment. This period is considered appropriate as:

- Commodity prices have been volatile and as the market for copper, on which the Group is highly dependent, is expected to be finely balanced, this may result in further copper price volatility. Copper prices are therefore difficult to forecast for an extended period.
- Exchange rates and inflation rates in Kazakhstan, important drivers of the Group's operating costs, are difficult to forecast for an extended period.
- The Group's debt level is expected to significantly reduce during the viability period, with scheduled repayments of $1.5 billion.

Assessment of prospects

In assessing the Group's prospects, the Board has considered the current position of the Group, including the significant available liquidity, $1,821 million at 31 December 2017, the performance to date of Bozshakol and Aktogay, the cost competitiveness of the Group's operations and its future capital requirements, including the planned expansion of Aktogay. Given the location of the Group's operations and market for its products, 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 59 to 63 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 deterioration in prices would negatively impact the Group's profitability and cash flow.

New projects and commissioning and **business interruption:** the Group's operations and growth projects may fail to ramp up or maintain operating parameters as planned.

Foreign exchange and inflation risk: a significant appreciation of the KZT/$ exchange rate from its current level, or increased inflation in Kazakhstan could have a material impact on operating costs.

Liquidity risk: 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 interest rates would also impact the Group's financial outlook.

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 restrict production or export of material from the Group's operations for a sustained period. Such events could include a natural phenomenon, a significant political or legislative change or regulatory challenge or significant civil disorder.

Process to assess the Group's prospects

The Board has performed the viability assessment based on the Group's Treasury forecast, which is regularly reviewed by the Board and prepared from the annual budgeting process, individual project plans and life of mine (LOM) plans. These LOM plans reflect the expected production profile and related cost structures of the operations over their expected 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 rate and inflation and interest rates, as well as an internal assessment of future production levels. 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 fall in commodity prices from current levels and below market consensus throughout the viability period;
- A sustained fall in commodity prices combined with lower than expected production from the Bozshakol and Aktogay operations;
- A sustained fall in commodity prices and lower than expected production combined with an increase in Group operating costs due to adverse exchange rates and higher cost inflation.

In addition, reverse stress testing was performed to ascertain the negative movement in the copper price which could lead to non-compliance with financial covenants.

Confirmation of longer-term viability

In the base case, or an individual downside scenario for lower commodity prices or production, the Board considers there to be adequate liquidity over the viability period, including financing of the Aktogay expansion.

In a more severe downside scenario, where a sustained reduction in copper price is combined with lower than expected production from Bozshakol and Aktogay, the Group would need to take mitigating actions to finance the Aktogay expansion as planned. Any such shortfall would only be expected to occur towards the end of the viability period. Given the quality of the Group's large scale, low cost and long life assets and the significant reduction in gross debt levels over the viability period, the Board is confident this shortfall could be managed by an amendment to existing finance facilities, or from new sources of finance. Furthermore, in the unlikely event this was not successful, the Board could defer uncommitted capital expenditures for the Aktogay expansion.

Therefore, 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 will continue to meet its liabilities as they fall due throughout the period to 31 December 2020.

Managing our risks

The Group's principal risks are set out below, along with mitigating actions. There may be other risks, unknown or currently considered immaterial, which might become material. 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.

Sustainability risks

Health and safety

Impact	Mitigation	Link to strategy
Mining is a hazardous industry. Health and safety incidents could result in harm to people, as well as production disruption, financial loss and reputational damage.	The Group's goal is for zero fatalities and to seek to minimise health and safety 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 HSE Committee reviews and monitors associated risks across the Group. Further details of the HSE function are set out in the Corporate responsibility report.	• Delivering major growth projects • Optimisation of existing assets • 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	Mitigation	Link to strategy
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 local communities and the labour force could affect the Group's reputation and social licence to operate, and result in production disruptions and increases in operating costs. Wage negotiations could be impacted by higher commodity prices, higher domestic inflation or the continued weakness of the tenge.	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 complying with commitments the Group minimises potentially negative impacts. Bozshakol and Aktogay are in remote locations where the community relations risk is reduced. Further details of the Group's social programme are set out in the Corporate responsibility report.	• Delivering major growth projects • Optimisation of existing assets • Be a socially responsible operator **Risk change** No change.

Employees

Impact	Mitigation	Link to strategy
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 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. International workers with appropriate expertise assist during the initial phase of operations.	• Delivering major growth projects • Optimisation of existing assets • Be a socially responsible operator **Risk change** No change. Challenges remain in respect of the recruitment and retention of skilled staff.

Sustainability risks continued

Environmental

Impact	Mitigation	Link to strategy
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 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.	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. Further details are set out in the Corporate responsibility report.	• Delivering major growth projects • Optimisation of existing assets • Be a socially responsible operator **Risk change** No change.

Operational risks

Business interruption*

Impact	Mitigation	Link to strategy
Operations are subject to a number of risks not wholly within the Group's control, including: geological and technological challenges; weather and other natural phenomena; damage to or failure of equipment and infrastructure; 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.	In-house and third-party specialists are utilised 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. Should an outage occur at the Balkhash smelter the Group believes it could sell concentrate directly to customers.	• Delivering major growth projects • Optimisation of existing assets **Risk change** This risk is assessed to have increased as production at Bozshakol and Aktogay has ramped up whilst commodity prices have strengthened, therefore increasing the financial impact of a disruption to production.

New projects and commissioning*

Impact	Mitigation	Link to strategy
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 effectively manage new projects or a lack of available financing may prevent or delay completion of projects.	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 Operations Ramp Up Assurance Committee which reports to the Board. The recently announced Aktogay expansion represents a low risk growth project, being a duplicate processing facility with construction to be managed by the project team which delivered the first processing facility. Further details regarding the major growth projects are included in the Operating review.	• Delivering major growth projects **Risk change** This risk is assessed to have reduced as the Aktogay sulphide and Bozshakol clay plants were declared commercial during the year. Going forward the risk may increase as the Aktogay expansion project is executed.

* Represents those principal risks considered as specific downside cases as part of the viability assessment on page 58.

Reserves and resources

Impact	Mitigation	Link to strategy
The Group's ore reserves are in part based on an estimation method established by the former Soviet Union. There are numerous uncertainties inherent in estimating ore reserves, which if changed, could require the need to restate ore reserves and impact the economic viability of affected operations and development projects.	The Group's ore reserves and mineral resources are published annually in accordance with the criteria of the JORC Code and reviewed by an independent technical expert. 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.	• Delivering major growth projects • Optimisation of existing assets • Take advantage of natural resource opportunities **Risk change** No change.

Political

Impact	Mitigation	Link to strategy
The Group could be affected by political instability or social and economic changes in the countries in which it operates. This could include 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.	A proactive dialogue is maintained with the Governments of Kazakhstan and Kyrgyzstan across a range of issues. Developments are monitored closely and lobbying is conducted where appropriate. Kazakhstan is one of the most politically stable and economically developed countries in Central Asia and the Board continues to view the political, social and economic environment within Kazakhstan favourably and remains optimistic about the conditions for business in the region.	• Delivering major growth projects • Optimisation of existing assets • Take advantage of natural resource opportunities **Risk change** No change.

Legal and regulatory compliance

Impact	Mitigation	Link to strategy
In Kazakhstan and Kyrgyzstan all subsoil reserves belong to the State and subsoil usage rights must be renewed. Legislation, including subsoil use laws and taxation have been in force for a relatively short period of time and 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.	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. 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.	• Delivering major growth projects • Optimisation of existing assets • Take advantage of natural resource opportunities **Risk change** No change.

Financial risks

Commodity price*

Impact	Mitigation	Link to strategy
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 world supply and demand and investor sentiment.	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. Sensitivity analysis to movements in commodity prices is included in the Market overview.	• Delivering major growth projects • Optimisation of existing assets • Take advantage of natural resource opportunities **Risk change** During 2017 the copper market and its outlook improved. However, given continued volatility and uncertainty, commodity prices continue to be a principal risk driver.

Foreign exchange and inflation*

Impact	Mitigation	Link to strategy
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.	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 31 to the financial statements.	• Optimisation of existing assets **Risk change** No change.

Exposure to China

Impact	Mitigation	Link to strategy
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 $3.0 billion at 31 December 2017. In addition, the Group uses contractors, services and materials from China.	Bozshakol and Aktogay 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, having the PXF facility and DBK facility in place and has the flexibility to consider other sources of capital if required.	• Delivering major growth projects • Optimisation of existing assets • Take advantage of natural resource opportunities **Risk change** No change.

* Represents those principal risks considered as specific downside cases as part of the viability assessment on page 58.

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 in 2014, which could give rise to liabilities for KAZ Minerals.	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 the transaction is aligned with the Group's strategy, consideration of the key assumptions being applied and the risks identified.	• Optimisation of existing assets • Take advantage of natural resource opportunities **Risk change** No change.

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. 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. Adequate levels of committed funds are maintained with $1,821 million cash and committed facilities at 31 December 2017. The Group has a successful track record of raising finance and the majority of the Group's debt is long-term. Further details regarding going concern and viability are included in note 2 to the financial statements and page 114 respectively.	• Delivering major growth projects • Optimisation of existing assets • Take advantage of natural resource opportunities **Risk change** This risk has decreased since 2016 following an increase in available liquidity, the successful delivery of the major projects and favourable movements in commodity prices.

Delivering growth with governance

> KAZ Minerals' corporate governance framework is in place to support the Board in delivering long-term, sustainable growth for shareholders in a transparent and ethical manner.

Michael Lynch-Bell
Deputy Chair and
Senior Independent Director

Dear shareholder,

I am delighted to present this, my first overview of the Company's corporate governance framework in my role as Deputy Chair and Senior Independent Director of the Company. I strongly believe that good governance is vital for the prosperity and longevity of the Company and it inspires confidence and trust in the business amongst our various stakeholders.

The Directors' Report has been prepared in accordance with the April 2016 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (the Code). During the 2017 financial year, the Company complied fully with the provisions of the Code other than provision A.3.1 of the Code which applies to the appointment of a chief executive as chair of the same company, which I explain further below. The Governance framework report on pages 68 to 85 sets out in detail how 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.

Changes to the Board

In April 2017, we announced changes to the structure of the Board following the previous Chair, Simon Heale, informing the Company of his intention to step down from the Board after 11 years. It was the Board's view, after careful consideration, that Oleg Novachuk, at the time Chief Executive Officer of the Company, was uniquely qualified to succeed Simon as Chair, to lead the Board and hold specific responsibility for strategy, government relations and business development. His knowledge, experience and relationships, as explained in more detail in the Nomination Committee section on page 83, made him uniquely qualified for the role. Prior to the announcement in April 2017, in compliance with the Code, we consulted our major institutional investors on this appointment and Oleg Novachuk became Chair on 1 January 2018.

As part of the changes described above, the Board, with the aim of maintaining the Group's high standards of governance, asked me to take the role of Deputy Chair with effect from 1 January 2018. The Deputy Chair role expands the authority and responsibilities of the Senior Independent Director, leading on Board governance matters, including the annual review of Board effectiveness, the leadership of the Nomination Committee and acting as an intermediary between non-executive Directors and the Chair. The Deputy Chair role also provides a point of contact between the Company and independent shareholders, who may wish to raise issues with the Board other than through the Chair.

For more information, see pages
14 Chair's statement
22 Strategy

The Board has been strengthened by the appointment of Alison Baker on 9 October 2017 as an independent non-executive Director. We conducted a review of the membership of the Committees in conjunction with the changes to the Board structure and as a result, I was appointed Chair of the Nomination Committee and a member of the Health Safety and Environment Committee and Alison Baker joined the Audit and Nomination Committees. Alison will succeed me as Audit Committee Chair during 2018. We have thoroughly reviewed and adapted the scope of the roles and responsibilities of the Directors to ensure that they are well-defined and that the division of responsibilities between the Chair, Chief Executive Officer and Deputy Chair are clear.

Committee framework

KAZ Minerals' corporate governance framework is in place to support the Board in delivering long-term, sustainable growth for shareholders in a transparent and ethical manner. The four principal Board committees (Audit; Health, Safety and Environment; Remuneration; and Nomination) and the interim Operations Ramp Up Assurance Committee, each deal with specific aspects of the Group's affairs and have an important role in internal control and risk management within the Group. Summary information setting out the roles and responsibilities of each Committee and the activities they have undertaken during the year, is set out in their respective sections of the Governance Framework report.

Diversity and Equality

KAZ Minerals is committed to diversity and equality in the workplace and prides itself on the strong female representation throughout the Group at all levels of seniority, relative to its mining peers. During 2018, we will continue to build on the successes that we have achieved. Our Board is comprised of men and women with a range of nationalities, bringing diversity to Board discussions and this is reflected across our workforce. More detail can be found in the Corporate responsibility report on page 52 and on page 75 of the Governance Framework report.

Stakeholder engagement

As a Board, we engage with our stakeholders throughout the year, so that in running the business, we remain cognisant of their interests and mindful of our duties towards them under section 172 of the Companies Act 2006. To provide the Directors with the opportunity to interact with our employee base in Kazakhstan, there are two site visits per year to our operations which the independent non-executive Directors all attend and where they are able to engage with staff at different levels of seniority. Members of senior management attend various Board and Committee meetings throughout the year and present to the Board, responding to any questions the Board may have on matters including HSE, operations, human resources and finance.

I engaged with our major institutional investors during the year to discuss and explain the governance measures we were putting in place as part of the Board changes and I remain available to speak to them as required. The Chief Executive Officer, Chief Financial Officer and the Investor Relations team meet on a regular basis with our institutional investors and sell-side analysts to understand their views.

We are holding our Annual General Meeting on Thursday 3 May 2018 in London and I hope that many of our shareholders will attend. My fellow Directors and I will be available to discuss any questions that shareholders may have about the Company.

I look forward to overseeing Board governance over the course of the year for the benefit of our stakeholders, as set out in more detail in the pages that follow this overview.

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 Environment Committee	Nomination Committee	Remuneration Committee	Operations Ramp Up 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

Board of Directors

Oleg Novachuk
Chair

Andrew Southam
Chief Executive Officer

Michael Lynch-Bell
Deputy Chair and Senior Independent Director

Lynda Armstrong OBE
Independent non-executive Director

Alison Baker
Independent non-executive Director

Vladimir Kim
Non-executive Director

John MacKenzie
Independent non-executive Director

Charles Watson
Independent non-executive Director

Oleg Novachuk
Chair
Appointed to the Board: 2005

Skills and experience:
Oleg joined the Group in 2001 and was appointed Chair on 1 January 2018, with responsibility for strategy, government relations and business development. Oleg was Finance Director from 2005 to 2007, overseeing the Group's Listing on the London Stock Exchange, before serving as Chief Executive Officer from 2007 to 2017, during which time he led the delivery of the major growth projects, Bozshakol and Aktogay, and the Restructuring that created KAZ Minerals. Prior to joining the Group, Oleg was chairman of Kazprombank JSC.

Andrew Southam
Chief Executive Officer
Appointed to the Board: 2014

Skills and experience:
Andrew joined the Company in 2006 and he 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. He brings significant strategic and operational oversight and was, together with Oleg Novachuk, one of the architects of the Restructuring which created KAZ Minerals. Andrew is a chartered accountant who began his career at Deloitte in London, where he provided audit and transaction services to a number of UK listed companies. Prior to joining the Company, Andrew worked in corporate development at GlaxoSmithKline plc.

Michael Lynch-Bell
Deputy Chair and Senior Independent Director
Appointed to the Board: 2013

Skills and experience:
Michael gained extensive experience working with companies in the mining, oil and gas industries during his 38 year career with Ernst & Young. He played a key role in establishing Ernst & Young's practice in Kazakhstan and advised a number of major CIS companies on transactions. He retired as senior partner of Ernst & Young's transaction advisory practice for mining and metals and as an elected member of its global advisory council in 2012. He was previously trustee and treasurer of ActionAid International.
In his role as Deputy Chair and Senior Independent Director, Michael is responsible for leading on Board governance matters and he provides a point of contact between the Company and independent shareholders.

Other appointments:
Chair of Seven Energy International Limited and non-executive director of Lenta Ltd, Barloworld Limited and Gem Diamonds Limited. He is also a trustee of 21st Century Legacy and The Children of Sri Lanka Trust and a member of the United Nations Expert Group on Resource Classification.

A N R H

Lynda Armstrong OBE
Independent non-executive Director
Appointed to the Board: 2013

Skills and experience:
A geophysicist by training, Lynda had over 30 years' natural resources experience with Shell. During this time, she held a number of senior exploration and operational roles, including director of UK Exploration and New Business Development, exploration director of Petroleum Development Oman and technical vice president for Shell International. Lynda's technical and operational experience of the extractives industry and her clear commitment to health and safety provide valuable insight and guidance to the Group. 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) and the Central Europe Oil Company Limited, a director of Calyx Consulting Ltd, a member of the supervisory board of SBM Offshore N.V. and chair of the Engineering Construction Industry Training Board.

R N H O

Alison Baker
Independent non-executive Director
Appointed to the Board: 2017

Skills and experience:
Having nearly 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. She has extensive emerging markets experience including in the energy and mining sectors in Kazakhstan.

Other appointments:
Non-executive director of Centamin plc, non-executive director of Helios Towers plc and trustee and treasurer of the Restoration of Appearance and Function Trust (RAFT).

A N

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

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

John MacKenzie
Independent non-executive Director
Appointed to the Board: 2015

Skills and experience:
John is a senior mining executive with more than 25 years' experience in the metals and mining sector, mostly acquired with the Anglo American group where he was CEO of Zinc from 2006 to 2009 and CEO of Copper from 2009 to 2013. John brings extensive international operating experience and a wealth of health and safety knowledge to the Group gained in Africa, South America, North America and Europe.

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

O A H

Charles Watson
Independent non-executive Director
Appointed to the Board: 2011

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

H A R O

Other appointments:
- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- H Health, Safety and Environment Committee
- O Operations Ramp Up Assurance Committee
- Chair

Governance framework

Code compliance

This section has been prepared in accordance with the April 2016 edition of the Code, which applies to the Company's Annual Report and Accounts for the year ended 31 December 2017 and is available to view at www.frc.org.uk. It is the Board's view that for the year ended 31 December 2017, the Company complied with all the principles set out in the Code apart from provision A.3.1 of the Code 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 83.

Leadership

The role of the Board

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

The Board is primarily responsible for 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 the matters reserved for the Board is set out below. These are matters that are significant to the Group as a whole because of their potential strategic, financial and reputational implications or consequences. The Board has four principal Committees to deal with specific aspects of the Group's affairs. The 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 and Health, Safety and Environmental policies, Anti-Bribery and Corruption Code and Share Dealing Rules;
- 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; and
- the appointment or removal of the Company's external auditors and main financial, legal and technical advisers.

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

Roles and responsibilities

Division of responsibilities

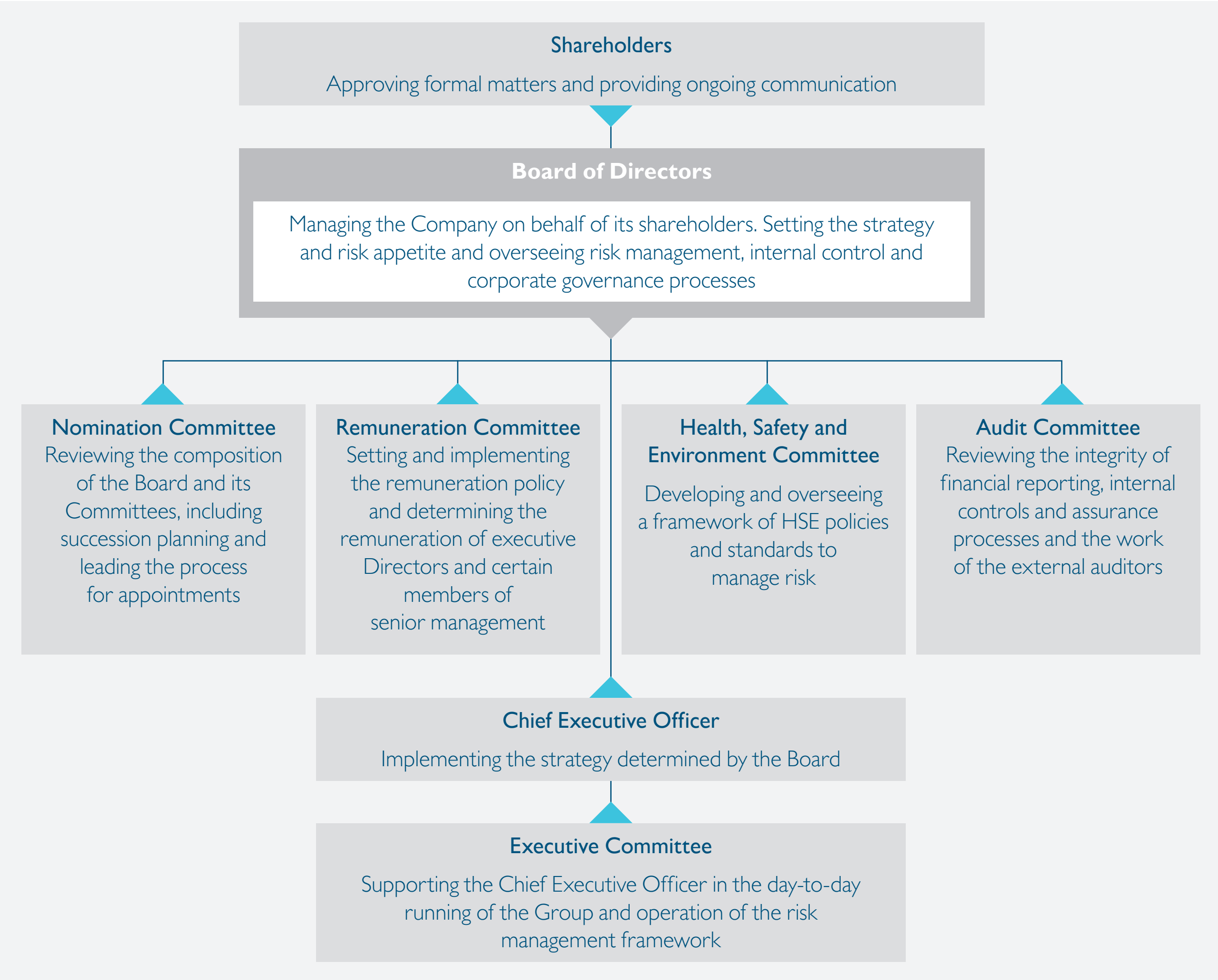
On 27 April 2017, the Company announced changes to the Board effective from 1 January 2018, including the appointment of a new Chair, Chief Executive Officer and the additional appointment of the Senior Independent Director to a combined role of Deputy Chair and Senior Independent Director with responsibility for Board governance matters and representing the interests of independent shareholders.

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 health, safety and environmental 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 agreed strategy; • planning human resourcing, staff development and management succession; • together with the Chair overseeing compliance of the Group's operations with all relevant health and safety 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. No such matters of concern were raised during 2017; and • meeting with a range of major shareholders when required to develop a balanced understanding of investor issues and concerns and report the outcome of such meetings at subsequent Board meetings.
Independent non-executive Directors	• 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



Effectiveness

Composition of the Board

The Board is currently comprised of the Chair, Chief Executive Officer, and six non-executive Directors. The balance of Directors on the Board ensures that no individual or small group of Directors can dominate the decision-making process and that the interests of minority shareholders are protected. Biographies of all Directors are set out on pages 66 and 67.

It is the Company's policy that at least half the Board, excluding the Chair, should be independent non-executive Directors. Other than Vladimir Kim, the Board considers each of its current non-executive Directors to be independent in character and judgement.

In reaching its determination of independence, the Board has concluded that each of Lynda Armstrong, Alison Baker, Michael Lynch-Bell, John MacKenzie and Charles Watson provides objective challenge to management and is willing to defend his or her own beliefs and viewpoints in order to support the interests of the Company and its stakeholders. None of them has any business or other interests which are likely to, or could appear to, affect their judgement in their capacity as Directors of the Company. The Board carries out a review of the independence of its non-executive Directors on an annual basis and is satisfied that all of its non-executive Directors remain independent with the exception of Vladimir Kim, due to his significant shareholding in the Company.

Commitment

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

Directors are provided with the relevant Board or Committee papers for consideration around seven days in advance of each meeting via an electronic board portal. Regular agenda items this year included: reports on health, safety and environmental matters; cash forecasts; updates on operations; requests for capital expenditure approval; reports on operational and financial performance; updates on the Group's principal risks and risk management processes; updates on business development projects and strategic matters; corporate communications; changes in corporate governance; and reports received from Board Committees. If a Director is unable to attend a meeting due to exceptional circumstances, he or she still receives the papers in advance of the meeting and has the opportunity to discuss with the relevant Chair or the Company Secretary any matters he or she wishes to raise and to follow up on the decisions taken at the meeting. The 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 2017 is shown below:

Directors during the year	Attendance at scheduled meetings during 2017
Simon Heale[1]	6/6
Oleg Novachuk	6/6
Andrew Southam	6/6
Lynda Armstrong	6/6
Alison Baker[2]	2/2
Vladimir Kim	6/6
Michael Lynch-Bell	6/6
John MacKenzie	6/6
Charles Watson	6/6

1 Simon Heale stepped down from the Board on 31 December 2017
2 Alison Baker was appointed to the Board on 9 October 2017

In addition to the six scheduled meetings of the Board during the year, four further meetings were held which focused on the Board changes and the review of the Group's strategy and associated principal risks.

Development

On appointment, all new Directors receive a comprehensive and structured induction, tailored to their individual requirements. The induction programme, which is arranged by the Company Secretary, includes visits to the Group's businesses and meetings with senior managers and external advisers as appropriate. The programme is designed to facilitate their understanding of the Group, the key drivers of business performance, the role of the Board and its Committees and the Company's corporate governance practices and procedures. It also provides them with appropriate training and guidance as to their duties, responsibilities and liabilities as a director of a public limited company listed on the London, Hong Kong 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 Group business development and financial performance between meetings. This enables the Directors to discharge their duties effectively on strategic, financial, operational, compliance and governance issues.

Where appropriate, additional training and updates on particular issues are provided. During the year, the Board received briefings on anti-bribery and corruption, the proposed changes to the Code and the corporate offence of failure to prevent the criminal facilitation of tax evasion (the CCO Offence).

All Directors are provided with the opportunity for, 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 internal briefings, attendance at seminars, forums, conferences and working groups as well as the receipt of written and verbal updates from relevant bodies or external advisers on legal, regulatory and governance matters.

The Board receives regular reports on shareholder sentiment from the Head of Investor Relations to ensure that members of the Board remain apprised of the current views of shareholders. Non-executive Directors can attend meetings with shareholders and analyst presentations and all shareholders have the opportunity to meet informally with the Directors at the Annual General Meeting.

Information and support

The Company Secretary, through the Chair and Deputy Chair, is responsible for advising the Board on all governance matters and for ensuring that Board procedures are followed, applicable rules and regulations are complied with and that due account is taken of relevant codes of best practice. The Company Secretary is also responsible for ensuring communication flows between the Board and its Committees, and between senior management and non-executive Directors. All Directors have access to the advice of the Company Secretary and in appropriate circumstances, may 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 and was appointed in April 2016. She is admitted as a solicitor in England and Wales and over the course of her career has been company secretary of three other UK listed companies.

Performance evaluation

An externally facilitated annual performance evaluation of the Board and its Committees is carried out every three years, with internal annual performance evaluations carried out for the intervening years. The previous externally facilitated annual performance evaluation of the Board and its Committees was conducted in 2015 and there will be another external evaluation during 2018.

In 2017, a full internal performance evaluation process of the Board and its Committees, facilitated by the previous Chair with the assistance of the Company Secretary, was carried out. An in-depth questionnaire on the performance of the Board was circulated and completed by the Directors and focused on:

- strategy and risk evaluation;
- composition and capability;
- organisational behaviour and culture;
- risk management and internal control; and
- effectiveness of Board and Committee meetings and communication.

Based on the responses received to the questionnaires, the Company Secretary prepared a report which was circulated and presented to the Board at its meeting in December 2017. The overall conclusion was that the Board and its Committees were operating effectively. A small number of potential improvement areas such as enhancing the interrelationships between Board Committees, a review of reporting at Board meetings, the timing of meetings and a continued focus on Board development and on succession planning were identified and are being incorporated into the Board and Committee processes for 2018.

During the year, the previous Chair held a number of meetings with non-executive Directors without executive Directors being present. The Senior Independent Director also led the non-executive Directors in evaluating the performance of the previous Chair as part of the Board evaluation process and, following the evaluation, the Board was satisfied that Simon Heale continued to be able to fulfil all of the commitments required of the role to its satisfaction. On 31 December 2017, Simon Heale stepped down from the Board and Oleg Novachuk succeeded him as Chair.

Re-election

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

Vladimir Kim (non-executive Director) and Eduard Ogay (former executive Director of the Company) are deemed to be acting in concert with each other by the Panel on Takeovers and Mergers and to constitute a Concert Party for the purposes of the City Code on Takeovers and Mergers. Under the Listing Rules, a Concert Party is classed as a 'controlling shareholder' of the Company. This means that the independent non-executive Directors of the Company must be elected or re-elected by a majority of votes cast by 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 Eduard Ogay), 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. 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, gifts and hospitality, third-party due diligence, conflicts of interest, lobbying, social investment, and Speak-Up. Regular training in ABC and awareness campaigns are carried out across the Group and monitoring and assurance is carried out by the internal audit team and by external advisers.

We undertake due diligence on our potential suppliers, customers, consultants, agents, distributors and other business partners to check they are suitable to do business with and are reputable and ethical. We aim to ensure they 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 we have a continued relationship with our business partners, the questionnaire is updated periodically.

Anti-bribery and corruption clauses are included in our contracts with our business partners.

During 2017, new employees were trained on ABC and existing employees received refresher training and online testing was carried out to ensure there was a good understanding of the Programme. Awareness campaigns were undertaken, including by way of posters which were displayed around operational sites to promote awareness of ABC matters. The Group's ABC Policies were reviewed and updated during the year and 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 group entities are deemed to be related parties due to Vladimir Kim's substantial shareholdings in both the KAZ Minerals Group and the Kazakhmys group. The list of related parties is regularly reviewed and updated throughout the year and, prior to entering into any related party transactions, a review 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.

Competition policy

A competition policy is in place to govern any dealings between the KAZ Minerals Group and the Kazakhmys 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 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.

Succession planning

The Group develops its pipeline with regard to diversity and aims to ensure a minimal potential impact on the business in the event that key staff were to leave the Group's employment. The Group reviews each year its personnel requirements and has developed a programme to manage succession planning to ensure that the Group has the necessary human resources to carry out its business successfully, especially in the area of production. The Chief Executive Officer is closely involved in this process together with the Group Human Resources Director. Key positions are identified and potential successors assessed, following which they are trained and developed in order to be ready to succeed to positions when required.

Accountability

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

Risk management and internal control

The Board is responsible for determining the nature and extent of the principal risks the Group is willing to take in order to achieve its strategic objectives and to maintain sound risk management and internal control systems. The Board has established a Group-wide system of risk management and internal control which identifies and enables management and the Board to evaluate and manage, the Group's principal risks. 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.

The Board confirms that throughout 2017 and up to the date of approval of this Annual Report and Accounts, there have been rigorous processes in place to identify, evaluate and manage the principal risks faced by the Group, including those that would threaten its business model, future performance, solvency or liquidity in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the Financial Reporting Council.

To assist in the identification and management of the Group's principal risks, the Board has established a risk management framework, developed a system of regular reports from management and reserved specific key matters for its decision. The Board has authorised the Audit Committee to oversee the risk management framework and the effectiveness of the Group's financial reporting, internal control and assurance systems. The Board is regularly presented with updates on the Group's principal risks together with a risk map, and any changes since the previous update are explained. Each Board Committee provides updates on any risks considered within its remit when providing regular updates to the Board.

The Group's risk management framework is continually reviewed by the Board, with specific consideration given to material financial, operational and compliance controls, and steps are taken to address any issues. During 2017, no significant internal control failings were identified.

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 56 to 63.

Internal audit

Internal audit advises management on the extent to which systems of internal control are appropriate and effective to manage business risk, safeguard the Group's resources, and ensure 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 focused on the Group's 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.

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.

The Head of Internal Audit reports regularly to the Chair of the Audit Committee and attends each Audit Committee meeting to present the findings from internal audits.

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 labour, slavery, human trafficking and child labour. 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. A training programme was developed during the year and training of relevant staff was carried out to raise awareness of modern slavery issues. 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.

The Group has also adopted a 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 Suppliers' Charter and to ensure there is no modern slavery within their operations.

The Company published its first Modern Slavery Act statement in May 2017 which can be found on our website at www.kazminerals.com.

Human Rights

The Company 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 at www.kazminerals.com. 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 UN 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 require the same standards from our business partners. Through due diligence we aim to prevent and mitigate any infringement of human rights both internally and amongst our business partners.

Relations with shareholders

Dialogue 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. We consulted with major institutional investors during the year in respect of the Board changes. The Head of Investor Relations 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 at each Board meeting.

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

There is regular contact with key institutional shareholders, external financing providers and sell-side analysts to discuss the strategy, financial performance and investment activities of the Group. Meetings with management are also supplemented by visits to the Group's operations. During 2017, executive Directors and senior management held meetings with institutional investors in the United Kingdom, continental Europe and the United States of America and attended conferences in these locations, providing a comprehensive dialogue with shareholders and potential new investors.

