KAZ MINERALS PLC ANNUAL REPORT AND ACCOUNTS 2014

TRANSFORMATIONAL CHANGE

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

TRANSFORMATIONAL CHANGE

In 2014 we divested a portfolio of relatively mature mining, concentrating and smelting assets.

The Restructuring was completed on 31 October 2014 and has re-positioned the Group on the global cost curve.

The Group was renamed KAZ Minerals and is now a high growth, large scale, low cost copper company focused on open-pit mining in Kazakhstan. Our major growth projects, Bozshakol and Aktogay, are funded by long-term debt and will deliver significant additional production. By 2018 we expect to be producing 300 kt of copper with 80% coming from the new projects.

DELIVERING THE STRATEGY **2013-2018**

LOW COST

A PORTFOLIO OF 1ST AND 2ND QUARTILE ASSETS

$2.2 billion

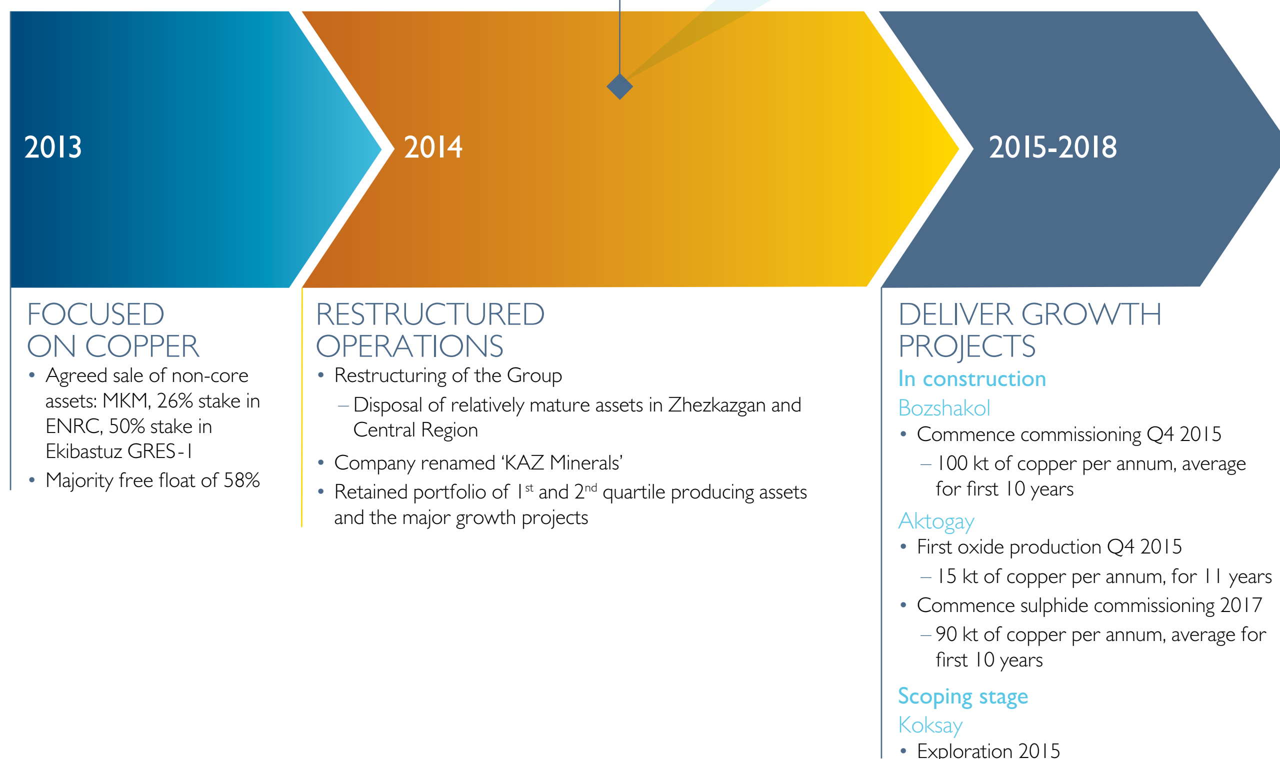
CASH PROCEEDS FROM DISPOSALS AGREED IN 2013

SAFETY

TARGETING ZERO FATALITIES

80%

PRODUCTION FROM NEW OPEN-PIT MINES BY 2018



FOCUSED ON COPPER

- Agreed sale of non-core assets: MKM, 26% stake in ENRC, 50% stake in Ekibastuz GRES-1
- Majority free float of 58%

RESTRUCTURED OPERATIONS

- Restructuring of the Group
  - Disposal of relatively mature assets in Zhezkazgan and Central Region
- Company renamed 'KAZ Minerals'
- Retained portfolio of 1st and 2nd quartile producing assets and the major growth projects

DELIVER GROWTH PROJECTS

In construction

Bozshakol

- Commence commissioning Q4 2015
  - 100 kt of copper per annum, average for first 10 years

Aktogay

- First oxide production Q4 2015
  - 15 kt of copper per annum, for 11 years
- Commence sulphide commissioning 2017
  - 90 kt of copper per annum, average for first 10 years

Scoping stage

Koksay

- Exploration 2015

RESTRUCTURING THE GROUP

Background to the Restructuring

Lower commodity prices, high sustaining capital expenditure requirements, declining grades, cost inflation and a large social footprint put pressure on the profitability and cash flow generation of the Zhezkazgan and Central Region assets. These assets required significant investment to extend their lives, return to positive cash flow and secure employment, which was incompatible with the Group's existing spending commitments. A restructuring proposal was developed to achieve sustainable positive cash flow and support the development of the major growth projects by divesting those assets to a vehicle controlled by the Group's major shareholder and non-executive Director, Vladimir Kim.

Disposal Assets

The Group divested 12 copper mines, four concentrators, two coal mines, three captive power stations and two smelters. Under separate ownership these assets are now better placed to address the challenges they face.

Continuing operations

KAZ Minerals has retained a portfolio of high margin, cash flow generative producing assets and the three major growth projects.

0.83%
DISPOSAL ASSETS COPPER GRADE IN 2014

2.35%
CONTINUING OPERATIONS COPPER GRADE IN 2014

THE KAZ MINERALS BUSINESS MODEL

Following the Restructuring, the Group's continuing operations produce copper concentrate which is processed into copper cathode under a tolling arrangement at the Balkhash smelter, now owned and operated by Cuprum Holding. The Group sells the copper cathode produced to its customers in China or Europe based on the LME price. It is anticipated that Bozshakol, Aktogay and Koksay will sell copper concentrate to customers in west China, at LME price less applicable TC/RCs.

HOW WE RUN OUR BUSINESS

Health and safety

- Targeting zero fatalities

For more information, see page 64

Environment

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

For more information, see page 66

ACQUISITION AND EXPLORATION OF NEW NATURAL RESOURCES

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

DEVELOPMENT OF NEW COPPER MINING PROJECTS

Bozshakol

Bozshakol is a large scale, low cost, open-pit copper mining project currently in the final stages of construction, scheduled to commence commissioning in the fourth quarter of 2015.

Aktogay

Aktogay is a large scale, low cost, open-pit copper mining project with many similar characteristics to Bozshakol. Aktogay will commence production from oxide ore in the fourth quarter of 2015 and from sulphide ore in 2017.

Koksay

Koksay is the Group's third major growth project, acquired in June 2014. Koksay will be developed once Bozshakhol has commenced production.

MINING OF ORE

2014	Ore (kt)	Copper grade (%)
Orlovsky	1,548	3.66
Artemyevsky	1,358	1.78
Yubileyno-Snegirikhinsky	659	2.13
Irtyshsky	637	1.49
Bozymchak	426	1.00
Total	4,628	2.35

KEY INPUTS

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

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

Corporate governance

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

For more information, see page 72

Risk management

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

For more information, see page 58

People and communities

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

For more information, see page 69

PROCESSING OF ORE INTO CONCENTRATE

Bozshakol, Aktogay and Koksay

Ore will be processed by on-site concentrators

East Region

Three associated concentrators

Bozymchak

On-site concentrator

2014	Copper in concentrate	Zinc in concentrate
Continuing operations concentrate output (kt)	90	121

TREATMENT AND REFINING

Balkhash smelter (part of Disposal Assets) carries out smelting of copper concentrate from East Region and Bozymchak on a tolling basis.

SALE OF FINISHED METALS

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

2014	Copper cathode	Gold	Silver
Sales volume	78 kt	36 koz	4,224 koz
Sales ($ million)	550	44	78

SALE OF CONCENTRATE

- The major growth projects Bozshakol, Aktogay and Koksay are expected to sell copper concentrate to Chinese customers
- Zinc in concentrate from East Region is sold to CIS or China (2014: 122 kt, $144 million)

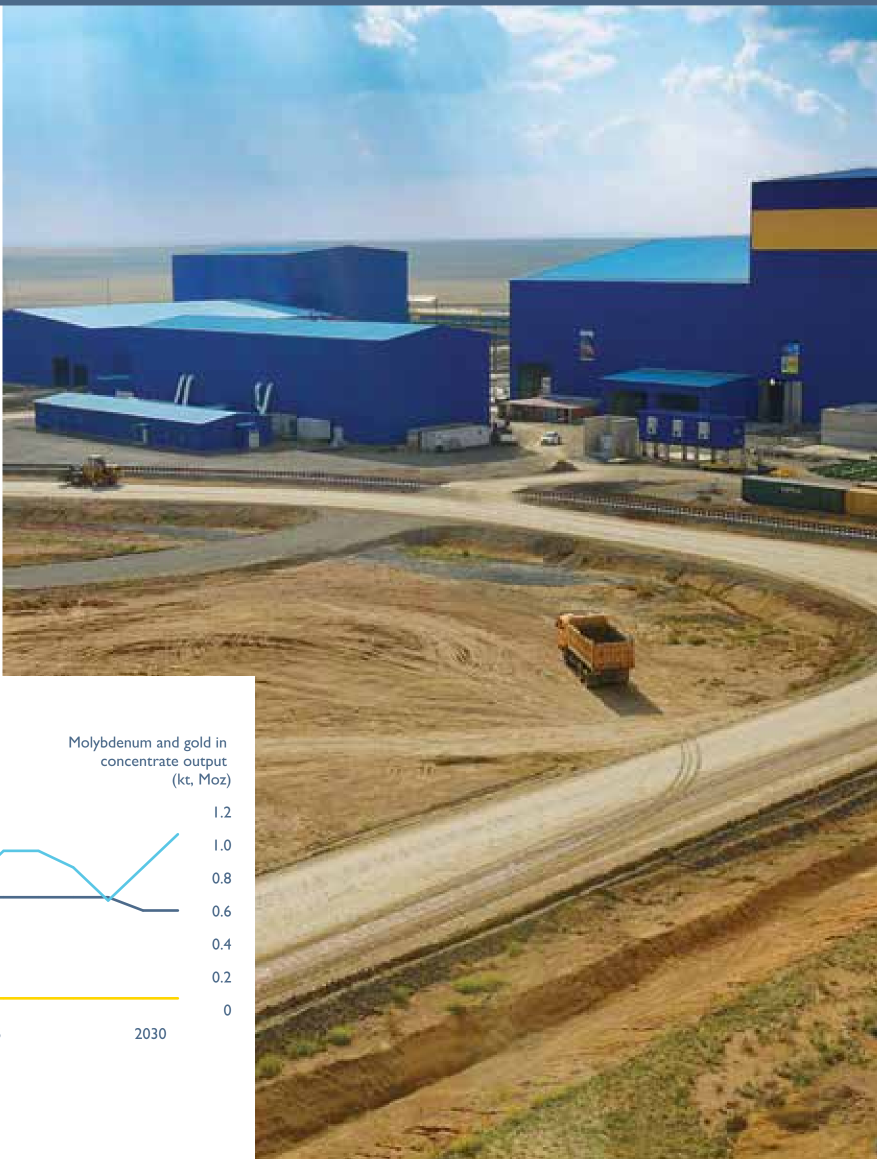
KEY PARTNERSHIPS

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

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

OUR MAJOR GROWTH PROJECTS

BOZSHAKOL



Project key statistics

- $2.2 billion project development cost
- 1,170 MT of mineral resource
- 4.2 MT of contained copper
- Copper grade 0.36%
- Mine life 40+ years
- 30 MT annual ore processing capacity
- Low stripping ratio 0.7:1
- 1,500 workers

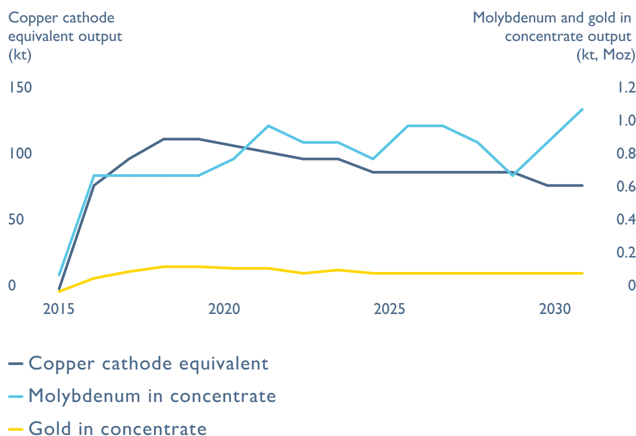
Annual production guidance

- 100 kt per annum of copper cathode equivalent in first 10 years
- 84 kt per annum sulphide plant
- 16 kt per annum clay plant
- By-products: gold and molybdenum

Progress in 2014

- Mining equipment delivered and assembled
- Primary crusher, conveyor, concentrator and clay plant construction works progressed
- Permanent camp completed and in use
- Training of operational workforce commenced

Production schedule – Key metals



— Copper cathode equivalent
— Molybdenum in concentrate
— Gold in concentrate

TIMELINE

2014

- Acquisition and exploration of Koksay

2015

- Bozshakol expected to commence commissioning with limited production in the fourth quarter of 2015
- Aktogay SX/EW copper production from oxide ore to commence in the fourth quarter of 2015

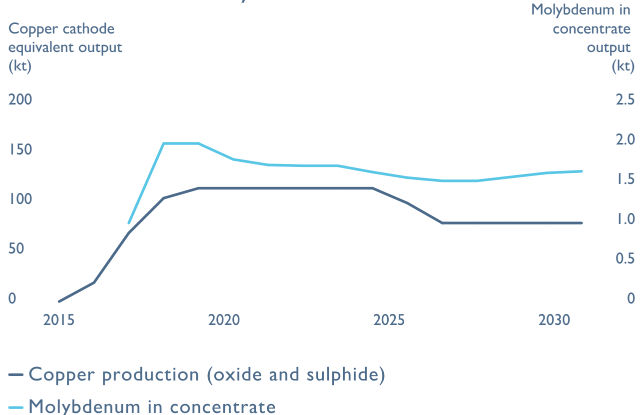
AKTOGAY

Project key statistics
- $2.3 billion project development costs
- 1,597 MT of sulphide measured and indicated mineral resource
- 121 MT of oxide measured and indicated mineral resource
- 5.8 MT contained copper
- Copper grade 0.33% (sulphide)
- Mine life 50+ years
- 25 MT annual ore processing capacity
- 1,500 workers

Annual production guidance
- 15 kt per annum copper cathode from oxide over 11 years of operation
- 90 kt per annum copper cathode equivalent from sulphide ore in first 10 years
- By-product: molybdenum

Progress in 2014
- Excavations and earthworks proceeded as planned
- Heap leach cells and SX/EW processing buildings under construction, first cell ready to receive ore

Production schedule – Key metals



— Copper production (oxide and sulphide)
— Molybdenum in concentrate

KOKSAY

Project key statistics
- $260 million acquisition cost
- Measured and indicated resource contains copper of 3.1 MT, with upside potential
- Copper grade 0.44%

Annual production guidance
- Estimated 85 kt per annum copper in concentrate
- By-products: gold, silver and molybdenum

Progress in 2014
- Acquired the deposit
- Commenced confirmatory exploration drilling

2016
- Bozshakol commissioning and ramp up
- Aktogay oxide output ramps up to 20-25 kt per annum due to higher initial grades

2017
- Bozshakol completes ramp up to full capacity
- Aktogay sulphide commissioning in 2017

2018
- Bozshakol reaches peak output of 115 kt of copper cathode equivalent, copper grade 0.50%
- Aktogay sulphide copper in concentrate production ramps up

LARGE SCALE
LOW COST

Low cost producer

Following the Restructuring, KAZ Minerals has been re-positioned on the cost curve. The net cash cost for the producing East Region assets in the second half of 2014 was highly competitive at 107 USc/lb.

Our major growth projects will dominate our future production and are positioned in the first and second quartiles of the cost curve.