During 2017, the Company issued quarterly production updates in January, April, July and October and interim management statements in April and October. These, together with copies of analyst presentations each half year, the Group's preliminary and half-yearly results and all announcements issued to the London and Hong Kong Stock Exchanges (in English and in Chinese), are available on the Company's website (www.kazminerals.com).

Annual General Meetings

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

At the Annual General Meeting, the Chair provides a brief summary of the Company's activities for the previous year to shareholders. All resolutions at the 2017 Annual General Meeting were voted on by way of a poll. The procedure for voting on a poll follows best practice and allows the Company to count all votes rather than just those of the shareholders attending the meeting.

As recommended by the UK Corporate Governance Code, all resolutions proposed at the 2017 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 and Hong Kong Stock Exchanges and made available on the Company's website as soon as practicable after the meeting. As in previous years, the Form of Proxy clearly advised that a 'vote withheld' is not a vote in law and is not used in calculating the votes for or against a resolution.

Board Committees

The five Committees of the Board are the Audit, Health, Safety and Environment, Nomination, Remuneration and Operations Ramp Up Assurance Committee, the latter established in 2017 with a planned 18 month life. 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 65.

Diversity

KAZ Minerals endeavours to create a positive, supportive and inclusive culture amongst its workforce. We promote our corporate values of teamwork, integrity, long-term efficiency, professional development and safety and we strongly believe in the importance of diversity and equality. Diversity and equality in our workforce enable 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 health and safety 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 HR Director is responsible for ensuring that the policy is applied and the Group Human Resources team has been trained and has driven awareness amongst managers of the provisions of the policy and of their obligation to comply with them.

This year, we are proud to report that 24% of our staff are female, which we believe is amongst the highest of our mining peer group. The proportion of females on the Board and in senior management, 25% and 23% respectively, is representative of females in the workforce as a whole and we will continue to build on this in 2018 as we increase our focus on gender diversity. We plan to engage with members of our female workforce during the year, in order to understand better any challenges they may face in the workplace with the aim of identifying ways of reducing or eliminating any such challenges.

Audit Committee

Dear shareholder,

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. During 2017, the Committee continued to focus on its core role of reviewing the Group's financial results, including significant financial reporting estimates and judgements, as well as the financial disclosures in the interim management statements, monitoring the Group's systems of internal control and risk management and overseeing the relationship with the external auditors and with the internal audit function. In 2017, KPMG changed its Group audit partner in accordance with mandatory partner rotation requirements.

In October 2017 we welcomed Alison Baker as a member of the Committee. Alison is a chartered accountant who provided audit, capital markets and advisory services for nearly 25 years, leading the UK and EMEA Oil & Gas practice at PricewaterhouseCoopers and prior to that the Energy, Utilities and Mining Assurance practice at Ernst & Young in the UK. The Committee looks forward to continuing to benefit from her valuable experience during 2018. I would also like to thank my other fellow Committee members, John MacKenzie and Charles Watson, whose insightful contributions have enabled the Committee to perform its duties effectively.

In this report there is a summary of the significant issues that the Committee considered over the course of the year and the activities that it undertook in the performance of its duties.

Over the next 12 months, the Committee, as part of its usual duties, will continue to assess the implications of new and proposed accounting standards and will monitor tax developments arising in both Kazakhstan and the United Kingdom including updates on the OECD's Base Erosion and Profit Shifting (BEPS) project.

Michael Lynch-Bell
Chair, Audit Committee

Composition

The current members of the Committee are:

Michael Lynch-Bell, Chair;
Alison Baker;
John MacKenzie; and
Charles Watson

Michael Lynch-Bell has recent and relevant financial experience, having spent 38 years with Ernst & Young developing and later leading, its global mining and energy practices. Alison Baker also 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. John Mackenzie has 25 years' experience in the metals and mining industry and was CEO of copper at Anglo American between 2009 and 2013 and Charles Watson has over 30 years' experience in the extractives industry. 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 lead partner and audit manager of the external auditors are usually invited to attend Committee meetings. At the end of each meeting the Committee meets separately with representatives of the external auditors 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.

Role and responsibilities

The primary responsibilities of the Committee are set out on the pages that follow. Whilst the Committee has very specific duties which are set out in its terms of reference, its overarching purpose is to reassure shareholders that their 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.

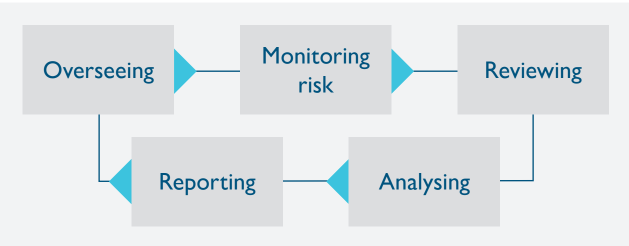
Key roles and responsibilities of the Audit Committee include:

- monitoring and challenging, where necessary, the integrity of the financial statements, the annual and half-yearly results, interim management statements and any other formal announcement relating to financial performance, including a review of the financial reporting judgements which they contain;
- reviewing and challenging, where necessary, the actions and judgements of management taking into account the views of the external auditors in relation to the Company's financial statements, strategic report, financial review, governance statement (insofar as it relates to audit and risk management), half-yearly reports, preliminary announcements and related formal statements, including the going concern assumption and the 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 auditors, including the monitoring of 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 auditors' 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 auditors;
- 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).

Audit Committee responsibilities



Attendance at Audit Committee meetings

During 2017, there were six scheduled meetings of the Audit Committee, including two meetings which were convened to discuss one item of business only, the financial disclosures in the interim management statements, with each member attending as shown below:

Members	Committee member since	Attendance at scheduled meetings during 2017
Michael Lynch-Bell	27 February 2013	6/6
Alison Baker*	9 October 2017	2/2
John MacKenzie	1 January 2016	6/6
Charles Watson	24 August 2011	6/6

* Alison Baker was appointed to the Committee on 9 October 2017.

External auditors

KPMG were appointed as external auditors of the Group in 2012 following a formal competitive tender process and continue to be the Company's external auditors.

The appointment of KPMG is reviewed annually and the Committee undertook an assessment of the effectiveness of the external audit process during the year. Consideration was given to performance, objectivity, independence, resource and relevant experience of the external auditors and following the identification and discussion of improvements that could be implemented, the Committee recommended to the Board the reappointment of KPMG. The Committee believes that the Group continues to benefit from the insight and knowledge that the external auditors have of its business processes and controls and following the Committee's recommendation, the Board has approved resolutions to be proposed at the forthcoming Annual General Meeting, to reappoint KPMG as the Company's external auditors and to authorise the Directors to set KPMG's remuneration.

During the year Juliette Lowes was appointed as the lead audit engagement partner for KPMG, in compliance with the five-year rotation requirement for individuals fulfilling this role.

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 reviews annually the Group's policy on the use of the external auditors 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, the external auditors can only be used for non-audit services where there are benefits to the Group and the provision of such services will not threaten the external auditors' independence and objectivity.

Under the policy, any new engagement for non-audit services in excess of £100,000 must be approved by either the Chief Financial Officer and the Committee Chair or a sub-committee of any two Committee members and certain engagements must additionally be subject to a competitive tender process.

Full information on engagements and total annual fees paid for non-audit services are reported to the Committee. Details of all fees paid to the external auditors for audit and non-audit services for the year ended 31 December 2017 and information on the nature of non-audit fees appear in note 10 to the consolidated financial statements on page 125.

Activities in 2017

At its meetings in 2017, the Committee:

Financial reporting

- reviewed the annual and half-yearly results and interim management statements including the quality and acceptability of accounting policies, significant financial reporting estimates and judgements applied in preparing them, 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 auditors on accounting, financial reporting, regulatory and taxation issues;
- considered impairment indicator reviews performed by management;
- reviewed the methodology for producing the disclosure of ore reserves and mineral resources and other relevant disclosures in the Annual Report and Accounts;
- reviewed the basis for preparing the Group accounts on a going concern basis; and
- considered the viability statement to be made by the Company.

Internal control

- reviewed the structure and effectiveness of the Group's system of internal control as set out on pages 73 and 74 and the disclosures made in the Annual Report and Accounts on this matter;
- reviewed and recommended to the Board amendments to the Group Treasury Policy;
- reviewed and recommended to the Board the Group Tax Strategy; and
- reviewed the Group's processes for disclosing information to the external auditors 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 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 and received benchmarking of the Group's principal risks against industry peers;
- reviewed the effectiveness of the Group risk management framework as described on pages 56 and 57;
- reviewed reports from internal audit on issues identified and confirmed that there was an appropriate response from management;
- reviewed reports from external auditors 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 operational plans; and
- regularly reviewed reports from the internal audit department, 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 auditors

- approved the terms of engagement of the external auditors, the fees paid and scope of work;
- received reports on the findings of the external auditors during the half-yearly review and annual audit and reviewed the recommendations made to management by the external auditors and management's responses;
- reviewed the performance and effectiveness of the external auditors in respect of the previous financial year and recommended their reappointment;
- performed an annual review of the policies on the independence and objectivity of the external auditors, the use of the external auditors for non-audit services, and the employment of former employees of the external auditors;
- assessed the continued independence and objectivity of the external auditors; and
- reviewed the quality assurance processes of the external auditors and letters of representation to them.

Other matters

- reviewed reports on changes to UK and Kazakhstan tax legislation;
- received an overview of the corporate offence of failure to prevent the facilitation of tax evasion under the Criminal Finances Act 2017, a briefing on compliance procedures to be implemented in relation to this offence and reviewed and recommended to the Board for adoption, a new Non-Facilitation of Tax Evasion Policy (which incorporates the Group's anti money laundering principles) for the Group;
- reviewed the Speak-Up policy;
- received reports on matters raised via the Speak-Up facilities, the process for the investigation of those matters raised, the outcome of any investigation and any actions taken in relation thereto;
- reviewed status updates on the Group's Anti-Bribery and Corruption Compliance Programme;
- received an update from management on the latest technical accounting, taxation and regulatory issues;
- received a report on IT security;
- received a presentation on the structure and composition of the Group's finance function;
- reviewed the terms of reference and the results of the performance evaluation of the Committee; and
- reviewed the training requirements of the Committee members.

Significant judgements considered by the Audit Committee

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

Significant 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 2017. 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 114 to 115 and in the Strategic Report on page 40. This Annual Report and Accounts also includes the long-term viability statement in compliance with the UK Corporate Governance Code. Management considered the Group's long-term viability statement, in addition to and together with the going concern statement, which is set out on page 58.	The Committee considered and approved the underlying assumptions used in the preparation of the long-term viability statement, together with the going concern assumption. After reviewing papers prepared by management and also taking into account the external auditor's review of the papers and their assumptions, the Committee concluded that it was appropriate to prepare the accounts on a going concern basis. The Committee considered the long-term viability statement and going concern statement and approved management's disclosures.
Impairments – Group	
At 30 June 2017 and 31 December 2017, an assessment of impairment indicators or reversals across the Group's cash generating units was performed and did not identify indicators which would require an impairment or reversal review. Accordingly, impairment reviews were not undertaken on the cash generating units.	The Committee considered management's assessment as at 30 June 2017 and as at 31 December 2017. Having received input from the external auditor and evaluated the assessment of impairment indicators at both reporting periods, the Committee agreed with management's assessment and disclosures.
Impairments – KAZ Minerals PLC	
The increase in copper prices during 2017, the successful ramp up to commercial levels of production and design capacity at the Bozshakol clay and sulphide and the Aktogay sulphide and oxide plants, respectively, together with the increased Free Cash Flows and the increased market capitalisation of the Group, resulted in a re-assessment in the carrying value of the Company's investments and an impairment provision was partially reversed. See page 155 of the Company's standalone financial statements.	The Committee considered papers setting out management's valuation of the Company's investments. Having received input from the external auditor, challenged the appropriateness of key assumptions used by management in the discounted cash flow models and considered external market valuations of the Group, 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 and Kyrgyzstan, management is required to make judgements and estimates in relation to tax risks, the outcomes of which can be less predictable than in other jurisdictions. Management has determined its best estimates for taxes payable and the likelihood and timing of taxes receivable, and accounted for them accordingly.	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.
Commercial production at Aktogay and Bozshakol	
The Aktogay sulphide plant and the Bozshakol clay plant commenced sales during 2017 and were in the 'pre-commercial production' stage, with revenues and operating costs capitalised to property, plant and equipment. Management monitored the performance of the respective plants during the year, in particular against their design capacities, and determined that the Aktogay sulphide and Bozshakol clay plant achieved commercial production on 1 October 2017 and 1 July 2017 respectively, from which dates revenues and related operating costs are reflected in the Group's income statement.	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 assessments of commercial production on both assets were appropriate.

Health, Safety and Environment Committee

Dear shareholder,

Over the course of the year, the Committee has continued to support the commitment of management to the control of health, safety and environmental (HSE) related risks, whilst providing essential challenge.

Early in 2017, the Committee considered and approved a three year underground mine safety improvement project, including measures for improvements to ground support, backfill quality, raise excavation, ventilation, mine planning, electrical safety, contractor management and emergency response. During the year we were updated on progress against this plan. The Committee also received the findings of internal and external reviews of HSE at a number of our sites which were conducted during the year. These reviews assess compliance with the Group's HSE policies, make recommendations for further improvements and can also be used to focus on specific areas of HSE. In 2017, one such area of focus was emergency response providers at our mine sites. The Committee considered the outcomes of these audits and encouraged improvements to be made in various areas identified.

The Committee approved a new three year strategic plan for improving our health and safety performance and spent time monitoring compliance with safety standards, reviewed the effectiveness of the EMEX health and safety reporting system and encouraged greater awareness and closer management of HSE risks. We also champion improved HSE incident reporting across the Group.

We made two trips to Kazakhstan in 2017, one in June and one in October 2017, to visit three of our operations. The Committee met with the Group HSE team in Kazakhstan and visited the two new mines, Bozshakol and Aktogay, as well as Artemyevsky, an established underground mine in the East Region. During our visits to the operations we met with locally based staff and managers to gain a first-hand view of the risks and challenges faced by them, to see the Group's HSE initiatives in practice and discuss areas where improvements could be made and the ways in which these could be achieved. Our particular focus is helping the Group achieve its goal of zero fatalities.

Simon Heale retired from the Board on 31 December 2017 and accordingly is no longer on the Committee having served on it for nearly five years. We have greatly appreciated his support and advice and he will be missed. Michael Lynch-Bell has joined the Committee and we look forward to the benefit of his experience going forward.

We will continue to focus on further progress by the Group in all HSE areas over the next few years.

Charles Watson
Chair, Health, Safety and Environment Committee

Composition

The current members of the Committee are:

Charles Watson, Chair;
Lynda Armstrong;
Michael Lynch-Bell; and
John MacKenzie

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 environmental risks. Reports on the Committee's reviews are then provided to the Board.

Two of the three meetings of the Committee during the year were held in Kazakhstan and involved meeting with management responsible for health and safety at the mine sites, with each visit lasting for two or three days.

Key responsibilities of the Committee include:

- assessing the impact of health, safety and environmental 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 environmental legislation;
- monitoring and assessing the commitment and behaviour of management towards health, safety and environmental related risks;
- reviewing significant safety incidents, considering the key causes thereof and ensuring actions are taken 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;
- making proposals to the Remuneration Committee regarding appropriate health, safety and environmental performance objectives for executive Directors and certain senior managers and providing its assessment as to performance against such objectives; and
- reviewing the findings of any internal or external reports on the Group's health, safety and environmental systems.

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

Attendance at Health, Safety and Environment Committee meetings

There were three scheduled meetings of the Health, Safety and Environment Committee during 2017, with each member attending as shown below:

Members	Committee member since	Attendance at scheduled meetings during 2017
Charles Watson	16 November 2011	3/3
Lynda Armstrong	21 October 2013	3/3
Simon Heale*	13 March 2013	3/3
John MacKenzie	1 March 2015	3/3
Michael Lynch-Bell	1 January 2018	Not applicable

* Simon Heale stepped down from the Board on 31 December 2017.

Activities in 2017

At its meetings in 2017, the Committee, amongst other matters:

- reviewed updates on the implementation of the three year health and safety strategy focused on strengthening the long-term foundations for safe productive work;
- received a status update on corporate responsibility reporting, including key performance indicators;
- reviewed and evaluated fatal and serious incident reports through the Fatal and Serious Incidents Review Panel and visited locations of some of the fatalities and serious incidents at the mines;
- reviewed and approved the three year underground mine safety improvement project;
- visited the mine, the concentrator, the maintenance workshop and the tailings dams at Aktogay, where the Committee met with local management and obtained an overview of the status of operational readiness;
- visited the mine, concentrator, clay plant and tailings dams at Bozshakol;
- visited the underground mine at Artemyevsky and reviewed the new underground support systems;
- evaluated the Committee's effectiveness for 2017, including identifying training needs and reviewed its terms of reference and future role and direction;
- reviewed environmental reports prepared for the Group including one on tailings dams; and
- received an update on the EMEX health and safety reporting system across the Group.

Plans for 2018

In 2018, the Committee will seek assurance that health, safety and environmental systems, procedures and behaviours are well established throughout the Group. Over the course of the year it plans to visit an East Region mine, as well as Bozshakol and Aktogay.

Operations Ramp Up Assurance Committee

Dear shareholder,

The Operations Ramp Up Assurance Committee was established in February 2017 with a planned 18-month life to monitor key technical and operational matters at Bozshakol and Aktogay during the ramp up phase in their development, with the objective of assuring that these operations implement systems and processes capable of delivering sustainable performance in line with their design parameters.

The Committee receives reports and presentations from the members of management responsible for directly overseeing Bozshakol and Aktogay and is supported by the use of an external advisor who performs periodic site visits providing the Committee with an independent assessment of the ramp up. The external advisor also provides recommendations to management and the Committee on potential improvements. The Committee met four times over the course of 2017 and, whilst some opportunities for improvement have been identified, has been encouraged by the progress made at both sites.

John MacKenzie
Chair, Operations Ramp Up Assurance Committee

Composition

The current members of the Committee are:

John MacKenzie, Chair;
Lynda Armstrong; and
Charles Watson

Role and responsibilities

The Committee is primarily responsible for reviewing and providing assurance to the Board on the ramp up of operations at Bozshakol and Aktogay.

Key responsibilities of the Committee include in relation to Bozshakol and Aktogay:

- undertaking regular reviews of the operations´ performance against approved plans and metrics, identifying any material risks and issues that may impact successful delivery of the Company's business plan and ensuring that operational reporting is clear and consistent with transparent performance metrics;
- reviewing the results of technical and operational audits of the operations conducted by management and external advisors;
- reviewing the assumptions and methodology underpinning the operations' mineral reserves and resources estimates and satisfying itself that the approach and judgement exercised are reasonable;
- reviewing specified technical and operational matters regarding the operations; and
- reviewing the scope of potential risks in the areas of focus of the Committee and the adequacy of the systems in place to manage those risks.

Attendance at Committee meetings

There were four scheduled meetings of the Committee during 2017, with each member attending as shown below:

Members	Committee member since	Attendance at scheduled meetings during 2017
Charles Watson	17 February 2017	4/4
Lynda Armstrong	17 February 2017	4/4
John MacKenzie	17 February 2017	4/4

Plans for 2018

In 2018, the Committee will continue to monitor the ramp up of operations at Aktogay and Bozshakol until it is satisfied that the required systems and processes are sufficiently established to support the long-term operation of these mines at their design parameters.

Nomination Committee

Dear shareholder,

As announced on 27 April 2017, there have been significant changes to the Board during 2017. Simon Heale, the previous Chair, stepped down from the Board on 31 December 2017 after 11 years with the Company, including five as Chair. Simon's strong leadership and guidance will be greatly missed by the Board and we wish him every success for the future.

The Committee carefully considered the successor to the role of Chair and concluded, having consulted with major shareholders, that the appropriate person to chair the Company was Oleg Novachuk, whose operational knowledge, project development expertise and relationships with industrial, financial and political leaders in both China and Kazakhstan are invaluable to the Group and its future prospects. Oleg is uniquely qualified to take responsibility as Chair for the strategic leadership of KAZ Minerals going forward and accordingly he was appointed Chair on 1 January 2018. The Chair role is now full-time and includes specific responsibility for strategy, government relations and business development. Oleg retains a significant shareholding in the Group and his interests remain closely aligned with those of other shareholders.

The Committee believes that Oleg's appointment as Chair will allow the Group to continue to benefit from his unique skills, experience and relationships in the region in which the Group operates.

Andrew Southam was identified by the Committee as Oleg's clear successor to the role of Chief Executive Officer having been with the Company in senior roles for the past 12 years and with a deep understanding of the business of the Group, its culture and its stakeholders. He was appointed Deputy Chief Executive Officer from 1 July 2017 and Chief Executive Officer with effect from 1 January 2018.

The Committee appointed Clifton Hill (which has no connection with the Company) following a tender process as external search consultant to recruit a Chief Financial Officer and following an extensive search, John Hadfield was selected, joining the Group in November 2017 and appointed to the role on 1 January 2018. John brings extensive financial experience in the extractives industry from his previous roles at BG plc and Shell plc.

In recognition of the need to maintain the Group's existing high standards of corporate governance, the Board appointed me, Senior Independent Director since August 2013, as Deputy Chair with effect from 1 January 2018. The division of responsibilities between the Chair, the Chief Executive Officer and myself as Deputy Chair have been clearly defined and approved by the Board. The Chief Executive Officer is responsible for the management of the Group and the Chair, in addition to the duties set out above, leads the Board other than in matters of Board governance, which are led by me as Deputy Chair. For further detail of the roles and responsibilities of the Directors, please see page 69.

As part of the Board changes, the Committee recommended the appointment of a new independent non-executive Director before the Board changes took effect on 1 January 2018. The Committee appointed Zygos (which has no connection with the Company) following a tender process as external search consultant to identify candidates for the non-executive Director role with recent and relevant financial experience and Alison Baker was identified and chosen for the role. We are delighted to welcome Alison to the Board and as a member of the Audit Committee with effect from 9 October 2017. She also joined the Nomination Committee on 1 January 2018. She will take over from me as Chair of the Audit Committee at the conclusion of the Annual General Meeting in May this year.

In February 2018, 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 discussed the performance of all Directors, concluded that it was appropriate to recommend that all the Directors be proposed to retire and stand for election or re-election by shareholders at the Annual General Meeting of the Company to be held in May 2018.

Michael Lynch-Bell
Chair, Nomination Committee

Composition

The current members of the Committee are:

Michael Lynch-Bell, Chair, Lynda Armstrong and Alison Baker

Role and responsibilities

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

The Committee, which provides a rigorous, formal and transparent procedure for the appointment of new Directors to the Board, generally consults with external search consultants and advisers on prospective Board appointments. The Committee keeps under review the planned and progressive refreshing of the Board and its Committees. It assesses the performance of current Directors and makes recommendations to the Board for their reappointment where appropriate as well as advising the Board on the terms of any reappointment. It supervises and puts in place succession planning for non-executive Directors and for certain senior managers and, where appropriate, makes recommendations to the Board on Directors' conflicts of interest for authorisation.

Key roles and responsibilities of the Nomination Committee include:

- regularly reviewing the structure, size and composition (including skills, experience, independence, knowledge and general diversity) of the Board and making recommendations to the Board with regard to any changes;
- overseeing succession planning for Directors and certain senior managers, taking into account the challenges and opportunities facing the Company, and the skills and expertise that will be needed on the Board in the future;
- 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 reappointment 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 UK Corporate Governance Code.

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

Attendance at Nomination Committee meetings

There were two scheduled meetings of the Nomination Committee during 2017, each member attending as shown below:

Members	Committee member since	Attendance at scheduled meetings during 2017
Michael Lynch-Bell	1 September 2013	2/2
Lynda Armstrong	7 May 2015	2/2
Simon Heale*	1 January 2007	2/2
Alison Baker	1 January 2018	Not applicable

* Simon Heale stepped down from the Committee on 31 December 2017.

Two additional meetings were held to discuss changes to the Board and all members were in attendance.

Governance

The Committee is chaired by the Deputy Chair of the Company and all members of the Committee are independent non-executive Directors in accordance with the provisions of the UK Corporate Governance Code that a majority of members should be independent. If a matter concerns the Deputy Chair, then he leaves the meeting and Lynda Armstrong takes the chair.

Diversity

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 a variety of nationalities, which brings cultural diversity as well as different geographical experiences and viewpoints. 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.

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 of the countries in which it operates and the general employee base.

Activities in 2017

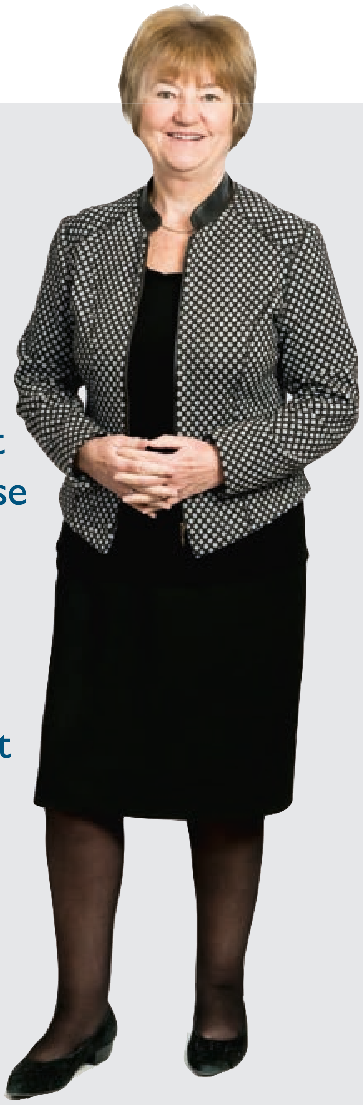
At its meetings in 2017, the Committee amongst other matters:

- appointed external search consultants and conducted interviews for the appointments of John Hadfield and Alison Baker as Chief Financial Officer and non-executive Director respectively;
- conducted a thorough review of and recommended the appointment of Charles Watson for a further term of one year following the end of his seventh year of appointment to the Board;
- conducted a thorough review of and recommended the appointment of John MacKenzie to the Board for a further term of three years following the expiry of his first three year term on the Board in March 2018;
- in accordance with the Company's Articles of Association, recommended to the Board the re-election of all Directors by shareholders at the 2017 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
- amended its terms of reference and conducted a review of the results of the performance evaluation of the Committee.

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 calibre pool of candidates from which to choose. A formal, rigorous and transparent search process is put in place 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. Sometimes other non-executive Directors are also invited to meet candidates during the interview process.

Remuneration report



"Management has achieved significant growth in copper output over the course of 2017 at our new mines, transforming the Company into a low cost copper miner dominated by large scale open pit operations."

Lynda Armstrong OBE
Chair of the Remuneration Committee

Dear shareholder,

On behalf of the Board, I am delighted to present the Directors' Remuneration report for 2017.

At the 2017 Annual General Meeting, we put forward a new remuneration policy for approval by our shareholders and I am pleased to report that over 99% of votes were in favour of the policy. The Remuneration Committee is of the view that the policy is an appropriate framework for the remuneration of senior executives and it is aligned with the successful execution of the Group's strategy and the interests of our shareholders. We will continue to operate this policy in the coming year and no changes to it are proposed at this year's AGM. A summary table of the policy is included at pages 97 to 98 for ease of reference. The full policy can be found in the 2016 Annual Report on our website at www.kazminerals.com.

This report includes an Annual Report on Remuneration (pages 88 to 96) which describes how our 2017 remuneration policy was implemented over the course of the year ended 31 December 2017 and how we intend to apply it in respect of remuneration in 2018.

There was one change to membership of the Committee in 2017. Simon Heale stepped down from the Board and retired as a member of the Committee on 31 December 2017. We have valued Simon's advice on the Committee and my fellow Committee members and I will miss him.

Objective

The Committee's objective remains unchanged: to have in place a remuneration framework which promotes the long-term success of the Company. It focuses executives on the delivery of the Group's strategic and business objectives, whilst aligning reward with performance, in the context of appropriate risk and safety management.

Remuneration structure

The Company's remuneration structure is straightforward and comprises three elements: a fixed salary and benefits, an annual bonus and grants of long-term performance-based share awards. We have in place a number of best practice features such as malus and clawback provisions and holding periods on share awards, so that awards are released after five years.

2017 performance and reward

Management has achieved significant growth in copper output over the course of 2017 at our new mines, transforming the Company into a low cost copper miner dominated by large scale open pit operations. Copper production of 259 kt was at the top end of the guidance set at the start of the year and represented an 80% increase against the prior year. This increase was driven by the successful commissioning of the Aktogay sulphide plant, which was declared commercial on 1 October 2017. Together with a full year of output from oxide operations, Aktogay contributed incremental copper production of 72 kt during the year. Production at Bozshakol more than doubled, as the main sulphide concentrator continued to ramp up towards full design capacity and was supported by the commissioning of the clay plant. The East Region and Bozymchak operations also had a successful year, delivering copper output of 67 kt, above market guidance. The overall Group net cash cost was

66 USc/lb which continues to position KAZ Minerals as one of the lowest cost pure-play copper companies globally.

Good progress was also made in respect of the Group's strategic objectives. In June 2017, the Group announced the completion of an amendment and extension to its pre-export finance debt facility, which included an increase in facility commitments, an extension to the maturity profile and a revision of the financial covenants. The revised facility has strengthened the Group's liquidity position and enhanced financial flexibility. In December 2017, the Board announced a $1.2 billion expansion project to double the sulphide ore processing capacity at Aktogay, providing a low-risk opportunity to provide further production growth.

The successful delivery of the Group's high growth, low cost strategy, has been reflected in the Group's share price, which has increased by 247% over the three years to 31 December 2017. In respect of 2017, the Total Shareholder Return (TSR) of the Company's shares was 150%, significantly above the return on the FTSE 350 Mining Sector Index of 30%. As the targets the Committee sets management for the annual bonus are in line with the delivery of the Group's strategy, and the Long Term Incentive Plan (LTIP) is directly linked to relative TSR, the Committee believes the remuneration awarded to the Directors is clearly aligned with the Company's performance.

A number of important improvements to the safety of our operations were made during 2017 which we believe will make our operations a safer place to work. Notwithstanding this progress, there were four fatalities in 2017 and in light of this, the Committee exercised discretion to scale back bonus payouts in respect of 2017. Our goal is to reduce the number of fatal incidents to zero and the Group continues to work on improving our culture and systems to achieve this.

The overall level of performance achieved, resulted in annual bonus awards of 77% of maximum potential for both Oleg Novachuk and Andrew Southam and we are expecting strong vesting levels under the LTIP.

Remuneration policy in 2018

As noted on the previous page, the Committee does not intend to make any changes to the remuneration policy this year. However the Committee carefully considered the implementation of the existing policy, in light of the changes to the Board roles which took effect on 1 January 2018.

The key points to note in respect of 2018 are as follows:

- Oleg Novachuk's salary in his new full time role as Chair remains unchanged;
- Andrew Southam's salary on appointment as Chief Executive Officer is set at £625,000;
- The maximum bonus opportunity will continue to be 150% of salary for Oleg Novachuk and Andrew Southam, (lower than the 200% limit allowed for within the new remuneration policy), with 70% based on operational and financial targets and 30% based on strategic development goals;
- LTIP awards will continue to be based on relative TSR performance with award levels for Oleg Novachuk of 150% of salary, (lower than the 200% allowed for within our remuneration policy);
- The Committee intends to grant LTIP awards to Andrew Southam at a maximum of 200% of salary in 2018 and 2019 in view of his new appointment to the role of Chief Executive Officer, to increase alignment with our shareholders and to ensure that the Chief Executive Officer's reward is clearly linked to delivery of key strategic priorities over the medium to long-term. 75% of the award will remain subject to the same relative TSR performance conditions as Oleg Novachuk and the remaining 25% of the award will be subject to a balanced scorecard of key strategic priorities linked to safety, strategic management of our asset portfolio and culture;
- LTIP vesting at threshold for awards made in 2018 will be reduced from 30% of maximum to 25% of maximum.

Shareholder engagement

The Committee communicates openly and transparently with shareholders on executive remuneration and we engaged with our largest institutional investors on the proposed remuneration for 2018 following the announced Board changes. Overall, the Committee is of the view that the current remuneration structure continues to work well and provide alignment with the shareholder experience.

The Annual Report on Remuneration and this annual statement, will be subject to an advisory vote at the forthcoming Annual General Meeting. The members of the Committee welcome any questions on remuneration matters at the 2018 Annual General Meeting and we are available at any other time to discuss our approach to remuneration.

Lynda Armstrong OBE
Chair of the Remuneration Committee

Summary of Executive Director remuneration structure

Fixed remuneration

Base salary	Pension	Benefits

Variable remuneration

Short term – annual	Long term – five years
Annual bonus plan – linked to Group performance	LTIP linked to longer-term shareholder priorities with combined five year vesting and holding period

Total remuneration

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.

Implementation of the policy for 2018

The following section sets out how we intend to apply our remuneration policy (as approved by shareholders in 2017) in 2018.

As noted in the Chair's statement on page 15, with effect from 1 January 2018, Oleg Novachuk assumed the full time role of Chair and Andrew Southam took on the role of Chief Executive Officer. Please see page 69 of the Governance Framework report for a summary of the roles and responsibilities of the Directors. The detail below sets out the approach we are taking following these important role changes. The arrangements remain within the limits prescribed by the remuneration policy approved by shareholders at the 2017 AGM.

Salary

For 2018, Oleg Novachuk' s annual base salary as full time Chair will remain unchanged at £856,000; his salary has been unchanged since 2012. In Andrew Southam's new role as Chief Executive Officer, his annual base salary will be set at £625,000.

Pension and benefits

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

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

Annual bonus

The maximum annual bonus opportunity for 2018 remains at 150% of salary for both Oleg Novachuk (following a reduction from 200% of salary in respect of 2014 and subsequent years) and Andrew Southam. The target bonus is set at 75% of salary for both Directors.

For 2018, the annual bonus plan structure is unchanged. A summary is provided in the table below:

Measure	Weighting
Gross EBITDA (excluding special items)	25%
Free Cash Flow	5%
Copper production	20%
Gross cash cost of copper	20%
Strategic developments	30%
Total	100%

For each element, 0% is payable at threshold rising to 50% payable at target and 100% payable at stretch. The bonus may be scaled back in the event that the Committee considers that there has been insufficient improvement in safety over the prior year.

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, retrospective disclosure of performance against specific targets will be made when they cease to be commercially sensitive.

Andrew Southam is required to defer one third of any bonus earned, into the Company's shares for a period of two years. Given his current substantial shareholding in the Company, the Committee does not consider it necessary to impose this requirement on Oleg Novachuk at this time.

The annual bonus plan is subject to malus and clawback provisions.

Long-term incentives

Oleg Novachuk's LTIP award for 2018 will remain at 150% of salary. This follows a reduction from the 2014 level of 200% of salary for him.

Consistent with prior years, 100% of Oleg Novachuk's LTIP award will be subject to relative TSR performance, measured against a comparator group of UK and international mining companies. In response to shareholder feedback, the level of vesting for performance in line with the median ranking, has been reduced from 30% of maximum to 25% of maximum.

TSR ranking of KAZ Minerals	Vesting percentage
Upper quartile ranking	100%
Between median and upper-quartile	Straight-line vesting for performance between 25% and 100%
Median ranking	25%
Below median ranking	0%

As in prior years, awards are split into two sub-awards each with three year vesting periods. This approach is intended to mitigate the impact that the cyclical nature of the copper industry has on KAZ Minerals' share price. For awards to be granted in 2018 the performance period for the sub-awards will be:

- sub-award 1: 1 January 2018 to 31 December 2020; and
- sub-award 2: 1 June 2018 to 31 May 2021.

2018 LTIP award – comparator group for relative TSR

Anglo American plc	Antofagasta plc
BHP Billiton plc	Boliden AB
First Quantum Minerals Ltd	Freeport-McMoran Copper & Gold Inc
Fresnillo plc	Glencore plc
KGHM Polska Miedz S.A.	Lundin Mining Corporation
Rio Tinto plc	Southern Copper Corporation
Teck Resources Ltd	Vedanta Resources plc
South 32 Limited	

As set out in the Chair's statement on page 15, Andrew Southam has been appointed Chief Executive Officer with effect from 1 January 2018. Following this role change, the Committee is keen to place significant weighting on the long-term share component of his package.

Within the parameters of the 2017 Remuneration Policy, the Committee intends to grant LTIP awards to Andrew Southam at a maximum of 200% of salary in 2018 and 2019, to increase alignment with our shareholders and to ensure that the Chief Executive Officer's reward is clearly linked to delivery of key strategic priorities over the medium-to-long term.

Prior to the next renewal of the policy in 2020, the approach will be reviewed to ensure that grant levels remain appropriate in the context of performance of the business and strategic priorities at the time.

For Andrew Southam, tailored performance criteria will apply. 75% of the award will remain subject to the same relative TSR performance conditions as Oleg Novachuk. The remaining 25% of the award will be subject to a balanced scorecard of key strategic priorities linked to safety, shareholder value creation and culture.

The focus will be on areas which are vital for the next phase of development of the Group. Vesting under this element will also be subject to an operating performance underpin. This safeguard mechanism will enable the Committee to review the underlying financial and operating performance of the Group, to ensure that vesting outcomes are justified. The Committee will retain scope to reduce vesting (including to nil) where appropriate.

The main areas for assessment are summarised in the table that follows. The scorecard includes a number of granular objectives which are closely aligned with the strategy and are therefore commercially sensitive. The Committee intends to provide further detail on these objectives and its assessment of them following the end of the performance period, once the detail ceases to be commercially sensitive.

Safety	Objectives have been set with the aim of establishing significantly improved safety practices across the business including the goal of zero fatalities. This is an area which remains imperative for the business and where the Board has targeted a step-change in performance over the next three to five years.
Creating shareholder value for the long term	Following the completion of the expansion projects at the Bozshakol and Aktogay sites, the Board has set asset portfolio management objectives focused on maximising value for shareholders during the next phase of the Group's development.
Culture and people	The new Chief Executive Officer has been tasked with a number of initiatives which are intended to change the culture of the organisation, to better position the Group for future success. This includes measures on development of people, succession planning including consideration of diversity and due regard to social and environmental matters.

Both executive Directors are required to hold vested shares for a period of two years from the vesting date. LTIP awards are also subject to malus and clawback provisions.

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 BV which are terminable by the Company or by the executive Director on three months' notice and Andrew Southam has a service contract dated 18 May 2013, which is terminable by the Company on 12 months' notice or by the executive Director on six months' notice.

Non-executive Directors' remuneration

In respect of the new non-executive Deputy Chair role, fees have been set at £225,000 to reflect the expanded authority and responsibilities of this role.

The fees for the remaining non-executive Directors were reviewed during 2017 and it has been determined that fees will not be increased for 2018. The fee structure (per annum) from 1 January 2018 remains the same

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

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

For the previous Chair and each non-executive Director who served during 2017, the date of their current letter of appointment is shown in the table below:

Name	Letter of appointment
Lynda Armstrong	5 May 2016
Simon Heale	5 May 2016
Vladimir Kim	17 May 2016
Michael Lynch-Bell	21 December 2017
John MacKenzie	1 March 2015
Charles Watson	2 February 2018
Alison Baker	8 September 2017

Directors' remuneration for 2017

The Group's external auditors, KPMG LLP, have audited the information contained in the tables headed Executive Directors' remuneration, LTIP awards granted in the year, Executive Directors' interests in the Long Term Incentive Plan, Remuneration of other senior managers, non-executive Directors' fees and expenses and Directors' interests in ordinary shares.

Executive Directors' remuneration

	Oleg Novachuk		Andrew Southam	
£'000	**2017**	2016	**2017**	2016
Salary	**856**	856	**482**[1]	410
Benefits[2]	**3**	3	**2**	2
Pension or cash in lieu	**–**	–	**44**	45
Sub-total – fixed remuneration	**859**	859	**528**	457
Annual performance bonus[3]	**989**	860	**557**	412
Long Term Incentive Plan [4]	**3,510**	1,226	**1,262**	367
Sub-total – variable remuneration	**4,499**	2,086	**1,819**	779
Other[5]	**–**	–	**1**	4
Total	**5,358**	2,945	**2,348**	1,240

1 Andrew Southam's role changed from Chief Financial Officer to Deputy Chief Executive Officer with effect from 1 July 2017 and this is reflected in the salary paid for the year. Further details are provided below.
2 Benefits for Oleg Novachuk and Andrew Southam relate to the provision of private medical insurance.
3 Annual performance bonus relates to bonus amounts paid in 2018 and 2017 in respect of the prior year performance period.
4 As noted elsewhere in this report, each LTIP award has been performance measured over two three year performance periods (ending on 31 December and 31 May respectively). For the purposes of disclosure in the single figure table above, the LTIP value for 2016 represents shares vesting under the 2014 LTIP award based on performance to 31 December 2016. The LTIP value for 2017 comprises (i) 2014 LTIP award – shares vesting based on performance over the three year period to 31 May 2017 and (ii) 2015 LTIP – shares expected to vest later in 2018 based on the three year period to 31 December 2017. In relation to the latter, these shares are shown based on an average share price in the final quarter of 2017 of 804 pence. Further details are provided below.
5 Includes the value of all employee share incentives.

Salary

Oleg Novachuk's salary for the year was £856,000.

In his role as Chief Financial Officer, Andrew Southam's salary was £414,100. Following his promotion from Chief Financial Officer to Deputy Chief Executive Officer on 1 July 2017, Andrew Southam's salary was set at £550,000.

Executive Directors' annual bonus awards

For 2017, 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 Gross EBITDA (excluding special items) 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. Strategic developments included achieving 100% throughput at Bozshakol during 2017, sustained for at least one month and ramping up at Aktogay to achieve commercial production during the year whilst remaining on budget.

The maximum bonus potential for Oleg Novachuk and Andrew Southam for 2017 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 improvements in the Fatality Frequency Rate and progress against safety improvement initiatives.

Performance assessment for 2017 annual bonus

During 2017, the Group achieved commercial production at Aktogay, the second of the two major growth projects and met the throughput target at Bozshakol and the Committee therefore awarded the full 30% in respect of strategic developments. We achieved Gross EBITDA of $1,235 million and Free Cash Flow of $452 million and we also had amongst the lowest net cash costs of any copper miner globally at 66 USc/lb driven by our low gross cash cost of copper. Accordingly, these three targets were achieved in full. Copper production increased to 259 kt although this was slightly below the challenging target and achieved 8% out of the 20% maximum. A safety scale back was applied to the bonus award due to the fatalities which took place during the year. Having successfully ramped up production at Bozshakol and Aktogay, we have demonstrated our project development capabilities, the Group's financial position has strengthened materially and we have now created a strong platform from which we can continue to deliver value for shareholders. The Committee's assessment of management's performance in 2017 is consistent with the positive assessment by equity analysts of the performance of the Group over the year. Further detail on performance against each of the scorecard targets is set out in the table below.

Performance measure	Weighting (as a % of total bonus)	Year-end outcome	Performance v. targets range: Threshold	Target	Maximum	Pay out (% max)
Gross EBITDA (excluding special items)	25%	$1,235 million	$649 million	$721 million	$793 million	25%
Free Cash Flow	5%	$452 million	$73 million	$81 million	$89 million	5%
Copper production	20%	259 kt	237 kt	263 kt	289 kt	8%
Gross cash cost of copper	20%	138 USc/lb	180 USc/lb	164 USc/lb	147 USc/lb	20%
Sub-total	**70%**					**58%**
Strategic developments	30%	Achieving 100% throughput at Bozshakol during 2017 sustained for at least one month and ramp up at Aktogay to achieve commercial production during the year whilst remaining on budget				30%
Safety scale-back						-11%
Total bonus (as % of maximum)	**100%**					**77%**

Executive Directors' Long Term Incentive Plan awards

Awards granted to executive Directors under the LTIP 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 described on pages 88 and 89.

The vesting outcome for the 2014 and 2015 awards is summarised in the table below:

2014 LTIP award	Weighting (as a % of total award)	Performance period	Performance	Vesting
Sub-award 1	50%	3 years to 31 December 2016	Between median and upper-quartile (performance disclosed in 2016 Remuneration Report)	44%
Sub-award 2	50%	3 years to 31 May 2017	Above upper-quartile	50%
Total vesting				**94%**

2015 LTIP award				
Sub-award 1	50%	3 years to 31 December 2017	Above upper-quartile	50%
Sub-award 2	50%	3 years to 31 May 2018	N/A	*
Total vesting				*

* Final vesting will be determined following the end of the performance period for the second sub-award.

For the 2015 LTIP award, the first sub-award is subject to TSR performance measured over the period from 1 January 2015 to 31 December 2017. Over this period total shareholder return was in excess of 200%, which puts the Company in first place in the comparator group.

The vesting outcome for the second sub-award of the 2015 LTIP award is based on TSR performance measured over the period from 1 June 2015 to 31 May 2018 and will therefore be assessed at a later date. The 2015 award (including any vesting of the first sub-award) will be eligible for vesting during 2018, after the assessment of performance over both periods.

Executive Directors' interests in the Long Term Incentive Plan

Awards granted during 2017

The 2017 awards were made 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 2017 to 31 December 2019 and 1 June 2017 to 31 May 2020. 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.

During 2017, initial awards were made to Oleg Novachuk and Andrew Southam at 150% of salary and 125% of salary respectively. Following his promotion to Deputy Chief Executive Officer, Andrew Southam was granted an additional award so that his overall LTIP award for 2017 was equivalent to 150% of his new salary as Deputy Chief Executive Officer.

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	239,596	1,284	30
Andrew Southam	Nil-cost option	150% of salary	158,006	820	30

1 The face value of the awards granted in March 2017 was based on a five day average share price commencing immediately after the announcement of the Group's preliminary results of 536 pence which was used to determine grant levels. The awards were made on 3 March 2017 when the share price was 519.5 pence. As explained above, Andrew Southam was initially granted an award over 95,633 shares. Following his promotion to Deputy Chief Executive Officer he was granted an award over a further 62,373 shares on 30 June 2017. The five day average share price prior to 30 June 2017 was 493 pence. The share price at 30 June 2017 was 517.5 pence. The total 2017 LTIP award is equivalent to c.150% of his salary as Deputy Chief Executive Officer.

All outstanding awards

Executive Director	Date of award	Date of vesting	Number of shares conditionally awarded as at 1 January 2017	Market value used to determine grant level	Awards made during the year	Awards vested during the year	Awards lapsed during the year	Number of shares under award as at 31 December 2017[1]
Oleg Novachuk	7 March 2014	1 June 2017	570,933	293p	–	536,677	34,256	**536,677[2]**
	6 March 2015	1 June 2018	526,272	226p	–	–	–	**526,272**
	4 March 2016	1 June 2019	786,042	163p	–	–	–	**786,042**
	3 March 2017	1 June 2020	–	536p	239,596	–	–	**239,596**
Andrew Southam	7 March 2014	1 June 2017	170,913	293p	–	160,658	10,255	**160,658[2]**
	6 March 2015	1 June 2018	210,058	226p	–	–	–	**210,058**
	4 March 2016	1 June 2019	313,743	163p	–	–	–	**313,743**
	3 March 2017	1 June 2020	–	536p	95,633	–	–	**95,633**
	30 June 2017	1 June 2020	–	493p	62,373	–	–	**62,373**

1 The table shows the maximum number of shares that could be released if awards were to vest in full. Participants do not receive dividends on unvested shares.
2 These awards have vested but have not been exercised.

Payments for loss of office

No payments for loss of office and no payments to any former Directors were made during the year ended 31 December 2017.

External appointments

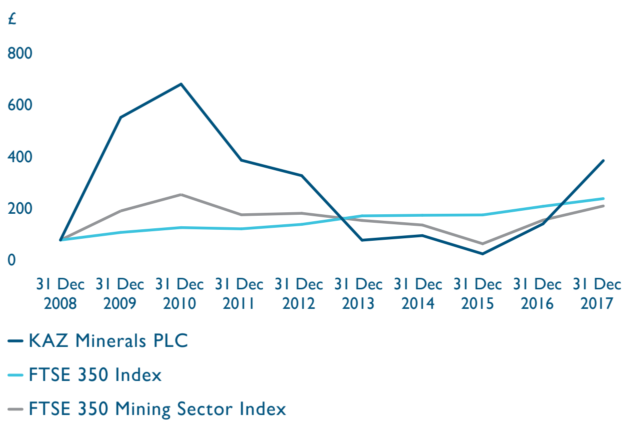
No executive Director held a non-executive directorship of another company during 2017.

Performance graph

The following graph shows the value, at 31 December 2017, of £100 invested in KAZ Minerals PLC shares on 31 December 2008 compared with an equivalent investment in the FTSE 350 Index and FTSE 350 Mining Sector Index. These indices were chosen as they are broad-based indices and are widely recognised performance comparisons for large UK mining companies.

During 2017, the TSR of the Company's shares was 150%. This compares to the total return on the FTSE 350 Mining Sector Index of 30%.

Total Shareholder Return



Source: Thomson Reuters DataStream

Remuneration of highest paid executive Director

The table below shows the total remuneration figure for the highest paid executive Director (i.e. the Executive Chairman for 2008 to 2012 and the Chief Executive Officer for 2013 to 2017). 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 pay out for each year as a percentage of the maximum.

	Total remuneration (£000)	Annual bonus (%)	LTIP vesting (%)
2008[1]	1,423	29	–
2009[1]	1,801	71	–
2010[1]	1,736	58	–
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]	**5,358**	**77**	**100[3]**

1 Relates to the remuneration of Vladimir Kim, Executive Chairman at that time.
2 Relates to the remuneration of Oleg Novachuk, Chief Executive Officer at that time.
3 This represents the expected part vesting for the LTIP award granted in 2015.

Percentage change in remuneration levels

The following table shows the movement in the salary, benefits and annual bonus for the Chief Executive Officer between the current and previous financial year compared to that for the average UK employee. The Committee has chosen this comparator as it feels that it provides a more appropriate reflection of the earnings of the average worker than the movement in the Group's total wage bill, which is distorted by movements in the number of employees and variations in wage practices in Kazakhstan and exchange rates. For the benefits and bonus per employee, this is based on those employees eligible to participate in such schemes.

Chief Executive Officer	% change
Salary	Nil
Benefits	Nil
Bonus[1]	15
Average per employee	
Salary	2
Benefits[2]	25
Bonus[1]	14

1 Bonus relates to percentage change in bonus amounts paid in 2016 and 2017 in respect of the prior year performance period.
2 Average benefits per employee were less than £1,000 per person in both 2017 and the prior year.

Relative importance of spend on pay

The table below shows the movement in the total cost of remuneration in the Group, the total cost of remuneration for Directors as well as dividend distributions to shareholders and capital expenditure.

Spend on pay (£ million)	2017	2016	% change
Overall expenditure on Group employees' pay	**128**	134	(4%)
Overall expenditure on pay for executive Directors	**8**	4	100%
Distribution by way of dividends	–	–	N/A
Capital expenditure	**105**	240	(56%)

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.

Dilution of share capital

During the year the Company's share based plans have operated using some market purchase shares that are held in an Employee Benefit Trust and the Company has also used 143,310 shares held in treasury to satisfy vesting under the schemes and such shares count towards the limits on the number of new shares which may be issued under the rules of the schemes.

Employee Benefit Trust (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. The trustees of the EBT have informed the Company that their intention is to abstain from voting in respect of the KAZ Minerals shares held in the trust. As at 31 December 2017, 19,727 shares were held by the EBT. No shares were purchased by the EBT during the year. In total the trust holds 0.53% of outstanding LTIP and DSBP awards.

The Company plans to satisfy the majority of vested share awards with treasury shares going forward. The maximum number of shares held by the EBT during the year was 243,156 at 1 March 2017 which was 0.05% of the issued capital carrying voting rights. The total number of KAZ Minerals shares disposed of by the EBT in the year was 223,429 shares, constituting 0.05% of the issued share capital carrying voting rights.

All-employee share schemes

From January 2017 the Share Incentive Plan was closed for further contributions and no further Sharesave invitations will be issued.

Non-executive Directors' fees and expenses

Fees and expenses paid to non-executive Directors during the year ended 31 December 2017 are set out below:

	2017			2016		
Directors	Fees £000	Expenses £000	Total £000	Fees £000	Expenses £000	Total £000
Lynda Armstrong	107	3	110	107	2	109
Simon Heale	275	–	275	275	–	275
Vladimir Kim[1]	454	–	454	454	–	454
Michael Lynch-Bell	115	–	115	115	–	115
John MacKenzie	113	–	113	107	–	107
Charles Watson	117	–	117	123	–	123
Alison Baker[2]	21	1	22	–	–	–

1 In 2016 and 2017, 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.
2 Alison Baker was appointed to the Board on 9 October 2017.

Directors' interests in ordinary shares[1]

The beneficial interests of the Directors and their closely associated persons (CAPs) who held office at 31 December 2017 in the Company's ordinary shares as at that date and 1 January 2017 are shown in the table below:

Directors	Ordinary shares beneficially owned at 1 January 2017 or date of appointment[2]	Ordinary shares beneficially owned at 31 December 2017	Vested LTIP awards	Vested DSBP awards	Outstanding LTIP awards	Outstanding DSBP awards	Outstanding UK Sharesave Plan options	Position against guideline as at 31 December 2017[3]
Lynda Armstrong	4,000	4,000	–	–	–	–	–	–
Simon Heale	239,000	239,000	–	–	–	–	–	–
Vladimir Kim[4]	149,306,795	149,306,795	–	–	–	–	–	–
Michael Lynch-Bell	7,000	7,000	–	–	–	–	–	–
John MacKenzie	5,000	5,000	–	–	–	–	–	–
Oleg Novachuk[5]	34,923,423	34,923,423	536,677	–	1,551,910	–	–	exceeds guidelines
Andrew Southam	187,925	204,026	160,658	63,761	681,807	80,109	13,432	exceeds guidlines
Charles Watson	3,624	5,156	–	–	–	–	–	–
Alison Baker	N/A	0	–	–	–	–	–	–

1 No changes in Directors' interests occurred in the period 1 January 2018 to 21 February 2018.
2 The closing market price of the Company's shares at 31 December 2017 was 894.5 pence and the range for the year was 367.2 pence to 894.5 pence.
3 Executive Directors are required to build up a holding of ordinary shares in the Company worth at least 200% of salary within a five year period from their date of appointment. As set out in the table above, Oleg Novachuk and Andrew Southam have both met the shareholding requirement.
4 Since 2012, 90,805,063 of his ordinary shares in the Company have been pledged to support loans.
5 Since 2011, 34,923,423 of his ordinary shares in the Company have been pledged to support loans.

Composition of the Remuneration Committee

The members of the Committee during 2017 were Lynda Armstrong, Simon Heale, 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 two scheduled meetings in 2017, with each member attending as follows:

Member	Committee member since	Attendance at scheduled meetings during 2017
Lynda Armstrong	21 October 2013	2/2
*Simon Heale	1 January 2007	2/2
Michael Lynch-Bell	7 May 2015	2/2
Charles Watson	17 May 2013	2/2

* Simon Heale stepped down from the Board on 31 December 2017.

Three additional meetings were held to discuss remuneration under the changes to the Board and all members were in attendance.

Role of the Remuneration Committee

The Committee is primarily responsible for determining and recommending to the Board the framework for executive remuneration and for determining, on behalf of the Board, the remuneration of executive Directors and certain senior managers.

The Committee's full terms of reference are available to view on the Company's website (www.kazminerals.com). The Committee's principal responsibilities are summarised below:

- determining and agreeing with the Board the framework for executive remuneration that ensures executive Directors and certain senior managers are provided with appropriate incentives to encourage enhanced performance and are rewarded in a fair and responsible manner for their individual contribution towards the success of the Company;
- ensuring that the remuneration policy is appropriate and consistent with effective risk management;
- within the agreed framework, setting and determining the total individual remuneration arrangements for executive Directors and certain senior managers, giving due regard to individual and Company performance, and remuneration trends across the Group;
- approving the design of, and determining the targets for, any performance-related plans and the total annual payments made under such plans to executive Directors and certain senior managers;
- determining any share incentive plan performance targets; and
- determining the terms of employment and remuneration of each executive Director and certain senior managers, including recruitment and termination arrangements.

Committee activities in 2017

At its meetings during the year the Committee amongst other matters:

- reviewed current trends in remuneration practice and institutional investors' current guidelines on executive compensation;
- set, reviewed, engaged with shareholders about and agreed to approve, individual remuneration arrangements for executive Directors and certain senior managers in light of the changes to the Board structure;
- assessed the level of achievement against objectives under the annual bonus plan and LTIP;
- considered performance measures and targets to be used under the annual bonus plan and LTIP for 2018;
- reviewed and approved the Directors' Remuneration Report; and
- reviewed the Committee's performance and its terms of reference.

Priorities for 2018

For the coming year, it is anticipated that the Committee will focus on the following areas:

- ensuring that remuneration arrangements continue to promote the long-term success of the Company, with a focus on the link between performance and reward, whilst maintaining a prudent approach to cost and the risk to the business;
- reviewing and assessing the ongoing appropriateness of current executive remuneration plan designs and targets;
- incorporating any changes to procedures required under the new Corporate Governance Code to be published in 2018, and any new regulatory requirements, including any amendments to the Committee's terms of reference in light thereof;
- ongoing training of Committee members; and
- reviewing the competitiveness and effectiveness of the external adviser.

Management of risk in remuneration arrangements

The Committee periodically commissions a detailed assessment of the risk environment surrounding the Company's current remuneration arrangements for executive Directors and certain senior managers. The latest assessment determined that whilst remuneration arrangements were broadly compatible with the Company's risk policies and systems, it would be more aligned with current market practice to reduce the level of vesting for performance in line with the median ranking from 30% of maximum to 25% of maximum. This change will be adopted for 2018 LTIP awards and going forward. 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 Chair of the Audit Committee and Charles Watson, Chair of the Health, Safety and Environment Committee. The Chair and Chief Executive Officer, who attend Committee meetings by invitation, also 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. During 2017, Deloitte's fees for supporting the Committee were £60,000. Deloitte also provides advice to the Company on tax compliance and advisory services. It is a signatory to the Remuneration Consultants' Group Code of Conduct. The Committee regularly reviews the external adviser relationship and is comfortable that Deloitte's advice remains objective and independent.

Statement of shareholder voting

At the Annual General Meeting held on 27 April 2017, the advisory vote on the Annual Report on Remuneration received the following votes from shareholders:

Annual Report on Remuneration 2016

Votes for	251,421,011	98.98%
Votes against	2,580,311	1.02%
Total votes cast	254,001,322	100.00%
Votes withheld	14,761	

Remuneration Policy 2017

The remuneration policy was approved by shareholders at the 2017 Annual General Meeting and received the following votes from shareholders:

Votes for	252,646,978	99.47%
Votes against	1,354,344	0.53%
Total votes cast	254,001,322	100.00%
Votes withheld	14,761	

Remuneration policy summary

The Remuneration Policy was approved by shareholders on 27 April 2017 at the 2017 AGM and took effect from that date. There are no proposed changes to the policy for 2018. For ease of reference the policy tables in respect of the executive Directors have been summarised below. The full policy is available in the 2016 Annual Report and Accounts on the Company's website (www.kazminerals.com).

Salary	
Purpose and link to strategy	To attract and maintain high calibre executives taking account of market levels at the date of appointment and on subsequent review.
Operation	Normally review annually, with increases typically effective from 1 January. Any increases take account of: • Company and individual performance • Skill set and experience of the executive • External indicators such as inflation and market conditions • Remuneration levels of Group employees, particularly in the UK Where no pension provision is provided, an adjustment may be made to salary.
Maximum	Salary reviews take account of Company and individual performance. 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. On occasion there may be a need for any increase to recognise, for example, development in role, change in responsibility and/or specific retention issues as well as the market context. The Committee has the flexibility to set the salary of a new hire at a discount to the market level initially, with a series of planned increases implemented over the following few years to bring the salary to the desired positioning, subject to individual performance.
Benefits	
Purpose and link to strategy	Provide market competitive benefits to help recruit and retain high calibre executives.
Operation	Provision of benefits such as: • Private medical insurance • Relocation assistance • Travel and related expenses • Retirement benefits • Life insurance Additional benefits may be provided from time to time. The Committee will consider whether the payment of any additional benefits is appropriate and in line with market practice when determining whether and at what level they are paid. Executive Directors are also entitled to participate in any 'all-employee' share plans or benefit arrangements on the same basis as other employees.
Maximum	The cost of benefits is not pre-determined given that the costs of a benefit may change based on the individual's circumstances, therefore no overall monetary maximum has been set. The Committee will consider whether the payment of any additional benefits is appropriate and/or in line with market practice when determining whether and at what level they are paid. Executive Directors may be provided with retirement benefits (either via participation in a pension plan, cash in lieu, or economic equivalent) of up to 20% of salary per annum. For UK tax-advantaged share plans, the maximum participation level (for UK-based employees) is as set out by the relevant HMRC limits.

Annual bonus	
Purpose and link to strategy	Incentivise the delivery of annual objectives consistent with the Group's strategy, without encouraging short-term measures or excessive risk-taking.
Operation	Not pensionable. Payments determined on the basis of: • Operational performance • Financial performance • 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. The Committee may adjust the formulaic outcome based on the performance targets to reflect the underlying performance of the Company. Bonus starts to earn at threshold level (where 0% of salary is normally payable). For performance between the threshold and maximum hurdles, award levels are appropriately scaled. In order to facilitate share ownership, the Committee may determine that a portion of any bonus received will be deferred into shares for two years (or such other period as the Committee may determine). The Committee retains discretion to determine the level of bonus deferral required, mindful of an executive Director's shareholding. Malus and clawback applies under circumstances as set out on page 88.
Maximum	Maximum bonus potential of 200% of salary for the achievement of stretching performance objectives with a target bonus of 100% of salary. For 2018 the maximum bonus potential for the Chair and Chief Executive Officer will be up to 150% of salary, with a target bonus of up to 75% of salary.
LTIP	
Purpose and link to strategy	Incentivise long-term value creation and alignment with longer-term returns to shareholders.
Operation	Normally granted annually, awards under the LTIP are rights to receive nil-cost shares (or economic equivalent), 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. At least 50% of any award will be based on performance metrics linked to targets based on shareholder returns. For 2018 awards have been based (100% in respect of Oleg Novachuk and 75% in respect of Andrew Southam), on relative TSR performance measured against sector peers. For 2018, up to 25% (previously 30%), vests at threshold, rising to 100% at stretch performance. Shares arising from an LTIP award must normally be held for a period of two years from the vesting date of the award. Malus and clawback applies under circumstances as set out on page 88.
Maximum	Maximum of 200% of salary per annum. For 2018 the maximum LTIP award will be set at 150% of salary for Oleg Novachuk and 200% of salary for Andrew Southam.
Share ownership	
Guidelines	All executive Directors are expected to hold shares equivalent in value to a minimum of 200% of their base salary within a five year period from their date of appointment. Executive Directors are normally required (where permitted from a technical perspective) to hold shares arising from an LTIP award for a period of five years from the date of grant, with only those shares required to cover a tax liability on exercise of an LTIP award, permitted to be sold.

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:

Directors

In accordance with the UK Corporate Governance Code, all Directors will retire and submit themselves for election or 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.

During the year, no Director had any interest in any shares or debentures in the Company's subsidiaries, or any material interests in any contract with the Company or a subsidiary being a contract of significance in relation to the Company's business.

Directors' indemnity and insurance

KAZ Minerals maintains liability insurance for its Directors and Officers. The Company has also granted indemnities to each of the Directors, the Chief Financial Officer and the Company Secretary to the extent permitted by law.

Annual General Meeting

The Company's Annual General Meeting will be held at 12.15pm on Thursday 3 May 2018 at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, 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 2017, the Company's issued share capital was 458,379,033 ordinary shares of 20 pence each, credited as fully paid. As at the date of this Directors' Report, the Company holds 11,525,503 ordinary shares in treasury and the issued share capital of the Company which carries voting rights of one vote per share comprises 446,853,530 ordinary shares (excluding treasury shares). Further details of the Company's issued share capital are shown in note 23 commencing on page 131.

The Company's shares are listed on the London, Hong Kong and Kazakhstan stock exchanges.

A list of the Group's subsidiary undertakings and their principal activities is given in note 36(m) commencing on page 158.

Purchase of own shares

The Company was authorised by shareholders at the 2017 Annual General Meeting to purchase its own shares on the market within certain limits. In the period since the 2017 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.

Major shareholdings

As at 21 February 2018, 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 21 February 2018
Cuprum Holding Limited[1,3]	135,944,325	30.42%
Vladislav Kim	31,570,723	7.07%
Harper Finance Limited[2,3]	29,706,901	6.65%
BlackRock, Inc	22,354,565	5.00%

1 Vladimir Kim holds a 100% interest in Cuprum Holding Limited.
2 Oleg Novachuk holds a 100% interest in Harper Finance Limited.
3 For details of the underlying Director's full beneficial shareholding, please see the table of Directors' interests in ordinary shares on page 94 of this report.

Relationship agreements

As required by Listing Rule 9.2.2AR(2)(a), on 23 July 2014, the Company entered into: (i) an amended and restated relationship agreement (originally entered into on 26 September 2005) with Cuprum Holding Limited, Perry Partners S.A. and Vladimir Kim; and (ii) a relationship agreement with Stansbury International Limited and Eduard Ogay.

In accordance with Listing Rule 6.1.4DR, each relationship agreement establishes that all transactions between the Company and the controlling shareholder are undertaken on an arm's length basis and on normal commercial terms, that neither the controlling shareholder nor its associates will cause the Company to breach or circumvent the Listing Rules or prevent the Company from complying with its obligations under the Listing Rules and that neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

Under the relationship agreement with Vladimir Kim, inter alia, there must be a majority of independent Directors on the Board and on all its standing committees, and no material transaction may be entered into without approval of the independent Directors.

Each relationship agreement will continue as long as the ordinary shares are listed on the premium segment of the Official List and traded on the London Stock Exchange and will terminate should the relevant shareholder cease to be a 'controlling shareholder' as defined in the Listing Rules.

The Company has complied with the independence provisions included in the relationship agreements and, so far as the Company is aware, such provisions have been complied with during the period under review by the controlling shareholders and their associates.