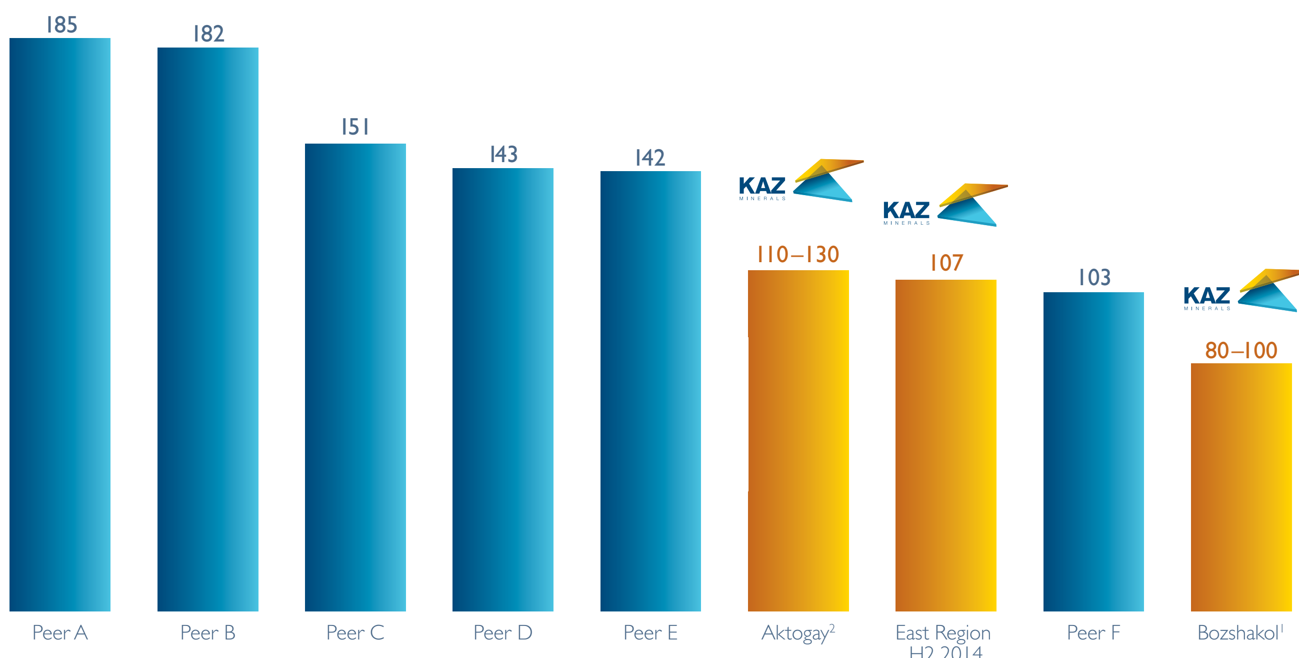
80-100 USc/lb

BOZSHAKOL ESTIMATED NET CASH COST[1]

110-130 USc/lb

AKTOGAY ESTIMATED NET CASH COST[2]

LISTED PURE PLAY COPPER PEERS NET COPPER CASH COST 2014 (USc/lb)



1 Estimated net cash cost for copper cathode equivalent sales of 80 to 100 USc/lb (in 2014 terms) for the first 10 years after the concentrator has been commissioned, calculated using a long-term molybdenum price of $25,000 per tonne and a long-term gold price of $1,300 per ounce.

2 Estimated net cash cost for copper cathode equivalent sales of 110 to 130 USc/lb (in 2014 terms) in the first 10 years after the commencement of the sulphide concentrator's operation, calculated using a long-term molybdenum price of $25,000 per tonne.

HIGH GROWTH PRODUCTION PROFILE

Strong production growth to 2018
Copper production is expected to grow to an estimated 300 kt by 2018, representing an industry leading compound annual growth rate (CAGR) of 35% from 2014 to 2018.

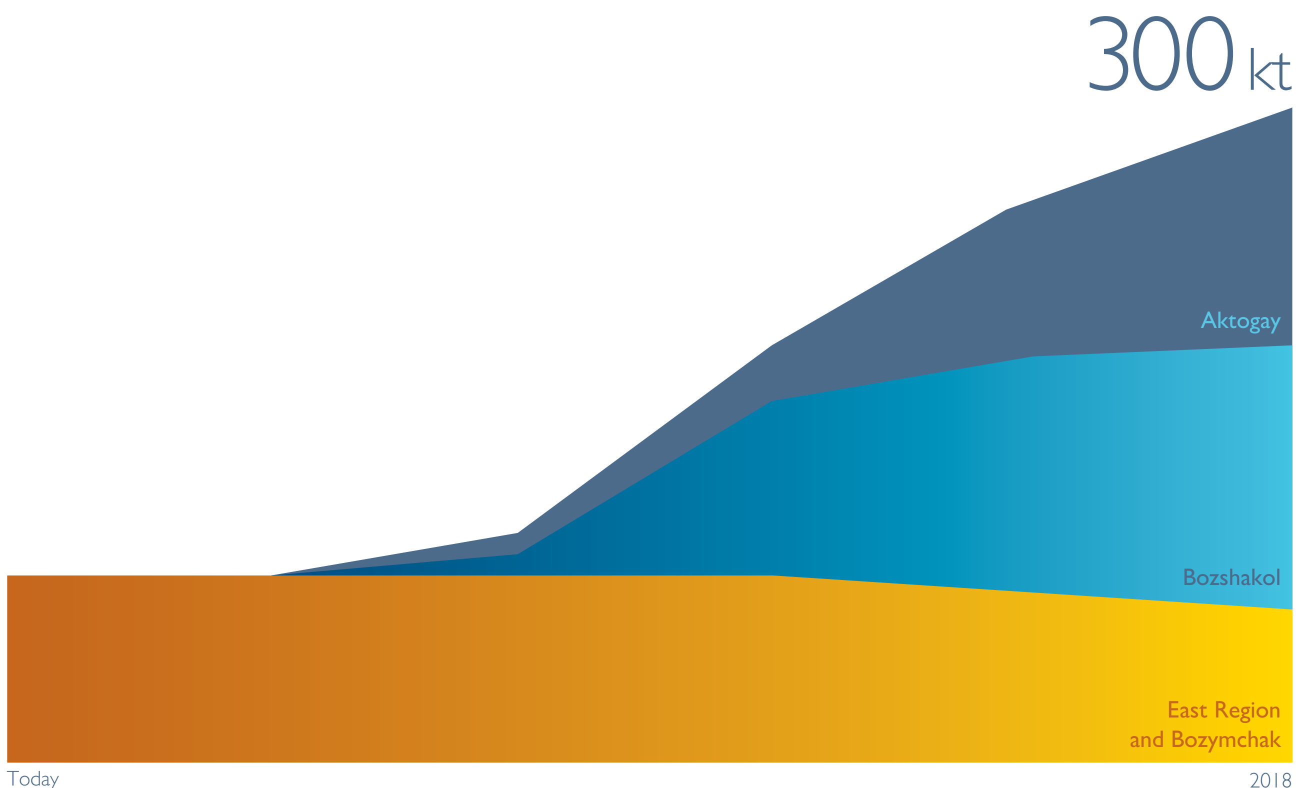
Production growth driven by Bozshakol and Aktogay
KAZ Minerals has established a separate Projects Division led by internationally experienced mining professionals to develop Bozshakol and Aktogay. Working with Non Ferrous China as the lead contractor on both projects, the Group has made good progress in 2014 and Bozshakol remains on track to commence commissioning in the fourth quarter of 2015. The projects are funded by long-term debt from China Development Bank.

Delivering into a copper market deficit
The market fundamentals are very positive for copper in the medium term. Our new production will ramp up when we expect the global copper market to return to deficit.

35%
COPPER PRODUCTION CAGR 2014-2018

300 kt
ESTIMATED COPPER PRODUCTION BY 2018

PRODUCTION PROFILE 2014-2018



CONTINUING OUR TRANSFORMATION

Simon Heale, Chairman

In 2014 we successfully completed a major restructuring of our operations which has accelerated the transformation of our business into a high growth miner focused on large scale, low cost, open-pit copper extraction in Kazakhstan. Following the disposal of non-core assets of ENRC PLC and MKM in 2013, the sale of our 50% holding in Ekibastuz GRES-1 and the Restructuring in 2014, KAZ Minerals has retained a portfolio of highly competitive assets and is well positioned to deliver one of the highest growth profiles in the industry.

Restructuring

Over the past few years, a combination of declining grades, cost inflation and lower commodity prices had put significant pressure on the Group's profitability and cash generation. An optimisation programme and asset review was undertaken in response to these pressures which achieved cost savings and reductions in sustaining capital expenditure. However, it became clear that a number of the Group's mature assets in the Zhezkazgan and Central Regions would struggle to meet their own ongoing investment needs and return to making a positive overall contribution to Group cash flow. These mature assets required significant further investment to extend their operational lives. Such investment was incompatible with the Group's existing spending commitments on the major growth projects.

A restructuring proposal was developed with the objective of achieving sustainable positive cash flow from existing operations whilst supporting the development of the major growth projects. Under the proposal, the Zhezkazgan and Central Region assets, which included relatively mature underground mines, concentrators, power plants and copper smelters, would be separated from the Group and divested to Cuprum Holding, a vehicle owned by the Company's major shareholder and non-executive Director, Vladimir Kim and the Company's then executive Director Eduard Ogay. Vladimir Kim and Eduard Ogay's knowledge of the assets, understanding of the operating environment and standing in Kazakhstan made a disposal to Cuprum Holding the most attractive and feasible route for the Group to exit from these operations.

The restructuring proposal was put to shareholders in a circular dated 23 July 2014, with a unanimous recommendation from the independent Directors of the Company who had received a fairness opinion from two investment banks. The Restructuring was overwhelmingly approved on 15 August 2014 by independent shareholders and under the terms of the Restructuring the Disposal Assets were economically separated from the continuing operations from 1 August 2014.

For more information, see pages
30 Corporate Governance Overview
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In light of the past performance and future outlook of the Disposal Assets, the Restructuring included a cash payment from the Group to Cuprum Holding to cover the working capital requirements of the Disposal Assets. On 31 October 2014, the Disposal Assets left the Group with net funds of $188 million.

A transaction of this scale, separating a previously integrated business, has been complex, however we were able to complete the Restructuring ahead of our expectations. I am very grateful for the hard work and commitment of staff involved on both sides of the transaction which made this possible. The Company has been renamed 'KAZ Minerals PLC' and the assets transferred to Cuprum Holding will continue to operate under the trading name of 'Kazakhmys'.

A key objective of the Restructuring was to create two separate, independent businesses with no shared management. However, there are certain services which Cuprum Holding will continue to provide where it is in the interests of KAZ Minerals. These services, which are subject to the UK Listing Authority regulations on related party transactions, are provided on an arm's length basis and were approved by independent shareholders on 15 August 2014. The most significant service is for Cuprum Holding to smelt and refine concentrate from the mines in the East Region and Bozymchak at the Balkhash smelter under a tolling agreement.

The Disposal Assets are now under an ownership structure which is better positioned to address the specific challenges that they face. We wish Vladimir Kim, Eduard Ogay and all of our former colleagues every success in the future.

Following the Restructuring, KAZ Minerals retains four mines and associated concentrators in the East Region, the Bozymchak copper and gold mine and concentrator in Kyrgyzstan and the major growth projects of Bozshakol, Aktogay and Koksay.

Board changes

There have been two changes to the Board of Directors of the Company in 2014. At the end of October 2014, Eduard Ogay, the Chief Executive Officer of Kazakhmys Corporation LLC and a Director of Kazakhmys PLC, left the Company to assume a new position at Cuprum Holding managing the Disposal Assets, and is no longer an employee or Director of KAZ Minerals PLC. The Group's Chief Financial Officer, Andrew Southam, joined the Board of Directors on 1 November 2014. I would like to take the opportunity to wish both of them the very best of luck in their new roles and to thank Eduard for his contribution over his 13 years of service including eight years as Chief Executive Officer of Kazakhmys Corporation LLC. The Board continues to be compliant with the UK Corporate Governance Code's independence recommendations with a total of nine Directors, of whom five are independent.

Lord Renwick of Clifton has indicated his intention to step down as a Director of the Company with effect from the Annual General Meeting on 7 May 2015. I would like to thank Robin on behalf of the Board and all of our colleagues in KAZ Minerals for the immense contribution he has made to the Group since 2005. Robin was one of the first independent non-executive Directors to join the Board and was instrumental to the Group's listing in 2005. His trusted counsel in the fields of diplomacy, mining and capital markets has been invaluable to the Group, coupled with his understanding of the economic and cultural aspects of operating in Kazakhstan. He will be greatly missed.

I am also pleased to report the appointment of John MacKenzie, who will be joining the Board as a non-executive Director with effect from 1 March 2015. As the former CEO of Copper for Anglo American, John brings extensive experience of the copper mining industry and we look forward to him joining us.

Health, safety and environment

We continue to be committed to improving our health and safety performance, both in our producing assets and at the major growth projects. It is with deep regret that I must report a total of 13 fatalities across the Group in the year to 31 December 2014. Seven of these fatalities occurred at the Disposal Assets between 1 January and 31 October, whilst six occurred at the continuing operations in the 12 months to 31 December 2014. The number of fatalities has fallen significantly over the past few years, however, we view every fatality as avoidable and unacceptable and the Board continues to work towards our target of zero fatalities. The reduction in scale of the Group's operating assets following the Restructuring and the start-up of the major growth projects provides the opportunity for more rapid improvements to our safety culture and working practices.

"The reduction in scale of the Group's operating assets following the Restructuring and the start-up of the major growth projects provides the opportunity for more rapid improvements to our safety culture and working practices."

"I am pleased to report continued progress at Bozshakol, the first of our major growth projects, and that it is on schedule to commence commissioning in the fourth quarter of 2015."

Following the Restructuring, we no longer own or operate smelting or power generation assets, which reduces the Group's direct CO_2 emissions and other harmful emissions to air. Energy consumption, water usage and waste generation have also reduced as a result of the Restructuring, but will continue to be high priority areas for our East Region environmental programme. There are a number of ongoing initiatives to address water usage and tailings management. We are committed to managing our direct environmental impacts carefully and continue to seek to ensure our operations and those of our partners minimise harm to the environment and the communities around us. The Corporate Responsibility section of this report and our website contain more details on our approach and performance.

Operational and financial performance in 2014

Copper prices during the year came under pressure due to markets anticipating a global supply surplus in 2014 and the near term, although a consensus is emerging that the market may return to deficit from 2017 as mines mature and average grades reduce across the industry.

The continuing operations produced 83.5 kt of copper cathode in 2014, generating revenues of $846 million and EBITDA (excluding special items) of $355 million.

As a result of the completion of the Restructuring, the Group recognised an accounting charge of $2.3 billion in 2014 in respect of the Disposal Assets, which includes $0.7 billion for the recycling of historic foreign exchange losses.

Major growth projects

I am pleased to report continued progress at Bozshakol, the first of our major growth projects, and that it is on schedule to commence commissioning in the fourth quarter of 2015. We began training production personnel, as planned, in December 2014 in advance of pre-production mining commencing in the first half of 2015. The final phase of construction and equipment installation works can now be accelerated as we emerge from the winter period.

Our second project, Aktogay, is also in the construction phase and works are proceeding on schedule. Production from the oxide ore at Aktogay is expected in the fourth quarter of 2015 and output from the main sulphide ore body will begin in 2017.

In 2014 we added a third project to our portfolio with the acquisition of Koksay for a total consideration of $260 million, of which $35 million is deferred to 2015 dependent on drilling results. Koksay has the potential to be another large scale, low cost, open-pit copper mine in Kazakhstan, similar to the Bozshakol and Aktogay projects, providing additional growth in the longer term.

Dividends

Our dividend policy, established at the time of Listing, is for the Board to consider the cash generation and financing requirements of the business and then recommend a suitable dividend. This maintains flexibility which is appropriate given the underlying cyclicality of a commodity business. Given the financing requirements of the major growth projects during their construction, the Board does not recommend a dividend at this time. It is however the Board's intention that the Group resumes dividend payments in the future. 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.

Outlook

2015 will be an important year for KAZ Minerals as we will commence the commissioning of Bozshakol, the first of our major growth projects, in the fourth quarter. By 2018, we expect to be producing around 300 kt of copper in concentrate, with 80% of Group production coming from new, large scale, low cost, open-pit mines. I look forward to updating shareholders as we continue the transformation of the Group.

Simon Heale
Chairman

RESTRUCTURED OPERATIONS

Oleg Novachuk, Chief Executive

The Group underwent significant change in 2014. We announced in February 2014 that we were assessing the feasibility of separating the Zhezkazgan and Central Region assets with a view to a potential disposal, a transaction we successfully completed in October 2014. The transfer of the relatively mature Zhezkazgan and Central Region to Cuprum Holding has repositioned KAZ Minerals on the cost curve as we have retained a portfolio of first and second quartile operating and development assets. The reduction in operating mines from 16 to five, the disposal of four concentrators, the captive power stations and smelting operations leaves KAZ Minerals a more cash generative and leaner business with a workforce of less than 10,000, a reduction from 53,000 at the start of 2014.

Restructuring

The financial implications of the separation for KAZ Minerals are substantial. The producing assets we have retained in the East Region accounted for over half of the Group's EBITDA prior to the Restructuring, but less than one third of the Group's copper production. The average copper grade mined by the continuing operations in 2014 was 2.35% compared to 0.83% in the Disposal Assets, with much lower sustaining capital expenditure requirements.

The separation of a vertically integrated business was complex and involved the appointment of a new management team to oversee the East Region assets, changes to business processes, the establishment of stand-alone IT systems as well as extensive legal and regulatory work. Throughout this period, great importance was placed on maintaining effective communication with key stakeholders including our employees and the Government of Kazakhstan. I am pleased to report that the teams on both sides of the transaction were able to work efficiently and diligently to complete the transaction on 31 October 2014, ahead of our initial expectation. I extend my personal thanks for their response to this challenge.