Although Eduard Ogay stepped down from the Board with effect from 31 October 2014, as he continues to be considered to be acting in concert with Vladimir Kim for the purposes of the Code, details of the relationship agreement between the Company, Stansbury International Limited and Eduard Ogay have been included.

Political donations

The Group did not give any money for political purposes in the United Kingdom nor did it make any donations to EU political organisations or incur any EU political expenditure during the year.

Policy on derivatives and financial instruments

The Group's objectives and policies on financial risk management, and information on the Group's exposures to foreign exchange, counterparty credit, commodity price, liquidity and interest rate risks can be found in note 31 commencing on page 137.

Legal proceedings

Neither the Company nor any of its subsidiaries is a defendant in any proceedings which the Directors believe will have a material effect on either the Company's financial position or profitability. Commitments and contingencies are disclosed in note 32 commencing on page 144.

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 $1.3 billion facility agreement and a CNY1.0 billion facility agreement dated 16 December 2011 between KAZ Minerals Aktogay Finance Limited as borrower and China Development Bank Corporation as lender, contain terms which give the lender the right to cancel any of the commitments provided to KAZ Minerals Aktogay Finance Limited and declare all outstanding loans, together with accrued interest, and all other amounts accrued and outstanding immediately due and payable on 30 business days' notice if the Company ceases to hold (directly or indirectly) more than 50 per cent of the issued share capital of KAZ Minerals Aktogay Finance Limited and/or certain other named subsidiaries.

The terms of a pre-export finance debt facility dated 20 December 2012, as amended and restated on 8 June 2017, between KAZ Minerals Finance PLC and a syndicate of banks, provide that if any person (excluding Vladimir Kim and Oleg Novachuk) or group of people acting in concert, secures control of the Company: (i) a lender under the facility shall not be obliged to fund a loan; and (ii) if a 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 $1.8 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 credit facility agreement dated 14 December 2016 between KAZ Minerals Aktogay LLC as borrower and Development Bank of Kazakhstan JSC as lender, provide that 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.

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 (SIP) and hold shares in the SIP trusts, provide directions to the trustee to vote on their behalf by way of a form of direction.

The Company is not aware of any agreements between shareholders that may result in restrictions on voting rights.

Dividend rights

Shareholders may by ordinary resolution declare dividends but the amount of the dividend may not exceed the amount recommended by the Board.

Transfer of shares

There are no restrictions on the transfer of shares other than certain restrictions as set out in the Company's Articles of Association. Transfers of uncertificated shares must be carried out using CREST and the Board can refuse a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares.

Powers of the Directors

The Directors are responsible for the management of the business of the Company and may exercise all powers of the Company subject to applicable legislation and regulation and the Company's Articles of Association.

Appointment and retirement of Directors

The Board shall have the power at any time to appoint any person who is willing to act as a Director, so long as the total number of Directors shall not exceed the maximum number prescribed in the Articles. Any Director so appointed shall retire at the next Annual General Meeting following such appointment. 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 auditors in connection with preparing their audit report), of which the Company's auditors are unaware, and each Director has taken all steps that he ought to have reasonably taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Having reviewed the independence, objectivity and performance of the auditors, the Audit Committee has recommended to the Board that the existing auditors, KPMG, be re-appointed. Ordinary resolutions re-appointing them as auditors and authorising the Directors to set their remuneration will be proposed at the 2018 Annual General Meeting.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the Group and parent company financial statements;
- 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's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 and 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. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

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

- the Group and parent company accounts, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report 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 10 to 63 and the Directors' Report comprising pages 64 to 102, 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
21 February 2018

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6th Floor, Cardinal Place
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Registered in England and Wales No. 05180783

FINANCIAL STATEMENTS

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 2017 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 cash flows and Company statement of changes in equity, and the related notes, including the accounting policies in note 35.

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 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 appointed as auditor by the shareholders on 15 May 2012. The period of total uninterrupted engagement is for the six financial years ended 31 December 2017. 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		$20 million (2016: $25 million) 3.4% of Group profit before tax (2016: 0.5% of total assets)
Coverage		99% (2016: 99%) of Group profit before tax
Risks of material misstatement		vs 2016
New risk	Asset Valuation	▲
Recurring risk	Bribery & Corruption	◀▶
New risk	Revenue recognition – copper cathode and concentrate products	▲
Parent Company specific risk	Investment impairment reversal	◀▶

The 2016 risk regarding disclosures relating to going concern is no longer considered to be a key audit matter following the refinancing of the PXF facility in June 2017, successful ramp up of Aktogay and Bozshakol and improved commodity markets. We will continue to monitor this area due to market and sector risks and the level of debt in the Group as it remains an overall risk for the Group.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, 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, 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 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

Asset valuation
Refer to page 79 (Audit Committee Report), page 148 (accounting policy) and page 117 (financial disclosures).
	Subjective valuation
	The Group's operating assets, some of which have previously been impaired, are assessed for impairment at a CGU level which align to the operating divisions (Bozshakol, Aktogay, East Region, and Bozymchak). These assets are sensitive to changes in operational assumptions and metal pricing and therefore the Group need to make judgements as to whether certain events represent indicators of impairment or impairment reversal.
	The assessment for impairment indicators of the Group's sole exploration & evaluation asset, the Koksay deposit ($242 million), requires the Group to exercise judgement around complex areas such as economic value and can often be difficult to determine given the relatively early stage of development. The areas of judgement include the ability of the Group to secure an extension to the exploration element of the Koksay licence which expires in June 2018, the Group's intention to proceed with a future work programme and the success of development and geological analysis.
		Our procedures included:
		• **Controls design:** Assessing the Group's controls over the identification of indicators of impairment or impairment reversal;
		• **Accounting application:** Evaluation of management's assessment that there are no indicators of impairment or impairment reversal of the Group's operating assets, with reference to the criteria of IAS 36 Impairment of assets. This included:
		  • assessing the movement in commodity prices, inflation rates and exchange rates during the period; and
		  • comparing the performance of each operating division to internal budgets.
		• **Accounting application:** Evaluation of the Group's assessment that there are no indicators of impairment of the Koksay asset with reference to the criteria of IFRS 6 Exploration for and Evaluation of Mineral Resources. This included:
		  • considering the proposed extension of exploration rights by inspecting historical extensions for this asset and others of a similar nature; and
		  • comparing the carrying value to other market valuations including resource multiples and recent corporate transactions in the copper mining industry.
		Our findings
		We found the Group's assessment that there were no indicators of impairment or impairment reversal of the Group's operating assets and that there were no indicators of impairment of the Koksay asset to be balanced.

	The risk	Our response
Bribery and corruption	**Business operations:** The Group's business involves mining activities in Kazakhstan and Kyrgyzstan. Transparency International's Corruption Perceptions Index 2016 and our own experience indicates that corruption risks remain significant in both countries. Significant amounts of expenditure continue to be incurred on the major development projects, existing and new projects including payments in respect of social projects. In addition, companies in the mining sector are inherently at higher risk from bribery and corruption due to the significant level of government regulation and their procurement profile. This could result in material losses to the Group and material improper payments not being appropriately disclosed.	**Our procedures included:** • **Policy assessment:** We evaluated the Group's anti-bribery and corruption policies and procedures including evaluating the tone set by the Board and by senior management • **Controls design and operation:** Assessing the design and operating effectiveness of the Group's controls over the selection of suppliers and the process over acknowledging acceptance of services/equipment provided by suppliers; • **Test of detail:** Selecting a sample of transactions across the Group, using risk criteria, that at face value appeared as though they might have been outside the normal course of business (including those with government agencies or officials), enquiry of management about these transactions and corroboration of such explanations given by investigating the nature and evaluating the business rationale for the transactions, taking into account our experience of mining and other industries in Kazakhstan and Kyrgyzstan; and • **Our forensics expertise:** Using our own forensic and compliance experts to assist with the design of our audit procedures. **Our findings** The results of our procedures were satisfactory and we did not identify any instances of improper payments or indications of bribery or corruption (2016 audit findings: none identified).
Revenue recognition – copper cathode and concentrate products ($1,663 million; 2016: $766 million) Refer to page 150 (accounting policy) and page 122 (financial disclosures).	**Transaction processing** The Group is principally engaged in the production and sale of copper concentrate and cathode products. With the ramp up of the Group's Bozshakol and Aktogay mines, volumes of production and hence sales have increased significantly over the previous financial reporting period. The Group's processes for recording copper revenues are manual in nature and involve a third party logistics organisation and therefore our audit procedures to address the risk require more time and effort relative to other audit areas.	**Our procedures included:** • **Control design and effectiveness:** Assessing the design and operating effectiveness of the Group's controls over the recognition of revenue transactions; • **Test of details:** Testing a sample of revenue transactions throughout the year to the underlying documentation including sales contracts, bills of lading, invoices and cash receipts for settled balances, to confirm the existence and accuracy of revenue recorded and that it has been recorded in the correct period; and • **Journals analysis:** Analysis of unusual journal entries impacting revenue to determine whether the impact on revenue was appropriate. **Our findings** The results of our testing were satisfactory. We found no errors in the calculation of revenue.
Parent company risk: Investment impairment reversal ($840 million; 2016: $1,468 million) Refer to page 79 (Audit Committee Report), page 155 (accounting policy) and page 155 (financial disclosures).	**Forecast based valuation:** The Parent Company's investment in the Group has been impaired in the past. In 2016 with the successful ramp up of the Group's projects and improved copper prices, $1,468 million of previous impairments were reversed. With continued operational improvement and continued strengthening of the copper price a further reversal of $840 million has been recognised in 2017. Given the size of the partial reversal and the complexities involved in valuing the investments there is a risk of material misstatement.	**Our procedures included:** • **Controls design:** Assessing the Group's controls over the identification of impairment indicators • **Benchmarking assumptions:** Assessing the accuracy of valuation calculations and comparing the Group's assumptions to externally derived data in relation to key inputs such as commodity prices, cost inflation and discount rates; • **Comparing valuations:** Comparing the sum of the discounted cash flows to the Group's market capitalisation and the median of market analysts' valuations to assess the reasonableness of the valuation; and • **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of Group. **Our findings** We found the assumptions for the valuation of the Parent Company's investment, and therefore the impairment reversal recorded, to be balanced. We found the disclosures to be proportionate in their description of the assumptions and estimates made and the sensitivity to changes thereof.

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 $20.0 million (2016: $25.0 million), determined with reference to a benchmark of Group profit before tax of $580 million, of which it represents 3.4% (2016: 0.5% of total assets of $5,057 million).

In the prior year, materiality was determined with reference to a benchmark of total assets. A change in the benchmark was made to reflect that the Group's major growth projects, which were under development in the prior period, are now fully operational assets.

Materiality for the Company financial statements as a whole was set at $16.0 million (2016: $10.7 million), determined with reference to component materiality set by the Group audit team. This is lower than the materiality we would otherwise have determined by reference to total assets, and represents 0.4% of the Company's total assets (2016: 0.3%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $1.0 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 37 (2016: 37) reporting components, we subjected 13 (2016: 13) to full scope audits for Group purposes. The components within the scope of our work accounted for the percentages illustrated opposite.

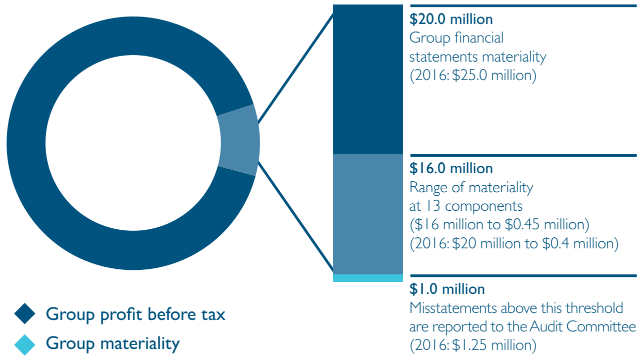
For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

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 materialities, which ranged from $16.0 million to $0.45 million (2016: $20.0 million to $0.4 million), having regard to the mix of size and risk profile of the Group across the components. The work on 4 of the 13 components (2016: 4 of the 13 components) was performed by component auditors and the rest, including the audit of the Company, was performed by the group team.

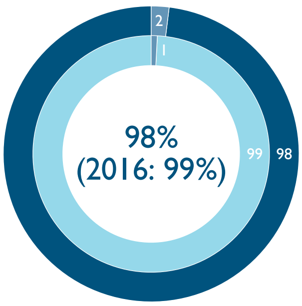
The group team visited all 4 Kazakhstan and Kyrgyzstan component teams on 3 (2016: 2) separate occasions to assess the audit risk and strategy. Telephone conference meetings were also held with these component auditors frequently throughout the year. At these visits and meetings, the findings reported 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.

Group profit before tax
$580 million
(2016: $220.0 million)

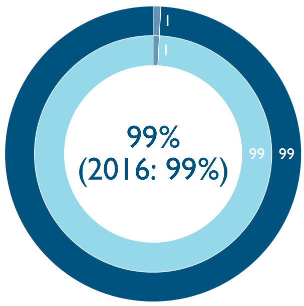
Group materiality
$20.0 million
(2016: $25.0 million)



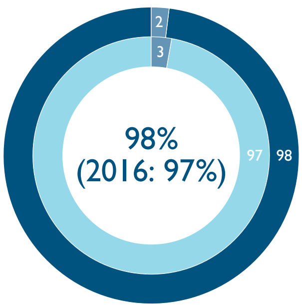
Group revenue

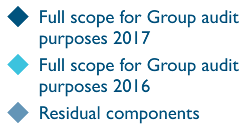


Group profit before tax (absolute)



Group total assets





4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 2a 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 a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 102 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. 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 principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the directors' viability statement 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.

Under the Listing Rules we are required to review the directors' viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. 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.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 102, 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 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 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, other irregularities (see below), 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, other irregularities 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.

Irregularities – ability to detect

Our audit aimed to detect non-compliance with relevant laws and regulations (irregularities) that could have a material effect on the financial statements. In planning and performing our audit, we considered the impact of laws and regulations in the specific areas of compliance with Kazakhstan and Kyrgyzstan mining regulations given non compliance can lead to the Group losing their licence to operate. We identified these areas through discussion with the directors and other management (as required by auditing standards), from our sector and country experience, and from inspection of the Group's regulatory, licensing and legal correspondence. In addition we had regard to laws and regulations in other areas including financial reporting, and company and taxation legislation.

We considered the extent of compliance with those laws and regulations that directly affect the financial statements being tax legislation and financial reporting (including related company legislation), as part of our procedures on the related financial statement items. For the remaining laws and regulations we made enquiries of directors and other management (as required by auditing standards) and inspected correspondence with regulatory and licensing authorities.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at Group level, with a request to report on any indications of potential existence of irregularities in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. 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
21 February 2018

$ million (unless otherwise stated)	Notes	2017	2016
Revenues	4(b)	1,663	766
Cost of sales	5(a)	(755)	(413)
Gross profit		908	353
Selling and distribution expenses	5(b)	(69)	(32)
Administrative expenses	5(c)	(108)	(104)
Net other operating income		4	4
Impairment losses	6	(20)	(3)
Operating profit		715	218
Analysed as:			
Operating profit (excluding special items)		734	221
Special items	7	(19)	(3)
Finance income	11	30	9
Finance costs	11	(165)	(56)
Foreign exchange gain, net		–	49
Profit before taxation		580	220
Income tax expense	12(a)	(133)	(43)
Profit for the year		447	177
Analysed as:			
Underlying Profit	13	476	180
Special items	7	(29)	(3)
Attributable to:			
Equity holders of the Company		447	177
Non-controlling interests		–	–
		447	177
Other comprehensive income for the year after tax:			
Items that may be reclassified subsequently to the income statement:			
Exchange differences on retranslation of foreign operations		8	35
Items that will never be reclassified to the income statement:			
Actuarial gain on employee benefits, net of tax	25	1	–
Other comprehensive income for the year		9	35
Total comprehensive income for the year		456	212
Attributable to:			
Equity holders of the Company		456	212
Non-controlling interests		–	–
		456	212
Earnings per share attributable to equity shareholders of the Company			
Ordinary EPS – basic and diluted ($)	13(a)	1.00	0.40
EPS based on Underlying Profit – basic and diluted ($)	13(b)	1.07	0.40

CONSOLIDATED BALANCE SHEET
At 31 December 2017

$ million	Notes	2017	2016
Assets			
Non-current assets			
Intangible assets	14	7	8
Property, plant and equipment	15	2,535	2,670
Mining assets	16	438	422
Other non-current assets	17	170	364
Deferred tax asset	12(b)	65	72
		3,215	3,536
Current assets			
Inventories	18	359	247
Prepayments and other current assets	19	82	54
Income taxes prepaid		13	7
Trade and other receivables	20	132	105
Investments	21	–	–
Cash and cash equivalents	22	1,821	1,108
		2,407	1,521
Total assets		5,622	5,057
Equity and liabilities			
Equity			
Share capital	23(a)	171	171
Share premium		2,650	2,650
Capital reserves	23(c)	(2,029)	(2,037)
Retained earnings		203	(251)
Attributable to equity holders of the Company		995	533
Non-controlling interests		3	3
Total equity		998	536
Non-current liabilities			
Borrowings	24	3,459	3,446
Deferred tax liability	12(b)	70	56
Employee benefits	25	14	15
Provision for closure and site restoration	26	67	57
Other non-current liabilities	27	7	292
		3,617	3,866
Current liabilities			
Trade and other payables	28	272	309
Borrowings	24	418	331
Income taxes payable		15	11
Employee benefits	25	2	2
Other current liabilities	27	300	2
		1,007	655
Total liabilities		4,624	4,521
Total equity and liabilities		5,622	5,057

These financial statements were approved by the Board of Directors on 21 February 2018.

Signed on behalf of the Board of Directors

Andrew Southam
Chief Executive Officer

John Hadfield
Chief Financial Officer

$ million	Notes	2017	2016
Cash flows from operating activities:			
Cash receipts from customers		1,640	700
Net proceeds/(payments) on non-current VAT		232	(89)
Cash payments to employees, suppliers and taxes other than non-current VAT and income tax		(788)	(491)
Cash flow from operations before interest and income taxes paid	29	1,084	120
Interest paid		(222)	(179)
Income taxes paid		(110)	(39)
Net cash flows from/(used in) operating activities		752	(98)
Cash flows from investing activities:			
Interest received		16	9
Proceeds from disposal of property, plant and equipment and mining assets		1	1
Purchase of intangible assets	14	(2)	(3)
Purchase of property, plant and equipment		(92)	(269)
Investments in mining assets, including licences		(43)	(52)
Licence payments for subsoil contracts	27	(1)	(2)
Acquisition of non-current investments		–	(1)
Movement in short-term bank deposits	21	–	400
Net cash flows (used in)/from investing activities		(121)	83
Cash flows from financing activities:			
Proceeds from borrowings		376	594
Repayment of borrowings		(294)	(321)
Net cash flows from financing activities	30	82	273
Net increase in cash and cash equivalents	30	713	258
Cash and cash equivalents at the beginning of the year		1,108	851
Effect of exchange rate changes on cash and cash equivalents	30	–	(1)
Cash and cash equivalents at the end of the year	22	1,821	1,108

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2017

$ 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 2016		171	2,650	(2,072)	(430)	319	3	322
Profit for the year		–	–	–	177	177	–	177
Exchange differences on retranslation of foreign operations		–	–	35	–	35	–	35
Total comprehensive income for the year		–	–	35	177	212	–	212
Share-based payments, net of taxes		–	–	–	2	2	–	2
At 31 December 2016		171	2,650	(2,037)	(251)	533	3	536
Profit for the year		**–**	**–**	**–**	**447**	**447**	**–**	**447**
Exchange differences on retranslation of foreign operations		**–**	**–**	**8**	**–**	**8**	**–**	**8**
Actuarial gain on employee benefits, net of tax	25	**–**	**–**	**–**	**1**	**1**	**–**	**1**
Total comprehensive income for the year		**–**	**–**	**8**	**448**	**456**	**–**	**456**
Share-based payments, net of taxes		**–**	**–**	**–**	**6**	**6**	**–**	**6**
At 31 December 2017		**171**	**2,650**	**(2,029)**	**203**	**995**	**3**	**998**

1 Refer to note 23(c) for an analysis of 'Capital reserves'.

1. Corporate information

KAZ Minerals PLC (the 'Company') is a public limited company incorporated in England and Wales. The Company's registered office is 6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, United Kingdom. The Group comprises the Company and its consolidated divisions as set out below.

The Group operates in the natural resources industry through five divisions, the principal activities of which during 2017 were:

Operating division	Principal activity	Primary country of operations
Bozshakol	Mining and processing of copper and other metals	Kazakhstan
Aktogay	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 gold	Kyrgyzstan
Mining Projects	Development of metal deposits and processing facilities	Kazakhstan

1 The 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 36(m).

2. Basis of preparation

The financial statements set out on pages 103 to 167 have been prepared using accounting policies consistent with IFRSs as adopted by the EU. The Company has taken the exemption under section 408 of the Companies Act 2006 and has not published the Company's income statement and related notes.

(a) Going concern

The Group's business activities, together with the factors likely to impact its future growth and operating performance, are set out in the Operating review on pages 27 to 33. The financial performance and position of the Group, its cash flows and available debt facilities are described in the Financial review on pages 34 to 42. In addition, note 31 to the financial statements sets out the Group's objectives, policies and processes for managing its capital structure, liquidity position and financial risks arising from exposures to commodity prices, interest rates, foreign exchange and counterparties.

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level 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 2017, the Group's net debt was $2,056 million with total debt of $3,877 million, and gross liquid funds of $1,821 million.

The gross debt consisted of:

- $1,524 million of the CDB-Bozshakol and Bozymchak facilities, which amortises over the period to 2025;
- $1,455 million of the CDB-Aktogay US dollar and Chinese yuan facilities, which amortise over the period to 2029, with repayments increasing from March 2018;
- $600 million of the PXF facility which amortises over the period from July 2018 to June 2021; and
- $298 million of the DBK facility, which amortises during the period from June 2018 to June 2025.

The Board has considered the Group's cash flow forecasts for the period to 31 March 2019, the outlook for commodity prices, production levels from the Group's operations, its future capital requirements, including the planned expansion of Aktogay, the deferred capital payments to NFC and the principal repayments due under the Group's debt facilities. 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 foreseeable future. Accordingly, it is appropriate to adopt the going concern basis of accounting in the preparation of these consolidated financial statements.

(b) Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in US dollars ('$') and all financial information has been rounded to the nearest million dollars ('$ million') except where otherwise indicated.

(c) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2017 and the Group's financial performance for the year ended 31 December 2017.

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

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

Refer to note 36(m) for a list of all the Company's subsidiaries.

(d) Statement of compliance

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board ('IASB') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB, as adopted by the European Union ('EU'), and in accordance with the provisions of the Companies Act 2006.

(e) Adoption of 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 as adopted by the European Union through the European Financial Reporting Advisory Group ('EFRAG'):

- IAS 7 *'Statement of Cash Flows'* requires disclosure of changes in liabilities arising from financing activities, including changes in cash flows and non-cash changes, such as foreign exchange gains or losses. This is reflected in note 30 to the consolidated financial statements.
- IAS 12 'Income Taxes' with regards to the recognition of deferred tax assets relating to unrealised losses on debt instruments measured at fair value. The amendment is a narrow-scope amendment and provides further guidance on the recognition of deferred tax assets including tax losses.

(f) New standards and interpretations not yet adopted

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 EU.

- IFRS 9 '*Financial Instruments*': the IASB effective date is 1 January 2018 and has been endorsed by the EU. Given the nature of the Group's financial assets and financial liabilities, the adoption of the standard does not have a material impact on the recognition and measurement of the Group's financial assets and liabilities nor on the financial position or performance of the Group. The standard will result in changes in presentation in some disclosures of the Group's financial instruments.
- IFRS 15 '*Revenue from Contracts with Customers*': the standard was issued in 2014 followed by *'Clarifications to IFRS Revenue from Contracts with Customers*' in April 2016, both with IASB effective dates of 1 January 2018 and endorsed by the EU. The Group has reviewed its customer contracts in place at 31 December 2017, to consider the impact of the standard. In particular, the Group assessed its delivery performance obligations subsequent to the recognition of sales at that date, which were found to be minimal. The Group also considered the recognition of revenue still subject to final volume adjustments. The provisionally invoiced sales volumes, on which initial sales recognition is determined, have historically been subject to only minor subsequent volume adjustments such that the variable consideration limitation would be satisfied. The new standard also provides guidance on the accounting for provisionally priced contracts which applies to most of the Group's sales arrangements although there is no change to the measurement and recognition of revenue compared to the current accounting for provisionally priced contracts. The impact of the new standard on contracts in place at the year end was not material. The new standard will require additional qualitative disclosures which will be included in the Group's 2018 financial statements.
- IFRS 2 '*Share-Based Payments*': amendments issued in June 2016 effective from 2018 and yet to be endorsed by the EU. The amendments provide clarification on the classification and measurement of share-based payments. The standard is not expected to have a significant impact on the Group's consolidated financial statements.
- IFRS 4 '*Insurance Contracts*': amendments issued in September 2016 effective from 2018 and endorsed by the EU. The amendments provide entities that issue insurance contracts within the scope of IFRS 4 with two options when applying IFRS 9 in conjunction with IFRS 4. This standard is not expected to have an impact on the Group's consolidated financial statements due to the nature of its operations.
- IFRIC 22 '*Foreign currency transactions and advance considerations*': issued in December 2016 and effective from 1 January 2018, is yet to be endorsed by the EU. The interpretation clarified the accounting for the receipt or payment of advance consideration in a foreign currency and is not expected to have a significant impact on the Group's consolidated financial statements.
- IAS 40 '*Investment Property*': amendment issued in December 2016 and effective from 1 January 2018, is yet to be endorsed by the EU. The amendment provides clarity on the transfer to or from investment property and is not expected to impact the Group's consolidated financial statements given the nature of its operations.

2. Basis of preparation continued

(f) New standards and interpretations not yet adopted continued

- IFRS 16 '*Leases*': the standard was issued in January 2016 with an IASB effective date of 1 January 2019 and has been endorsed by the EU. The standard changes how operating leases will be recognised, measured, and disclosed by lessees. The Group will be assessing the full impact of IFRS 16 in 2018 on its financial position and reporting of performance to determine its impact. Under the new standard, leases currently classified as operating, where material, may be recognised on the balance sheet. The new standard does not apply to leases for the exploration or use of natural resources.
- IFRIC 23 '*Uncertainty over Income Tax Treatments*': issued in June 2017 and effective from 1 January 2019, is yet to be endorsed by the EU. The interpretation provides additional guidance in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The Group will assess the impact of the interpretation during 2018.
- IFRS 17 '*Insurance Contracts*': the standard was issued in May 2017 with an IASB effective date of 1 January 2021 and is yet to be endorsed by the EU. IFRS 17 will replace IFRS 4 *'Insurance Contracts'* and applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. This standard is not expected to have an impact on the Group's consolidated financial statements due to the nature of its operations.
- Improvements to IFRSs: There are a number of amendments to certain standards following the 2015-2017 annual improvements project which have not yet been endorsed by the EU. These changes 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.

(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. Figures may have been restated to conform with the current basis of understanding.

3. Significant accounting judgements and key sources of estimation uncertainty

In the course of preparing these financial statements, the Directors make necessary judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Judgements are based on the Directors' best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements.

Estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions applied are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgements and the key assumptions and sources of estimation uncertainty concerning the future which the Directors believe are likely to have the most significant 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 carrying value of non-current inventory, decommissioning and site restoration liabilities and taxes, including deferred taxes, over the next twelve months arising from changes in estimates.

Achievement of commercial production

Once an operation reaches the operating level intended by management and regarded to be "commercial", capitalisation of development costs including borrowing costs ceases, the depreciation of capitalised costs begins and the revenues and operational costs are recorded in the income statement and not capitalised to the balance sheet. Significant judgement is required to determine when the Group's assets achieve commercial production, including completion of a reasonable period of commissioning, consistent achievement of operational results at a pre-determined level of expected capacity and indications exist that this level will continue, mineral recoveries are at or approaching expected levels and the transfer of the operation from project personnel to operational personnel.

For the Bozshakol operation, commercial production of the clay plant was determined to have been achieved on 1 July 2017. In making this assessment, the Directors considered the performance of the plant of at least 60% of its design capacity for a three month period, which is broadly consistent with industry practice. Revenues, production costs and interest incurred on borrowings to finance the project were recognised in the income statement and depreciation of its asset base commenced from that date. The Bozshakol sulphide plant achieved commercial production on 27 October 2016.

The Aktogay sulphide plant achieved commercial production from 1 October 2017 after consistent production of at least 60% of its design capacity over a three month period. Revenues, production costs and interest incurred on borrowings to finance the project were recognised in the income statement with the commencement of depreciation of its assets from that date. The Aktogay oxide plant achieved commercial production on 1 July 2016.

Impairment of assets

The Directors review the carrying value of the Group's assets to determine whether there are any indicators of impairment such that the carrying values of the assets may not be recoverable. The assessment of whether an indicator of impairment or reversal thereof has arisen requires considerable judgement, taking account of future operational and financial plans, commodity prices, market demand and the competitive environment. For exploration and evaluation assets held by the Group, 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 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 preparation of discounted future cash flows includes management estimates of commodity prices, market demand and supply, future operating costs, economic and regulatory environments, capital expenditure requirements, long-term mine plans and other factors.

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

An assessment of the key external and internal factors, including changes to equity analyst and management's medium and long-term commodity price expectations, exchange rates, cash costs and production expectations affecting the Group and its cash generating units ('CGUs') at 31 December 2017 (and 31 December 2016) did not identify any indicators of impairment or reversal thereof. The Group's CGUs are aligned to the operating divisions as described in note 1. In assessing commodity prices for indicators of impairment, consideration was given to a range of equity analyst long-term copper prices with a median price of around $6,500/t.

Non-current inventories

Mining activities that may result in the stockpiling of 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. The stockpiled ore is reflected 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.

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

Ore reserves are estimates of the amount of product that can be economically and legally extracted from the Group's mining properties. In order to estimate reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. The Group estimates its ore reserves and mineral resources based on information compiled and reviewed by independent competent persons as defined in accordance with the JORC Code.

In assessing the life of a mine for accounting purposes, ore 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 changes in estimates of the likely recovery of tax benefits.

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

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

Decommissioning and site restoration costs

The Directors use judgement and experience in determining the expected timing and closure and decommissioning methods, which can vary in response to changes to relevant legal requirements and technologies. The ultimate cost of decommissioning and rehabilitation is uncertain and cost estimates can also vary in response to many factors including the emergence of new restoration techniques and costs of materials and labour. The expected timing and extent of expenditure can also change in response to changes in ore reserve estimates, processing levels and even commodity prices while future costs are discounted using expected discount rates. As such, there could be significant adjustments to the current provisions which would affect the future financial performance of the Group.

3. Significant accounting judgements and key sources of estimation uncertainty continued

Taxes

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, transfer pricing, VAT and outcomes of tax disputes, if any, that would affect recognition of tax liabilities and deferred tax assets. Judgement over recognition also applies to taxes which are recoverable by the Group, principally VAT paid, in assessing its future recoverability and the timing of such recovery. In making judgements related to taxes, the Directors believe that the tax positions it adopts are in line with the applicable legislation and reflect the probable outcome. Estimates are made to determine the amount of taxes payable or recoverable, including deferred tax assets. 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 32.

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*'. On the grounds of materiality, the East Region and Bozymchak segments have been presented on a combined basis for the year ended 31 December 2017 and the comparative information has been restated accordingly.

The Group's operating segments are:

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 concentrator, which sells copper concentrate with gold content as a by-product, was commissioned in February 2016 and achieved commercial production on 27 October 2016 with its revenues and costs being recognised in the income statement from that date. The clay plant, which was commissioned in the fourth quarter of 2016 and which achieved commercial production on 1 July 2017, is included in the Bozshakol operating segment due to the sharing of infrastructure and mining pit, its relative small size and to reflect the Group's management structure. The clay plant's pre-commercial revenues and costs were recorded against property, plant and equipment until it achieved commercial production from when depreciation of the asset base commenced and interest associated with borrowings used to finance the construction of the plant was expensed.

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 and achieved commercial production on 1 October 2017 with its revenues and costs being recognised in the income statement from that date. Until commercial production was achieved, the revenues and operating costs of the sulphide concentrator were recorded against property, plant and equipment. The oxide operation, which sells copper cathodes, reached commercial production on 1 July 2016 with its revenues and costs being recognised in the income statement from that date. The oxide plant is included in the Aktogay operating segment due to the sharing of infrastructure, its relative small size and to reflect the Group's management structure.

East Region and Bozymchak

The East Region and Bozymchak are reflected as one operating segment and consists 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 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. In the current period, Bozymchak did not satisfy the quantitative requirements of IFRS 8 'Operating Segments' for disclosure as a separate segment and was combined with the East Region operations, given their similar economic characteristics; similar concentrate production processes and as their combined output is toll processed at the Balkhash smelter and subsequently sold to the Group's customers. In 2016, Bozymchak was reflected as a separate segment. The comparative disclosures have been restated to reflect the East Region and Bozymchak as a combined segment.

Mining Projects

The Group's project companies, who are responsible for the assessment and development of metal deposits and processing facilities. The segment includes the Koksay mineral deposit.

Managing and measuring operating segments

The key performance measure of the operating segments is EBITDA (excluding special items), which is defined as earnings before interest, taxation, depreciation, depletion, amortisation, mineral extraction tax and royalties, as adjusted for special items. Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business (see note 7). EBITDA (excluding special items) 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 also believe that this measure closely reflects the operating cash generative capacity and therefore the trading performance of the business as a whole. Special items are excluded to enhance comparability of EBITDA (excluding special items) from period to period.

The Group's Treasury department manages the Group's borrowings and monitors finance income and finance costs at the Group level on a net basis rather than on a gross basis at an operating segment level.

Segmental information is also provided in respect of revenues, by destination and by product. Segmental information relating to employees is provided in note 8.

(a) Operating segments
(i) Income statement information

$ million	Bozshakol	Aktogay	East Region and Bozymchak	Corporate Services	Total
					Year ended 31 December 2017
Revenues					
Gross Revenues	719	530	689	–	1,938
Pre-commercial production revenues capitalised to property, plant and equipment[1]	(21)	(254)	–	–	(275)
Revenues – income statement	698	276	689	–	1,663
Gross EBITDA (excluding special items)	515	374	371	(25)	1,235
Pre-commercial production EBITDA capitalised to property, plant and equipment[1,2]	(12)	(185)	–	–	(197)
EBITDA (excluding special items)	503	189	371	(25)	1,038
Special items[3] – note 7	–	–	(3)	(16)	(19)
EBITDA	503	189	368	(41)	1,019
Less: depreciation, depletion and amortisation[4]	(86)	(42)	(43)	(1)	(172)
Less: mineral extraction tax and royalties[2,4]	(52)	(21)	(59)	–	(132)
Operating profit/(loss)	365	126	266	(42)	715
Net finance costs					(135)
Income tax expense					(133)
Profit for the year					447

$ million	Bozshakol	Aktogay	East Region and Bozymchak	Corporate Services	Total
					Year ended 31 December 2016
Revenues					
Gross Revenues	280	68	621	–	969
Pre-commercial production revenues capitalised to property, plant and equipment[1]	(187)	(16)	–	–	(203)
Revenues – income statement	93	52	621	–	766
Gross EBITDA (excluding special items)	204	33	279	(24)	492
Pre-commercial production EBITDA capitalised to property, plant and equipment[1,2]	(137)	(4)	–	–	(141)
EBITDA (excluding special items)	67	29	279	(24)	351
Special items – note 7	–	–	(3)	–	(3)
EBITDA	67	29	276	(24)	348
Less: depreciation, depletion and amortisation	(11)	(6)	(42)	(1)	(60)
Less: mineral extraction tax and royalties[2]	(7)	(8)	(55)	–	(70)
Operating profit/(loss)	49	15	179	(25)	218
Net finance income					2
Income tax expense					(43)
Profit for the year					177

1 During pre-commercial production, revenues and operating costs are capitalised to property, plant and equipment.

2 MET and royalties have been excluded from the key financial indicator of EBITDA. The Directors believe that MET and royalties are a substitute for a tax on profits, hence their exclusion provides an informed measure of the operational performance of the Group. The MET incurred at the Bozshakol clay and Aktogay sulphide plants during the pre-commercial production stage of $3 million (2016: $25 million – sulphide plant) and $22 million (2016: $9 million – oxide plant) respectively has been capitalised to property, plant and equipment. MET incurred on stockpiled clay ore at Bozshakol and included within non-current inventories was $32 million (2016: $33 million).

3 The impairment of $16 million arises from the decision not to continue with the smelter study and reflects cost incurred to date. These costs were incurred in the Mining Projects segment and disclosed in the Corporate Services segment to reflect the write off to the income statement.

4 Depreciation, depletion and amortisation and MET and royalties exclude the costs associated with inventories on the balance sheet.

4. Segment information continued

(a) Operating segments continued

(ii) Balance sheet information

$ million	Bozshakol	Aktogay	East Region and Bozymchak	Mining Projects	Corporate Services	Total
	At 31 December 2017					
Assets						
Property, plant and equipment, mining assets and intangible assets[1]	1,211	1,191	334	242	2	2,980
Intragroup investments	–	–	–	–	5,305	5,305
Other non-current assets[2]	131	9	29	1	–	170
Inter-segment loans	–	–	–	–	1,871	1,871
Operating assets[3]	191	188	198	–	6	583
Cash and cash equivalents	87	354	176	2	1,202	1,821
Segment assets	1,620	1,742	737	245	8,386	12,730
Deferred tax asset						65
Income taxes receivable						13
Elimination						(7,186)
Total assets						5,622
Liabilities						
Employee benefits and provisions	8	4	71	–	–	83
Inter-segment borrowings	1,031	694	146	–	–	1,871
Operating liabilities[4]	87	358	52	4	88	589
Segment liabilities	1,126	1,056	269	4	88	2,543
Borrowings						3,877
Deferred tax liability						70
Income taxes payable						15
Elimination						(1,881)
Total liabilities						4,624

$ million	Bozshakol	Aktogay	East Region and Bozymchak	Mining Projects	Corporate Services	Total
						At 31 December 2016
Assets						
Property, plant and equipment, mining assets and intangible assets[1]	1,291	1,261	305	241	2	3,100
Intragroup investments	–	–	–	–	5,195	5,195
Other non-current assets[2]	214	120	29	1	–	364
Inter-segment loans	–	–	–	–	2,252	2,252
Operating assets[3]	140	82	198	–	8	428
Cash and cash equivalents	33	293	41	1	740	1,108
Segment assets	1,678	1,756	573	243	8,197	12,447
Deferred tax asset						72
Income taxes receivable						7
Elimination						(7,469)
Total assets						5,057
Liabilities						
Employee benefits and provisions	6	2	66	–	–	74
Inter-segment borrowings	1,201	839	212	–	–	2,252
Operating liabilities[4]	110	339	75	3	98	625
Segment liabilities	1,317	1,180	353	3	98	2,951
Borrowings						3,777
Deferred tax liability						56
Income taxes payable						11
Elimination						(2,274)
Total liabilities						4,521

1 Property, plant and equipment, mining assets and intangible assets are located in the principal country of operations of each operating segment. Bozshakol, Aktogay and Mining Projects segments principally operate in Kazakhstan. The East Region and Bozymchak segment includes $273 million of the East Region assets located in Kazakhstan and $61 million of Bozymchak assets located in Kyrgyzstan (2016: $247 million and $58 million respectively).

2 Other non-current assets comprise non-current VAT receivable, advances paid for property, plant and equipment, non-current inventories and other non-current investments (see note 17).

3 Operating assets comprise inventories, prepayments and other current assets and trade and other receivables, including intragroup non-financing related receivables.

4 Operating liabilities comprise trade and other payables, including intragroup non-financing related payables, other non-current and current liabilities.

4. Segment information continued

(a) Operating segments continued

(iii) Capital expenditure[1]

$ million	Bozshakol	Aktogay	East Region and Bozymchak	Mining Projects	Corporate Services	Total
	Year ended 31 December 2017					
Property, plant and equipment[2,3]	71	(29)	35	14	1	92
Mining assets[2,3]	2	2	39	–	–	43
Intangible assets	1	–	–	–	1	2
Capital expenditure	**74**	**(27)**	**74**	**14**	**2**	**137**

$ million	Bozshakol	Aktogay	East Region and Bozymchak	Mining Projects	Corporate Services	Total
	Year ended 31 December 2016					
Property, plant and equipment[2,3]	90	150	28	–	1	269
Mining assets[2,3]	12	6	33	1	–	52
Intangible assets	2	–	1	–	–	3
Capital expenditure	104	156	62	1	1	324

1 The capital expenditure presented by operating segment reflects cash paid and is aligned with the Group's internal capital expenditure reporting.

2 Cash capital expenditure for Aktogay and Bozshakol includes a $106 million inflow and a $7 million outflow respectively of net operating cash flows incurred during the period prior to the achievement of commercial production (2016: cash outflow of $12 million and cash inflow $12 million respectively). Of the $74 million cash capital expenditure at Bozshakol in 2017 (2016: $104 million), $35 million relates to long-term stockpiled clay ore spent ahead of commercial production to 30 June 2017 (2016: $52 million).

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

(b) Segmental information in respect of revenues

Revenues by product to third parties are as follows:

$ million	Bozshakol	Aktogay	East Region and Bozymchak	Total
	Year ended 31 December 2017			
Copper cathodes	62	212	424	698
Copper in concentrate	510	315	9	834
Zinc in concentrate	–	–	115	115
Gold	–	–	78	78
Gold in concentrate	137	–	1	138
Silver	–	–	50	50
Silver in concentrate	10	3	1	14
Other revenue	–	–	11	11
Gross Revenues	719	530	689	1,938
Less: pre-commercial production revenues capitalised to property, plant and equipment	(21)	(254)	–	(275)
Revenues – income statement	698	276	689	1,663

$ million	Bozshakol	Aktogay	East Region and Bozymchak	Total
	Year ended 31 December 2016			
Copper cathodes	–	68	389	457
Copper in concentrate	202	–	10	212
Zinc in concentrate	–	–	95	95
Gold	–	–	69	69
Gold in concentrate	73	–	6	79
Silver	–	–	46	46
Silver in concentrate	5	–	–	5
Other revenue	–	–	6	6
Gross Revenues	280	68	621	969
Less: pre-commercial production revenues capitalised to property, plant and equipment	(187)	(16)	–	(203)
Revenues – income statement	93	52	621	766

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 silver), 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:

	At 31 December 2017		At 31 December 2016	
	Provisionally priced volumes	Weighted average provisional price	Provisionally priced volumes	Weighted average provisional price
Copper	4 kt	6,865 $/t	3 kt	5,466 $/t
Copper in concentrate	22 kt	6,067 $/t	13 kt	5,063 $/t
Zinc in concentrate	4 kt	2,516 $/t	4 kt	1,517 $/t
Gold in concentrate	19 koz	1,276 $/oz	34 koz	1,261 $/oz
Silver in concentrate	65 koz	16 $/oz	–	–

The final prices for the provisionally priced volumes shown above will be determined during the first quarter after the year end. At 31 December 2017, sales contracts which had not been finally priced were marked to market to reflect the expected settlement price based on the relevant forward metal price (typically one month for copper cathode and zinc concentrate and two months for copper concentrate including by-products). The adjustment increased revenue by $12 million (2016: $2 million).

Revenues by destination from sales to third parties are as follows:

	Year ended 31 December 2017			
$ million	Bozshakol	Aktogay	East Region and Bozymchak	Total
China	706	371	391	1,468
Europe	13	159	136	308
Kazakhstan and Central Asia	–	–	162	162
Gross Revenues	719	530	689	1,938
Less: pre-commercial production revenues capitalised to property, plant and equipment	(21)	(254)	–	(275)
Revenues – income statement	698	276	689	1,663

	Year ended 31 December 2016			
$ million	Bozshakol	Aktogay	East Region and Bozymchak	Total
China	280	15	275	570
Europe	–	53	195	248
Kazakhstan and Central Asia	–	–	151	151
Gross Revenues	280	68	621	969
Less: pre-commercial production revenues capitalised to property, plant and equipment	(187)	(16)	–	(203)
Revenues – income statement	93	52	621	766

Year ended 31 December 2017

The Group's copper concentrate sales and some cathode and zinc sales have been contracted to a single trader, Advaita Trade Private Ltd (Advaita). Advaita is part of an independent metals trading group founded in 2014 by former employees of the Group with significant experience in marketing metals the Group produces into Europe and China. Sales from all the Group's segments to Advaita, comprise 71% ($1,377 million) of Gross Revenues.

Year ended 31 December 2016

Two customers, which each represented more than 10% of Gross Revenues, in aggregate comprised 32% or $313 million of Gross Revenues. The largest customer, which represented 19% ($184 million) of Gross Revenues, was distributed between Bozshakol (85%) and the East Region and Bozymchak segment (15%) Gross Revenues. The second largest customer, which represented 13% of Gross Revenues ($129 million), was distributed between Bozshakol (96%) and the East Region and Bozymchak segment (4%) Gross Revenues.

5. Cost of sales, selling and distribution expenses and administrative expenses

(a) Cost of sales

$ million	2017	2016
Raw materials	193	104
Employee salaries and payroll taxes	93	70
Production overheads	75	54
Refining services	64	68
Energy and utilities	42	19
Other taxes	12	3
Depreciation, depletion and amortisation	183	80
Mineral extraction tax	162	102
Change in work in progress and finished goods	(69)	(87)
	755	413

5. Cost of sales, selling and distribution expenses and administrative expenses continued

(b) Selling and distribution expenses

$ million	2017	2016
Transportation expenses	57	24
Royalties	6	6
Other	6	2
	69	32

(c) Administrative expenses

$ million	2017	2016
Employee salaries and payroll taxes	51	47
Social responsibility costs	12	10
Legal and professional fees	11	12
Utilities	7	6
Supplies	6	5
Business travel	5	6
Levies and charges	5	2
Depreciation and amortisation	4	4
Personal injury claims	1	6
Other	6	6
	108	104

6. Impairment losses

$ million	2017	2016
Impairment charges against property, plant and equipment[1]	19	3
Impairment charges against non-current VAT receivable[1]	1	–
	20	3

1 These impairments are considered to be special items for the purposes of determining the Group's key financial indicator of EBITDA (excluding special items) and Underlying Profit (see note 13).

Mining Projects – impairment charges

Following an assessment of partnering options and a review of the project, the Group determined that it will not progress the smelter project further. $16 million incurred to date on the feasibility study was impaired and comprises $15 million of impairment charges against property, plant and equipment and $1 million written off against non-current VAT receivable.

East Region – impairment charges

An impairment of $4 million (2016: $3 million) has been recognised against items of property, plant and equipment which are no longer expected to be utilised.

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	2017	2016
Special items within operating profit:		
Impairment charges against property, plant and equipment	19	3
Impairment charges against non-current VAT receivable	1	–
Other reimbursements	(1)	–
	19	3
Special items within profit before taxation:		
PXF fees	10	–
Taxation related special items:		
Recognition of a deferred tax asset resulting from impairment charges	–	–
Total special items	29	3

Further information on special items is in the Financial review on page 35.

8. Employee information

$ million	2017	2016
Wages and salaries	150	158
Social security costs – employer contributions	19	17
Employee benefits – note 25	1	6
	170	181

Employee costs include $25 million (2016: $57 million) capitalised to mining and other fixed assets primarily related to the pre-commercial period of production and to the construction of the major growth projects and $145 million (2016: $124 million) recognised in the income statement.

Other non-monetary employee benefits (including sanatorium visits, medical services and treatment expenses) are also provided by Vostoktsvetmet LLC, and are included in the income statement in the expense line relating to the nature of the cost.

The average monthly number of employees within the operations and reflected by segment, during the year, was as follows:

	2017	2016
Bozshakol	1,540	1,401
Aktogay	1,490	992
East Region and Bozymchak[1]	9,552	9,311
Mining Projects	16	13
Central services including Corporate	405	408
	13,003	12,125

1 In 2017 the East Region and Bozymchak employee numbers have been combined into one segment and the 2016 comparative data restated accordingly.

Analysed by location of employees as:

	2017	2016
Central Asia[1]	12,964	12,089
UK	32	33
Rest of world	7	3
	13,003	12,125

1 Includes Kazakhstan and Kyrgyzstan.

9. Key management personnel

In accordance with IAS 24 '*Related party disclosures*', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Key management personnel were deemed to be the Directors of the Company, the Mining Projects General Director, the Chief Operating Officer, the Aktogay General Director, the Bozshakol General Director, the East Region General Director, the Bozymchak General Director and the General Director of KAZ Minerals Management LLP. The Chief Operating Officer was appointed to his position in July 2017, and the role of the Aktogay General Director was established during 2017. There were no other changes to the composition of the key management personnel in 2016 and 2017.

Compensation for key management personnel (including Directors) comprises the following:

$ million	2017	2016
Salaries	5.8	5.5
Annual bonuses	2.9	6.1
Share awards[1]	2.0	2.0
Benefits	0.4	0.4
	11.1	14.0

1 Share awards are long term in nature and may be awarded with a vesting period of up to three years.

The aggregate amount paid and accrued in respect of Directors was £5.5 million (2016: £5.1 million). Details are included in the Directors' Remuneration Report.

10. Auditor's remuneration

The auditor's remuneration for services provided to the Group during the year ended 31 December 2017 was $1.3 million (2016: $1.6 million), comprised as follows:

$ million	2017	2016
Audit and other services:		
Amounts receivable by the Company's auditor and its associates for the audit of these financial statements	0.6	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	0.5	0.4
– audit-related assurance services	0.2	0.2
– regulatory reporting services pursuant to legislation as reporting accountants	–	0.3
Total remuneration	1.3	1.6

11. Finance income and finance costs

Finance income

$ million	2017	2016
Interest income	17	9
Fair value gains on debt related derivative financial instruments	13	–
	30	9

Finance costs

$ million	2017	2016
Interest expense	158	42
Total interest expense[1]	246	205
Less: amounts capitalised to the cost of qualifying assets[2,3]	(88)	(163)
Interest on employee obligations	2	1
Unwinding of discount on provisions and other liabilities	5	2
Fair value losses on debt related derivative financial instruments	–	11
	165	56

1 Total interest expense includes $221 million (2016: $197 million) of interest incurred on borrowings, $10 million PXF fees and $15 million (2016: $8 million) relating to the unwinding of the discount on the NFC deferral agreement (see note 27).

2 In 2017, the Group capitalised to the cost of qualifying assets $10 million (2016: $82 million) of borrowing costs incurred on the outstanding CDB-Bozshakol and Bozymchak facilities during the year at an average rate of interest of 5.87% (2016: 5.40%), $56 million (2016: $73 million) on the CDB-Aktogay US$ and CNY facilities at an average rate of interest of 5.60% and 4.54% respectively (2016: 5.12% and 4.33%) and $11 million (2016: $nil) on the $300 million DBK loan at an average interest rate of 5.89%. Interest capitalised also includes $11 million (2016: $8 million) of unwinding of interest on the deferred NFC payable (see note 27).

3 Interest costs on borrowings capitalised to qualifying assets of $77 million (2016: $155 million) will be deductible for tax purposes against future taxable income as an annual wear and tear allowance on assets or when incurred based on country specific tax definitions. The capitalised interest will provide tax relief at 20%, being the currently applicable corporate income tax rate of Kazakhstan where the assets are located.

Further information relating to finance income and costs is in the Financial review on page 36.

12. Income taxes

(a) Income tax expense

Major components of income tax expense are:

$ million	2017	2016
Current income tax		
Corporate income tax – current period (UK)	–	–
Corporate income tax – current period (overseas)	103	31
Corporate income tax – prior periods (UK)	4	–
Corporate income tax – prior periods (overseas)	1	1
Deferred income tax		
Corporate income tax – current period temporary differences	24	14
Corporate income tax – prior periods temporary differences	1	(3)
	133	43

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	2017	2016
Profit before tax	580	220
At UK statutory income tax rate of 19.25% (2016: 20.0%)[1]	112	44
Underprovided in prior periods – current income tax	5	1
Under/(over) provided in prior periods – deferred income tax	1	(3)
Unrecognised tax losses	4	3
Effect of domestic tax rates applicable to individual Group entities	–	(5)
Non-deductible items:		
Transfer pricing	2	1
Other non-deductible expenses	9	2
	133	43

1 The UK statutory rate for January to March 2017 was 20.0% and for April to December 2017 is 19.0%, giving an average full year rate of 19.25%.

Corporate income tax ('CIT') is calculated at 19.25% (2016: 20.0%) of the assessable profit for the year for the Company and its UK subsidiaries and 20.0% for the operating subsidiaries in Kazakhstan (2016: 20.0%). In Kyrgyzstan, changes to legislation applicable from November 2017 has reduced CIT to 0%, replaced by a tax on gold revenues, which is reflected as royalties within selling expenses.

Effective tax rate

The effective tax rate was 23% (2016: 20%). 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, which may include impairment losses, increases the Group's overall effective tax rate.

The following factors impacted the effective tax rate for the year ended 31 December 2017:

Unrecognised tax losses

Deferred tax assets have not been recognised on available tax losses at Bozymchak, as the entity is subject to a CIT rate of 0% following the introduction of a tax on gold revenues. As such, the prior period tax losses will not be available for use from November 2017. In the UK, unrecognised tax losses in 2017 arise from the application of the interest limitation rules which has restricted the amount of interest deductible in the UK. The restricted interest was not recognised as a deferred tax asset given the uncertainty over its full utilisation in future years.

In 2016, deferred tax assets were not recognised on tax losses at Bozymchak, given the five year statute of limitations and as it was uncertain whether it would generate sufficient taxable profits after capital allowances to utilise these losses, and in the United Kingdom, given limitations on the carry forward of Group losses.

Other non-deductible expenses

Non-deductible items mainly comprise of impairment losses arising from the write off of assets in the East Region and the smelter feasibility study costs and from certain social community investments.

The 2016 non-deductible expenses mainly comprise of supplier replaced equipment treated as gains for tax purposes and social community investments and contributions, which are not generally deductible and impairment charges and provisions recognised against various assets most notably in the East Region operations.

Further information relating to income taxes and the change in the effective tax rate is in the Financial review on page 37.

(b) Recognised deferred tax assets and liabilities

The amounts of deferred tax assets/(liabilities) provided in the consolidated financial statements are as follows:

$ million	At 1 January 2017	Charged to income statement	Charged to other comprehensive income	Net exchange translation	At 31 December 2017
Intangible assets	(1)	–	–	–	(1)
Property, plant and equipment	(38)	(54)	–	1	(91)
Mining assets	5	(2)	–	–	3
Inventories	7	(5)	–	–	2
Trade and other receivables	(3)	(1)	–	–	(4)
Borrowings	(47)	22	–	–	(25)
Provisions and employee benefits	15	2	–	(1)	16
Trade and other payables	9	5	–	–	14
Tax losses	68	8	–	–	76
Share-based payment schemes	1	–	4	–	5
Deferred tax asset/(liability), net	16	(25)	4	–	(5)
Analysed as:					
Deferred tax asset	72	(11)	4	–	65
Deferred tax liability	(56)	(14)	–	–	(70)

$ million	At 1 January 2016	Charged to income statement	Net exchange translation	At 31 December 2016
Intangible assets	–	(1)	–	(1)
Property, plant and equipment	14	(52)	–	(38)
Mining assets	5	(1)	1	5
Inventories	(1)	8	–	7
Trade and other receivables	(3)	–	–	(3)
Borrowings	(24)	(23)	–	(47)
Provisions and employee benefits	5	9	1	15
Trade and other payables	5	6	(2)	9
Tax losses	26	43	(1)	68
Share-based payment schemes	1	–	–	1
Deferred tax asset, net	28	(11)	(1)	16
Analysed as:				
Deferred tax asset	59	14	(1)	72
Deferred tax liability	(31)	(25)	–	(56)

12. Income taxes continued

(c) Unrecognised deferred tax assets

Deferred tax assets not recognised in the consolidated financial statements are as follows:

$ million	2017 Temporary difference	2017 Deferred tax asset	2016 Temporary difference	2016 Deferred tax asset
Kyrgyzstan				
Losses carried forward	–	–	122	12
Other deductible temporary differences	–	–	110	11
UK				
Losses carried forward	119	23	85	14

Details of the Group's tax losses arising in the jurisdictions in which it operates are as follows:

(i) Kyrgyzstan

In Kyrgyzstan, changes to legislation applicable from November 2017 has reduced CIT to 0%, replaced by a tax on gold revenues. Accumulated tax losses and other deductible temporary differences which were also unrecognised prior to the change in the legislation, cannot be utilised to offset the tax on gold revenues in the future.

(ii) United Kingdom

Certain companies in the UK have tax losses and unutilised interest expenses that can be carried forward and used against future taxable profits and interest income. There is no time restriction over the utilisation of tax losses and deferred interest. Where there is sufficient certainty that a taxable profit will arise in these companies against which the losses, or interest income 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	2017	2016
Undistributed reserves of subsidiaries subject to withholding tax on distribution[1]	4,902	4,548

1 The reserves are presented at historical exchange rates. At the closing exchange rates they are $2,422 million (2016: $2,075 million).

The Group has not recognised all of the deferred tax liability in respect of the distributable reserves of its subsidiaries as it controls the timing of any such distribution and as only part of the temporary differences are expected to reverse in the foreseeable future.

13. Earnings per share

The following reflects the income and share data used in the EPS computations.

$ million (unless otherwise stated)	2017	2016
Net profit attributable to equity shareholders of the Company	447	177
Special items net of taxation – note 7	29	3
Underlying Profit	476	180
Weighted average number of ordinary shares of 20 pence each for EPS on Ordinary and Underlying Profit calculation	446,658,862	446,504,093
Ordinary EPS – basic and diluted ($)	1.00	0.40
EPS based on Underlying Profit – basic and diluted ($)	1.07	0.40

(a) Ordinary EPS

Basic EPS is calculated by dividing 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 both held in treasury and treated as own shares.

(b) EPS based on Underlying Profit

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

Further information relating to EPS based on Underlying Profit is in the Financial review on page 37.

14. Intangible assets

$ million	2017	2016
Cost		
At 1 January	14	11
Additions	2	3
Disposals	–	(1)
Net exchange adjustment	(1)	1
At 31 December	15	14
Amortisation		
At 1 January	6	4
Amortisation charge[1]	2	2
At 31 December	8	6
Net book value		
At 31 December	7	8

1 Amortisation of intangible assets is reflected mainly within administrative expenses.

15. Property, plant and equipment

$ million	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Cost					
At 1 January 2016	465	272	65	1,528	2,330
Additions[2,3]	29	25	11	450	515
Capitalised borrowing costs	–	–	–	163	163
Capitalised depreciation	–	–	–	19	19
Transfers[1]	257	880	7	(1,144)	–
Disposals	(23)	(6)	(2)	–	(31)
Net exchange adjustment	27	39	2	8	76
At 31 December 2016	755	1,210	83	1,024	3,072
Additions[2,3]	8	15	6	(61)	(32)
Capitalised borrowing costs	–	–	–	88	88
Transfers[4]	254	659	48	(961)	–
Disposals	(3)	(5)	(1)	(1)	(10)
Net exchange adjustment	9	16	1	(19)	7
At 31 December 2017	1,023	1,895	137	70	3,125
Depreciation and impairment					
At 1 January 2016	174	105	29	3	311
Depreciation charge	32	55	9	–	96
Transfers	1	–	(1)	–	–
Disposals	(18)	(5)	(1)	–	(24)
Impairment	1	–	–	2	3
Net exchange adjustment	12	4	–	–	16
At 31 December 2016	202	159	36	5	402
Depreciation charge	34	129	16	–	179
Transfers	–	–	–	–	–
Disposals	(3)	(4)	(1)	–	(8)
Impairment	1	–	–	18	19
Net exchange adjustment	–	(2)	–	–	(2)
At 31 December 2017	234	282	51	23	590
Net book value					
At 31 December 2017	789	1,613	86	47	2,535
At 31 December 2016	553	1,051	47	1,019	2,670

1 Transfers principally relate to the Bozshakol sulphide and Aktogay oxide assets, which reached commercial production on 27 October and 1 July 2016 respectively.

2 Additions for the Bozshakol clay and the Aktogay sulphide operations include $19 million and $156 million of results capitalised during pre-commercial activities respectively (2016: $110 million for the Bozshakol sulphide and $16 million for the Aktogay oxide operations).

3 Includes $6 million (2016: $25 million) arising from changes in closure provision estimates.

4 Transfers principally relate to the Bozshakol clay and Aktogay sulphide assets, which reached commercial production on 1 July and 1 October 2017 respectively.

16. Mining assets

$ million	Mineral licences and properties	Exploration cost	Mine development costs	Mine stripping costs	Construction in progress	Total
Cost						
At 1 January 2016	239	85	186	25	15	550
Additions[1]	–	1	10	25	31	67
Transfers	–	(70)	88	–	(18)	–
Disposals	–	–	(46)	–	–	(46)
Net exchange adjustment	1	1	10	2	1	15
At 31 December 2016	240	17	248	52	29	586
Additions[1]	–	2	–	9	25	36
Transfers	–	(1)	21	–	(20)	–
Net exchange adjustment	–	–	(1)	–	(1)	(2)
At 31 December 2017	**240**	**18**	**268**	**61**	**33**	**620**
Depletion and impairment						
At 1 January 2016	1	68	97	10	–	176
Depletion charge	–	–	18	6	–	24
Transfers	–	(67)	67	–	–	–
Disposals	–	–	(45)	–	–	(45)
Net exchange adjustment	–	–	8	1	–	9
At 31 December 2016	1	1	145	17	–	164
Depletion charge	–	–	16	2	–	18
Transfers	–	(1)	1	–	–	–
At 31 December 2017	**1**	**–**	**162**	**19**	**–**	**182**
Net book value						
At 31 December 2017	**239**	**18**	**106**	**42**	**33**	**438**
At 31 December 2016	239	16	103	35	29	422

1 Includes $nil arising from changes in closure provision estimates (2016: $17 million).

17. Other non-current assets

$ million	2017	2016
Advances paid for property, plant and equipment	8	18
Non-current VAT receivable[1]	38	264
Non-current inventories[2]	124	82
Long-term bank deposits[3]	2	2
Gross value of other non-current assets	172	366
Provision for impairment	(2)	(2)
	170	364

1 Comprises VAT incurred, principally at Bozymchak at 31 December 2017 (2016: principally Bozshakol and Aktogay) 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.

2 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.

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	2017	2016
Raw materials and consumables	157	97
Work in progress	128	108
Finished goods	79	47
Gross value of inventories	364	252
Inventories provision	(5)	(5)
	359	247

The carrying amount of inventory that has been written down to net realisable value is $5 million (2016: $5 million).

19. Prepayments and other current assets

$ million	2017	2016
Advances paid for goods and services	13	19
VAT receivable	63	32
Amounts due from related parties	1	–
Other	5	3
Gross value of prepayments and other current assets	82	54
Provision for impairment of prepayments and other current assets	–	–
	82	54

20. Trade and other receivables

$ million	2017	2016
Trade receivables	131	105
Amounts due from related parties	1	2
Amounts due from third parties	130	103
Interest receivable	2	1
Gross value of trade and other receivables	133	106
Provision for impairment of receivables	(1)	(1)
	132	105

Included within amounts due from third parties is $12 million (2016: $2 million) arising from marked to market adjustments on provisionally priced contracts at 31 December 2017.

21. Current investments

$ million	2017	2016
At 1 January	–	400
Additions	–	–
Disposals	–	(400)
At 31 December[1]	–	–

1 Given the profile of the Group's projected cash flows for capital expenditure and debt repayments for the next 12 month period, current investments were reclassified to cash and cash equivalents in 2016.

22. Cash and cash equivalents

$ million	2017	2016
Cash deposits with short term initial maturities	1,543	820
Cash at bank	278	288
	1,821	1,108

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 2016, 31 December 2016 and 2017	458,379,033	92	171

The issued share capital was fully paid. During the year 143,310 (2016: 14,774) treasury shares were used to satisfy awards under the Company's Save As You Earn ('SAYE') and Deferred Share Bonus Plan ('DSBP') schemes. At 31 December 2017, the Company holds 11,543,746 (2016: 11,687,056) ordinary shares in treasury and the issued share capital of the Company which carries voting rights of one vote per share, comprises 446,835,287 (2016: 446,691,977) 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 cost of shares purchased by the Trust is charged against retained earnings as treasury shares. The Employee Benefit Trust has waived the right to receive dividends on these shares. During 2017, the Company made no purchases of shares (2016: 250,000 shares at a cost of $0.6 million) through the Trust in anticipation of satisfying future awards. 223,429 shares (2016: 218,249) were transferred out of the Trust in settlement of share awards granted to employees that were exercised during the period. Following approval from shareholders, shares held in treasury will be used to settle future awards.

At 31 December 2017, the Group, through the Employee Benefit Trust, owned 19,727 shares in the Company (2016: 243,156) with a market value of $0.2 million and a cost of $0.1 million (2016: $1.1 million and $4.6 million respectively). The shares held by the Trust represented less than 0.01% (2016: 0.05%) of the issued share capital at 31 December 2017.

23. Share capital and reserves continued

(c) Capital reserves

$ million	Currency translation reserve	Capital redemption reserve	Total
At 1 January 2016	(2,103)	31	(2,072)
Exchange differences on retranslation of foreign operations	35	–	35
At 31 December 2016	(2,068)	31	(2,037)
Exchange differences on retranslation of foreign operations	8	–	8
At 31 December 2017	**(2,060)**	**31**	**(2,029)**

(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.

(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.