Health and safety

Health and safety performance remained an absolute priority for management throughout the year. Regretfully, we reported 13 fatalities at our operations, seven of which were at assets subsequently disposed of in the Restructuring. No fatality is ever acceptable and we still require significant progress in this critical area. I will continue to work closely with our site management to deliver on our zero fatality commitment.

"We are excited to be entering the final stages of the construction of Bozshakol and continuing the development of Aktogay. We are confident in the outlook for copper and expect the market to return to deficit as we ramp up output from our major growth projects."

As the construction of Bozshakol intensifies, a particular challenge is ensuring that contractors operate in accordance with the safety standards required by KAZ Minerals at its sites. Unfortunately, two contractor fatalities occurred at the project early in 2014. However, the project subsequently completed three million man hours, over 176 days, without a lost-time injury.

We have a number of health and safety initiatives underway in the East Region including a comprehensive external review of our underground mining operations. The hiring, training and operating procedures at the major growth projects have been designed to ensure that a strong health and safety culture is present from the start. We intend for the major growth projects to be safety ambassadors within the Group and they will share best practice with East Region and Bozymchak management.

Review of operations – continuing operations

We produced 83.5 kt of copper cathode from continuing operations in 2014, an increase of 9% year on year and at the upper range of our guidance of 80 to 85 kt. Copper in concentrate production was 4% higher compared to 2013, supported by a modernisation programme at the Nikolayevsky concentrator which has increased recovery rates. Bozymchak, our new copper-gold project in Kyrgyzstan, made its first shipment of concentrate in December 2014.

Following the Restructuring, copper concentrate is smelted under a tolling arrangement with Cuprum Holding at the Balkhash smelter. Balkhash remains the most attractive option for the smelting of concentrate from the East Region and Bozymchak mining operations.

By-product output from continuing operations declined in 2014, with zinc, silver and gold production falling due to lower metal grades in the East Region. In 2015, we expect by-product output in the East Region to reduce further as mining temporarily moves to lower by-product grade areas.

Copper cathode production guidance for the East Region and Bozymchak in 2015 is 80 to 85 kt. Zinc in concentrate output will decline to 90 to 95 kt and silver output is expected to be between 2,250 to 2,500 koz. Gold output is anticipated to increase to 42 to 47 koz in 2015, assisted by the ramp up of Bozymchak.

Review of operations – Disposal Assets

The Group owned and operated the Disposal Assets for the first 10 months of the year before completion of the Restructuring on 31 October 2014. In the 10 months to 31 October 2014, the Disposal Assets produced 171 kt of copper cathode equivalent. Further details of the Disposal Assets' performance until the date of disposal can be found in the Operating Review.

Financial performance

KAZ Minerals' revenues from continuing operations declined from $931 million in 2013 to $846 million in 2014, as a result of lower metals pricing and metals sales in 2014. Copper cathode sales volumes of 78.2 kt were below production volumes of 83.5 kt due to movements in finished goods inventory.

The cash costs of the Group have been significantly reduced as a result of the divestment of the higher cost Disposal Assets. The East Region's full year unit cash costs as reported, include the operations prior to their separation, a period in which only directly attributable costs are accounted for. In the second half of 2014, the most representative period of the performance of the East Region as a stand-alone business, gross cash costs for continuing operations were 277 USc/lb and net cash costs were 107 USc/lb. The second half net cash cost compares favourably with the guidance of 120 to 140 USc/lb for the East Region as a stand-alone business, as management were successful in mitigating inflationary pressures and due to strong zinc by-product credits. In 2015, gross cash costs are expected to be between 280 and 300 USc/lb for operating mines.

EBITDA (excluding special items) from continuing operations was broadly unchanged at $355 million in 2014, as lower costs offset the 9% fall in revenues.

Sustaining capital expenditure for continuing operations was $53 million in 2014, slightly below the anticipated spend as some investments have been carried forward into 2015. Sustaining capital expenditure in 2015 for the East Region is expected to be $80 to $100 million. The Bozymchak mine is forecast to require around $25 million of capital expenditure in 2015 and the Group may invest up to $20 million to develop a new section of the Artemyevsky mine.

For more information, see pages
16 Strategy
38 Operating Review

The Group has recognised a loss on disposal on completion of the Restructuring of $2.3 billion, which includes $0.7 billion from the recycling of foreign exchange reserves and a net gain of $207 million following the completion of the sale of Ekibastuz GRES-1.

Bozshakol

Bozshakol will be the first of our major growth projects to enter production. In 2014, we completed the construction of the main concentrator building which was enclosed for internal equipment installation to continue during the winter period. The permanent camp was completed and is now housing workers. The primary crusher structural works have been completed and the conveyor steelwork has been assembled. A rail link to the national Kazakhstan network is in place and mining equipment has been delivered to the site and is assembled for use. Capital expenditure in 2014 was $0.5 billion, taking the total capital expenditure on the project as at 31 December 2014 to $1.3 billion.

The project is scheduled to commence commissioning in the fourth quarter of 2015. Training for mining operational teams commenced in December 2014 and will continue in 2015, with pre-production mining scheduled to start in the first half of 2015. We expect limited production from Bozshakol in the fourth quarter with ramp up occurring in 2016. In 2015, we will invest the remaining $0.9 billion of the $2.2 billion capital expenditure budget for the project.

Aktogay

The Aktogay project is proceeding to plan and will be the second of our major growth projects to commence production. In 2014, excavations and earthworks were undertaken on the site of the main sulphide concentrator building and leach pads were prepared for the oxide phase of the production. Construction commenced on two SX/EW buildings which will process the leached ore. Non Ferrous China was appointed as the lead contractor for the construction of the sulphide processing plant and more than 25 smaller local contractors were appointed to conduct other works. Following the award of the largest construction contract to Non Ferrous China, the capital cost of the Aktogay project was confirmed at $2.3 billion. Capital expenditure in 2014 amounted to $0.4 billion, taking total spend on the project as at 31 December 2014 to $0.9 billion. Capital expenditure in 2015 is expected to be $0.5 to $0.7 billion.

In 2015, pre-stripping of the oxide ore cap will continue and the first production from oxide ore is expected to commence in the fourth quarter. Output from oxide is expected to be around 15 kt per annum. Earthworks and construction of the oxide and sulphide processing buildings will continue in 2015. Production from the main sulphide ore body is scheduled to commence in 2017.

Koksay

In 2014, we acquired the licence for a third major growth project at Koksay and a confirmatory drilling programme was undertaken to gather more information on the ore body. Further drilling and studies will be performed in 2015. Capital expenditure at Koksay in 2014 was $4 million and in 2015 is not expected to exceed $15 million.

Financial position

As at 31 December 2014, the Group's net debt position was $962 million, consisting of $2,130 million of gross funds and $3,092 million of borrowings. Undrawn debt facilities of $798 million were available as at 31 December 2014. The major growth projects are securely funded by our long-term debt facilities and funds on hand.

Outlook

Looking forward, we are excited to be entering the final stages of the construction of Bozshakol and continuing the development of Aktogay. We are confident in the outlook for copper and expect the market to return to deficit as we ramp up output from our major growth projects.

Oleg Novachuk
Chief Executive

OUR STRATEGIC FRAMEWORK

Our strategy is reviewed by the Board on an ongoing basis to ensure that it remains relevant to the Group's requirements. The success of the strategy is measured using relevant KPIs and risks are controlled through the risk management framework.

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

VISION

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

OBJECTIVES

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

KPIs

- Free Cash Flow
- Earnings per share based on Underlying Profit
- Fatalities and LTIFR

1 DELIVER MAJOR GROWTH PROJECTS

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

Relevant KPIs

- Ore output
- Cash costs of copper after by-product credits
- Copper cathode equivalent production from own material
- Maintenance spend per tonne of copper cathode

Relevant risks

- Health and safety
- New projects
- Labour and community relations
- Reserves and resources

2 OPTIMISE EXISTING ASSETS

The Restructuring has significantly improved the cost position of our existing assets and we continue to seek opportunities to improve efficiency in our operations.

Relevant KPIs

- Ore output
- Cash costs of copper after by-product credits
- Copper cathode equivalent production from own material
- Maintenance spend per tonne of copper cathode

Relevant risks

- Health and safety
- Labour and community relations
- Commodity prices
- Reserves and resources
- Change management

3 TAKE ADVANTAGE OF NATURAL RESOURCE OPPORTUNITIES

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

Relevant risks

- Acquisitions and divestments

For more information, see pages
18 Key Performance Indicators
58 Principal Risks

Stated strategic goal for 2014	Progress in 2014	Priorities for 2015
• Continue development of Bozshakol and Aktogay • Commence commissioning of Bozymchak	Bozshakol • Mining equipment delivered • Primary crusher, conveyor, concentrator and clay plant construction works progressed • Permanent camp completed and in use • Training of operational workforce commenced Aktogay • Excavations and earthworks proceeded as planned • Heap leach cells and SX/EW processing buildings under construction, first cell ready to receive ore Bozymchak • Commissioning commenced during 2014, with first shipment of concentrate to smelter made in December 2014	Bozshakol Commence commissioning in fourth quarter of 2015 Aktogay Commence oxide production in fourth quarter of 2015, continue development of Aktogay sulphide Bozymchak Ramp up production Koksay Continue exploration
• Continue to focus on improved cash generation with tight control of operating costs and sustaining capital expenditure • Further review of potential restructuring	• Restructuring has been completed • Strong cost control and reduced sustaining capital expenditure in 2014	• Optimise East Region producing assets • Maintain low cost position • Evaluate East Region mine life extensions
• Existing assets and major growth projects to take precedence • Consider partnership at major growth projects	• Acquisition of Koksay project in June 2014 – third major growth project	• Existing assets and major growth projects will take precedence • Consider partnership at major growth projects

MEASURING OUR PROGRESS

The Group monitors performance against a set of Key Performance Indicators (KPIs) with the aim of delivering its strategic objectives, as set out on page 16.

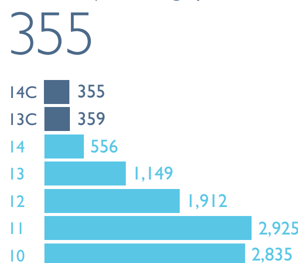
The seven KPIs used to monitor the Group's performance have been selected as those most aligned to the Group's strategy and objectives. Following completion of the Restructuring in October 2014, the KPIs have been reviewed to ensure they remain relevant, and, as a result, Project Status is no longer considered an appropriate KPI. The Group is focused on completing its major growth projects and is limiting expenditure on other development projects prior to Bozshakol's commissioning. The success of the major growth projects will be reflected on an ongoing basis within the results of other strategic KPIs.

The performance of the Group against its strategy and objectives is linked to the remuneration of the executive Directors, as the annual bonus plan performance targets are aligned to the Group's KPIs and strategic priorities.

OBJECTIVES DELIVER VALUE FOR OUR SHAREHOLDERS

EBITDA (excluding special items) ($ million)

355



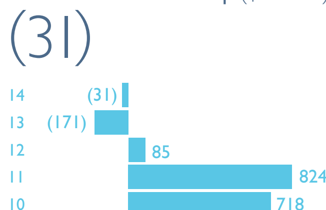
Relevance
This is a measure of the underlying profitability of the Group, widely used in the mining sector.

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

2014 performance
EBITDA (excluding special items) from continuing operations of $355 million in 2014 was consistent with the prior year EBITDA of $359 million. The impact of lower commodity prices in 2014 was mitigated by the cost reduction initiatives introduced in 2013 and the favourable impact of the devaluation of the tenge in February 2014. The EBITDA margin of the continuing operations improved from 39% in 2013 to 42% in 2014. The decline in Group EBITDA is attributable to the disposal of ENRC and Ekibastuz GRES-1 and the recognition of only 10 months of EBITDA from the Disposal Assets in 2014.

Free Cash Flow – Group ($ million)

(31)



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

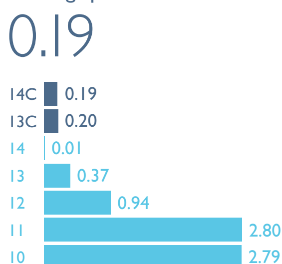
How we measure
Net cash flow from operating activities before capital expenditure and non-current VAT associated with expansionary and new projects less sustaining capital expenditure.

2014 performance
Group Free Cash Flow improved by $140 million in 2014 driven by a $157 million reduction in MET payments, a $195 million reduction in sustaining capital expenditure and the impact of cost saving initiatives.

The negative $31 million Free Cash Flow in 2014 is after the deduction of $150 million of interest payments principally incurred financing the development of the major growth projects.

Earnings per share based on Underlying Profit ($)

0.19



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

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

2014 performance
Underlying EPS from continuing operations of $0.19 per share remained consistent with the prior year as cost savings offset lower revenues. The fall in Group Underlying EPS is attributable to a decrease of $0.35 per share from the Disposal Assets and the absence of profits from ENRC and Ekibastuz GRES-1 in 2014. Following the completion of the Restructuring in 2014, the Group is expected to return to earnings growth with the commencement of operations at Bozshakol and Aktogay oxide expected by the end of 2015.

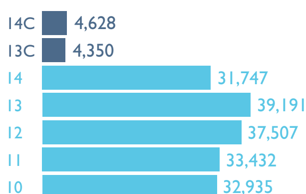
◆ 13C represents continuing operations only in 2013. 14C represents continuing operations only in 2014.

For more information, see pages
20 Corporate Responsibility Overview
38 Operating Review
46 Financial Review

STRATEGIC PRIORITIES OPTIMISE EXISTING ASSETS AND DELIVER GROWTH PROJECTS

Ore output (kt)

4,628



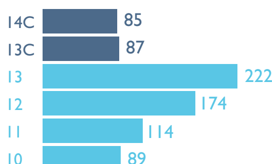
Relevance
Ore output indicates our ability to maximise output from existing assets and growth projects. This KPI should be considered alongside other measurements including final copper production costs and maintenance spend, to ensure extraction is valuable.

How we measure
Kilotonnes of ore extracted from our mining operations. Ore output from Bozymchak has been included for the first time in 2014.

2014 performance
Ore output from continuing operations was 6% above the prior year and includes 426 kt of ore from Bozymchak for the first time as this mine is now in the commissioning phase. Ore output from continuing operations will increase in 2015 with a full year of production from Bozymchak and the commencement of extraction at Bozshakol and Aktogay oxide by the end of 2015. The 19% decline in Group ore output arose mainly from the Disposal Assets, reflecting the 10 month contribution in 2014 compared to 12 months in 2013 and a reduction in extraction at higher cost mines.

Net cash cost of copper sold (USc/lb)

85



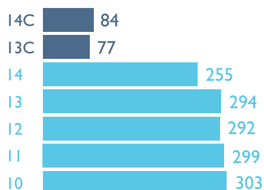
Relevance
Measures the performance of the Group in maintaining its low-cost base whilst maximising revenues through the sale of by-products.

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

2014 performance
The net cash cost of copper sold for continuing operations was 85 USc/lb in 2014, significantly below the full Group net cash cost of 222 USc/lb in 2013, reflecting the higher metal grades of the retained mines in the East Region. The net cash cost in the second half of 2014, the most representative period for the performance of the East Region as a stand-alone business, was 107 USc/lb. The gross cash cost in the second half of 2014 was 277 USc/lb as the East Region benefited from cost savings and the impact of the tenge devaluation.

Copper cathode equivalent production from own material (kt)

84



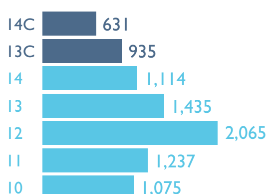
Relevance
Copper, the Group's principal product, represents 65% of the continuing operations' revenue and is the main operational indicator. The price of copper is set by the market and is therefore not a KPI.

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

2014 performance
Cathode equivalent production from continuing operations increased by 9% with improved copper in concentrate output from the Orlovsky mine as higher grade sections of the mine were exploited, there were improved recovery rates at the Nikolayevsky concentrator and work in progress built up in 2013 was processed. Group production was impacted by only 10 months of production from the Disposal Assets compared to 12 months in 2013, partially offset by the improved output from the East Region.

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

631



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

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

2014 performance
Maintenance spend per tonne of cathode improved by 32% to $631 per tonne for continuing operations, reflecting additional spend in 2013 on infrastructure and the modernisation of the Nikolayevsky concentrator, a project which continued into 2014. East Region maintenance spend in 2014 also included projects to improve operational efficiency, including upgrade of IT systems to reduce downtime and operating costs and improve materials distribution. Group maintenance spend per tonne improved by 22% as capital expenditure at the Disposal Assets was restricted during 2014 to improve cash flows.

OUR CULTURE OF SAFETY

Oleg Novachuk, Chief Executive

2014 has brought significant changes for KAZ Minerals, and throughout this period we ensured that we continued to operate with integrity. Running our business responsibly supports our strategy by helping us to secure and maintain our licence to operate, manage reputational and regulatory risks, access capital, control costs, build good relationships with stakeholders, and attract and retain talented employees. We seek to manage our impacts on the economy, environment and society across our value chain, from extraction and processing through to transportation, storage and marketing.

One of our main objectives is to provide safe working conditions for all our employees and it is with deep regret that I report the deaths of nine employees and four contractors at our operations in 2014.