24. Borrowings

	Maturity	Average interest rate during the year	Currency of denomination	Current $ million	Non-current $ million	Total $ million
31 December 2017						
CDB-Bozshakol and Bozymchak – US$ LIBOR + 4.50%	2025	5.87%	US dollar	179	1,345	1,524
CDB-Aktogay facility – PBoC 5 year	2028	4.54%	CNY	12	116	128
CDB-Aktogay facility – US$ LIBOR + 4.20%	2029	5.60%	US dollar	105	1,222	1,327
Pre-export finance facility – US$ LIBOR + 3.00% - 4.50%	2021	5.04%	US dollar	100	500	600
Development Bank of Kazakhstan – US$ LIBOR + 4.50%	2025	5.89%	US dollar	22	276	298
				418	3,459	3,877
31 December 2016						
CDB-Bozshakol and Bozymchak – US$ LIBOR + 4.50%	2025	5.40%	US dollar	183	1,520	1,703
CDB-Aktogay facility – PBoC 5 year	2028	4.33%	CNY	11	120	131
CDB-Aktogay facility – US$ LIBOR + 4.20%	2029	5.12%	US dollar	–	1,325	1,325
Pre-export finance facility – US$ LIBOR + 3.00% - 4.50%	2018	4.97%	US dollar	137	144	281
Caterpillar revolving credit facility – US$ LIBOR + 4.25%	2019	4.92%	US dollar	–	40	40
Development Bank of Kazakhstan – US$ LIBOR + 4.50%	2025	5.79%	US dollar	–	297	297
				331	3,446	3,777

CDB-Bozshakol and Bozymchak facilities

At 31 December 2017, $1.5 billion (2016: $1.7 billion) was drawn under the facility agreements. The facilities accrue interest at US$ LIBOR plus 4.50% and arrangement fees with an amortised cost at 31 December 2017 of $15 million (2016: $20 million) have been netted off against these borrowings in accordance with IAS 39. During 2017, $183 million of the borrowing was repaid, with $183 million due to be paid within 12 months of the balance sheet date (including $4 million of unamortised debt costs). The facility is repayable in half-yearly 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 facility consists of a CNY 1.0 billion facility and a $1.3 billion US dollar facility. The funds mature 15 years from the date of the first draw down. KAZ Minerals PLC acts as guarantor of the loans.

The CNY 1.0 billion facility was fully drawn at 31 December 2015. At 31 December 2017, the drawn US dollar equivalent amount was $128 million (2016: $131 million). The facility accrues interest at the applicable benchmark lending rate published by the People s Bank of China. During 2017, the Group made principal payments of $12 million with $12 million due to be paid within 12 months of the balance sheet date. The facility is repayable in half-yearly instalments in March and September. To protect the Group from currency risks arising on the CNY denominated debt, the Group has entered into CNY/US$ cross currency swaps. This derivative instrument provides a hedge against movements in the CNY exchange rate against the US dollar and swaps the interest basis from a CNY interest rate into a US$ LIBOR interest basis. The fair value of the swap at 31 December 2017, included within payables, is $9 million (2016: $21 million).

The US dollar facility accrues interest at US$ LIBOR plus 4.20%. At 31 December 2017, the $1.3 billion facility was fully drawn. Arrangement fees with an amortised cost of $13 million (2016: $15 million), have been netted off against these borrowings in accordance with IAS 39. The facility is repayable in half-yearly instalments commencing from March 2018. $107 million is due to be paid within 12 months of the balance sheet date (including $2 million of unamortised debt costs). KAZ Minerals PLC acts as guarantor of the facilities.

Pre-export finance facility ('PXF')
In June 2017, the Group completed an amendment and extension of the PXF. The new facility extends the maturity profile of the facility by two and a half years from December 2018 until June 2021. Under the revised repayment profile, principal repayments will commence in July 2018 and then continue in equal monthly instalments over a three-year period until final maturity in June 2021.

The facility amount is $600 million and was fully drawn at 31 December 2017. The interest basis of the facility is substantially the same as the previous facility with a variable margin of between 3.0% and 4.5% above US$ LIBOR, dependent on the ratio of net debt to EBITDA which will be tested semi-annually. KAZ Minerals PLC, Vostoktsvetmet LLC and KAZ Minerals Sales Limited act as guarantors of the facility.

At 31 December 2017, $600 million (2016: $281 million) was drawn under the facility. $59 million was repaid under the previous facility in the first half of 2017 and $376 million drawn under the new facility. $100 million is due to be paid within 12 months of the balance sheet date.

Development Bank of Kazakhstan facility ('DBK')
On 14 December 2016, the Group entered into a $300 million credit facility with the DBK which was fully drawn by the end of the year. The facility extends for a term of eight and a half years and bears an interest rate of US$ LIBOR plus 4.5%. The facility is repayable in instalments with the first repayment due in June 2018, followed by semi-annual repayments in May and November of each year from 2019 until 2024 and a final repayment in June 2025. The facility was drawn by KAZ Minerals Aktogay LLC, a Kazakhstan wholly owned subsidiary. KAZ Minerals PLC acts as guarantor of the facility.

At 31 December 2017, $298 million was drawn under the facility. Arrangement fees with an amortised cost of $2 million (2016: $3 million) have been netted off against these borrowings in accordance with IAS 39. $22 million is due to be paid within 12 months of the balance sheet date.

Caterpillar revolving credit facility
In August 2015, the Group entered into a $50 million revolving credit facility provided by Caterpillar Financial Services (UK) Limited ('CAT'), a subsidiary of Caterpillar Inc. The CAT facility was available for three years from the date of signing, and repayable in four equal quarterly instalments ending in 2019. An interest rate of US$ LIBOR plus 4.25% was payable on amounts outstanding under the facility. During June 2017, the facility was repaid in full and cancelled in December 2017.

Undrawn project and general and corporate purpose facilities
All debt facilities were fully drawn at 31 December 2017 and 2016.

25. 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 amounts recognised in the income statements are as follows:

$ million	2017	2016
Employer's share of current service cost	–	–
Employer's share of past service cost	(1)	–
Actuarial losses recognised in the year	2	6
Interest cost on benefits obligation	2	1
	3	7

The expense is recognised in the following line items of the income statements:

$ million	2017	2016
Administrative expenses	1	6
Finance costs	2	1
	3	7

25. Employee benefits continued

The movement in the defined employee benefits obligation is as follows:

$ million	2017	2016
At 1 January	19	16
Employer's share of current service cost	–	–
Employer's share of past service cost	(1)	–
Actuarial losses arising in the income statement	3	6
Actuarial gain recognised in other comprehensive income	(1)	–
Interest cost on benefit obligation	2	1
Benefits paid	(3)	(4)
Defined benefit obligation at 31 December	19	19

The movement in the plan asset is as follows:

$ million	2017	2016
At 1 January	2	1
Contributions by employer	2	4
Benefits paid	(2)	(3)
Actuarial gain on plan assets	1	–
Fair value of plan assets at 31 December	3	2

The net employee benefits obligation of $16 million (2016: $17 million), consists of $3 million (2016: $4 million) related to post-employment benefits and $13 million (2016: $13 million) related to other long-term benefits mainly for disability allowances.

The net liability and expected settlement of the defined benefit obligation is as follows:

$ million	2017	2016
Defined benefit obligation	19	19
Less fair value of plan assets	3	2
Net liability recognised at 31 December	16	17
Current	2	2
Non-current	14	15
	16	17

The principal actuarial assumptions used in determining the employee benefit obligation are as follows:

	2017	2016
Discount rate at 31 December	6.7%	6.5%
Future salary increases	3.0%	3.0%
Medical and other related cost increases	4.5%	4.5%

In addition, mortality rates were determined with reference to the 2014 mortality table of Kazakhstan as published by the Government.

26. Provision for closure and site restoration

$ million	2017	2016
At 1 January	57	9
Arising during the year[1]	5	47
Unwinding of discount	4	1
Net exchange adjustment	1	–
At 31 December	**67**	57

1 In 2017, the amounts capitalised to property, plant and equipment and mining assets were $6 million and $nil respectively (2016: capitalised $25 million and $17 million) with a $1 million reduction in the provision recognised in the income statement (2016: $5 million recognised as an expense).

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 of each deposit. The present value of these provisions has been calculated using discount rates of 6.7% in Kazakhstan (2016: 7.6%) and 8.2% in Kyrgyzstan (2016: 9.1%). The liability usually becomes payable after the end of the useful life of each mine which ranges from three years to around 50 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. The increase in the provision in 2017 arose mainly from changes in discount and inflation rate assumptions while the increase in 2016 was largely the result of a review of the closure and site restoration obligation undertaken at the East Region operations and is attributed to the impact of increased operations and updates to forecast cost estimates.

27. Other liabilities

$ million	Payables to NFC	Payments for licences	Total
At 1 January 2016	–	11	11
Additions	276	–	276
Payments	–	(2)	(2)
Unwinding of discount	8	1	9
At 31 December 2016	284	10	294
Additions	–	–	–
Payments	–	(1)	(1)
Unwinding of discount	15	1	16
Net exchange adjustment	–	(2)	(2)
At 31 December 2017	**299**	**8**	**307**
Current	299	1	300
Non-current	–	7	7
At 31 December 2017	**299**	**8**	**307**
Current	–	2	2
Non-current	284	8	292
At 31 December 2016	284	10	294

(a) Payables to NFC

In November 2015, the Group reached an agreement with its principal construction contractor at Aktogay, NFC, to defer payment of $300 million. Under these terms, $300 million scheduled for payment in 2016 and 2017, was deferred for settlement in the first half of 2018, with $250 million becoming payable shortly after 31 December 2017 and $50 million shortly after 30 June 2018. The extended credit terms arising from the agreement were discounted using a rate of US$ LIBOR plus 4.2% on the estimated cost of services. The discount rate applied is in line with the CBD Aktogay facility. The unwinding of the interest was charged to property, plant and equipment as a borrowing cost (see note 11) until the date the sulphide plant reached commercial production, after which it was charged to the income statement within finance costs. At 31 December 2017, the full liability, discounted to its present value, was recognised as current due to its expected settlement in 2018. $250 million of the payable to NFC was settled in January 2018.

(b) Payments for licences for mining assets

In accordance with its contracts for subsoil use, the Group is liable to repay the costs of geological information provided by the Government of Kazakhstan for licenced deposits. Some of these obligations are payable in tenge while others are payable in US dollars, depending on the terms of each subsoil use contract. The total amount payable by the Group is discounted to its present value using a discount rate of 7.6% for tenge (2016: 7.6%) and 4.0% (2016: 4.0%) for US dollar obligations. Under the subsoil use agreements, the historical cost payments amortise over a ten year period and commence with first production.

28. Trade and other payables

$ million	2017	2016
Payables for non-current assets	55	100
Interest payable	66	66
Trade payables	39	29
Salaries and related payables	19	15
Derivative instrument[1]	9	21
Amounts payable to related parties	3	3
Payables under social obligations	–	1
Other payables and accrued expenses	8	5
Payables regarded as financial instruments for disclosure purposes – note 31	199	240
Mineral extraction tax and royalties payable	55	49
Other taxes payable	9	9
Payments received in advance	9	11
	272	309

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 of $12 million is reflected within finance income in the income statement (2016: $11 million within finance costs).

29. Reconciliation of profit before taxation to net cash inflow from operating activities

$ million	Note	2017	2016
Profit before taxation		580	220
Finance income	11	(30)	(9)
Finance costs	11	165	56
Share-based payments	34	3	3
Depreciation, amortisation and depletion		187	84
Impairment losses	6	20	3
Unrealised foreign exchange loss/(gain)		2	(47)
Other reimbursements		(1)	–
Operating cash flows before changes in working capital and provisions		926	310
Decrease/(increase) in non-current VAT receivable		232	(89)
Increase in inventories		(65)	(47)
Increase in prepayments and other current assets		(41)	(14)
Decrease/(increase) in trade and other receivables		27	(38)
(Decrease)/increase in employee benefits		(1)	2
Increase in provision for closure and site restoration		–	6
Increase/(decrease) in trade and other payables		6	(10)
Cash flows from operations before interest and income taxes paid		1,084	120

Non-cash transactions

There were the following non-cash transactions:

- capitalised depreciation of $nil (2016: $19 million) for property, plant and equipment and mining assets;
- capitalised interest of $88 million (2016: $163 million) for property, plant and equipment;
- the reassessment of the provision for closure and site restoration during the year has resulted in an increase of $6 million (2016: increase of $25 million) to property, plant and equipment and $nil (2016: $17 million) to mining assets, with a corresponding increase (2016: increase) in the site restoration and clean up provisions.

30. Movement in net debt

$ million	At 1 January 2017	Cash flow	Other movements[1]	At 31 December 2017
Cash and cash equivalents[2]	1,108	713	–	1,821
Current investments[2]	–	–	–	–
Borrowings[3]	(3,777)	(82)	(18)	(3,877)
Net debt	(2,669)	631	(18)	(2,056)

$ million	At 1 January 2016	Cash flow	Other movements[1]	At 31 December 2016
Cash and cash equivalents[2]	851	258	(1)	1,108
Current investments[2]	400	(400)	–	–
Borrowings[3]	(3,504)	(273)	–	(3,777)
Net debt	(2,253)	(415)	(1)	(2,669)

1 Other movements comprise net foreign exchange movements and non-cash amortisation of fees on borrowings. Other movements on cash and cash equivalents arise primarily from currency movements on non-US dollar cash and cash equivalents. For the year ended 31 December 2017, the $18 million other movement on borrowings consists of $9 million of amortisation of fees on the Group's financing facilities and $9 million of foreign exchange differences on the CDB-Aktogay RMB facility. For the year ended 31 December 2016, the $nil other movement on borrowings consists of $9 million of amortisation of fees on the Group's financing facilities less $9 million of foreign exchange differences on the CDB-Aktogay RMB facility.

2 At 31 December 2016 and 2017, all of the Group's gross liquid funds were cash and cash equivalents.

3 The cash flows on borrowings reflect draw downs of $376 million (2016: $594 million) and repayments on existing facilities of $294 million (2016: $321 million).

31. 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 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 and Kyrgyzstan is only held for working capital purposes.

The Group's accounting policies with regard to financial instruments are detailed in note 35(u).

(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.

31. Financial risk management continued

(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	2017	2016
Loans and receivables:			
Long-term bank deposits[1]	17	2	2
Trade and other receivables[2]	20	132	105
Current investments	21	–	–
Cash and cash equivalents	22	1,821	1,108
		1,955	1,215
Financial liabilities measured at fair value through profit and loss:			
Derivative instrument[3]	28	(9)	(21)
Financial liabilities measured at amortised cost:			
Borrowings[4]	24	(3,877)	(3,777)
Other liabilities	27	(307)	(294)
Trade and other payables[5]	28	(190)	(219)
		(4,383)	(4,311)

1 Long-term bank deposits reflect amounts in escrow accounts with financial institutions in Kazakhstan and Kyrgyzstan as required by the Group's restoration obligations.

2 Trade and other receivables includes $12 million (2016: $2 million) arising from marked to market adjustments 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.

3 Derivative financial instruments, representing a cross currency swap 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.

4 The fair value of borrowings are estimated at $3,934 million (2016: $3,842 million).

5 Excludes payments received in advance, other taxes payable and MET and royalties payable that are not regarded as financial instruments.

The fair values of each category of financial asset and liability are not materially different from their carrying values as presented, except for borrowings as described in note 4 to the table.

(c) Foreign exchange risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by a Group company in currencies other than that company's functional currency. The functional currency of the Kazakh entities within the Group is the Kazakhstan tenge, the Bozymchak project in Kyrgyzstan is the Kyrgyz som and KAZ Minerals Services Limited the UK sterling. The Company, the Group's main financing, holding companies and sales entity have a US dollar functional currency. The functional currency of the Group's intermediary project financing companies used to fund the Kazakhstan based Bozshakol and Aktogay projects, is the tenge. The currencies giving rise to this foreign currency risk are primarily the US dollar, the CNY and the ruble. Exchange gains and losses arise principally from bank deposits, trade and other receivables, certain intercompany funding balances that exist within the Group and trade and other payables.

Where possible, the Group attempts to conduct its business, maintain its monetary assets and seeks to 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, acquisitions, servicing of debt and returns to shareholders. Working capital balances are maintained in a mix of US dollars and local currencies depending on the short-term requirements of the business. Whilst there is a strong correlation between many mining input costs and the US dollar, a significant portion of the business' operating costs are denominated in local currencies, particularly the Kazakhstan tenge. Rates of exchange for these currencies relative to the US dollar could fluctuate significantly and may materially impact the profitability of the underlying operations and the net assets of the Group.

The Group generally does not enter into hedging positions in respect of its exposure to foreign currency risk. From time to time, acquisitions and capital investments may expose the Group to movements in other currencies and the Group will consider hedging such exposures on a case-by-case basis.

To protect the Group from currency risks arising on the CDB Aktogay CNY denominated debt, the Group has entered into a CNY/US$ cross currency swap. This derivative instrument provides a hedge against movements in the CNY exchange rate against the US dollar and also swaps the interest basis from a CNY interest rate into a US$ LIBOR interest basis. This derivative is measured at fair value with the fair value adjustment recorded in profit and loss.

(i) Foreign currency exposure by company profile

The analysis in the table below of the net monetary assets and liabilities (including intercompany amounts) indicates the Group's exposure to currencies other than the functional currency of the related company. These exposures represent the transactional exposures that may give rise to net currency gains and losses recognised in the income statement. At 31 December, these exposures were as follows:

$ million	US dollar	UK sterling	KZT	KGS	CNY	Other
2017						
Company	**n/a**	**(93)**	**–**	**–**	**–**	**–**
Vostoktsvetmet LLC	**264**	**–**	**n/a**	**–**	**–**	**–**
KAZ Minerals Bozymchak LLC	**(139)**	**–**	**–**	**n/a**	**–**	**–**
KAZ Minerals Bozshakol LLC	**137**	**–**	**n/a**	**–**	**–**	**–**
KAZ Minerals Aktogay LLC	**(159)**	**–**	**n/a**	**–**	**–**	**(1)**
Other trading companies	**(4)**	**1**	**n/a**	**–**	**–**	**2**
Non-trading, holding or finance companies	**–**	**–**	**–**	**–**	**(126)**	**(1)**
	99	**(92)**	**–**	**–**	**(126)**	**–**

$ million	US dollar	UK sterling	KZT	KGS	CNY	Other
2016						
Company	n/a	(82)	–	–	–	–
Vostoktsvetmet LLC	143	–	n/a	–	–	–
KAZ Minerals Bozymchak LLC	(179)	–	–	n/a	–	–
KAZ Minerals Bozshakol LLC	21	–	n/a	–	–	(1)
KAZ Minerals Aktogay LLC	(307)	–	n/a	–	–	(3)
Other trading companies	(2)	–	n/a	–	–	2
Non-trading, holding or finance companies	3	4	–	–	(131)	2
	(321)	(78)	–	–	(131)	–

(ii) 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:

$ million	US dollar	UK sterling	KZT	CNY	Other	Total
2017						
Trade and other receivables	**292**	**1**	**–**	**–**	**2**	**295**
Cash and cash equivalents	**607**	**1**	**–**	**2**	**1**	**611**
Borrowings	**(367)**	**(90)**	**–**	**(128)**	**–**	**(585)**
Other liabilities	**(307)**	**–**	**–**	**–**	**–**	**(307)**
Trade and other payables	**(126)**	**(4)**	**–**	**–**	**(3)**	**(133)**
	99	**(92)**	**–**	**(126)**	**–**	**(119)**

$ million	US dollar	UK sterling	KZT	CNY	Other	Total
2016						
Trade and other receivables	235	2	–	–	1	238
Cash and cash equivalents	327	4	–	–	3	334
Borrowings	(417)	(82)	–	(131)	–	(630)
Other liabilities	(291)	–	–	–	–	(291)
Trade and other payables	(175)	(2)	–	–	(4)	(181)
	(321)	(78)	–	(131)	–	(530)

(iii) Foreign currency sensitivity analysis

In accordance with IFRS 7, the impact of foreign currencies has been determined based on the balances of financial assets and liabilities at 31 December 2017. This sensitivity does not represent the income statement impact that would be expected from a movement in exchange rates over the course of a period of time. In addition, the analysis assumes that all other variables remain constant. A 10% strengthening of the US dollar against the following currencies at 31 December would have changed profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016:

31. Financial risk management continued

(c) Foreign exchange risk continued

(iii) Foreign currency sensitivity analysis continued

	Impact on profit	
$ million	2017	2016
KZT	19	(14)
KGS	(14)	(18)
UK sterling	7	8
CNY	10	13

A 10% weakening of the US dollar against the above currencies at 31 December would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(d) Commodity price risk

The Group's revenues and earnings are directly impacted by fluctuations in the prices of the commodities it produces. The Group's principal commodities (copper, zinc, gold and silver) are priced via reference to global metal exchanges, upon which pricing is derived from global demand and supply and influenced by macroeconomic considerations and financial investment cash flows. The pricing of the Group's principal commodities may also include a pre-determined margin or discount depending on the terms of sales contracts. Commodity prices, particularly those derived from global metal exchanges, may fluctuate significantly and may have a material impact on the Group's financial results.

Management closely monitors the impact of fluctuations in commodity prices on the business and uses conservative pricing assumptions and sensitivity analysis for its forecasting and investment appraisals.

In accordance with IFRS 7, the impact of commodity prices has been determined based on the balances of financial assets and liabilities at 31 December 2017. 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. The analysis is performed on the same basis for 2016:

$ million	2017	2016
Copper	2.2	1.3
Copper concentrate	10.8	5.3
Zinc	0.8	0.5
Gold	2.0	3.4
Silver	0.1	–

(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 2017, the Group had an outstanding cross currency and interest rate swap on the CDB Aktogay facility of $9 million (2016: $21 million).

At 31 December 2017 and 2016, all borrowings were at floating rates. The exposure of the Group's financial assets and liabilities to interest rate risk is as follows:

	At 31 December 2017			
$ million	Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets				
Long-term bank deposits	–	2	–	2
Trade and other receivables	–	–	132	132
Cash and cash equivalents	1,131	660	30	1,821
Total financial assets	1,131	662	162	1,955
Financial liabilities				
Borrowings	3,877	–	–	3,877
Other liabilities	–	307	–	307
Trade and other payables[1]	–	–	199	199
Total financial liabilities	3,877	307	199	4,383

	At 31 December 2016			
$ million	Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets				
Long-term bank deposits	–	2	–	2
Trade and other receivables	–	–	105	105
Cash and cash equivalents	184	906	18	1,108
Total financial assets	184	908	123	1,215
Financial liabilities				
Borrowings	3,777	–	–	3,777
Other liabilities	–	294	–	294
Trade and other payables[1]	–	–	240	240
Total financial liabilities	3,777	294	240	4,311

1 Trade and other payables exclude payments received in advance, other taxes payable and MET and royalties payable that are not regarded as financial instruments.

The interest charged on floating rate financial liabilities is based on the relevant benchmark rate (such as LIBOR). Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

In accordance with IFRS 7, the impact of interest rates has been determined based on the balances of financial assets and liabilities at 31 December 2017. 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 $17 million (2016: $28 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.

Credit risk relating to trade receivables

Sale 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 believed to be largely limited. The Group does however monitor 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.

31. Financial risk management continued

(f) Credit risk continued

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.

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, full provision is usually recognised in light of past payment history.

At 31 December 2017, 4 (2016: 10) customers accounted for 90% (2016: 94%) of the trade and other receivables balance. By 14 February 2018, 75% (17 February 2017: 86%) of year-end balances due from these customers had been received in full.

(i) Risk for trade receivables by geographical regions

The maximum exposure to credit risk for trade receivables at 31 December by geographic areas was:

$ million	2017	2016
Europe	3	6
China	120	81
Kazakhstan	9	18
	132	105

(ii) Impairment losses

The ageing of trade receivables at 31 December was:

	2017		2016	
$ million	Gross	Impairment	Gross	Impairment
Not past due	129	–	79	–
Past due 0-90 days	1	–	24	–
Past due 91-180 days	1	–	–	–
Past due 181-270 days	1	–	–	–
More than 270 days	1	(1)	3	(1)
	133	(1)	106	(1)

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

$ million	2017	2016
At 1 January	1	1
Charged to income statement	–	–
At 31 December	1	1

Credit risk related to financial instruments

Credit risk relating to the Group's other financial assets, comprising principally cash and cash equivalents, current investments and derivative financial instruments, arises from the potential default of counterparties. Credit risk arising from balances with banks and financial institutions is managed by the Group's Treasury Committee in accordance with a Board approved Treasury Policy. The Group's cash management policies emphasise security and liquidity ahead of investment return. Investments of cash and deposits are made only with approved counterparties of high credit worthiness and within credit limits assigned to each counterparty. Exposures are measured against maximum credit limits assigned to each approved counterparty to ensure credit risk is effectively managed. The limits are set to minimise the concentration of risks and therefore mitigate any financial loss through potential counterparty failure.

In order to manage counterparty and liquidity risk, surplus funds within the Group are held predominantly in the UK and funds remaining in Kazakhstan are utilised mainly for working capital purposes. The Group must maintain a level of cash and deposits in Kazakhstan with local branches of international financial institutions and well established local Kazakhstan banks. The surplus funds in the UK are held primarily with major European and US financial institutions with minimum ratings of Standard & Poor's 'A-' and Moody's 'A3' and 'AAA' rated liquidity funds. These limits are reviewed on a regular basis to take account of developments in financial markets and updated accordingly.

No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to derivative financial instruments.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

$ million	2017	2016
Long-term bank deposits	2	2
Trade and other receivables	132	105
Cash and cash equivalents	1,821	1,108
	1,955	1,215

(g) Liquidity risk

The Group's objective is to maintain a balance between availability of funding and maximising investment return on its liquid resources through the use of liquid cash investments and debt facilities of varying maturities. Management regularly reviews the funding requirements of the Group in selecting appropriate maturities for its liquid cash investments.

The Group's policy is to centralise debt and surplus cash balances to the maximum extent possible.

Maturity of financial assets and liabilities

The table below analyses the Group's financial assets and liabilities, which will be settled on a gross basis, into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

$ million	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
2017						
Borrowings[1]	–	(203)	(428)	(2,436)	(1,845)	(4,912)
Other liabilities[2]	–	(250)	(50)	(7)	(3)	(310)
Trade and other payables[3]	–	(199)	–	–	–	(199)
	–	(652)	(478)	(2,443)	(1,848)	(5,421)
Long-term bank deposits	–	–	–	–	2	2
Trade and other receivables	–	132	–	–	–	132
Cash and cash equivalents	1,161	310	350	–	–	1,821
	1,161	442	350	–	2	1,955
	1,161	(210)	(128)	(2,443)	(1,846)	(3,466)

$ million	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
2016						
Borrowings[1]	–	(129)	(381)	(1,893)	(2,093)	(4,496)
Other liabilities[2]	–	(1)	(1)	(309)	–	(311)
Trade and other payables[3]	–	(240)	–	–	–	(240)
	–	(370)	(382)	(2,202)	(2,093)	(5,047)
Long-term bank deposits	–	–	–	–	2	2
Trade and other receivables	–	105	–	–	–	105
Cash and cash equivalents	288	820	–	–	–	1,108
	288	925	–	–	2	1,215
	288	555	(382)	(2,202)	(2,091)	(3,832)

1 Borrowings include expected future interest payments based on contracted margins and prevailing LIBOR rates at the balance sheet date.

2 Other liabilities are presented on an undiscounted gross basis.

3 Trade and other payables exclude payments received in advance, other taxes payable and MET and royalties that are not regarded as financial instruments.

31. Financial risk management continued

(h) Capital management

The over-riding objectives of the Group's capital management policy are to safeguard and support the business as a going concern through the commodity cycle, to maximise returns to shareholders (either through dividends or share buy-backs) and benefits to other stakeholders and to maintain an optimal capital structure in order to reduce the Group's cost of capital.

At 31 December 2017, total capital employed (which comprises equity holders' funds, non-controlling interests and borrowings) of the Group amounted to $4,875 million, compared to $4,313 million at 31 December 2016. Total capital employed is the measure of capital that is used by the Directors in managing capital.

At 31 December 2017, the Group is in a net debt position of $2,056 million (2016: $2,669 million).

The Group does not have a target debt/equity ratio, but has determined a maximum debt capacity based on a ratio of long-term 'normalised' EBITDA which the Board believes establishes a sustainable level of gearing through the commodity cycle. This ratio is reviewed in conjunction with market conditions and prevailing commodity prices in order to ensure an efficient capital structure that is balanced against the risks of carrying excessive leverage.

The Group manages net debt to ensure that it does not exceed two times 'normalised' EBITDA through the commodity cycle with flexibility to allow for up to two and a half times during periods of major capital investment, where 'normalised' EBITDA excludes special items. Following the Restructuring and during the development and ramp up of the Group's major projects, when a higher net debt to EBITDA ratio was expected, the Group suspended this internal ratio. Included within the debt facilities are financial covenants related to maximum borrowing levels of the Group (determined by reference to net debt to EBITDA and debt to equity ratios), minimum tangible net worth of individual Group entities and consolidated gross assets to gross liabilities ratios, for which compliance certificates are produced. All financial covenants were fully complied with during the year and up to the date of approval of the financial statements.

32. Commitments and contingencies

(a) Legal claims

In the ordinary course of business, the Group is subject to legal actions and complaints. The Directors believe that the ultimate liability, if any, arising from such actions or complaints will not have a materially adverse effect on the financial condition or results of operations of the Group. As of 31 December 2017 and 2016, the Group was not involved in any significant legal proceedings, including arbitration, which may crystallise a financial loss for the Group.

(b) Kazakhstan and Kyrgyzstan taxation contingencies

(i) Inherent uncertainties in interpreting tax legislation

The Group is subject to uncertainties relating to the determination of its tax liabilities and the timing of recovery of tax refunds. Kazakhstan and Kyrgyzstan tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and changes which may be applied retrospectively. The Directors' interpretation of tax legislation as applied to the transactions and activities of the Group may not coincide with that of the tax authorities. As a result, the tax authorities may challenge transactions and the Group may be assessed with additional taxes, penalties and fines or refused refunds, which could have a material adverse effect on the Group's financial performance or position.

(ii) Tax audits

Historical tax years relating to various companies within the Group remain open for inspection during a future tax audit. Consequently, the tax figures recorded in the financial statements for these years may be subject to change.

The tax authorities in Kazakhstan are able to raise additional tax assessments for five years after the end of the relevant tax period in respect of all taxes, except for excess profits tax. In respect of excess profits tax, they are able to raise additional tax assessments for five years after the expiration of the terms of the relevant subsoil contract. In Kyrgyzstan, tax authorities are able to raise additional tax assessments for a period of six years after the end of the relevant tax period.

(iii) Transfer pricing

The Kazakhstan transfer pricing legislation provides clarity on various aspects of transfer pricing, including the use of LME and LBMA prices as the basis of market prices, quotation periods to be used for the sale and purchase of traded commodities and the acceptability of discounts with reference to LME/LBMA prices when transacting in traded commodities. Notwithstanding these amendments, the Directors have recognised a provision for the amounts that represent the Directors' best estimate of the probable cash payments that will be required to settle any residual transfer pricing exposures based on the Directors' interpretation of the transfer pricing legislation and the prevailing status of discussions with the tax authorities. The risk remains that the tax authorities may take a different position with regard to the interpretation of the transfer pricing legislation, and amendments thereof, and the outcome of discussions with the Kazakhstan tax authorities may be materially different from the Directors' expectations.

(iv) Possible additional tax liabilities

The Directors believe that the Group is in substantial compliance with the tax laws promulgated in Kazakhstan and Kyrgyzstan and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional material tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant tax authorities may take a differing position with regard to the interpretation of contractual provisions or tax law (inclusive of corporate income taxes, value added tax and subsoil use legislation).

The resulting effect of any positions taken by the tax authorities that differ from those of the Directors is that additional tax liabilities may arise or the timing of refunds due may take longer than expected or may be refused. However, due to the inherent nature of uncertain tax positions despite the approach adopted by the Group, as described above, 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.

(c) Environmental contingencies

Environmental regulations, including emissions legislation, in Kazakhstan and Kyrgyzstan are continually evolving. The outcome of environmental regulations under proposal or any future environmental legislation cannot be reliably estimated at present. As obligations are determined, they will be provided for in accordance with the Group's accounting policies. The Directors believe that there are no significant liabilities under current legislation not accrued for in the Group's consolidated financial statements, however, they recognise that the environmental regulators in Kazakhstan and Kyrgyzstan may take a differing position with regard to the interpretation of environmental legislation. The resulting effect is that additional environmental liabilities may arise however, due to the range of uncertainties, it is not practical for the Directors to estimate any further potential exposures.

The provision that has been made for costs associated with restoration and abandonment of mine sites upon depletion of deposits (see note 26), is based upon the estimation of the Group's specialists 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 Investments and Development (the 'Ministry') granting exploration and production rights to third party bodies. Subsoil and exploration rights are not granted in perpetuity and any renewal must be agreed before the expiration of the relevant contract or licence. These rights may be terminated by the Ministry if the Group does not satisfy its contractual obligations. In January 2018, the Group has applied to extend the Koksay exploration licence for a further three years to 2021, which is expected to be granted during the course of the year.

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.

(e) Capital expenditure commitments

The Group has capital expenditure commitments for the purchase of property, plant and equipment as well as commitments under its mining subsoil agreements. Committed expenditure under the subsoil agreements typically relates to investments in community-related projects, and includes investments in social sphere assets, infrastructure and public utilities. The total commitments for property, plant and equipment at 31 December 2017 amounted to $47 million (2016: $109 million). After the balance sheet date, the Group entered into commitments of $195 million for the Aktogay expansion project.

(f) Operating lease commitments

The operating lease expense for the year was $3 million (2016: $3 million). At 31 December, the Group had the following total commitments under non-cancellable operating leases:

$ million	2017	2016
Within one year	**3**	4
After one year but not more than five years	**9**	11
More than five years	**3**	3
	15	18

33. Related party disclosures

(a) Transactions with related parties

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

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year:

$ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties[1]	Amounts owed to related parties
Cuprum Holding and related entities				
2017	**5**	**100**	**2**	**3**
2016	4	95	2	3

1 No provision is held against the amounts owed by related parties at 31 December 2017 and 2016. The bad debt expense in relation to related parties was $nil for the year (2016: $nil).

33. Related party disclosures continued

(a) Transactions with related parties continued

Cuprum Holding and related entities

The majority of the related party transactions and balances are with companies which are part of the Cuprum Holding Group (a company owned by Vladimir Kim, a Director of the Company, and Eduard Ogay, a former Director of the Company) and provided under two Framework Service Agreements. These include the provision of smelting and refining of the Group's copper concentrate, electricity supply and certain maintenance functions.

(b) Terms and conditions of transactions with related parties

Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction.

34. Share-based payment plans

The Company's share-based payment plans consist of a Long Term Incentive Plan ('LTIP'), and a Deferred Share Bonus Plan ('DSBP'). The total expense for the year ended 31 December 2017 arising from these plans was $3 million (2016: $3 million). The total number of shares outstanding under these schemes as at 31 December 2017 was 3,756,390 (2016: 3,671,335). The total number of shares exercisable under these schemes as at 31 December 2017 was 1,040,431 (2016: 204,270).

These plans are discretionary benefits offered by the Company for the benefit of its employees. The main purpose is to increase the interest of the employees in KAZ Minerals long-term business goals and performance through share ownership. They represent incentives for employees future performance and commitment to be aligned to the goals of the Group. 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.

35. Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied across the Group.

(a) Foreign currency translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions translated at the rate prevailing at the date of the transactions, or the translation of monetary assets and liabilities at period end exchange rates, are taken to the income statement. 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 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 2017		31 December 2016	
	Spot	Average	Spot	Average
Kazakhstan tenge	**332.33**	**326.00**	333.29	342.16
Kyrgyz som	**68.84**	**68.94**	69.23	69.88
UK pounds sterling	**0.74**	**0.78**	0.80	0.74

(b) Business combinations

The Group applies the purchase method to account for business combinations. On the acquisition of a subsidiary, the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair values at the date of acquisition. Those mining rights, mineral reserves and resources that are able to be reliably valued are recognised in the assessment of fair values on acquisition. Other potential reserves, resources and mineral rights, for which, in the Directors' opinion, values cannot be reliably determined, are not recognised.

The consideration transferred (cost of acquisition) is the aggregate of: (a) the fair values at the date of exchange, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Group; and (b) the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred in the income statement.

When the cost of acquisition exceeds the fair value attributable to the Group's share of the identifiable net assets, the difference is treated as purchased goodwill.

If the fair value attributable to the Group's share of the identifiable net assets exceeds the fair value of the consideration, the Group reassesses whether it has correctly identified and measured the assets acquired and liabilities assumed and recognises any additional assets or liabilities that are identified in that review. If that excess remains after reassessment, the Group recognises the resulting gain in the income statement on the acquisition date.

When a subsidiary is acquired in a number of stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

Similar procedures are applied in accounting for the purchases of interests in associates and joint ventures. Any goodwill arising on such purchases is included within the carrying amount of the investment in the associate, but not thereafter amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included in the income statement in the period of the purchase.

(c) Intangible assets

(i) Non-mining intangible assets

Non-mining intangible assets relate largely to software purchases, which are acquired by the Group and which have finite useful lives, are stated at cost (which comprises purchase price plus any directly attributable costs of preparing the asset for intended use) less accumulated amortisation and impairment losses. The cost of intangible assets acquired in a business combination is its fair value which can be measured reliably as at the date of acquisition.

(ii) Amortisation

Amortisation of intangible assets, which have expected useful lives of three to 10 years, is computed under the straight-line method over the estimated useful lives of the assets.

(d) Property, plant and equipment

(i) Initial measurement

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Costs which are necessarily incurred and revenues earned whilst commissioning new assets, in the period before they are capable of operating in the manner intended by management, are capitalised. For mining and processing facility assets, 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.

(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 or on a unit of production basis depending on the type of asset.

The unit of production method is the ratio of commodity production in the period to the estimated quantities of commercial reserves over the life of the mine (using proven and probable mineral reserves as determined by the JORC Code on an annual basis) based on the estimated economically recoverable reserves to which they relate. Changes in estimates, which affect unit of production calculations, are accounted for prospectively.

Depreciation commences on the date the assets are ready for use within the business. Freehold land is not depreciated.

The expected useful lives are as follows:

- Buildings 15-40 years
- Plant and equipment 4-25 years
- Other 3-15 years

(iii) Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category.

Construction in progress is not depreciated.

(iv) Repairs and maintenance

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Repairs and maintenance expenditure, 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.

(v) Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor and not transferred to the Group are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

35. Summary of significant accounting policies continued

(e) Mining assets

(i) Mineral licences and properties

Costs of acquiring mineral licences and properties are capitalised on the balance sheet in the year in which they are incurred. Costs associated with a start-up period for significant developments are capitalised during the commissioning period (development expenditure) where the asset is incapable of operating at normal levels without a commissioning period. Mineral licences and properties are amortised over the remaining life of the mine using a unit of production method.

(ii) Mine development costs

Mine development costs are incurred to obtain access to proved reserves or mineral-bearing ore deposits and to provide facilities for extracting, lifting and storing minerals. Such costs are, upon commencement of production, amortised over the remaining life of the mine using a unit of production method.

(iii) Mine stripping costs

Mine stripping costs incurred in order to access the mineral-bearing ore deposits are deferred prior to the commencement of production. Such costs are amortised over the remaining life of the mine using a unit of production method.

The 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 ore reserves are regarded in 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.
- 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.

(f) 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. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount to its recoverable amount.

Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash generating unit to which the asset belongs. The Group's cash generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

(ii) Reversals of impairment

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior years. Such reversals are recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in the recoverable amount.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. Cost is determined on the following bases:

- Raw materials and consumables are valued at cost on a first-in, first-out (FIFO) basis; and
- Work in progress and finished goods are valued at the cost of production, including the appropriate proportion of depreciation, labour and overheads based on normal operating capacity. The cost of work in progress and finished goods is based on the weighted average cost method.

Net realisable value represents estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

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 of the normal operating cycle of the operation, is included within non-current assets.

(h) Trade and other receivables

Trade and other receivables do not generally carry any interest and are normally stated at their nominal value less any impairment. Impairment losses on trade receivables are recognised within an allowance account unless the Group considers that no recovery of the amount is possible, in which case the carrying value of the asset is reduced directly.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits held on call or with maturities which on inception are within the expected working capital profile of the Group and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(j) Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

(k) 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 US Treasury bond rate adjusted for country specific inflation and risk. The Treasury bond used approximates to 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.

35. Summary of significant accounting policies continued

(l) 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.

(m) 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.

(n) 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.

(o) Revenue

Revenue represents the value of goods and services supplied to third parties during the year. Revenue is measured at the fair value of expected consideration to be received, and excludes any applicable sales tax. MET is included within cost of sales.

All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue associated with the sale of goods is recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title and any insurance risk has passed to the customer and the goods have been delivered in accordance with the contractual delivery terms or when any services have been provided.

Prior to assets operating in the manner as intended by management, revenue is capitalised within property, plant and equipment. When those assets are operating in the manner intended which is considered when commercial levels of production are achieved, revenue is recognised in the income statement.

Almost all sales agreements for copper cathodes and copper concentrate, zinc concentrate and silver are provisionally priced (i.e. the selling price is subject to final adjustment at the end of a quotation period, typically the average price either for the month of or the month following or two months following delivery to the customer), based on the LME/LBMA market price for the relevant quotation period stipulated in the contract. Such a provisional sale contains an embedded derivative which is required to be separated from the underlying host contract, being the sale of the commodity. At each reporting date, the provisionally priced metal sales are marked-to-market using forward prices, with adjustments (both gains and losses) being recorded in revenue in the income statement and in trade receivables or trade payables on the balance sheet.

(p) 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.

(q) Finance costs

Finance costs comprise interest on borrowings which are not capitalised under the borrowing costs policy (see 35(r) below), and the unwinding of interest costs on provisions.

(r) 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.

(s) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity. Excess profits tax is treated as income tax and forms part of the income tax expense.

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- those arising on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit; and
- investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised 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.

(t) 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.

(u) Financial instruments

The Group recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

When financial assets are initially recognised, they are measured at fair value being the consideration given or received plus directly attributable transaction costs. Any gain or loss at initial recognition is recognised in the income statement.

The Group's financial assets include cash and short-term investments, trade and other receivables, loans and other receivables, non-current deposits held for closure, and derivative financial instruments.

The Group's most significant financial assets, within the scope of IAS 39, are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are typically loans and receivables created by the Group in providing money to a debtor.

35. Summary of significant accounting policies continued

(u) Financial instruments continued

(i) Financial assets continued

Subsequent measurement

After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method ('EIR'). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Allowance for impairment is estimated on a case-by-case basis.

Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts and derivative financial instruments.

The Group's most significant financial liabilities, within the scope of IAS 39, are classified as loans and borrowings.

Subsequent measurement

Interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method after initial recognition. Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(iii) Derivative financial instruments

Where the Group enters into derivative contracts that are not hedging instruments in hedge relationships as defined by IAS 39, these are carried in the balance sheet at fair value with changes in fair value recognised in finance income or finance costs in the income statement.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would have been expected.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

36. Company financial statements

(a) Company balance sheet

$ million	Notes	2017	2016
Assets			
Non-current assets			
Investments	36(e)	4,192	3,352
Deferred tax asset		5	1
		4,197	3,353
Current assets			
Prepayments and other current assets		1	2
Intercompany loan	36(f)	73	42
Trade and other receivables	36(g)	3	3
Cash and cash equivalents	36(j)	1	–
		78	47
Total assets		4,275	3,400
Equity and liabilities			
Equity			
Share capital	23(a)	171	171
Share premium		2,650	2,650
Capital reserves	36(h)	31	30
Retained earnings		1,330	465
Total equity		4,182	3,316
Current liabilities			
Trade and other payables	36(i)	3	2
Intercompany payables	36(l)	90	82
Total liabilities		93	84
Total equity and liabilities		4,275	3,400

These financial statements were approved by the Board of Directors on 21 February 2018.

Signed on behalf of the Board of Directors

Andrew Southam
Chief Executive Officer

John Hadfield
Chief Financial Officer

36. Company financial statements continued

(b) Company statement of cash flows

$ million	Notes	2017	2016
Cash flows from operating activities			
Profit before taxation		**861**	1,460
Share-based payments		**1**	2
Impairment reversal	36(e)	**(840)**	(1,468)
Dividends income		**(50)**	–
Unrealised foreign exchange loss/(gain)		**8**	(17)
Operating cash flows before changes in working capital		**(20)**	(23)
Decrease in prepayments and other current assets		**1**	–
Increase in trade and other payables		**1**	–
Cash flows from operations before interest, income taxes and dividends received		**(18)**	**(23)**
Income taxes paid		**–**	–
Net cash flows used in operating activities		**(18)**	(23)
Cash flows from investing activities			
Amounts (paid)/repaid under intercompany loans		**(31)**	23
Dividends received		**50**	–
Capital contributions into subsidiary undertakings	36(e)	**–**	(1)
Net cash flows from investing activities		**19**	22
Net increase/(decrease) in cash and cash equivalents	36(j)	**1**	(1)
Cash and cash equivalents at the beginning of year	36(j)	**–**	1
Cash and cash equivalents at the end of year	36(j)	**1**	–

(c) Company statement of changes in equity

$ million	Share capital	Share premium	Capital reserves[1]	Retained earnings	Total equity
At 1 January 2016	171	2,650	27	(993)	1,855
Total comprehensive income for the year	–	–	–	1,459	1,459
Share-based payments	–	–	–	2	2
Employee share awards exercised	–	–	3	(3)	–
At 31 December 2016	171	2,650	30	465	3,316
Total comprehensive income for the year	**–**	**–**	**–**	**861**	**861**
Share-based payments	**–**	**–**	**–**	**5**	**5**
Employee share awards exercised	**–**	**–**	**1**	**(1)**	**–**
At 31 December 2017	**171**	**2,650**	**31**	**1,330**	**4,182**

1 Refer to note 36(h) for an analysis of 'Capital reserves'.

(d) Company accounting policies

Basis of preparation

The KAZ Minerals PLC parent company balance sheet, statement of cash flows, statement of changes in equity and related notes have been prepared in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 2006. The financial information has been prepared on a historical cost basis. 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.

Principal accounting policies

The principal accounting policies are consistent with those applied in the consolidated financial statements (refer to notes 2 and 35) except for the additional accounting policy relating to non-current investments set out below. There were no changes to the accounting policies during the year.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, following implementation of these standards, actual results may differ from those estimates.

Non-current investments

Non-current investments are held at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. Any positive change in the amount or timing of estimated future cash flows or in the discount rate such that fair value of the Company's investments increases, consideration will be given to whether previously recognised impairments should be reversed.

(e) Company non-current investments

$ million	2017	2016
Cost		
At 1 January	**7,830**	7,829
Additions	–	1
At 31 December	**7,830**	7,830
Provision for impairment		
At 1 January	**4,478**	5,946
Impairment reversals	**(840)**	(1,468)
At 31 December	**3,638**	4,478
Net book value	**4,192**	3,352

(i) KAZ Minerals Investments Limited

In 2017, the continued ramp up to design capacity of the Bozshakol sulphide and Aktogay oxide plants, the achievement of commercial production of the Bozshakol clay and Aktogay sulphide plant, the improvement in the near term copper prices, the successful refinancing and increasing of the PXF financing facility and the Group's decision to proceed with the Aktogay expansion project, led to a reassessment of the carrying value of the Company's previously impaired investments. The estimated recoverable amount of the Group's investment exceeded its carrying value and a reversal of impairment of $840 million (2016: $1,468 million) was recognised. The recoverable amount is supported by a range of internal valuations that were prepared using discounted cash flow models using assumptions relating to short, medium and long-term pricing and other assumptions including inflation, cost estimates and production profiles based on the Group's expectations of the assets. The internal valuation range and the revised carrying value of the Company's investment is also supported by a range of recent equity analyst discounted cash flow valuations. Changes in the outlook to commodity prices as well as any future changes in mine production plans, could impact the recoverable amount of the investment.

The determination of the fair value less costs to sell, as estimated in 2017 and 2016, is subject to the key sources of estimation uncertainty as disclosed in note 3.

(ii) KAZ Minerals Services Limited

In 2017, no additional investment (2016: $1 million) relating to capital contributions made by the Company to KAZ Minerals Services Limited was recognised in respect of the share awards issued by the Company on behalf of employees of KAZ Minerals Services Limited.

(iii) Other companies

The Company holds its interests in other subsidiaries in the Group either directly or via intermediate holding companies for those businesses in Central Asia.

(f) Company intercompany loan

The intercompany loan receivable comprises $73 million due from KAZ Minerals Finance PLC (2016: $26 million) and $nil (2016: $16 million) from KAZ Minerals Sales Limited and has been advanced by the Company for general corporate purposes. These balances are repayable on demand. The loan to KAZ Minerals Finance PLC bears interest at US$ LIBOR minus 0.10% while the KAZ Minerals Sales Limited loan was interest free. At 31 December 2017, interest receivable of $3 million (2016: $3 million) had accrued on this loan balance and is included within trade and other receivables (note 36(g)).

(g) Company trade and other receivables

$ million	2017	2016
Intercompany receivables	**3**	3
	3	3

36. Company financial statements continued

(h) Company capital reserves

$ million	Capital redemption reserve	Employee Benefit Trust share	Total
At 1 January 2016	31	(4)	27
Own shares issued upon exercise of options	–	3	3
At 31 December 2016	31	(1)	30
Own shares issued upon exercise of options	–	1	1
At 31 December 2017	**31**	**–**	**31**

(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) Employee Benefit Trust shares

The share reserve represents the cost of the Company's shares purchased by the Employee Benefit Trust to satisfy the share options awarded under the Company's share-based payment schemes.

(i) Company trade and other payables

$ million	2017	2016
Salaries and related payables	3	2
	3	2

(j) Company movement in net liquid funds

$ million	At 1 January 2017	Cash flow	At 31 December 2017
Cash and cash equivalents	–	1	1
Net liquid funds	–	1	1

$ million	At 1 January 2016	Cash flow	At 31 December 2016
Cash and cash equivalents	1	(1)	–
Net liquid funds	1	(1)	–

(k) Company financial risk management

The Company, as a holding company, has exposure to foreign exchange risk and limited exposure to credit and interest rate risks. These are shown below. The Company's monetary assets and liabilities have no exposure to commodity or price risks.

(i) Foreign exchange risk

The Company has transactional currency exposures principally arising from transactions relating to corporate costs which are denominated in currencies other than the Company's functional currency, being the US dollar. Corporate costs are primarily denominated in UK sterling. The Company is exposed to foreign exchange risk on its obligation to KAZ Minerals Services Limited, as it is payable in UK pound sterling.

During 2017, a foreign exchange loss of $8 million (2016: foreign exchange gain of $17 million) was recognised on the intercompany liability payable to KAZ Minerals Services Limited following the strengthening of the UK pound sterling in the year (2016: depreciation of UK pound sterling). The Company generally does not enter into hedging positions in respect of its exposure to foreign currency risk. The amount payable at 31 December 2017 was $90 million (2016: $82 million).

(ii) Credit risk

Credit risk for the Company relates to cash and cash equivalents. Balances within intercompany loans and trade and other receivables mostly relate to amounts owed by Group undertakings resulting in reduced credit risk for these balances.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

$ million	2017	2016
Intercompany loans	73	42
Trade and other receivables	3	3
Cash and cash equivalents	1	–
	77	45

The exposure to credit risk for intercompany loans and trade and other receivables at 31 December 2017 and 2016 by geographic areas was all European.

(iii) Interest rate risk

The Company has limited balances subject to interest rate risk. The exposure of the Company's financial assets and liabilities to interest rate risk is as follows:

$ million	At 31 December 2017 Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets				
Intercompany loans	73	–	–	73
Trade and other receivables	–	–	3	3
Cash and cash equivalents	1	–	–	1
Total financial assets	74	–	3	77
Financial liabilities				
Trade and other payables	–	–	(3)	(3)
Intercompany payables	–	–	(90)	(90)
Total financial liabilities	–	–	(93)	(93)

$ million	At 31 December 2016 Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets				
Intercompany loans	26	–	16	42
Trade and other receivables	–	–	3	3
Total financial assets	26	–	19	45
Financial liabilities				
Trade and other payables	–	–	(2)	(2)
Intercompany payables	–	–	(82)	(82)
Total financial liabilities	–	–	(84)	(84)

All of the Company's interest bearing monetary assets are denominated in US dollars and have a maturity of less than one year.

(iv) Categories and fair values of financial assets and liabilities

The carrying amounts of the Company's financial assets and liabilities by categories are as follows:

$ million	Notes	2017	2016
Loans and receivables:			
Intercompany loans	36(f)	73	42
Trade and other receivables	36(g)	3	3
Cash and cash equivalents	36(j)	1	–
		77	45
Financial liabilities measured at amortised cost:			
Other liabilities	36(i)	(3)	(2)
Trade and other payables	36(l)	(90)	(82)
		(93)	(84)

The fair values of each category of financial asset and liability are not materially different from their carrying values as presented.

(v) Capital management

The over-riding objectives of the Company's capital management policy are to safeguard and support the business as a going concern through the commodity cycle, to maximise returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure in order to reduce the Company's cost of capital (see note 31(h)).

36. Company financial statements continued

(l) Company related party disclosures

(i) Transactions with related parties

Transactions with related parties comprise interest received from KAZ Minerals Finance PLC of $0.2 million (2016: $0.2 million) and management fees to KAZ Minerals Services Limited for services provided on behalf of the Company during the year under a management service agreement of $17 million (2016: $18 million).

The amounts outstanding from subsidiary companies are provided in notes 36(f) and 36(g).

The intercompany payables amount of $90 million is due to KAZ Minerals Services Limited for management fees discussed above and other services (2016: $82 million). The balance is payable on demand and is interest free.

The Company received an interim dividend of $50 million (2016: $nil) from KAZ Minerals Sales Limited during the year.

No additional investments relating to capital contributions were made to KAZ Minerals Services Limited during 2017 (2016: $1 million) (see note 36(e)).

(ii) Terms and conditions of transactions with related parties

Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction.

(m) Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed in the following table:

	Principal activity	Operating division	Country of incorporation	Share class	Equity interest at 31 December 2017 %	Equity interest at 31 December 2016 %
Aktogay Copper Smelter B.V.	Inactive	Mining Projects	The Netherlands	€1.00 A Class and B Class Ordinary shares	51.0[1]	51.0[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 Aktogay Smelter LLP	Smelting feasibility	Mining Projects	Kazakhstan	–	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	Corporate services	The Netherlands	€10.00 Ordinary shares	100.0[1]	100.0[1]
KAZ Minerals Copper Finance Limited	Financing company	Corporate Services	England and Wales	US$1.00 Ordinary shares	99.9[1]	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

	Principal activity	Operating division	Country of incorporation	Share class	Equity interest at 31 December 2017 %	Equity interest at 31 December 2016 %
KAZ Minerals Koksay B.V.	Holding company	Mining Projects	The Netherlands	€10.00 Ordinary shares	100.0[1]	100.0[1]
KAZ Minerals Koksay Holding B.V.	Holding company	Mining Projects	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 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 Sales Limited	Sales and logistics	East Region and Bozymchak, Bozshakol and Aktogay	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
KAZ Minerals Projects B.V.	Project management company	Mining Projects	The Netherlands	€10.00 Ordinary shares	100.0[1]	100.0[1]
KM Trading LLP	Kazakhstan sales company	East Region, Bozymchak, Bozshakol and Aktogay	Kazakhstan	–	100.0[1]	100.0[1]
Konsolidirovannaya Stroitelnaya Gornorudnaya Kompaniya LLP	Koksay exploration licence	Mining Projects	Kazakhstan	–	100.0[1]	100.0[1]
Kytco B.V.	Holding company	Bozymchak	The Netherlands	€100.00 Ordinary shares	100.0[1]	100.0[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.

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.

KAZ Minerals Aktogay LLC, KAZ Minerals Management LLP and KM Trading LLP have their registered office at Building 8, Zhamal Omarova Street, Almaty, 050020, Kazakhstan.

36. Company financial statements continued

(m) Subsidiaries continued

The following entities and their registered office are as follows:

- KAZ Minerals Bozshakol LLC, Building 13, Tortkuduk village, Tort-Kudukskiy village region, Ekibastuz city, Pavlodar oblast, 141218, Kazakhstan.
- Konsolidirovannaya Stroiteljnaya Gornorudnaya Kompania LLC, 142 Bogenbay Batyr Street, Almaty, 050000, Kazakhstan.
- Vostoktsvetmet LLC and KAZ Minerals Services LLC, 121 Aleksander Protozanov Street, Ust-Kamenogorsk city, East-Kazakhstan oblast, 070004, Kazakhstan.
- Vostokenergo LLC, 81/2 Kazakhstan Street, Ust-Kamenogorsk, East-Kazakhstan oblast, 070019, Kazakhstan.
- KAZ Minerals Aktogay Smelter LLP, 142 Bogenbay Batyr Street, Almaty, 050000, Kazakhstan.
- KAZ Minerals Bozymchak LLC, 41 Umetalieva Street Bishkek, 720010, Kyrgyzstan.
- KAZ Minerals Marketing and Logistics Limited, Unit No 4706 47/F Central Plaza, 18 Harbour Road Wanchai, Hong Kong.

(n) Guarantees

The Company is the guarantor for the following:

- as explained in note 24, the Company, together with Vostoktsvetmet LLC and KAZ Minerals Sales Limited, is a guarantor of the $600 million PXF debt facility signed in October 2014;
- as explained in note 24, the Company is a guarantor of the CDB Bozshakol and Bozymchak finance facilities totalling $1.5 billion at 31 December 2017 signed in December 2014 with CDB;
- as explained in note 24, the Company is a guarantor of the CDB Aktogay finance facilities totalling $1.5 billion for the Aktogay project at 31 December 2017 signed in December 2011 with CDB;
- the $300 million Development Bank of Kazakhstan facility;
- the $300 million payable to NFC following the deferral of payments on the Aktogay construction project; and
- the operating lease on the Company's office in London.

CONSOLIDATED FIVE YEAR SUMMARY
Year ended 31 December 2017

$ million (unless otherwise stated)	2017	2016	2015	2014	2013
Results					
Revenues[1]	1,663	766	665	846	931
Profit before finance items and taxation[1]	715	218	90	94	191
Profit/(loss) before taxation[1]	580	220	12	(169)	138
Profit/(loss) after taxation[1]	447	177	(12)	(234)	90
Loss for the year from discontinued operations	–	–	–	(2,128)	(2,122)
Profit/(loss) attributable to equity shareholders	447	177	(12)	(2,362)	(2,030)
Assets employed					
Non-current assets	3,215	3,536	2,715	3,222	4,032
Current assets	2,407	1,521	1,443	2,496	4,587
Non-current liabilities	(3,617)	(3,866)	(3,263)	(2,976)	(3,197)
Current liabilities	(1,007)	(655)	(573)	(638)	(1,201)
Net assets	998	536	322	2,104	4,221
Financed by					
Equity	995	533	319	2,101	4,217
Minority interests	3	3	3	3	4
	998	536	322	2,104	4,221
Key statistics					
EBITDA (excluding special items)[1]	1,038	351	202	355	359
Underlying Profit/(Loss)[1]	476	180	(10)	86	102
Free Cash Flow	452	(60)	(145)	(31)	(171)
Free Cash Flow excluding interest payments	674	119	2	119	(15)
EPS – basic and diluted ($)[1]	1.00	0.40	(0.03)	(0.52)	0.18
EPS based on Underlying Profit/(Loss) ($)[1]	1.07	0.40	(0.02)	0.19	0.20
Dividends per Share (US cents)	–	–	–	–	–
Maintenance spend per tonne of own copper production ($/t)[2]	263	662	789	635	957

1 Reflect continuing operations only.

2 Comparatives have been restated to reflect the new definition of copper production.

1. Summary of significant production and sales figures

kt (unless otherwise stated)	2017	2016
Ore mined	64,779	49,022
Ore processed	41,671	15,688
Copper content in ore processed (%)	0.71	0.98
Copper production[1]	258.5	143.5
Copper sales[2]	256	141
Zinc in concentrate production	57.6	75.4
Gold production (koz)[3]	178.7	127.7
Silver production (koz)[3]	3,506	3,284

1 Payable metal in concentrate and copper cathodes from Aktogay oxide ore

2 Includes volumes sold during the period of pre-commercial production

3 Payable metal in concentrate

2. Copper processing
(a) Concentrating

	Ore processed		Copper grade		Copper concentrate produced		Copper in concentrate	
	2017 kt	2016 kt	2017 %	2016 %	2017 kt	2016 kt	2017 %	2016 %
Bozshakol								
Bozshakol – sulphide	21,164	10,881	0.52	0.57	405.2	213.0	22.6	23.5
Bozshakol – clay	3,394	187	0.60	0.41	75.6	1.4	19.1	13.6
	24,558	11,068	0.53	0.56	480.8	214.4	22.1	23.4
Aktogay								
Aktogay – sulphide	12,941	–	0.66	–	298.6	–	22.8	–
East Region and Bozymchak								
Orlovsky	1,067	1,262	3.60	3.66	175.7	218.7	19.8	19.1
Nikolayevsky	1,460	1,673	1.49	1.51	87.3	101.6	22.4	22.1
Belousovsky	636	651	1.54	1.54	45.5	46.1	18.7	18.6
Bozymchak	1,009	1,034	0.89	0.88	33.9	33.9	23.6	24.4
	4,172	4,620	1.89	1.96	342.4	400.3	20.7	20.2
Total	41,671	15,688	0.71	0.98	1,121.8	614.7	21.9	21.4

(b) Heap leaching

	Ore to leach pad		Copper grade	
	2017 kt	2016 kt	2017 %	2016 %
Aktogay	13,040	15,989	0.36	0.41

3. Production

	Copper[1]		Zinc		Gold[2]		Silver[2]	
	2017 kt	2016 kt	**2017 kt**	2016 kt	**2017 koz**	2016 koz	**2017 koz**	2016 koz
Bozshakol	**101.3**	48.0	**–**	–	**119.0**	64.2	**687**	304
Aktogay – oxide	**25.1**	18.1	**–**	–	**–**	–	**–**	–
Aktogay – sulphide	**65.1**	–	**–**	–	**0.8**	–	**270**	–
East Region	**59.5**	69.5	**57.6**	75.4	**17.6**	20.4	**2,300**	2,705
Bozymchak	**7.5**	7.9	**–**	–	**41.3**	43.1	**249**	275
Total	**258.5**	143.5	**57.6**	75.4	**178.7**	127.7	**3,506**	3,284

1 Payable metal in concentrate and copper cathode from Aktogay oxide ore

2 Payable metal in concentrate

4. Tolled production

	Copper cathode		Gold bar		Silver bar	
	2017 kt	2016 kt	**2017 koz**	2016 koz	**2017 koz**	2016 koz
Bozshakol	**10.0**	–	**10.4**	–	**53**	–
Aktogay – sulphide	**9.3**	–	**0.8**	–	**41**	–
East Region	**60.1**	68.5	**18.0**	21.5	**2,473**	2,538
Bozymchak	**8.0**	6.3	**43.9**	33.6	**276**	219
Total	**87.4**	74.8	**73.1**	55.1	**2,843**	2,757

5. Other production

	2017 kt	2016 kt
Acid	**287**	286
Lead dust	**2**	3

6. Sales[1]

	2017		2016	
kt (unless otherwise stated)	**kt**	**$ million**	kt	$ million
Copper cathode	**112**	**698**	93	457
Copper in concentrate[2]	**144**	**834**	48	212
Zinc in concentrate	**57**	**115**	75	95
Gold bar (koz)	**62**	**78**	55	69
Gold in concentrate (koz)[2]	**107**	**138**	65	79
Silver bar (koz)	**2,940**	**50**	2,679	46
Silver in concentrate (koz)[2]	**819**	**14**	347	5

1 Includes all revenues and sales volumes including pre-commercial production.

2 Payable metal in concentrate sold.

7. Average realised prices[1]

	2017	2016
Copper cathode ($/t)	**6,233**	4,898
Copper in concentrate ($/t)	**5,804**	4,483
Zinc concentrate ($/t)	**2,038**	1,271
Gold bar ($/oz)	**1,262**	1,249
Gold in concentrate ($/oz)	**1,280**	1,222
Silver bar ($/oz)	**17.1**	17.2
Silver in concentrate ($/oz)	**16.5**	17.2

1 Based on all revenues and volumes sold including pre-commercial production

Ore reserves and mineral resources estimation methods

The Republic of Kazakhstan inherited the classification system and estimation methods for minerals that were established by the Former Soviet Union ('FSU'). Updated "Regulations for the Classification of Non-ferrous Metals Reserves" became law in Kazakhstan in 2006. In practice, this means that the statements of resources and reserves developed by KAZ Minerals (and the mining plans to which they relate) must be submitted for approval to the corresponding committees of the Ministry for Investment and Development, for which adherence to the standardised national system of resource and reserve estimation is mandatory.

Mineral deposits are classified according to their degree of geological complexity into one of three deposit categories (for copper deposits), which determine the density of exploration sampling and the proportions and classifications of GKZ (State Commission on Mineral Reserves) reserves that must be estimated. As part of the exploitation licence for each mineral deposit, a set of "Conditions for Estimation of Reserves" 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.

Resources and reserves have traditionally been estimated by KAZ Minerals according to the FSU's "Classification and Estimation Methods for Reserves". It is apparent that there is a growing trend towards greater flexibility and discussion between state authorities and mining companies with respect to resource estimation methods. This has been reflected in the increased use of computers and associated software by KAZ Minerals in order to maintain records about reserves at the operating mines and using databases linked to modelling software to assist in exploration and preliminary resource estimation. DMT Consulting Ltd ('DMT'), the Group's consultant in resource and reserve estimation, recognises that this is an important step towards achieving verifiable and internally consistent resource and reserve estimates.

For the operating mines in the East Region and Kyrgyzstan, DMT has reviewed the reserves statements of KAZ Minerals and presented them in accordance with the criteria required to meet JORC standards. "Guidelines on the Alignment of Kazakh minerals reporting standards and the CRIRSCO Template" were published during 2015 as a joint initiative of the Committee for Mineral Reserves International Reporting Standards ('CRIRSCO') and the Kazakh Committee of Geology and Subsoil Use and State Reserves Committee. The guidelines have been used to align categories of reserves (A, B, C_1 and C_2) with appropriate, internationally recognised, Mineral Resource categories (Measured, Indicated and Inferred). The JORC Competent Person, however, remains responsible for any estimate that is reported.

Mineral Resources, by definition, must have reasonable prospects for eventual economic extraction. In general, therefore, the total active balance reserve, where no unresolvable problems are foreseen, is considered as the Mineral Resource. Balanced reserves in categories B and C_1 are assigned to the Measured Mineral Resource and the C_2 category is assigned to the Indicated Mineral Resource. Ore Reserves in Proved and Probable categories are then converted from the Resources, after consideration of mining plans and after the application of appropriate modifying factors for loss and dilution. Legal approval for the exploitation of a particular reserve block is also taken into consideration.