We have invested significant effort and resource into changing our safety culture over the past few years and we have seen improvements, but we cannot be satisfied with anything less than a fatality-free business and will continue to do our utmost to drive further changes in this critical area.

Ensuring social stability for our employees and their families at both the Disposal Assets and continuing operations has been one of our main priorities throughout the Restructuring, which we achieved without significant job losses. KAZ Minerals will continue to focus on providing safe and fair working conditions for our employees, encouraging diversity and equality. We are proud to employ a predominantly local workforce at our operations, including in management positions. The gender balance at our operations has been traditionally relatively high with women now representing 31% of the general workforce, 29% of senior management and 11%, or one female member, at Board level.

2014 marked another milestone in the Government of Kazakhstan's effort to move towards a green economy. With the formal launch of the carbon trading platform in March 2014, we were among the first participants to commence trading. Following the Restructuring our environmental footprint has changed, and we will continue to ensure that all our operations strive to minimise their impact on the environment and the health of the communities.

Oleg Novachuk
Chief Executive

For more information on material Corporate Responsibility issues, gender diversity and human rights, see page 64

GOVERNANCE AND MANAGEMENT

The Board has oversight of KAZ Minerals' strategic direction with respect to Corporate Responsibility (CR). It agrees and reviews CR KPIs on an annual basis and regularly monitors performance against those KPIs. The Board is also responsible for the approval of relevant policies, including health, safety and environment and ethical policies. The Group Health, Safety and Environment Committee reports to the Board on health and safety and environmental performance. The Committee meets three times a year and every meeting includes a site visit to one of our operations.

Our Chief Executive reports to the Board on workforce and social engagement issues, and is ultimately responsible for the executive management of all CR aspects. This includes monitoring the implementation of all relevant standards and policies, instilling a responsible culture within KAZ Minerals and ensuring compliance with relevant standards and regulation, as well as coordinating engagement with local communities.

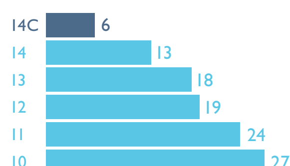
For more information on the Group Health, Safety and Environment Committee, see page 84

Further to the financial and production KPIs on pages 18 and 19 we also measure our performance against six Corporate Responsibility KPIs that capture some of our significant social and environmental impacts.

HEALTH AND SAFETY

Number of fatalities
(direct employees and contractors)

13



2014 performance

Nine employees and four contractors died at our operations in 2014. Despite a gradual reduction over the past five years, progress is not as fast as we would like and we will continue to do our utmost to achieve our goal of zero work-related fatalities.

Lost-time injury frequency rate (LTIFR)
(number of working hours lost through injury among direct employees, per million hours worked)

1.36

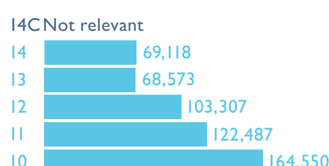
2014 performance

The number of LTIs reduced across Group operations, resulting in a lower LTIFR. In 2015, the continuing operations' safety initiatives will include a review of underground risk management and new reporting and investigation practices.

ENVIRONMENT

SO_2 emissions
(tonnes, Mining Division – Disposal Assets)

69,118

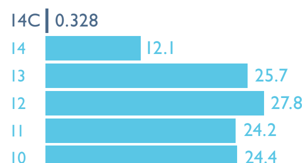


2014 performance

SO_2 emissions at the assets which formed the Mining Division prior to the Restructuring were slightly higher during 10 months of 2014 than during the comparative period due to repair works at sections of the Balkhash sulphuric acid plant. The Group no longer owns or operates smelting or power generating facilities, which will make this KPI irrelevant going forward.

CO_2e emissions
(million tonnes)

12.1



2014 performance

The reduction in CO_2e emissions is largely attributable to the structural changes within the Group – from November 2014 we no longer owned or operated power generating or smelting facilities, which has significantly changed KAZ Minerals' carbon footprint.

EMPLOYEES

Safety training
(average hours per employee trained)

34

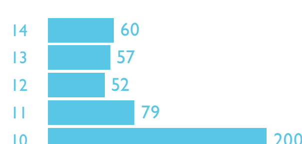
2014 performance

We seek to ensure our employees receive sufficient training to enable them to perform the work safely. Safety training hours only includes safety training required by the regulator in Kazakhstan and does not include additional internal programmes on Group safety standards and policies. The KPI will be reviewed in 2015 to ensure we capture and report the most relevant data for the Group.

COMMUNITIES

Social investment
($ million)

60



2014 performance

In 2014, social investment at Group level amounted to $60 million. This includes sponsorship, support and donations for community projects in the primary regions of our operations as well as projects on a national level prior to and following the Restructuring.

◆ 14C represents continuing operations only in 2014.

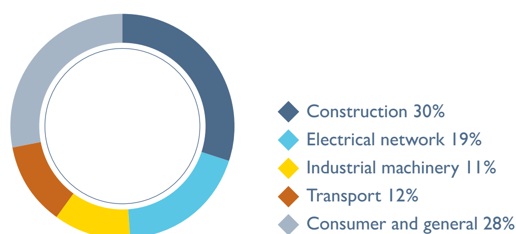
MARKET OVERVIEW

Copper

The supply and demand dynamics of the global refined copper market have a significant influence on the Group's financial performance with copper cathode sales generating 65% of the continuing operations' revenue in 2014.

Due to its efficient heat and electricity conductivity, refined copper has a wide range of applications, with approximately 58% of global refined copper production used by the construction and consumer product sectors. Refined copper is also consumed by the transport, industrial machinery and electrical sectors.

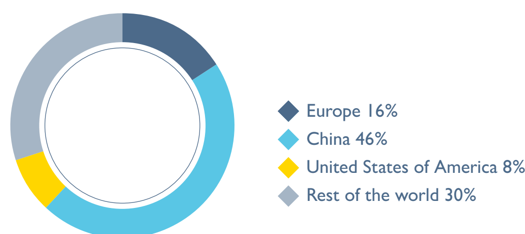
Global copper consumption by market sector



Source: Wood Mackenzie Global Copper Long Term Outlook Q4 2014

As refined copper is used in a wide range of sectors and industries, demand for copper is significantly influenced by global economic growth expectations, with the outlook for the Chinese economy of particular significance. China is estimated to represent 46% of global refined copper consumption, ahead of the second largest consumer, the United States at 8%.

2014 global refined copper consumption



Source: Wood Mackenzie Global Copper Long Term Outlook Q4 2014

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

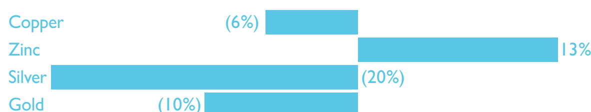
Demand for the Group's copper products, which are predominantly sold to China, was strong in 2014 with 80% of production sold under annual contracts. The average LME price for copper fell by 6% in 2014 with the weaker pricing environment for the metal.

By-products

The Group also produces and sells zinc in concentrate, gold bar and silver granules as by-products of the copper production process. Zinc, which is an industrial metal, was the best performing by-product metal in 2014. The average LME zinc price rose by 13% when compared to the prior year reflecting a larger supply deficit in the refined zinc market during 2014.

The pricing achieved for the Group's precious metals, gold and silver, was below the prior year as investment demand declined and silver was also impacted by the weaker global industrial demand outlook.

Average price movement in 2014[1]



1 Average price quoted on the LME and LBMA exchanges compared to 2013.

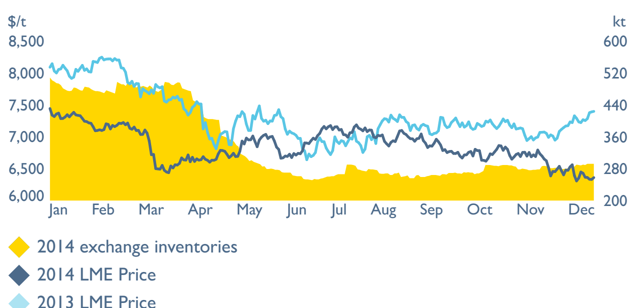
Source: Metalprices.com

Refined copper market

The refined copper market remains tight and is expected to have recorded a supply surplus in 2014 of 0.3 MT, which equates to around 1% of global refined copper consumption. The supply surplus in 2014 was similar to the levels in 2013 and below the expectations of some analysts as the growth in the supply of refined copper did not reach the level anticipated.

While the supply surplus did not increase significantly in 2014, the average LME copper price fell by 6% to $6,862 per tonne. The LME copper price commenced 2014 at $7,440 per tonne before steadily declining to just above $6,400 per tonne during March 2014. The decline in the copper price during this period was mainly driven by the weak manufacturing and export data from China along with poorer than expected economic data from the United States with the severe winter weather at the start of 2014.

Copper price and exchange inventories



Source: Metalprices.com

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

By the start of June 2014, the LME copper price had recovered to $7,000 per tonne due to tight physical supply which led to a significant decline in copper stocks on global metal exchanges. However, concerns emerged during June 2014 that copper demand was being inflated by collateral financing arrangements and the LME copper price fell sharply to a low for the month of $6,661 per tonne. These concerns reduced and the LME copper price once again rose to average around $7,000 per tonne from July to September 2014, supported by strong demand.

In the last quarter of the year the LME copper price declined steadily ending 2014 at $6,359 per tonne with the market concerned about the ongoing political issues in Syria, Iraq and Ukraine. Market sentiment was also impacted by the negative economic news from the Eurozone, data showing declining economic growth in China, a rise in global copper exchange inventory levels and falling oil prices.

Global refined copper production was estimated to have reached 22.1 MT in 2014, which was 6% above the prior year, but below the level forecast by some analysts due to the limited availability of copper scrap material for processing into refined copper.

Total copper mine production (kt)

Estimate
Actual

Source: Wood Mackenzie Global Copper Long Term Outlook Q4 2014

Copper production from mines is estimated to have increased by 3% in 2014, which was in line with the growth rates forecast at the start of the year. The increased production was attributed to the commencement of new mines in Latin America and from brownfield extensions in Latin America, China and North America.

Global refined copper consumption (kt)

Estimate
Actual

Source: Wood Mackenzie Global Copper Long Term Outlook Q4 2014

Global refined copper consumption is expected to have grown 6% to 21.8 MT in 2014. The increase in consumption was assisted by continued demand growth from China, despite forecast investments into electricity grids being moved into 2015 and concerns over declining economic growth. Industrial production in China is estimated to have risen by 9% in 2014, below the 10% increase achieved in 2013, but still at a rate that provides solid demand growth for copper.

A supply surplus of around 0.4 MT is anticipated in the global refined copper market in 2015, which equates to around 1% of total refined copper consumption. Copper output from mines is predicted to increase by 4% in 2015 with mine expansions and new mines providing additional supply. Global copper consumption is expected to grow by a further 4% in 2015 supported by rising demand from China.

The LME copper price has fallen sharply in early 2015, however, the medium-term outlook for the refined copper market is positive. The existing supply surplus for refined copper could be eliminated by 2017, as declining copper grades and new supply will result in supply not keeping pace with demand. Demand for refined copper from China is forecast to continue to increase at between 3% and 4% in the medium term through population expansion, rising urbanisation and the projected increase in electricity consumption. The return of the refined copper market to a supply deficit is positive for the Group with the production from the Bozshakol and Aktogay mines ramping up during this period.

In 2014, the Disposal Assets sold copper concentrate production to Chinese smelters under annual contracts. Copper cathode sales were predominantly to Chinese customers, with a small volume directed to Europe. Following the Restructuring, the East Region and Bozymchak have their concentrate production processed under a tolling agreement at the Balkhash smelter. In 2015, consistent with previous years, approximately 90% of the continuing operations' copper cathode production has been sold under annual contracts. The pricing of the contracts is based on the LME copper price plus a premium to reflect the terms of trade. Around 60% of the contracted copper cathode sales will be directed to China with the remaining volumes sold in Europe.

The limited copper output from the commissioning of Bozshakol in the last quarter of 2015 will be sold as copper concentrate to customers in China. KAZ Minerals has long-term relationships with major Chinese metal processing businesses, a number of which have been investing in expanding their copper smelting capacities and are expected to provide a ready market for KAZ Minerals' future concentrate output.

Zinc

The LME zinc price averaged $2,164 per tonne in 2014, 13% above the average price in the prior year. The rise in the average LME zinc price was supported by an estimated supply deficit of around 570 kt of refined zinc, which equates to 4% of total refined zinc demand.

The supply deficit arose with the demand for refined zinc forecast to have increased by 5% during the year. The increase in car sales in emerging markets, Western Europe and North America was the main factor raising zinc consumption. Levels of refined zinc inventories held at the LME fell to a three year low in July 2014, reflecting the strong demand for refined zinc.

While refined zinc demand grew strongly, refined zinc production is estimated to have been flat on the prior year, as mine supply was impacted by disruptions at some key mines and with no significant output from new mines.

In 2015, the refined zinc market is forecast to remain in a supply deficit position although this will be below the level recorded in 2014 with fewer mine interruptions expected. The refined zinc market will be highly dependent on China, which is the largest consumer of refined zinc, and on the performance of the automobile and construction industries, which provide more than half of global demand for the metal.

The medium-term outlook for the refined zinc market is also positive with limited supply growth, while demand is anticipated to continue to expand at around 4% per year.

KAZ Minerals has concluded its annual zinc concentrate contracts for 2015 and will sell three quarters of zinc concentrate production from the East Region within the CIS. The remaining zinc concentrate output will be sold to China. Pricing of zinc concentrate sales will be based on the LME zinc price less processing charges which are set on an annual basis.

Gold

The LBMA gold price averaged $1,266 per ounce in 2014, 10% below the average price in the prior year, but only 3% below the average price in the second half of 2013.

The LBMA gold price rose from $1,225 an ounce at the start of the year to a high of $1,385 an ounce in March 2014, influenced by the political issues in Ukraine and due to the import restrictions imposed in India. The LBMA gold price then drifted lower as the US Federal Reserve ceased its quantitative easing measures and the US dollar strengthened.

The LBMA gold price reached an annual low of $1,142 per ounce in November 2014 with negative investor sentiment towards the metal due to the continued strengthening of the US dollar, rising bond yields, and the potential for the US Federal Reserve to commence tightening of its monetary policy in 2015. The unexpected easing of import restrictions on gold by India in late November 2014, the fall in oil price and general economic uncertainty assisted the LBMA gold price and it ended the year at $1,206 per ounce.

In 2015, the gold price is expected to be influenced by the US dollar, inflationary expectations, geopolitical developments and whether the US Federal Reserve raises interest rates.

Gold bar production from the East Region and Bozymchak will be sold in 2015 to the National Bank of Kazakhstan based on the LBMA price at the time of delivery. The copper concentrate produced by Bozshakol will contain gold and will form part of the copper concentrate sales terms.

Silver

The LBMA silver price averaged $19.1 per ounce in 2014, a 20% decline from the average of $23.8 per ounce in 2013.

The silver price movements in 2014 broadly followed the gold price but with additional volatility. Investor demand for silver was impacted by the strengthening of the US dollar and expectations that the US Federal Reserve may commence the tightening of its monetary policy.

In the last four months of the year the silver price fell significantly averaging $17.0 per ounce, affected by the decline in the gold price and concerns over the economic outlook in China and Europe which negatively influence the outlook for the industrial demand for silver. The lower pricing for silver in 2014 did result in some mine closures but supply was not significantly affected, with an estimated two-thirds of silver output coming as a by-product from the mining of other metals.

Investor sentiment is likely to have a significant influence on silver prices in 2015, however silver would also benefit from any improvement in the global economy due to its industrial application.

KAZ Minerals will sell its 2015 silver production to traders based in Asia for delivery to Europe and Asia, principally under annual contracts based on the LBMA price plus a premium at the time of delivery.

FINANCIAL FLEXIBILITY TO DELIVER GROWTH

$ million (unless otherwise stated)	2014	2013
Revenues from continuing operations	846	931
EBITDA (excluding special items) from continuing operations	355	359
Group EBITDA (excluding special items)	556	1,149
Underlying Profit from continuing operations	86	102
EPS: Basic and diluted – Group ($ per share)	(5.28)	(3.96)
EPS: Based on Underlying Profit – continuing operations ($ per share)	0.19	0.20
Free Cash Flow – Group	(31)	(171)
Gross cash cost of copper – continuing operations (USc/lb)	257	278
Net cash cost of copper after by-product credits – continuing operations (USc/lb)	85	87

On 31 October 2014, the Group completed the divestment of the Disposal Assets. This transaction leaves KAZ Minerals a portfolio of first and second quartile copper assets with the potential to deliver significant shareholder returns.

In 2014, weakness in commodity prices, particularly in the second half of the year, led to revenues from continuing operations decreasing by 9% to $846 million. The average LME copper price, LBMA gold and silver prices were 6%, 10% and 20% lower than in 2013 respectively, while the average LME zinc price was 13% higher. Revenues were also impacted by a 4% decline in copper volumes as sales were lower than production.

EBITDA (excluding special items) from continuing operations was $355 million, in line with the prior year. Effective cost management and the benefit of the tenge's 19% devaluation against the US dollar in February 2014 largely offset the lower revenues.

The gross cash cost of copper for 2014 of 257 USc/lb reflects the East Region's costs on a directly attributable basis prior to economic separation. The second half of 2014 gross cash cost of 277 USc/lb is considered more representative of the performance of the East Region on a stand-alone basis.