For KAZ Minerals' new mining operations at Aktogay and Bozshakol, and the growth project at Koksay, DMT has based the assessment of Mineral Resources and Ore Reserves on estimates derived from computer modelling that are estimated in accordance with the guidelines of JORC, typically by external consultants. The JORC Code specifies that a Pre-feasibility Study is the minimum level of engineering design required before a Mineral Resource can be converted to an Ore Reserve. The Bozshakol and Aktogay operations were developed following international best practice, which included the creation of a computerised geological model. GKZ estimates of tonnage and metal content will continue to be undertaken to comply with national Kazakh requirements. DMT, however, believes that these projects will be best understood by potential investors if the resources and reserves are reported along conventional international lines from the outset, using the JORC Code.

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. DMT will include stockpiled ore in the inventory of Ore Reserves and Mineral Resources, but refer 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 Ore Reserve and Mineral Resource Statement.

DMT's visit to KAZ Minerals' Almaty office for this year's audit took place in November 2017. Mine production data for the operating assets has therefore been based on actual figures until October 2017 and then based on forecasts to arrive at 'end-of-year' results.

The assessment of Inferred Resources for KAZ Minerals is incomplete. The mines do not keep records of "prognosticated reserves" (as defined in Kazakhstan), categories P1, P2 and P3 under GKZ, which may include material that could be considered equivalent to the JORC category of Inferred Resources. Inferred Resources are shown in the tabulations for Aktogay, Bozshakol and Koksay where model based estimates have been used and Inferred Resources have been categorised as such by a Competent Person under the JORC Code.

All Ore Reserves quoted in the following tables are discounted for ore losses and dilution and refer to estimates of tonnes and contained metal grades at the point of delivery to the processing plant. Mineral Resources are not discounted for losses and dilution and are inclusive of Ore Reserves. All figures in reserves and resources are in dry metric tonnes and are dated as at 31 December 2017.

Summary of ore reserves

		Reserves[1] kt		Copper %		Zinc %		Gold g/t		Silver g/t		Lead %		Molybdenum %	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Artemyevsky	Proved	11,998	4,182	2.31	2.48	5.64	5.36	1.2	1.3	135	93	1.75	1.64	–	–
	Probable	10,414	2,407	1.18	2.73	1.57	3.47	0.3	0.6	34	85	0.46	0.94	–	–
	Total	22,412	6,589	1.78	2.57	3.75	4.67	0.8	1.1	88	90	1.15	1.38	–	–
Irtyshky	Proved	4,333	4,280	1.77	1.74	4.31	4.17	0.3	0.3	71	70	0.54	0.61	–	–
	Probable	392	532	1.91	1.97	4.73	4.49	0.4	0.4	73	70	0.73	0.66	–	–
	Total	4,725	4,812	1.78	1.77	4.34	4.21	0.3	0.3	71	70	0.56	0.62	–	–
Orlovsky	Proved	4,983	5,929	2.59	2.85	6.20	5.85	1.1	1.0	55	54	1.40	1.29	–	–
	Probable	–	–	–	0	–	–	–	–	–	–	–	–	–	–
	Total	4,983	5,929	2.59	2.85	6.20	5.85	1.1	1.0	55	54	1.40	1.29	–	–
Total East Region[2]	**Proved**	21,314	14,391	2.27	2.41	5.50	5.21	1.0	0.9	103	70	1.42	1.19	–	–
	Probable	10,806	2,955	1.21	2.59	1.68	3.65	0.3	0.6	35	82	0.47	0.88	–	–
	Total	32,120	17,346	1.91	2.44	4.22	4.94	0.8	0.8	80	72	1.10	1.14	–	–
Bozymchak	Proved	8,376	9,284	0.73	0.74	–	–	1.2	1.2	7.9	8.0	–	–	–	–
	Probable	5,262	5,507	0.74	0.75	–	–	1.1	1.1	7.0	7.1	–	–	–	–
	Total	13,638	14,791	0.73	0.75	–	–	1.2	1.2	7.5	7.7	–	–	–	–
Aktogay sulphide[3]	Proved	754,839	768,900	0.35	0.35	–	–	–	–	–	–	–	–	0.007	0.007
	Probable	628,000	628,000	0.34	0.34	–	–	–	–	–	–	–	–	0.008	0.008
	Total	1,382,839	1,396,900	0.35	0.35	–	–	–	–	–	–	–	–	0.007	0.007
Aktogay oxide	Proved	85,118	99,010	0.35	0.35	–	–	–	–	–	–	–	–	–	–
	Probable	900	900	0.29	0.29	–	–	–	–	–	–	–	–	–	–
	Total	86,018	99,910	0.35	0.35	–	–	–	–	–	–	–	–	–	–
Bozshakol sulphide[4, 5, 6]	Proved	84,536	105,841	0.35	0.36	–	–	–	–	–	–	–	–	–	–
	Probable	426,000	426,000	0.35	0.36	–	–	–	–	–	–	–	–	–	–
	Total	510,536	531,841	0.35	0.36	–	–	–	–	–	–	–	–	–	–
Bozshakol clay[4, 5, 6]	Proved	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Probable	25,002	28,596	0.65	0.64	–	–	–	–	–	–	–	–	–	–
	Total	25,002	28,596	0.65	0.64	–	–	–	–	–	–	–	–	–	–
Total KAZ Minerals	**Proved**	954,183	997,426	0.40	0.38	0.12	0.08	0.03	0.02	2.4	1.1	0.03	0.02	0.006	0.006
	Probable	1,095,970	1,091,958	0.36	0.36	0.02	0.01	0.01	0.01	0.4	0.3	0.01	–	0.005	0.005
	Total	2,050,153	2,089,384	0.38	0.37	0.07	0.04	0.02	0.02	1.3	0.7	0.02	0.01	0.005	0.005

1 Includes allowance for ore loss and dilution. Reserves = Resources – Ore Loss + Dilution.

2 The total East Region reserves for 2016 include 16 kt attributable to Yubileyno-Snegirikhinsky mine. The mine ceased operations at the end of 2016.

3 The molybdenum grade at Aktogay shown in the Proved Reserve is estimated to the Probable Reserve level of confidence.

4 Gold and silver grades for Bozshakol are estimated to the Inferred Resource level of confidence and have not been converted to reserves. The Mineral Resource grades for sulphide ore are 0.1 g/t for gold and 1.3 g/t for silver, and for clay ore, 0.7 g/t for gold and 1.3 g/t for silver.

5 Reserve tonnages for Bozshakol include stockpiled material.

6 The Bozshakol deposit is subject to ongoing infill drilling which once analysed, will be used to update the geological model and the ore reserves and mineral resources statement. The initial results indicate that sections of the transition zone at the top of the ore body may contain some clay bearing ore currently classified as sulphide.

Summary of mineral resources

		Resources[1] kt 2017	2016	Copper % 2017	2016	Zinc % 2017	2016	Gold g/t 2017	2016	Silver g/t 2017	2016	Lead % 2017	2016	Molybdenum % 2017	2016
Artemyevsky	Measured	**13,641**	12,069	**2.64**	2.50	**6.55**	6.96	**1.4**	1.5	**129**	132	**1.99**	2.14	**–**	–
	Indicated	**10,555**	5,432	**1.32**	2.92	**1.70**	3.54	**0.4**	0.6	**36**	85	**0.50**	1.05	**–**	–
	Total	**24196**	17,501	**2.06**	2.63	**4.43**	5.90	**0.9**	1.2	**88**	118	**1.34**	1.80	**–**	–
Irtyshsky	Measured	**4,300**	4,789	**2.25**	2.23	**5.32**	5.08	**0.4**	0.4	**88**	86	**0.68**	0.72	**–**	–
	Indicated	**345**	494	**2.34**	2.41	**5.81**	5.49	**0.5**	0.5	**90**	86	**0.89**	0.81	**–**	–
	Total	**4,645**	5,283	**2.26**	2.25	**5.36**	5.12	**0.4**	0.4	**88**	86	**0.70**	0.73	**–**	–
Orlovsky	Measured	**10,835**	11,778	**3.10**	3.20	**4.45**	4.43	**0.9**	0.9	**41**	42	**1.12**	1.09	**–**	–
	Indicated	**2,626**	2,626	**3.03**	3.03	**2.10**	2.10	**0.7**	0.7	**22**	22	**0.60**	0.60	**–**	–
	Total	**13,461**	14,404	**3.09**	3.17	**3.99**	4.01	**0.9**	0.9	**38**	38	**1.02**	1.00	**–**	–
Total East Region[2, 3]	Measured	**28,776**	28,636	**2.75**	2.74	**5.58**	5.61	**1.1**	1.1	**90**	87	**1.47**	1.47	**–**	–
	Indicated	**13,526**	8,567	**1.68**	2.92	**1.88**	3.21	**0.4**	0.6	**35**	66	**0.53**	0.90	**–**	–
	Total	**42,302**	37,203	**2.41**	2.79	**4.39**	5.06	**0.9**	1.0	**72**	82	**1.17**	1.34	**–**	–
Bozymchak[3]	Measured	**9,800**	10,413	**0.84**	0.86	**–**	–	**1.4**	1.4	**9.0**	9.2	**–**	–	**–**	–
	Indicated	**5,929**	6,030	**0.84**	0.85	**–**	–	**1.3**	1.3	**7.9**	8.1	**–**	–	**–**	–
	Total	**15,729**	16,443	**0.84**	0.85	**–**	–	**1.4**	1.4	**8.6**	8.8	**–**	–	**–**	–
Aktogay sulphide[4]	Measured	**799,154**	813,000	**0.34**	0.35	**–**	–	**–**	–	**–**	–	**–**	–	**0.008**	0.007
	Indicated	**784,300**	784,300	**0.32**	0.32	**–**	–	**–**	–	**–**	–	**–**	–	**0.008**	0.008
	Total	**1,583,454**	1,597,300	**0.33**	0.34	**–**	–	**–**	–	**–**	–	**–**	–	**0.008**	0.007
	Inferred	**486,200**	486,200	**0.30**	0.30	**–**	–	**–**	–	**–**	–	**–**	–	**0.007**	0.007
Aktogay oxide	Measured	**89,307**	102,986	**0.36**	0.36	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
	Indicated	**950**	950	**0.32**	0.32	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
	Total	**90,257**	103,936	**0.36**	0.36	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
	Inferred	**1,350**	1,350	**0.23**	0.23	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Bozshakol sulphide[5, 6, 7]	Measured	**454,164**	475,418	**0.33**	0.34	**–**	–	**0.1**	0.1	**1.4**	1.4	**–**	–	**0.005**	0.005
	Indicated	**418,000**	418,000	**0.38**	0.38	**–**	–	**0.2**	0.2	**1.2**	1.2	**–**	–	**0.006**	0.006
	Total	**872,164**	893,418	**0.35**	0.36	**–**	–	**0.1**	0.1	**1.3**	1.3	**–**	–	**0.005**	0.005
	Inferred	**235,000**	235,000	**0.31**	0.31	**–**	–	**0.1**	0.1	**0.8**	0.8	**–**	–	**0.003**	0.003
Bozshakol clay[5, 6, 7]	Measured	**1,603**	1,603	**0.38**	0.38	**–**	–	**0.1**	0.1	**2.0**	2.0	**–**	–	**–**	–
	Indicated	**25,016**	28,601	**0.67**	0.66	**–**	–	**0.7**	0.7	**1.3**	1.3	**–**	–	**–**	–
	Total	**26,619**	30,204	**0.65**	0.65	**–**	–	**0.7**	0.6	**1.3**	1.3	**–**	–	**–**	–
	Inferred	**49,000**	49,000	**0.35**	0.35	**–**	–	**0.4**	0.4	**0.9**	0.9	**–**	–	**–**	–
Koksay[8]	Measured	**246,500**	246,500	**0.41**	0.41	**–**	–	**–**	–	**–**	–	**–**	–	**0.004**	0.004
	Indicated	**340,800**	340,800	**0.45**	0.45	**–**	–	**–**	–	**–**	–	**–**	–	**0.003**	0.003
	Total	**587,300**	587,300	**0.43**	0.43	**–**	–	**–**	–	**–**	–	**–**	–	**0.003**	0.003
	Inferred	**148,700**	148,700	**0.37**	0.37	**–**	–	**–**	–	**–**	–	**–**	–	**0.002**	0.002
Total KAZ Minerals	Measured	**1,629,304**	1,678,556	**0.39**	0.40	**0.10**	0.10	**0.1**	0.1	**2.0**	1.9	**0.03**	0.03	**0.006**	0.006
	Indicated	**1,588,521**	1,587,248	**0.38**	0.39	**0.02**	0.02	**0.1**	0.1	**0.7**	0.7	**0.01**	0.01	**0.006**	0.006
	Total	**3,217,825**	3,265,804	**0.39**	0.39	**0.06**	0.06	**0.1**	0.1	**1.4**	1.4	**0.02**	0.02	**0.006**	0.006
	Inferred	**920,250**	920,250	**0.32**	0.32	**–**	–	**0.1**	0.1	**0.3**	0.3	**–**	–	**0.005**	0.005

1 Resources include undiscounted Reserves. No ore loss or dilution has been included.

2 The total East Region resources for 2016 includes 15 kt of Indicated Resources attributable to the Yubileyno-Snegirikhinsky mine which ceased operations in 2016.

3 Inferred Resources for East Region and Bozymchak mines are nil.

4 Molybdenum grades at Aktogay, although shown in Measured Resources, are estimated only to the Indicated Resource level of confidence.

5 The Bozshakol gold, silver and molybdenum grades, although shown in Measured and Indicated Resources, are estimated only at the Inferred Resource level of confidence.

6 Resource tonnages for Bozshakol include stockpiled material.

7 The Bozshakol deposit is subject to ongoing infill drilling which once analysed, will be used to update the geological model and the ore reserves and mineral resources statement. The initial results indicate that sections of the transition zone at the top of the ore body may contain some clay bearing ore currently classified as sulphide.

8 Gold is concentrated within a portion of the Koksay deposit so the gold tonnage and grade are reported separately. The Measured and Indicated Resource containing gold is 249.5 Mt at a grade of 0.07 g/t.

Revision of ore reserves and mineral resources statement to 31 December 2017

DMT Consulting Ltd ('DMT' or the 'Consultant') has undertaken a review of the estimate of the Mineral Resources and Ore Reserves prepared by KAZ Minerals PLC (the 'Company'), as the basis for the preparation of a statement of Mineral Resources and Ore Reserves for the Company as at 31 December 2017. Tabulations of Mineral Resources and Ore Reserves, comparisons with the previous annual statement and short technical descriptions are provided for the Company's copper and gold assets.

DMT's technical understanding of the mines and projects held by KAZ Minerals is largely based on the Competent Person's Reports that IMC (prior to changing name to DMT) prepared for the Company in 2005, for the London listing, and again in 2010, for the Hong Kong listing. Additional technical site visits have been made since 2010 when DMT considered them necessary, either to look at new assets or where significant material changes have taken place e.g. new exploration drilling. As part of the 2017 review, DMT consultants visited the underground operation at Irtyshsky and the Bozshakol open pit mine. Technical familiarity with the Company's mines and projects is a critical aspect of the annual review, in support of what is primarily a desktop exercise.

The annual review of Mineral Resources and Ore Reserves carried out by DMT is predominantly focused on mine reserve reports, depletion through production, analysis of Company plans, new exploration results, new technical reports and other changes affecting the Mineral Resources and Ore Reserves.

The Statement of Mineral Resources and Ore Reserves is restated in accordance with the criteria of the 2012 version of the 'Australasian Code for Reporting Mineral Resources and Ore Reserves', published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and collaborating institutions (the 'JORC Code').

The consideration of Mineral Resources is based on the JORC definition which says that a Mineral Resource is an occurrence of minerals in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. In converting Mineral Resources to Ore Reserves in accordance with the JORC Code, DMT considers a number of "Modifying Factors". Consequently, the Code defines an Ore Reserve as "the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate, at the time of reporting, that extraction could reasonably be justified."

The term "economically mineable" has no fixed definition in the JORC Code, and short-term fluctuations in factors such as metal prices or operating expenditure do not warrant the re-classification from Ore Reserves to Mineral Resources. If, however, the changes are expected to be long term or permanent in nature, then such re-classification is required.

For the sake of clarity in this report, references to the JORC categories "Ore Reserve" and "Mineral Resource" are capitalised. The non-capitalised term "reserve" refers to the Kazakh use of the word which can, depending on the context, be synonymous with both JORC terms "Ore Reserve" and "Mineral Resource".

DMT is satisfied, from the audit undertaken, that the recently revised estimates of resources and reserves prepared by the Company for the East Region and Bozymchak operating mines are in accordance with the classification system required by law in the Republic of Kazakhstan and that, correspondingly, the estimates have a consistent basis for expressing the degree of confidence for stating quantities of exploitable minerals at specific grades of metal content. On the basis of the estimates supplied by the Company, DMT has applied the same technical criteria as used in previous audits, for preparation of the restatement of Ore Reserves and Mineral Resources as at 31 December 2017, in accordance with the reporting criteria of the JORC Code.

Guidelines for the alignment of Russian minerals reporting standards and the JORC Code were published in 2010 and these have been applied in the preparation of the Mineral Resource and Ore Reserve statement for the East Region and Bozymchak mines. This is considered appropriate as all of these mineral deposits were explored during the Soviet era and reserves approved during that era are still referenced. The aim of the guidelines is to provide a standard reporting terminology for use in disclosure of the assets of mining companies to stock markets.

Simon Pepper
Director – Mining, DMT Consulting Ltd
February 2018

DMT Consulting Ltd
1st Floor
Geneva-1 (Building D)
Unit 8, Lake View Drive
Sherwood Park
Nottingham NG15 0ED
United Kingdom

Annual General Meeting

The Annual General Meeting of the Company will be held at 12.15pm on Thursday 3 May 2018 at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, 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 to reduce its costs and its impact on the environment. Shareholders can sign up for electronic communications via Computershare's Investor Centre website at www.investorcentre.co.uk. Shareholders that have consented or are deemed to have consented to electronic communications can revoke their consent at any time by contacting the Company's UK or Hong Kong registrar. In addition to enabling shareholders to register to receive communications by email, Computershare's Investor Centre website provides a facility for shareholders to manage their shareholding online by allowing them to:

- view their share balance;
- change their address;
- view payment and tax information; and
- update payment instructions.

Computershare's Investor Centre website also offers a share dealing service for shareholders on the UK register. Please contact Computershare to obtain further information.

Electronic voting

Shareholders can submit proxies for the 2018 Annual General Meeting electronically by logging on to www.investorcentre.co.uk/eproxy. Electronic proxy appointments must be received by the Company's UK or Hong Kong registrar no later than 12.15pm UK time (7.15pm Hong Kong time) on Tuesday 1 May 2018 (or not less than 48 hours before the time fixed for any adjourned meeting).

Website

A wide range of information on KAZ Minerals is available at www.kazminerals.com including:

- financial and operational information – annual and half-yearly reports as well as quarterly production reports;
- share price information – current trading details and historical charts;
- shareholder information – dividend information, Annual General Meeting results and details of the Company's UK and Hong Kong registrars; and
- press releases – current and historical.

Shareholder interests at 31 December 2017

Number of shareholders: 1,457

Number of shares in issue: 458,379,033

By size of holding	No. of accounts	% of total accounts	% of ordinary share capital
1,000 and under	680	46.67%	0.05%
1,001 – 5,000	259	17.78%	0.14%
5,001 – 10,000	95	6.52%	0.16%
10,001 – 100,000	233	15.99%	1.95%
100,001 +	190	13.04%	97.70%
Totals	**1,457**	**100.00%**	**100.00%**

By category of shareholder	No. of accounts	% of total accounts	% of ordinary share capital
Private Shareholders	668	45.85%	0.43%
Banks/Nominees	740	50.79%	96.21%
Pension Funds	3	0.21%	0.01%
Investment/Unit Trusts	4	0.27%	0.01%
Insurance Companies	2	0.14%	0.00%
Corporate Holders	36	2.47%	0.75%
HK Register Control Account	1	0.07%	0.06%
Share Plan Control Account	1	0.07%	0.01%
Treasury Account	1	0.07%	2.52%
Vested Share Account Service	1	0.06%	0.00%
Totals	**1,457**	**100.00%**	**100.00%**

Events calendar

Q1 Interim Management Statement	26 April 2018
Annual General Meeting	3 May 2018
Q2 Interim Management Statement	26 July 2018
Half-yearly results announced	16 August 2018
Q3 Interim Management Statement	25 October 2018

Registrars

For information about proxy voting, dividends and to report changes in personal details, shareholders should contact:

For shareholders holding their shares on the UK register:

Computershare Investor Services PLC

The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom
Tel: +44 (0)370 707 1100
Fax: +44 (0)370 703 6101
Email: web.queries@computershare.co.uk

For shareholders holding their shares on the Hong Kong register:

Computershare Hong Kong Investor Services Limited

17M Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong
Tel: +852 2862 8555
Fax: +852 2865 0990
Email: hkinfo@computershare.com.hk

For shareholders holding their shares on the Kazakhstan Stock Exchange:

Shareholder Enquiries

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6th Floor, Cardinal Place
100 Victoria Street
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Tel: +44 (0)20 7901 7898
Email: shareholder@kazminerals.com

Unsolicited telephone calls and correspondence

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. These are typically from overseas based 'brokers' who target US or UK shareholders, offering to sell them what often turn out to be worthless or high risk shares. These operations are commonly known as 'boiler rooms' and the 'brokers' can be very persistent and extremely persuasive. If shareholders receive any unsolicited investment advice, they can check 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 0800 111 6768 (UK) or +44 20 7066 1000 (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 or on our website.

Currency option and dividend mandate

The Company declares dividends in US dollars. For those shareholders who hold their shares on the UK register, the default currency for receipt of their dividends is US dollars, although they can elect to receive their dividends in UK pounds sterling. Those shareholders who wish to receive their dividend in UK pounds sterling, should contact the Company's UK registrar to request a currency election form. For those shareholders who hold their shares on the Hong Kong register, the default currency for receipt of their dividends is Hong Kong dollars, although they can elect to receive their dividends in US dollars. Shareholders on the Hong Kong register of members can contact the Company's Hong Kong registrar to request a currency election form.

Shareholders on the UK register can arrange for dividends to be paid directly into a UK bank or building society account. To take advantage of this facility, you should contact the Company's UK registrar to request a dividend mandate form or register online at www.investorcentre.co.uk. The arrangement is only available in respect of dividends paid in UK pounds sterling.

Company Secretary

Susanna Freeman
Tel: +44 (0)20 7901 7800
Email: susanna.freeman@kazminerals.com

Registered office

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6th Floor, Cardinal Place
100 Victoria Street
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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

Auditors

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL
United Kingdom

Board or Board of Directors
the Board of Directors of the Company

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 mineral extraction tax, royalties, depreciation, depletion, amortisation and special items

CAT facility
revolving credit facility provided by Caterpillar Financial Services (UK) Limited

CDB or China Development Bank
China Development Bank Corporation

CIS
Commonwealth of Independent States, comprised of former Soviet Republics

CIT
corporate income tax

CNY
Chinese yuan, basic unit of the renminbi

CO_2
carbon dioxide

Code or UK Corporate Governance Code
the UK Corporate Governance Code issued by the Financial Reporting Council

Committee or Committees
any or all of the Audit; Health, Safety and Environment; Remuneration; Nomination and Operations Ramp Up Assurance Committees depending on the context in which the reference is used

continuing operations
the Group following completion of the Restructuring

CREST
an electronic means of settling share transactions and registering investors on a company's register of members

Cuprum Holding
Cuprum Netherlands Holding B.V. (now named Kazakhmys Holding Group B.V.), the entity to which the Disposal Assets were transferred

DBK
Development Bank of Kazakhstan

Directors
the Directors of the Company

Disposal Assets
the Disposal Assets comprised the mining, processing, auxiliary, transportation and heat and power assets of the Group in the Zhezkazgan and Central Regions. The Disposal Assets included 12 copper mines, mine development opportunities, four concentrators, two smelters, two coal mines and three captive heat and power stations, all of which were disposed of as a result of the Restructuring

dollar or $ or US$
United States dollars, the currency of the United States of America

EBITDA
earnings before interest, taxation, depreciation, depletion, amortisation, mineral extraction tax and royalties. 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 for the year after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business, and their resulting taxation and non-controlling interest impact, divided by the weighted average number of ordinary shares in issue during the period (see note 13(b) of the consolidated financial statements)

EUR
Euro, the currency of certain member states of the European Union

Free Cash Flow
net cash flow from operating activities before capital expenditure and non-current VAT associated with expansionary and new projects less sustaining capital expenditure

GHG
greenhouse gas

g/t
grammes per metric tonne

GRI4
Global Reporting Initiative Sustainability Guidelines version 4

gross cash cost
cash operating costs, including pre-commercial production costs, excluding purchased cathode plus TC/RC on concentrate sales, divided by the volume of own copper cathode equivalent sales

Gross EBITDA
earnings, including pre-commercial earnings, before interest, taxation, depreciation, depletion, amortisation, mineral extraction tax and royalties. A reconciliation to operating profit is in note 4(a)(i) of the consolidated financial statements

Gross Revenues
sales proceeds from all volumes sold, including pre-commercial production volume. A reconciliation to revenues is in note 4(a)(i) of the consolidated financial statements

the Group
KAZ Minerals PLC and its subsidiary companies

HSE
Health, Safety and Environment

IAS
International Accounting Standard

IASB
International Accounting Standards Board

ICMM
International Council on Mining and Metals

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standard

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

KAZ Minerals or the Company
KAZ Minerals PLC

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

Kazakhstan
the Republic of Kazakhstan

koz
thousand ounces

KPI
key performance indicator

kt
thousand metric tonnes

Kyrgyzstan
the Kyrgyz Republic

lb
pound, unit of weight

LBMA
London Bullion Market Association

LIBOR
London Interbank Offered Rate

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

LME
London Metal Exchange

LTIFR
lost time injury frequency rate

major growth projects
Bozshakol and Aktogay

megalitre
thousand cubic metres

MET
mineral extraction tax

Mt
million metric tonnes

net cash costs
gross cash costs less by-product Gross Revenues, divided by the volume of own copper cathode equivalent sales

net debt
the excess of current and non-current borrowings over cash and cash equivalents and current investments. A reconciliation of net debt is in note 30 of the consolidated financial statements

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

ounce or oz
a troy ounce, which equates to 31.1035 grammes

PJ
a standard unit of energy, work and heat equal to 10^{15} joules

PXF
pre-export finance debt facility

Recordable Case
a Recordable Injury case or a Recordable Disease case

Recordable Disease
a new disease in the categories of occupational respiratory disorders, occupational hearing loss, musculoskeletal disorders, occupational cancers and other occupational medical disorders

Recordable Injury
a new occupational injury of sufficient severity that it requires medical treatment beyond first aid or results in the worker's inability to perform his or her routine function on the next calendar day

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

RMB
renminbi, the official currency of the People's Republic of China

$/t or $/tonne
US dollars per metric tonne

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 business. Special items are set out in note 7 to the consolidated financial statements

SX/EW
solvent extraction and electrowinning, a two-stage metallurgy process used for the extraction of copper

t
metric tonnes

TC/RCs
treatment charges and refining charges for smelting and refining services

tenge or KZT
the official currency of the Republic of Kazakhstan

TJ
a standard unit of energy, work and heat equal to 10^{12} joules

Total Recordable Case Frequency Rate
the number of Recordable Cases occurring per million hours worked

TRI
Total Recordable Injuries

Total Recordable Injury Frequency Rate or TRIFR
the number of Recordable Injuries occurring per million hours worked

UK
United Kingdom

Underlying Profit
profit for the year after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resultant tax and non-controlling interest effects. Underlying Profit is set out in note 13(b) to the consolidated financial statements

US
United States of America

USc/lb
US cents per pound

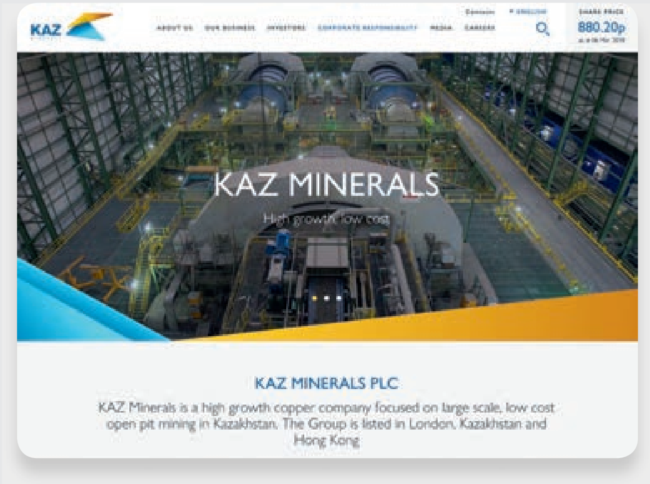
Cautionary notice concerning forward-looking statements

This Annual Report and Accounts includes forward-looking statements with respect to the business, strategy and plans of KAZ Minerals and its current goals, assumptions and expectations relating to its future financial condition, performance and results. Although KAZ Minerals believes that the expectations reflected in such forward-looking statements are reasonable and are made by the Directors in good faith, based on current plans, estimates and projections, no assurance can be given that such expectations will prove to be correct. 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 compliance, business interruption, new projects and commissioning, reserves and resources, political risk, legal and regulatory compliance, commodity prices, foreign exchange and inflation, exposure to China, acquisitions and divestment, 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, KAZ Minerals does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this Annual Report and Accounts.

For all the latest information
and to find out more about the Company,
please visit our website
www.kazminerals.com

Our corporate website houses the most up-to-date information about KAZ Minerals as well as detailed investor and media sections.



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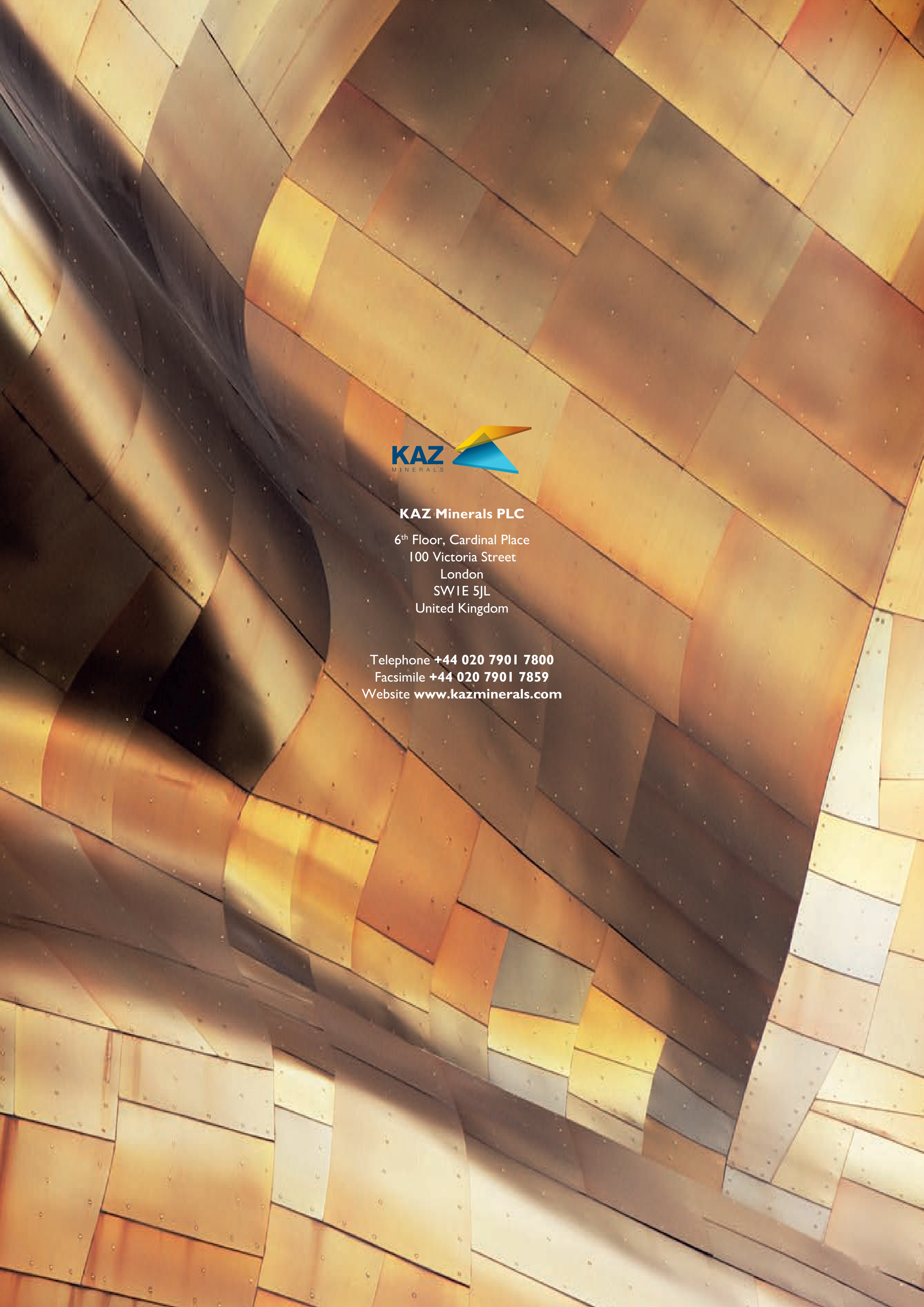

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