There were inflationary pressures in the second half of 2014 following the tenge devaluation, however, management adopted a robust position in negotiations with suppliers and benefited from softer input prices for consumables, particularly in the final quarter of 2014.

The net cash cost from continuing operations in the second half of the year was 107 USc/lb, with the East Region operations supported by significant by-product credits.

Group EBITDA (excluding special items) was $556 million compared to $1,149 million for 2013. The comparative for 2013 included the contributions of $153 million and $276 million from Ekibastuz GRES-1 and ENRC respectively, which were divested as part of the non-core asset disposals. In 2014, the results of the Disposal Assets are only included for 10 months of the year.

EPS based on Underlying Profit from continuing operations was $0.19 per share, broadly in line with the prior year.

Basic earnings per share include a number of special items recognised in 2014. The February 2014 tenge devaluation resulted in net exchange losses recognised in earnings from the translation of tenge denominated balances of $169 million (post tax).The Restructuring led to a total loss on disposal of $2.3 billion and Bozymchak was impaired by $128 million, partly offset by the $207 million gain recognised on the disposal of Ekibastuz GRES-1.

Free Cash Flow for the Group was an outflow of $31 million which includes $150 million paid on interest, compared to an outflow of $171 million in 2013. In 2014, tight controls over sustaining capital expenditure and operating costs, lower MET and corporate income tax payments contributed largely to the $140 million improvement in Free Cash Flow.

In the last quarter of 2014, the Group re-negotiated the terms of the PXF facility with $349 million committed at 31 December 2014 by a syndicate of lending banks with an accordion feature allowing for the increase of the facility to $500 million. The revised terms extended the grace period and final maturity by one year with repayments commencing in January 2016 and with the EBITDA to net debt covenant suspended until July 2016.

Net debt increased by $191 million to $962 million at 31 December 2014 reflecting the continued investment in the major growth projects of $912 million, $225 million paid for the acquisition of the Koksay deposit, the $188 million cash divested with the Disposal Assets, partly offset by $1.25 billion in net proceeds received from the divestment of Ekibastuz GRES-1.

At 31 December 2014, the Group had $2.1 billion of cash and $0.8 billion funds available for drawing from the CDB Aktogay facility. The completion of the Restructuring in October 2014 has resulted in more profitable and cash generative operations, which, together with the funds on hand and available for drawing, provides the financial flexibility to deliver the major growth projects.

Operating Overview

The production profile of the Group's mining operations changed significantly during 2014 with the disposal of the copper mines, concentrators and smelters that were based in the Zhezkazgan and Central Regions on 31 October 2014.

The completion of the Restructuring has enabled the Group to focus on the smaller but cash generative mining operations in the East Region and at the Bozymchak mine ahead of the commissioning of Bozshakol and Aktogay oxide during the fourth quarter of 2015.

Ore extraction from the East Region and Bozymchak in 2014 was 6% above the prior year with the additional ore from the commissioning of Bozymchak during 2014 offsetting the lower output from the mature Yubileyno-Snegirikhinsky mine. Ore output from the East Region's key mines, Artemyevsky and Orlovsky, was consistent with the levels achieved in 2013.

Copper grades at the continuing operations declined from 2.41% in the prior year to 2.35% in 2014, mainly due to the additional ore from Bozymchak which had a copper grade of 1.00%. The mining of higher grade zones at Orlovsky and Artemyevsky raised the grade of ore extracted in the East Region above the prior year.

Overall, copper in ore output from the continuing operations was 4% above the prior year with the inclusion of ore extraction from the commissioning phase of Bozymchak. However, the volume of copper in ore processed was similar to the prior year with an increase in stockpiles at Bozymchak and at the Nikolayevsky concentrator, where capacity was restricted due to modernisation works that occurred primarily during the first half of 2014.

Copper in concentrate output from the East Region and Bozymchak in 2014 was 3.1 kt above the prior year at 89.9 kt. The increase in output was mainly due to the improvement in recovery rates at the Nikolayevsky concentrator as a result of modernisation work and a 0.7 kt contribution from Bozymchak.

In 2014, copper cathode production totalled 83.5 kt, which was at the upper range of the guidance provided for the year of 80 kt to 85 kt. Production was above the prior year due to the increase in copper in concentrate output and the build up of work in progress at the Balkhash smelter in 2013.

By-product metals are an important component of the continuing operations' business model with ore from the East Region containing significant volumes of zinc, gold and silver and Bozymchak also producing gold and silver. The production of by-products

Bozymchak, our copper and gold open-pit mine in Kyrgyzstan, commenced commissioning in 2014 and will ramp up in 2015 to commercial levels of production.

For more information, see pages
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46 Financial Review

contributed 35% of the continuing operations' revenues in 2014. Zinc in concentrate output in 2014 of 121.4 kt was above the guidance provided, but 9% below the prior year due to lower zinc grades at Artemyevsky and Yubileyno-Snegirikhinsky and the build up of stockpiles at the Nikolayevsky concentrator.

Silver granule output of 3,435 koz was in line with the guidance provided for 2014, but below the prior year mainly due to lower silver grades at Artemyevsky and a decline in concentrator recovery rates. Gold bar production decreased by 29% to 34.6 koz with the lower volume of gold extracted at Artemyevsky and Yubileyno-Snegirikhinsky and as bar production in the prior year benefited from a release of work in progress.

In the 10 month period prior to the completion of the Restructuring, the Disposal Assets extracted 27,119 kt of ore at a copper grade of 0.83% producing 171.3 kt of copper cathode equivalent. The Disposal Assets also produced 53.5 koz of gold bar and 3,608 koz of silver granule during the period to 31 October 2014. The captive power stations generated net power of 4,129 GWh in the 10 month period prior to the Restructuring which was 12% below the comparative 10 month period in 2013 due to lower demand and works to improve the long-term performance of the power stations.

Outlook

Copper cathode production from the East Region and Bozymchak is anticipated to be between 80 kt and 85 kt in 2015.

By-product output from the East Region mines is expected to temporarily decrease in 2015 as mining moves to lower grade zones at Artemyevsky and Orlovsky. The East Region is expected to produce between 90 kt to 95 kt of zinc in concentrate in 2015. Precious metal output from the East Region and Bozymchak will consist of silver granule production of 2,250 koz to 2,500 koz and gold bar production of 42 koz to 47 koz in 2015.

Limited saleable production is expected in the fourth quarter of 2015 during the commissioning of the Bozshakol concentrator and Aktogay oxide operations. Output from Bozshakol will be sold as copper concentrate to smelters in China. The Aktogay oxide operations will produce copper cathode.

Bozymchak is expected to have an average annual output of 6 kt of copper cathode and 28 koz of gold bar over the life of the mine.

MANAGING OUR RISKS

The Group is focused on the identification, assessment and management of risk by ensuring that appropriate internal controls are in place across the business. Risk management is of core importance in protecting the Group's stakeholders, shaping its strategy and maintaining its reputation.

The Group's approach to internal control is business risk driven, with an emphasis on operational, compliance and financial risks. Management has continued to develop the Group's risk evaluation process with risk profiling exercises undertaken by operating businesses to identify, evaluate and control risk. Further details of the Group's approach to internal control are set out in the Governance Framework section on pages 77 and 78.

Risk management

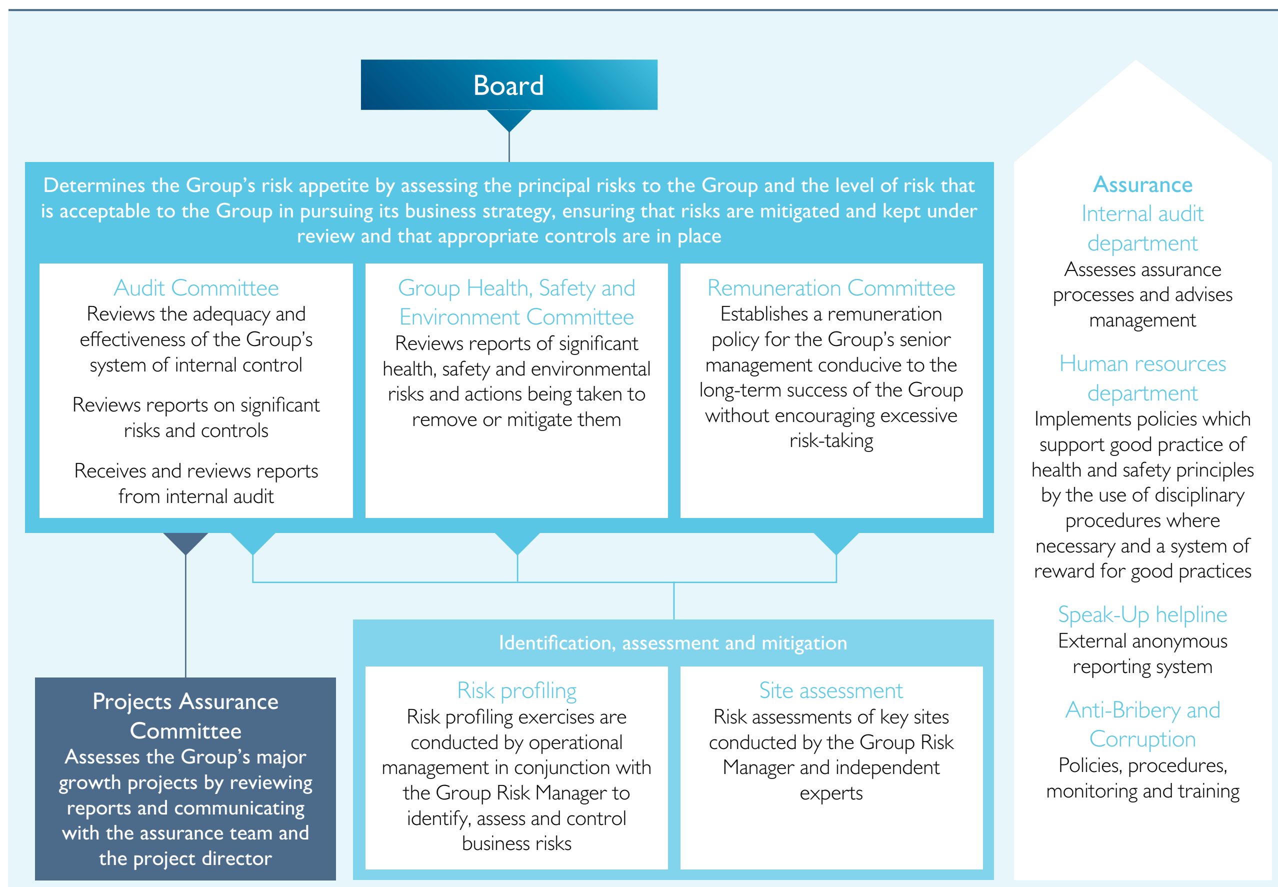
The Board has approved a formalised but pragmatic Group risk management framework. This framework is designed to provide assurance that risks are identified and managed in a manner appropriate to the operation of the Group's business. It comprises risk identification, assessment and management processes, together with risk response and monitoring activities.

The Board determines the Group risk strategy and the degree of risk required in order to fulfil its strategic goals. Overall management of these risks is vested in the Board, with the Audit Committee reviewing the Group's risk management framework and the Projects Assurance Committee assessing the Group's major growth projects at Bozshakol and Aktogay.

The Group Health, Safety and Environment Committee monitors health, safety and environmental risks across the Group whilst the Remuneration Committee ensures that the remuneration structure does not encourage excessive risk-taking by management.

The Group Risk Manager coordinates the risk assessment and identification activities, as well as facilitating the development of appropriate responses to identified risks. Details of the process

RISK GOVERNANCE STRUCTURE



For more information, see pages
58 Principal Risks
72 Governance Framework

for identifying and managing the Group's risks are set out below and further information on the risks identified with mitigating actions, where relevant, are set out in the Principal Risks section on pages 58 to 63.

Risk profile

Once the Group's principal risks have been identified, each risk is then assessed on the basis of likelihood of occurrence and impact on the Group. The principal risks are placed onto the Group risk map and regularly reviewed to ensure mitigating actions are in place and that they continue to be accurately represented as to their probability and impact. There are also other risks which have been identified by management but are not considered to be principal risks at the current time. These risks are also placed onto the Group risk map but are identified as risks being closely monitored by management. The risks set out below are not in order of likelihood of occurrence or materiality and should be viewed, as with any forward looking statements in this document, with regard to the cautionary statement on page 183.

Operational risks

KAZ Minerals' operations, financial results and reputation may be adversely affected by a number of internal and external factors impacting its businesses and employees. The following risks represent the principal operational risks identified by management:

- Health and safety
- Business interruption
- Political
- New projects
- Change management
- Employees
- Suppliers and contractors
- Labour and community relations
- Reserves and resources

Compliance risks

KAZ Minerals' operations, financial results and reputation may be adversely affected by a failure to comply with regulatory and statutory requirements. The following risks represent the principal compliance risks identified by management:

- Subsoil use rights
- Environmental compliance

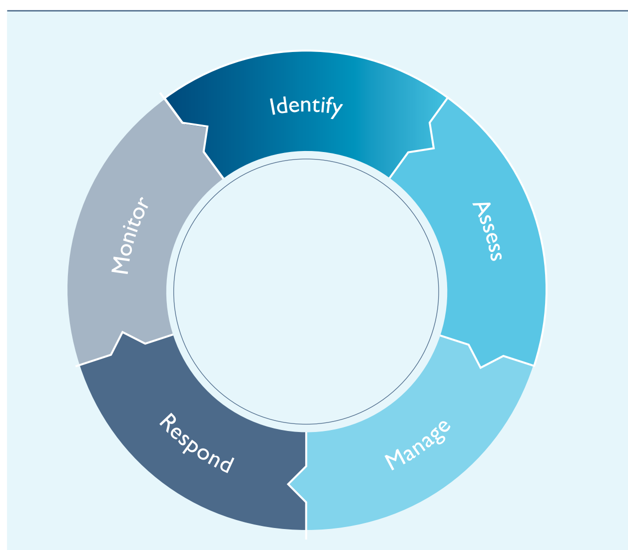
Financial risks

KAZ Minerals' operations, financial results and reputation may be adversely affected by the Group's financial strategy and changes in the global economy. The following risks represent the principal financial risks identified by management:

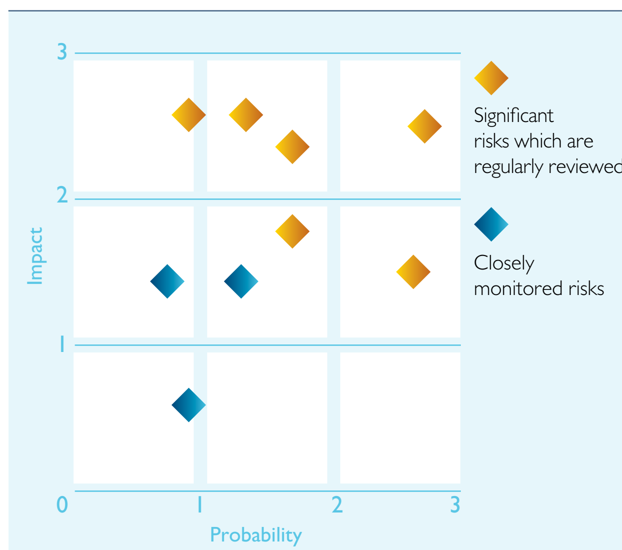
- Commodity prices
- Exposure to China
- Acquisitions and divestments
- Liquidity
- Taxation

A full description of our principal risks, including impact and mitigating actions, can be found on pages 58 to 63.

RISK MANAGEMENT FRAMEWORK



HOW WE PROFILE OUR RISK REPORTING



COMMITTED TO GOOD GOVERNANCE

Simon Heale, Chairman

The Board is responsible for the leadership of the Group and is dedicated to high standards of corporate governance in its management of the affairs of the Group and in its accountability to shareholders and other stakeholders.

Dear fellow shareholder,

I am delighted to present this introduction to the Company's corporate governance policies and procedures. I am fully committed to strong corporate governance and I firmly believe in the benefits an effective Board can bring to an organisation. I believe it is our governance structures that underpin our ability to deliver our strategy. In preparation for completion of the Restructuring, we reviewed our governance processes to ensure that they were appropriate for the new KAZ Minerals and as part of this review, we have recently implemented a related parties transaction policy and a competition policy. Please see page 77 of the Governance Framework report for further details.

During 2014, the Financial Conduct Authority ('FCA') published amendments to the Listing Rules, which include changes affecting premium listed companies with a controlling shareholder. 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 the votes cast by the independent shareholders of the Company (which excludes the Concert Party), as well as by a majority of the votes cast by all shareholders.

The Annual Report and Accounts has been prepared in accordance with the UK Corporate Governance Code which was issued in September 2012 (the 'Code') by the Financial Reporting Council (the 'FRC') and is available to view at www.frc.org.uk. The Company is currently reviewing the provisions of the revised edition of the UK Corporate Governance Code published by the FRC in September 2014 which applies to companies with a premium listing on the London Stock Exchange with accounting periods beginning on or after 1 October 2014. These provisions will apply to the Company for the financial year ending 31 December 2015 and we are considering how best we can comply with them to ensure continued high standards of governance.

The Company's policies on corporate direction and control ensure that the Company applies all of the principles of good governance contained in the Code to the organisational structure it has adopted for conducting its business, reviewing its remuneration policy, maintaining relations with its shareholders, and the procedures adhered to in its financial reporting, internal control and assurance processes.

Accountability

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

The Governance Framework report set out on pages 72 to 87 explains in detail how the Company has applied the principles and complied with the provisions of the Code and also provides further details of the matters which the Board and its committees considered during the financial year. However, I would like to draw your attention to some specific areas.

Board role and effectiveness

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

Changes to the Board

There have been two changes to the Board during 2014. Eduard Ogay, executive Director, stepped down from the Board following completion of the Restructuring on 31 October 2014 and Andrew Southam, Chief Financial Officer, was appointed to the Board as an executive Director on 1 November 2014.

Lord Renwick, who has served on the Board as an independent non-executive Director since December 2005, will be stepping down at the conclusion of the forthcoming Annual General Meeting. Lord Renwick was one of the first independent non-executive Directors to join the Board and was instrumental to the Listing in 2005. His trusted

For more information, see pages
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counsel has been invaluable to the Group over the last nine years. John MacKenzie, a senior mining executive, will be joining the Board as an independent non-executive Director on 1 March 2015 and we look forward to him joining us. Please see page 86 of the Governance Framework report for further details.

Internal control and risk management

The Board has overall responsibility for the Group's system of internal control and risk management and for reviewing its effectiveness. We have therefore adopted a risk-based approach in establishing this process. The Group, in the course of its business activities, is exposed to financial, operational and compliance risks. Overall management of these risks lies with the Board, with the Audit Committee having delegated authority for reviewing the Group's risk management framework. More detailed information on the Group's system of internal control and risk management can be found in the Governance Framework report on pages 77 and 78 and the Risk Management Overview section on pages 28 and 29.

Shareholder engagement

Engaging with shareholders is one of the key aspects of good corporate governance. Throughout the year, the Chief Executive and the Chief Financial Officer supported by the Group's investor relations team regularly meet with institutional shareholders and sell-side analysts. The Board also receives regular reports from the Corporate Communications department on its activities and, in particular, on shareholder sentiment and feedback.

The Board continues to believe that ongoing engagement with shareholders and other stakeholders is vital to ensuring their views and perspectives are fully understood. This will remain a key focus for us in 2015.

As well as the Annual General Meeting held on 8 May 2014, the Company (under its former name of Kazakhmys PLC) convened two further general meetings on 7 January 2014 and 15 August 2014 to request shareholder approval of two important transactions, the latter general meeting to approve the Restructuring and change of name of the Company to KAZ Minerals PLC, both of which took effect from 31 October 2014. At both general meetings, members of the Board who were present made themselves available to discuss the proposed transactions with shareholders. We received strong shareholder approval in respect of these transactions and are grateful for your support as we take KAZ Minerals forward.

At the Company's forthcoming Annual General Meeting, all Directors who are able to attend will be available, as usual, to meet with shareholders after the meeting to discuss any issues they may have. I encourage as many shareholders as possible to attend the Annual General Meeting on 7 May 2015.

Committee framework

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

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

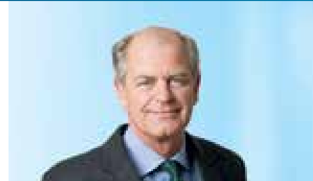
I look forward to leading the Board through this time of transformation and continuing to develop and strengthen our corporate governance framework to meet the changes ahead as the new KAZ Minerals.

Simon Heale
Chairman

BOARD COMMITTEES

Michael Lynch-Bell,
Chair
Audit Committee

See page 80



Charles Watson,
Chair
Group Health, Safety and Environment Committee

See page 84

Simon Heale,
Chair
Nomination Committee

See page 86

Lord Renwick of Clifton, KCMG
Chair
Remuneration Committee

See page 88

EXPERIENCED LEADERSHIP

1 Simon Heale, Non-executive Chairman

Appointed to the Board: 2007
Nationality: British
Skills and experience: Simon Heale has significant global marketing and business operations and management experience having been chief operating officer of Jardine Fleming Limited, deputy managing director of Cathay Pacific Airways and chief executive of The London Metal Exchange. He has also been a non-executive director and chairman of Panmure Gordon & Co plc, and a non-executive director of PZ Cussons plc, Morgan Advanced Materials PLC and Coats plc.
Other appointments: Chairman of Gulf Marine Services PLC and a non-executive director of Marex Spectron Group Limited. He is also a trustee and treasurer of Macmillan Cancer Support.
Committee memberships: Chair of the Nomination Committee and member of the Group Health, Safety and Environment, and Remuneration Committees.

2 Oleg Novachuk, Chief Executive

Appointed to the Board: 2005
Nationality: Kazakhstani
Skills and experience: Oleg Novachuk joined the Group in 2001 and was appointed Chief Executive in 2007, having been Finance Director since 2005. He was formerly vice president of financial projects for Kazakhmys Corporation LLC and the financial adviser to the president of Kazakhmys Corporation LLC, and chairman of the board of directors of Kazprombank JSC.

3 Andrew Southam, Chief Financial Officer

Appointed to the Board: 1 November 2014
Nationality: British
Skills and experience: Andrew Southam joined the Company in February 2006 where he has held a number of positions in Finance, including Group Financial Controller. He was appointed Chief Financial Officer in May 2013. 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.

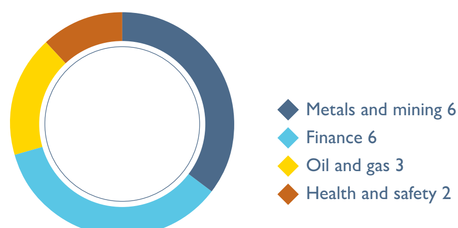
4 Michael Lynch-Bell, Non-executive Director and Senior Independent Director

Appointed to the Board: 2013
Nationality: British
Skills and experience: Michael Lynch-Bell has extensive experience in the mining, oil and gas industries having spent his whole 38 year career with Ernst & Young developing and later leading its global mining and energy practices. During his time 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 June 2012. He was previously a non-executive director of Equus Petroleum Plc.
Other appointments: Non-executive director of Seven Energy International Limited, Lenta Ltd and Transocean Partners LLC. He is also a trustee and treasurer of Action Aid International, a trustee of 21st Century Legacy and The Children of Sri Lanka Trust, and a member of the United Nations Expert Group on Resources Classification.
Committee memberships: Chair of the Audit Committee and member of the Nomination Committee.

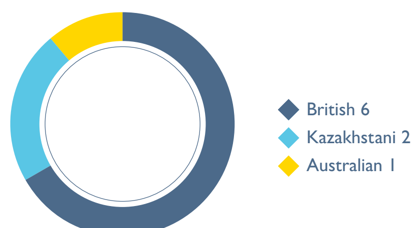
5 Lynda Armstrong OBE, Non-executive Director

Appointed to the Board: 2013
Nationality: British
Skills and experience: Lynda Armstrong, a geophysicist by training, has over 30 years' natural resources experience with Shell. During her time with Shell she held a number of senior exploration and operational roles, including director UK Exploration and New Business Development, exploration director of Petroleum Development Oman and technical vice president for Shell International.
Other appointments: Chair of the trustees of the British Safety Council, a non-executive director of the Central Europe Oil Company Limited, a director of Calyx Consulting Ltd and a member of the supervisory board of SBM Offshore N.V.
Committee memberships: Member of the Group Health, Safety and Environment, and Remuneration Committees.

Directors' experience/background



Directors' nationality



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6 Clinton Dines, Non-executive Director

Appointed to the Board: 2009
Nationality: Australian
Skills and experience: Clinton Dines has been involved in business in China since 1980, including senior positions with the Jardine Matheson Group, Santa Fe Transport Group and Asia Securities Venture Capital. In 1988, he joined BHP as their senior executive in China and, following the merger of BHP and Billiton in 2001, became president, BHP Billiton China, a position from which he retired in 2009 prior to joining KAZ Minerals. He brings exceptional knowledge of China combined with global resource industry and management experience. He was previously executive chairman, Asia of Caledonia (Private) Investments Pty Limited and a member of the advisory board of Pacific Aluminium.
Other appointments: Non-executive director of Zanaga Iron Ore Company Limited and Aurecon Group Brand (Pte) Ltd and a director of North Queensland Airports.
Committee memberships: Member of the Audit, and Group Health, Safety and Environment Committees.

7 Vladimir Kim, Non-executive Director

Appointed to the Board: 2005
Nationality: Kazakhstani
Skills and experience: Vladimir Kim joined the Group in 1995, when he was appointed managing director and chief executive officer of Zhezkazgantsvetmet JSC and was elected chairman of the board of directors of that company in 2000. He was appointed Chairman of the Company in 2005 prior to its listing on the London Stock Exchange. 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 Kim brings extensive Kazakh mining experience and effective Board management skills. Vladimir Kim stepped down as Chairman in May 2013 but remains on the Board as a non-executive Director.

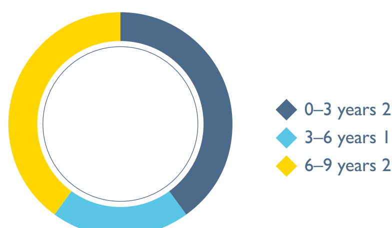
8 Lord Renwick of Clifton, KCMG, Non-executive Director

Appointed to the Board: 2005
Nationality: British
Skills and experience: Lord Renwick has had a diplomatic career spanning over 30 years, including serving as British Ambassador to the United States and to South Africa. He was a non-executive director of BHP Billiton plc, SABMiller plc, British Airways plc, Liberty International plc, Fluor Corporation, Harmony Gold Mining Company Limited and Bumi plc. Lord Renwick's diplomatic, financial and mining experience make him a valuable contributor to the Board. He previously served as vice chairman, Investment Banking of J.P. Morgan Europe and vice chairman of J.P. Morgan Cazenove.
Other appointments: Senior adviser to J.P. Morgan, deputy chairman of Fleming Family & Partners Limited and a non-executive director of Compagnie Financière Richemont SA.
Committee memberships: Chair of the Remuneration Committee and member of the Nomination Committee.

9 Charles Watson, Non-executive Director

Appointed to the Board: 2011
Nationality: British
Skills and experience: Charles Watson has an extensive background in both operational management and major project delivery, having spent 29 years at Shell. During his time at Shell he held a number of senior executive positions throughout the world, culminating in his appointment as executive vice president covering 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.
Other appointments: Non-executive director of Taipan Resources Inc. and JSOC Bashneft.
Committee memberships: Chair of the Group Health, Safety and Environment Committee, and member of the Audit and Remuneration Committees.

Length of tenure of independent non-executive Directors



- 0–3 years 2
- 3–6 years 1
- 6–9 years 2

REMUNERATION REPORT

Lord Renwick of Clifton, KCMG,
Chair of the Remuneration Committee

Dear fellow shareholder,

On behalf of the Board, I am pleased to introduce the 2014 Directors' Remuneration Report which sets out details of the remuneration policy for executive and non-executive Directors, describes how the remuneration policy is implemented and discloses the amounts paid relating to the year ended 31 December 2014.

This report includes an Annual Report on Remuneration (pages 92 to 100) which describes how the remuneration policy was implemented for the year ended 31 December 2014 and how we intend to apply the policy for 2015. The annual report together with this annual statement will be put to an advisory shareholder vote at the 2015 Annual General Meeting.

To maximise clarity and transparency, for reference, we have also republished our remuneration Policy Report in an abridged form (pages 88 to 91). Our remuneration policy received binding shareholder approval at the 2014 Annual General Meeting. The Committee is satisfied that the policy remains appropriate and fit for purpose and intends that it will cover a three year period to the 2017 Annual General Meeting.

Objectives of the Committee

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

During 2014, the Group underwent and completed a major restructuring. This resulted in the disposal of a number of mature assets in the Zhezkazgan and Central Regions of Kazakhstan, which was subject to both regulatory and shareholder approval, and now positions the Group as a high growth copper company focused on large scale, low cost, open-pit mining in Kazakhstan and able to achieve sustainable positive Free Cash Flow. This was a key step in achieving the Group's primary strategic objectives of optimising its assets and delivering its major growth projects. The Committee believes that achievement against these objectives will deliver strong long-term financial performance and shareholder value on a sustainable basis. Therefore, in determining the levels of executive reward, the Committee continues to place emphasis on ensuring a strong and demonstrable link between actual remuneration received, and the achievement of KAZ Minerals' strategic and business objectives. Although the Committee recognises the pivotal role the Chief Executive had to play in the delivery of this strategic objective, as a reflection of the reduced size and scale of the Group, his incentive opportunity has been reduced.

Remuneration structure

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

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

Remuneration for 2015

In light of the Restructuring, during 2014 the Committee reviewed overall levels of pay and incentive opportunity to ensure they remain appropriate given the reduction in size and scale of the Group. The key points in relation to how we are implementing our policy for 2015 are as follows:

- salaries will not be increased from 2014 levels.
- the Chief Executive will continue not to receive any pension provision.
- maximum bonus opportunity for the Chief Executive was reduced from 200% to 150% of salary from 1 January 2014.
- LTIP award levels for the Chief Executive will be reduced from 200% to 150% of salary.

For more information, see pages
88 Remuneration Report

Changes to the Board

Following completion of the Restructuring on 31 October 2014, Eduard Ogay, executive Director, stepped down from the Board and left the Group. Eduard Ogay did not receive any payments for loss of office and his outstanding LTIP awards were time pro-rated based on the period of time from their respective date of award to his date of leaving the Group and, subject to the satisfaction of their respective performance conditions, will vest on their normal date of vesting.

Andrew Southam, Chief Financial Officer, was appointed to the Board as an executive Director on 1 November 2014. Upon appointment to the Board his salary was not increased and his incentive opportunity will remain the same as that he received prior to his appointment.

2014 performance and reward

The Group underwent a transformational change this year following completion of the Restructuring, which leaves KAZ Minerals as a more cash generative and leaner business well positioned to deliver substantial production growth. Despite the challenging market conditions, the executive management team were able to deliver solid operational performance for the continuing operations with copper cathode production in line with external guidance. Financial performance was affected by lower commodity prices, but EBITDA (excluding special items) for the continuing operations was broadly in line with budget as cost savings offset the fall in revenues. The cash costs of the Group had been significantly reduced as a result of the divestment of the higher cost Disposal Assets, and cash costs for the continuing operations were lower than forecast as management were successful in mitigating inflationary pressures and due to strong zinc by-product credits. Bozshakol is on track for commencement of commissioning in the fourth quarter of 2015. A change in contractor strategy was initiated at Aktogay with an additional contractor appointed during the year leading to an increase in the overall budget cost for the project of around $300 million. Although there was a huge and continuing effort on safety, with a reduction in fatalities for a fifth consecutive year, the safety performance remains far from what it needs to be, so the Committee has therefore scaled back resulting bonuses.

It is expected that the 2012 Long Term Incentive Plan awards, measuring performance from 1 January 2012 to 31 December 2014 and 1 June 2012 to 31 May 2015 (combined 41 month performance period) will lapse on 1 June 2015 on failing to achieve the required total shareholder return target.

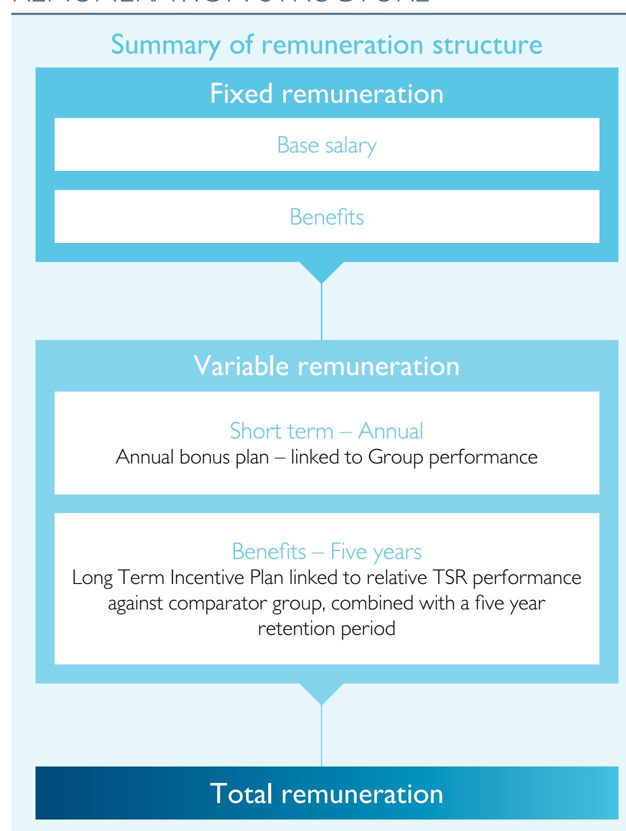
Shareholder engagement

The Committee is committed to an open and transparent dialogue with shareholders on the issue of executive remuneration. During the year we received feedback from a number of institutional shareholders on the implementation of our remuneration policy, for example on the issue of incentive opportunity. The Committee considered this feedback, along with other feedback received during the year, as part of the annual review of the implementation of our remuneration policy.

As set out above, the Annual Report on Remuneration and this annual statement will be subject to an advisory vote at the forthcoming Annual General Meeting, and I have no hesitation in recommending it to shareholders. The members of the Committee will be happy to answer any questions on remuneration matters at the Annual General Meeting and are available at any other time to discuss feedback on the remuneration policy and its implementation.

Lord Renwick of Clifton, KCMG
Chair of the Remuneration Committee

EXECUTIVE DIRECTOR REMUNERATION STRUCTURE



Bozshakol

Bozshakol is a large scale, low cost, open-pit copper mining project currently in the final stages of construction, scheduled to commence commissioning in Q4 2015. The mine has 4.2 MT of contained copper at a grade of 0.36% and will produce 100 kt of copper per annum in the first 10 years of operations.

For more information about our major growth projects, go to **www.kazminerals.com**

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OPERATING REVIEW

MINING PRODUCTION SUMMARY

Key achievements

Copper cathode production from the continuing operations was strong in 2014 and at the upper end of our guidance. The new copper and gold mine at Bozymchak made its first shipment of copper concentrate in December 2014. The modernisation project at the Nikolayevsky concentrator has successfully increased the recovery rates and processing capacity of the plant in 2014.

4,628 kt
ORE PRODUCTION

83.5 kt
COPPER CATHODE PRODUCTION

121.4 kt
ZINC PRODUCTION

3,435 koz
SILVER GRANULE PRODUCTION

34.6 koz
GOLD BAR PRODUCTION

REVIEW OF MINING OPERATIONS

Following the completion of the Restructuring, the Group has disposed of 12 copper mines, four concentrators, two smelters and two coal mines based in the Zhezkazgan and Central Regions. The operational and financial performance of these mining Disposal Assets was previously reported within the Mining Division. As the Disposal Assets have been treated as a discontinued operation in the Group's financial statements, the operational and financial performance of the mining Disposal Assets have been reported separately from the continuing operations.

The continuing operations incorporate the Group's mining, concentrating and auxiliary operations in the East Region, the Bozymchak mine, the major growth projects, and the sales operation in the United Kingdom.

East Region and Bozymchak Production Summary

Copper

kt (unless otherwise stated)	2014	2013
Ore output[1]	4,628	4,350
Copper grade (%)	2.35	2.41
Copper in ore mined	108.7	104.7
Copper in concentrate[1]	89.9	86.8
Copper cathode production[1]	83.5	76.8

1 Includes output from the commissioning of Bozymchak in 2014.

Ore extraction from the East Region and Bozymchak increased to 4,628 kt in 2014, 6% above the prior year. The increase was primarily due to additional output from the commissioning of Bozymchak during 2014. Ore production from the mature Yubileyno-Snegirikhinsky mine was lower in 2014 with the mine expected to cease operation within the next two years. Ore output from the Orlovsky and Artemyevsky mines was consistent with the prior year and they produced 74% of the continuing operations' copper in ore in 2014.

The average copper grade of 2.35% was below the prior year, reflecting the additional output from Bozymchak at a grade of 1.00% and the declining grades at Yubileyno-Snegirikhinsky as the mine matures. Copper in ore output benefited from the mining of copper rich sections at Orlovsky in the first half of 2014 with grades exceeding 3.80% before reducing to just above 3% by the end of the year. The average copper grade at Artemyevsky was also higher at an average of 1.78% compared to 1.68% in the prior year.

The continuing operations extracted 108.7 kt of copper in ore in 2014 which was 4% above the prior year with the additional output from Bozymchak and the higher copper grades at Orlovsky and Artemyevsky.

The volume of copper in ore processed at the concentrators of 102.1 kt in 2014 was similar to the prior year despite the 4 kt increase in copper in ore extracted. This was due to the build up in ore stockpiles at the Bozymchak concentrator during its commissioning and the modernisation works at the Nikolayevsky concentrator which restricted the capacity of the processing plant during the first half of 2014. Compared to the prior year, the volume of ore processed at the Nikolayevsky concentrator increased in 2014 with a reduction in ore processed externally.

kt	2014	2013
Orlovsky concentrator	50.7	47.6
Nikolayevsky concentrator	27.8	14.5
Other[1]	10.7	24.7
Bozymchak concentrator	0.7	–
Copper in concentrate production	89.9	86.8

1 Includes third party processing.

Copper in concentrate production in 2014 was 3.1 kt above the prior year reflecting the improvement in recovery rates at the Nikolayevsky concentrator as a result of modernisation work and initial output from Bozymchak of 0.7 kt.

Copper cathode production increased by 6.7 kt to 83.5 kt in 2014 with the additional copper in concentrate output of 3.1 kt and as cathode production in the prior year was also negatively impacted by the build up of work in progress.

Copper cathode production from the East Region and Bozymchak is anticipated to be between 80 kt and 85 kt in 2015. Ore extraction and grades at Orlovsky and Yubileyno-Snegirikhinsky are expected to be below the level in 2014 but this will be offset by higher copper output from Bozymchak.

Zinc

kt (unless otherwise stated)	2014	2013
Zinc bearing ore mined	4,202	4,350
Zinc grade (%)	4.07	4.16
Zinc in ore mined	171.1	180.7
Zinc in concentrate	121.4	133.8

The East Region extracted 171.1 kt of zinc in ore in 2014, a decrease of 9.6 kt when compared to the prior year. The decline in the zinc in ore mined was driven by the lower volume of ore extracted along with the decline in zinc grades at all the mines, except Orlovsky where zinc rich zones were exploited in 2014.

Zinc in concentrate production of 121.4 kt in 2014 was 12.4 kt below the prior year reflecting the lower volume of zinc in ore mined and the stockpiling of ore while modernisation works took place at the Nikolayevsky concentrator.

Zinc in concentrate production from the East Region is expected to be between 90 kt and 95 kt in 2015, as zinc grades at Artemyevsky and Orlovsky decrease from the level achieved in 2014 as production temporarily moves to lower grade areas.

Silver

koz (unless otherwise stated)	2014	2013
Silver bearing ore mined (kt)	4,628	4,350
Silver grade (g/t)	54.54	63.87
Silver in ore mined	8,117	8,933
Silver in concentrate	3,862	5,164
Silver granule	3,435	4,685

The continuing operations mined 8,117 koz of silver in ore in 2014. This was 816 koz below the prior year with the fall in silver grades at Artemyevsky which more than offset the higher grades at Orlovsky. The average silver grade of 54.54 g/t was also below the prior year as a result of the additional ore output from Bozymchak at a below average silver grade of 10.07 g/t.

The continuing operations produced 3,435 koz of silver granule in 2014 which was 1,250 koz below the prior year due to the lower volume of silver in ore mined and a decrease in recovery rates at the concentrators with the processing of lower grade material.

Silver granule production from the East Region and Bozymchak is expected to be between 2,250 koz and 2,500 koz in 2015. The decline in silver production is principally due to the anticipated fall in grades at Orlovsky and Artemyevsky where mining is temporarily moving to lower grade zones.

Gold

koz (unless otherwise stated)	2014	2013
Gold bearing ore mined (kt)	4,628	4,350
Gold grade (g/t)	0.91	0.86
Gold in ore mined	135.4	120.5
Gold in concentrate	39.5	46.9
Gold bar	34.6	48.6

The continuing operations produced 135.4 koz of gold in ore in 2014. The gold in ore extracted was 14.9 koz above the prior year as the 25 koz of additional gold output from Bozymchak was partially offset by a decrease in gold grades at Artemyevsky and declining ore output from Yubileyno-Snegirikhinsky.

Gold bar production of 34.6 koz in 2014 was 14.0 koz below the prior year as the higher volume of gold in ore extracted was offset by the build up of ore stockpiled at Bozymchak during the commissioning of the concentrator in 2014. Gold bar production in 2013 also benefited from the release of gold work in progress at processing facilities.

Gold bar production for the East Region and Bozymchak is expected to be between 42 koz and 47 koz in 2015. This is above the levels in 2014 as higher production from Bozymchak offsets the decline in grades at Orlovsky and Artemyevsky.

East Region Financial Summary

$ million (unless otherwise stated)	2014	2013
Sales revenues:	**846**	931
Copper cathode	**550**	589
Zinc concentrate	**144**	143
Silver granule	**78**	106
Gold bar	**44**	63
Other	**30**	30
Average realised price of copper cathode ($/t)	**7,040**	7,231
EBITDA (excluding special items)	**403**	432
Gross cash costs (USc/lb)	**257**	278
Net cash costs (USc/lb)	**85**	87
Capital expenditure	**55**	75
Sustaining	**53**	72
Expansionary	**2**	3

Revenues

The revenues generated by the East Region decreased by 9% or $85 million in 2014 to $846 million. The 9% fall in revenues primarily reflected the weaker pricing environment on the LME and LBMA markets for copper, gold and silver products and lower copper cathode and precious metal sales volumes in 2014.

Revenue from copper cathode sales fell by 7% to $550 million in 2014, driven by a 3% decrease in realised prices and a 4% decline in sales volumes. The average realised price for copper cathode sales reduced to $7,040 per tonne with the lower average LME copper price during 2014. The realised copper cathode price was above the average LME copper price of $6,862 per tonne in 2014 mainly due to the timing of the sales and the premium received on the sale of copper cathode to reflect the terms of trade.

The East Region sold 78.2 kt of copper cathode in 2014 which was 4% below the levels in the prior year and 5.3 kt less than the volume produced in 2014. Sales volumes in 2014 were negatively impacted by the build-up of finished goods due to the low inventory levels at the start of 2014 and delays to shipments across the Chinese border at the end of the year.

Revenue from the sale of zinc concentrate was consistent with the prior year as higher prices offset the decline in sales volumes. The realised price for zinc concentrate sales rose by 13% to $1,185 per tonne of contained zinc content in 2014, mirroring the rise in the average LME zinc price to $2,164 per tonne. Zinc concentrate sales are priced by reference to the LME zinc price less processing charges. Zinc concentrate sales fell by 11% to 121.9 kt, mainly due to the 9% decline in production in 2014.

Silver granule revenues fell by $28 million to $78 million in 2014 principally due to the 23% reduction in the average realised price for silver in 2014. Sales of silver granule were 4% below the prior year at 4,224 koz with the 27% decline in production offset by the release of inventory in 2014.

Gold bar revenues of $44 million in 2014 were negatively impacted by both lower sales volumes and prices. Gold bar sales of 35.7 koz were 13.3 koz below the prior year with the reduction in production in 2014. The realised price for gold bar declined by 5% to $1,226 per ounce due to the weaker LBMA prices in the year.

Other revenue includes income from the sale of lead by-products along with sulphuric acid. The East Region acquires sulphuric acid as a by-product of the smelting of copper in concentrate at the Balkhash smelter. Other revenue also included non-recurring income of $10 million from the sale of by-product stock during 2014.

EBITDA (excluding special items)

EBITDA was $29 million below the prior year as the $85 million decline in revenues was partially offset by a reduction in total cash operating costs.

Total cash operating costs reduced by 11% principally due to the devaluation of the tenge in February 2014 and the cost control measures undertaken. The reduction in total cash operating costs improved the EBITDA margin to 48% in 2014 compared to 46% in the prior year.

Total cash operating costs benefited from the devaluation of the tenge, which traded at an average rate of 179.19 KZT/$ in 2014, compared to 152.13 KZT/$ in the prior year. The 18% decline in the average value of the tenge against the US dollar reduced tenge denominated costs such as salaries, ore transportation, repair services, and electricity charges when stated in US dollars. Tenge denominated costs are estimated to have made up around 55% of the East Region's cash operating costs during the year.

The devaluation did have an inflationary impact on cash operating costs in the second half of 2014 with suppliers renegotiating tariffs for external services such as transportation and repair services, although management ensured that the increases were limited. Pay awards of 10% were made to operational employees in April 2014 to provide some compensation for the tenge devaluation. Employee costs increased due to the introduction of a 5% compulsory pension contribution on salaries at the start of 2014.

The cost of electricity supplied fell in US dollar terms as the tenge devaluation offset the 8% rise in electricity tariffs, from 5.10 KZT/kWh in the prior year to 5.50 KZT/kWh in 2014. The ceiling tariff applicable to the power stations which supply electricity to the East Region in 2014 increased to 6.00 KZT/kWh in 2015.

The cost of external ore processing services reduced from the prior year as the volume of ore processed by a third party in the East Region fell significantly in 2014 due to the increased capacity of the Nikolayevsky concentrator in the second half of the year. In 2015, the ore extracted in the East Region is expected to be processed internally at the three concentrators in the region.

From the date of the economic separation of the East Region from the mining Disposal Assets the copper concentrate produced from the East Region in 2014 was processed at the Balkhash smelter under the terms of the contract with Cuprum Holding. Under the agreement, a copper treatment and refining charge of $124 per tonne and 12 USc/lb respectively has been applied. This contributed to an increase in operating costs in the second half of 2014 as prior to the economic separation smelting charges were incurred at cost.

A number of cost control measures introduced by management benefited cash operating costs during 2014. The measures included the suspension of the Berezovsky concentrator at the end of 2013 to raise the utilisation of the three remaining concentrators and reduce costs within the business. Overhead costs were reduced with the combination of the administration departments at the Yubileyno-Snegirikhinsky and the Artemyevsky mines.

The East Region's administration function has been strengthened in the second half of 2014 following the region's separation from the mining Disposal Assets to incorporate the services previously performed centrally for the Mining Division. Social responsibility costs were consistent with the prior year as the Group continued to support the local communities in which it operates.

Cash costs

The gross and net cash cost of copper cathode sold is a measure of the cost efficiency of the East Region's operations. The gross cash cost declined by 8% or 21 USc/lb to 257 USc/lb in 2014, reflecting the beneficial impact of the tenge devaluation and the cost control measures undertaken in the East Region. These factors offset the 4% reduction in copper cathode sales volumes which negatively affected cash costs on a per unit basis compared to the prior year.

The net cash cost decreased by 2% or 2 USc/lb to 85 USc/lb in 2014 with the fall in gross cash costs offset by the reduction in by-product credits, due to the lower commodity prices for gold and silver and a decline in by-product sales volumes.

The gross cash cost for 2014 includes only the operational cash costs directly attributable to the East Region prior to their economic separation from the mining Disposal Assets on 1 August 2014. The East Region's operating cash costs in the period before the economic separation therefore do not fully reflect the cost of services which were provided centrally for the Mining Division and do not include the costs of services such as smelting and maintenance services on the terms agreed with Cuprum Holding. The second half gross cash cost of 277 USc/lb on copper cathode sales of 39 kt is therefore considered more representative of the performance of the East Region as a stand-alone business. The net cash cost in the second half of 2014 was 107 USc/lb.

The East Region and Bozymchak's gross cash cost of copper sold is expected to be between 280 USc/lb and 300 USc/lb in 2015. Gross cash costs are forecast to be slightly above the level in the second half of 2014 with muted inflation anticipated, particularly with the decline in commodity prices and as the smelting and refining charges at the Balkhash smelter will remain at 2014 levels. The gross cash cost guidance includes the full year effect of the separation of the business and the Bozymchak mine which will be ramping up operations in 2015. Bozymchak will have a gross cash cost that is above the East Region operations, although the mine's net cash costs will benefit from strong gold by-products. The net cash cost in 2015 is expected to rise mainly due to the lower by-product production volumes with the decline in metal grades at Orlovsky and Artemyevsky.

Sensitivity analysis on prices

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

The approximate effect on the profit before finance items and taxation resulting from a 10% movement in average realised commodity prices on the Group's results is shown in the following table. These sensitivities are based on the 2014 financial results for the continuing operations and assume that all other variables remain constant.

	Average realised price		Impact of 10% movement on profit[1]
	2014	2013	$ million
Copper cathode ($/t)	**7,040**	7,231	51
Zinc concentrate ($/t)	**1,185**	1,048	12
Silver granule ($/oz)	**18.6**	24.1	7
Gold bar ($/oz)	**1,226**	1,288	4

1 Profit before taxation and finance items.

Capital expenditure

Sustaining

Sustaining capital expenditure totalled $53 million in 2014, which was $19 million below the prior year mainly due to the additional spend in 2013 on infrastructure and the modernisation of the Nikolayevsky concentrator.

During 2014, capital expenditure covered the replacement of mining equipment along with spend to maintain output at mines and concentrators. Funding was allocated for shafting and development works at a number of mines to provide access to new sections and improve ventilation systems. The East Region also maintains transportation, heating and electricity infrastructure for its operations and the local community which required investment during the year.

A number of projects were implemented to improve the efficiency of the operations. These projects have included the upgrade of information systems at mines to reduce downtime and operating costs and spend to improve the logistics arrangements.

The modernisation work to increase the capacity and recovery rates achieved at the Nikolayevsky concentrator advanced during 2014. The majority of the modernisation project has now completed with improvements to the grinding, flotation and reagent sections delivered. This has resulted in a 38% increase in the volume of ore processed in the second half of 2014 at the concentrator when compared to the first half of the year and a significant improvement in recovery rates above the levels in the prior year. The final stages of the project which include the upgrade of the thickening and filtration sections are planned to be completed by the middle of 2015.

In 2015, the East Region's sustaining capital expenditure requirements are expected to be between $80 million and $100 million. The sustaining capital expenditure in 2015 will include around $25 million on work to optimise the transportation of ore between Artemyevsky and the Nikolayevsky concentrator along with final spend on the modernisation of the Nikolayevsky concentrator.

Expansionary

The study work on the extension of the operational life of the existing Artemyevsky mine continued during 2014. The project is currently at the feasibility stage which is expected to complete in the second half of 2015. The mine extension at Artemyevsky is anticipated to commence output in 2017 and operate for 12 years at an eventual capacity of 1.5 MT of ore per annum. The average copper grade at the mine is expected to be around 1.50% with strong by-products of zinc, gold and silver.

The mine will utilise the existing infrastructure and ore will continue to be processed at the Nikolayevsky concentrator. During 2015, a further $20 million is expected to be invested in the project to complete the feasibility study and, subject to confirmation of the study results, some initial development of shafts at the mine in late 2015.

Bozymchak Financial Summary

$ million	2014	2013
EBITDA (excluding special items)	(4)	(3)
Capital expenditure (expansionary)	37	75

The Bozymchak copper-gold mine and concentrator is located in Kyrgyzstan. During 2014, the key components of the project were completed with the permanent shift camp, auxiliary support facilities, concentrator and tailing dams now operational.

Ore output of 426 kt was produced from the open-pit mine in 2014 and the concentrator is progressing through the commissioning phase. During commissioning, the concentrator produced 0.7 kt of copper in concentrate and 4.0 koz of gold in concentrate. Output from the concentrator will ramp up in 2015 and, following further optimisation, is expected to reach design capacity during 2016.

The negative EBITDA reported in 2013 and 2014 represents the operational readiness costs incurred in preparing the project for commercial production.

The expansionary capital expenditure of $37 million in 2014 includes production costs of $3 million which have been capitalised while Bozymchak ramps up to commercial production levels. The mine is expected to reach commercial production levels during the first half of 2015, with net revenues set off against capital expenditure until this is achieved.

Copper concentrate produced from Bozymchak is processed with concentrate from the East Region at the Balkhash smelter into copper cathode and gold bar for sale to third parties. The mine is expected to produce average annual output of 6 kt of copper cathode and 28 koz of gold bar over the 18 year operational life of the deposit.

The project is forecast to require capital expenditure excluding capitalised revenues and operating expenditure of around $25 million in 2015. The capital expenditure will include the completion of commissioning works, ongoing mine stripping costs and maintenance expenditure.

Mining Projects Financial Summary

The Mining Projects segment includes the Group's project companies, whose responsibility is the development of Bozshakol, Aktogay and Koksay.

$ million	2014	2013
EBITDA (excluding special items)	(14)	(11)
Capital expenditure (expansionary)	1,096	660

The negative EBITDA from Mining Projects in 2013 and 2014 represents the overhead costs incurred in preparing the major growth projects for commercial production. These costs were previously included within the Mining Division.

Bozshakol

The Bozshakol sulphide ore deposit is located in the north of Kazakhstan. The deposit has a JORC resource of 1,170 MT of ore with 4.2 MT of contained copper at a grade of 0.36%. The Bozshakol mine and concentrator will have a production life of over 40 years, including the processing of stockpiled ore for four years. The deposit also contains by-products of gold, silver and molybdenum and has an estimated life of mine strip ratio of 0.7:1.

Significant progress has been made on the project during 2014 with a number of key milestones completed. During 2014, capital expenditure on the project, excluding capitalised interest on debt facilities, was $0.5 billion with around $1.3 billion having been spent in total on the fully funded project.

The mining equipment to develop the open-pit mine is on site and has been assembled with pre-production mining planned to commence in the first half of 2015. The recruitment of operational personnel has commenced and the permanent camp, which will house around 1,200 workers, was commissioned at the end of 2014. The training of the operational workers will include an extensive three month induction course focusing on safe operations. Overall, once operational, Bozshakol is anticipated to employ around 1,500 workers.

Work has progressed on the 220 kV transmission line from Ekibastuz GRES-1 to the site, the on-site 6.6 kV distribution system and the associated control systems which will support mining and processing activities. The mine and concentrator are expected to require 214 MW of electricity and the transmission line has been connected ahead of the commencement of pre-production mining.

The concrete and structural steel works have been completed for the primary crusher which has a processing capacity of 25 MT of ore per annum. The gyratory crusher is on site and the mechanical and electrical works required for the operation of the crusher have commenced. The processing of ore at the primary crusher is expected to commence in the second half of 2015.

The concrete work for the 3.8 km long conveyor system which was designed and supplied by FLSmidth has been completed. The conveyor will deliver ore from the primary crusher to the concentrator. The structural steel, mechanical and electrical works on the conveyor system will be finished during 2015.

The sulphide ore extracted from the open-pit mine will be processed by a 25 MT of ore per annum concentrator, producing 84 kt of copper in concentrate per annum for the first 10 years with gold, silver and molybdenum as by-products. The building housing the concentrator has been erected and insulated. The focus of the contractors is now on the installation of the SAG mill and two ball mills along with the fit out of the flotation and copper concentrate thickening sections of the concentrator.

A 5 MT per annum clay plant will also operate in addition to the sulphide concentrator, contributing a further 16 kt of copper in concentrate per annum in the initial years of its operation. The clay plant will be converted to process sulphide ore once the clay sections are exhausted after 15 years of operation. Construction works are progressing on the clay plant which is expected to start operation in the first half of 2016.

The limited copper concentrate expected from Bozshakol in the fourth quarter of 2015 will be exported to China using the existing national rail link. The revenue derived from the sale of copper concentrate will be determined after the deduction of the smelting and refining charges. The mine is expected to have an average copper cathode equivalent output of 100 kt and a net cash cost for copper cathode equivalent sales of 80 USc/lb to 100 USc/lb (in 2014 terms) for the first 10 years after the concentrator has been commissioned.

Final development capital spend of around $0.9 billion is anticipated in 2015 which will bring the total cost of the development of the mine, concentrator and infrastructure to $2.2 billion. In addition to the capital expenditure in 2015, there will be some build-up of

working capital related to the stockpiling of ore and the purchase of materials for the operation of the mine and concentrator. Revenues and operating costs will be set off against capital expenditure until commercial production levels are achieved.

Aktogay

The Aktogay project is located in the east of Kazakhstan and comprises a measured and indicated oxide ore resource of 121 MT with a copper grade of 0.37%, and a sulphide ore resource of 1,597 MT at a copper grade of 0.33%. The deposit also contains some molybdenum by-product. The project will include an open-pit mine and concentrator and has a production life of over 50 years.

During 2014, capital expenditure on the project, excluding capitalised interest on debt facilities, was $364 million. This spend included funding of site preparation works, with bulk earth works commencing and the development of infrastructure at the site, including electricity and water supply.

The Aktogay project will initially develop the deposit's oxide resource which is located above the sulphide ore body. The assembly of mining equipment has commenced to enable mining works to build up oxide ore stockpiles in 2015 for placement on the leaching pads.

The solution containing copper from the leaching pads will be processed at the SX/EW plant which will comprise two SX buildings and one EW building. The detailed engineering on the SX/EW plant has been completed and steelworks have commenced. Copper cathode output from the oxide deposit which is expected to operate for 11 years will average around 15 kt per annum.

The sulphide resource extracted from the Aktogay mine will be processed by a 25 MT of ore per annum concentrator based on the engineering used at Bozshakol. As previously announced, a number of contractors have been appointed to focus on separate aspects of the project. Non Ferrous China have been awarded the contract for the construction of the sulphide concentrator.

The first output from the sulphide processing plant is planned for 2017. Copper cathode equivalent production from sulphide ore will average 90 kt in the first 10 years of the concentrator's operation. Aktogay is expected to have a net cash cost for copper cathode equivalent sales of 110 USc/lb to 130 USc/lb (in 2014 terms) in the first 10 years after the commencement of the sulphide concentrator.

As at 31 December 2014, approximately $850 million of capital expenditure had been spent over the life of the project. The total capital cost for the Aktogay project is expected to be in the region of $2.3 billion with the development being primarily funded by a $1.5 billion project specific financing facility signed with CDB.

The project is forecast to require capital expenditure of between $0.5 billion and $0.7 billion in 2015. Limited copper cathode output is expected during the commissioning of the oxide operations in the fourth quarter of 2015. The SX/EW plant is anticipated to reach commercial production levels during the first half of 2016, with net revenues set off against capital expenditure until this is achieved.

Koksay

In June 2014, KAZ Minerals acquired a third major growth project, Koksay, for a purchase price of $260 million. The Koksay deposit is located in southeastern Kazakhstan around 230 km from Almaty and is well supported by existing transportation infrastructure.

Capital expenditure on the project totalled $229 million with payments made for the acquisition of the licence in 2014 and spend on exploratory drilling to verify the previous drilling results and to provide initial geological, geotechnical and hydrogeological data on the deposit.

The project is estimated to have a production life of over 20 years with average annual production of around 80 kt of copper cathode equivalent along with gold, silver and molybdenum by-products. The deposit has a measured and indicated mineral resource of 701 MT as at 31 December 2014 with a copper grade of 0.44%.

The project is forecast to require capital expenditure of up to $15 million in 2015 to complete initial exploration works and commence basic mine and concentrator design works. Final deferred consideration for the purchase of the licence of $35 million is also payable on 31 July 2015, subject to the confirmation of reserves. The timing of future capital expenditure on the project will be assessed based on the financial position of the Group.

REVIEW OF MINING DISPOSAL ASSETS

The mining Disposal Assets include the copper mines, processing facilities and auxiliary operations that are predominantly based in the Zhezkazgan and Central Regions. The operational and financial results for the mining Disposal Assets in 2014 cover the 10 month period to the completion of the Restructuring on 31 October 2014 and are classified as a discontinued operation in the Group's financial statements.

Mining Disposal Assets Production Summary

Copper

kt (unless otherwise stated)	2014	2013
Ore output	27,119	34,841
Copper grade (%)	0.83	0.81
Copper in ore mined	224.5	281.9
Copper in concentrate	186.6	227.8
Copper cathode equivalent production[1]	171.3	217.2
Cathode	89.5	185.7
Concentrate[2]	81.8	31.5
Copper rod production	9.0	12.1

1 Includes cathode converted into rod.

2 Copper cathode equivalent of copper in concentrate sold.

Ore output from the Disposal Assets' operating mines in the 10 months to 31 October 2014 totalled 27,119 kt. Ore extraction was 7% below the comparative 10 month period in 2013 with reduced mining at some high cost areas in the Zhezkazgan Region and with stripping work limiting production at the North mine. Ore output in the Central Region was also restricted due to equipment downtimes at Sayak and the suspension of output at the open-pit Abyz mine.

The average copper grade of 0.83% was marginally above the prior year, due to the mining of copper rich sections at Akbastau and Nurkazgan West while grades in the Zhezkazgan Region were consistent with the prior year.

The mining Disposal Assets produced 224.5 kt of copper in ore in the first 10 months of 2014 which was 4% below the comparative period in 2013. The decline in copper in ore output was driven by the 7% decrease in ore extraction, partially offset by higher grades in the Central Region.

Copper in concentrate production of 186.6 kt in the first 10 months of 2014 was 3% below output in the comparative period in 2013 with the fall in copper in ore output partially offset by higher concentrator recovery rates.

Copper cathode equivalent production of 171.3 kt was 6% below the comparable 10 month period in 2013, mainly due to the decline in copper in concentrate output and 21% below the prior year due to the shorter operational period reported in 2014.

Silver and gold

koz (unless otherwise stated)	2014	2013
Silver grade (g/t)	**8.87**	9.56
Silver granule equivalent production	**6,039**	9,663
Silver granule[1]	**2,431**	8,272
Silver granule equivalent in copper concentrate sold	**3,608**	1,391
Gold grade (g/t)	**0.42**	0.48
Gold bar[1]	**53.5**	58.9

1 Includes slimes from purchased concentrate and output from the former Kazakhmys Gold's mines.

Silver in ore mined in the first 10 months of 2014 was 12% below the comparative period in 2013 at 7,730 koz due to the decline in ore output and silver grade in the Zhezkazgan Region.

Silver granule equivalent production of 6,039 koz was 17% below the comparative 10 month period in 2013. The decline in production was due to the lower volume of silver in ore extracted and the release of work in progress at the Balkhash processing facilities in the first 10 months of 2013.

The gold in ore extracted in the first 10 months of 2014 of 83.9 koz was 6% below the comparative period in 2013 with the suspension of operations at the gold rich Abyz mine pending a study on the potential development of an underground mine. Gold production of 53.5 koz was 7% above the comparative 10 month period in 2013 mainly due to the processing of stockpiled ore in 2014.

Mining Disposal Assets Financial Summary

$ million	2014	2013
Sales revenues	**1,455**	2,055
EBITDA (excluding special items)	**159**	315
Capital expenditure	**234**	369
Sustaining	**232**	350
Expansionary	**2**	19

Revenues

The mining Disposal Assets' revenues totalled $1,455 million in the first 10 months of 2014, a decline on the comparative 10 month period in 2013 due to the lower copper product sales volumes and the lower realised prices for copper, gold and silver. Revenues were also below the $2,055 million for the full year in 2013 due to the fewer number of operational months included in 2014.

EBITDA (excluding special items)

The mining Disposal Assets' EBITDA was $159 million in the first 10 months of 2014. The EBITDA margin of 11% was below the 15% achieved in the prior year as the decline in revenues was only partially offset by relatively lower cash operating costs.

The cash operating costs at the mining Disposal Assets benefited from the devaluation of the tenge. The 18% decline in the average value of the tenge against the US dollar reduced tenge denominated costs such as salaries, ore transportation, repair services, and utility charges when stated in US dollars.

Salary costs were lower due to the tenge devaluation and the initiatives introduced to increase labour productivity within the business. The reduction in salary costs achieved by the above measures was partially offset by the 10% increase in salaries for operational staff in Kazakhstan from April 2014 in order to protect workers from some of the impact of the devaluation and the introduction of a 5% compulsory pension contribution on salaries.

Management also took a number of cost control measures in the first 10 months of 2014 which included the reduction in mining volumes at higher cost extraction zones in the Zhezkazgan Region. The suspension of operations at the Satpayev concentrator has also improved utilisation levels and reduced operating costs.

Capital expenditure

The mining Disposal Assets' capital expenditure totalled $234 million in the first 10 months of 2014. Spend in the period covered the replacement of mining equipment and works to maintain output at concentrators, smelters, auxiliary workshops and the transport network. Capital expenditure was postponed during the first 10 months of 2014 to improve the cash flows of the Disposal Assets. Capital expenditure on mine and concentrator upgrade projects was also below the levels seen in the prior year.

REVIEW OF POWER DISPOSAL ASSETS

The Disposal Assets include the three captive heat and power stations that are located in Karaganda, Balkhash and Zhezkazgan. The operational and financial results for the captive heat and power stations in 2014 cover the 10 month period to the completion of the Restructuring on 31 October 2014 and are classified as a discontinued operation in the Group's financial statements.

Production Summary

	2014	2013
Net power generated[1] (GWh)	**4,129**	5,723
Net dependable capacity[2] (MW)	**832**	843

1 Electricity generated and sold to customers less internal consumption and transformer losses in power stations.

2 The net dependable capacity is the maximum capacity a unit can sustain over a specified period of time modified for seasonal limitations and reduced by the capacity required for the station's operation.

The captive heat and power stations' net power generation totalled 4,129 GWh in the 10 months to 31 October 2014, a 12% decline from the 4,717 GWh of power produced in the comparative 10 month period in 2013. The lower generation in 2014 was mainly driven by a reduction in internal demand for electricity with the suspension of the Zhezkazgan smelter in the second half of 2013 and also a decrease in sales volumes to third parties with increased competition for customers in the market.

The average net dependable capacity of the captive power stations decreased by 1% to 832 MW in 2014 due to the decommissioning of ageing turbines at the Balkhash and Zhezkazgan heat and power stations.

Financial Summary

$ million	2014	2013
Sales revenues	154	223
EBITDA (excluding special items)	42	48
Capital expenditure (sustaining)	16	65

Revenues

The captive power stations' revenues in the 10 months to 31 October 2014 were $154 million which was below the comparative 10 month period in 2013. The decline in revenues in 2014 was due to a 12% decrease in sales volumes with lower demand and the reduction in the realised electricity tariffs in US dollar terms due to the devaluation of the tenge in February 2014. The underlying electricity tariffs rose by 8% in tenge terms from 5.10 KZT/kWh to 5.50 KZT/kWh due to the higher ceiling tariffs applicable in 2014.

EBITDA (excluding special items)

The captive power stations reported an EBITDA of $42 million in the 10 months to 31 October 2014, which was below the comparative 10 month period in 2013 and $6 million below the contribution for the full year in 2013.

The relative decline in EBITDA reflects the fall in revenues partially offset by the lower cash operating costs in 2014. The devaluation of the tenge against the US dollar reduced tenge denominated costs such as coal, salaries and repair services when stated in US dollars. Operating cash costs were also lower with the reduction in generation volumes and the introduction of efficiency improvements to reduce the usage of input materials.

The average cash cost for electricity generation from the captive power stations rose by 6% to 3.80 KZT/kWh compared to 3.57 KZT/kWh in 2013. The rise in the average cost of electricity generation was driven by cost inflation in tenge terms for key inputs in the generation process such as coal and fuel, along with employee costs. The average cash cost also rose as fixed costs were allocated over lower generation volumes in 2014.

Capital expenditure

Investments at the captive power stations were made to improve their operational efficiency and for the replacement of obsolete equipment.

OTHER BUSINESSES

REVIEW OF EKIBASTUZ GRES-1

On 1 April 2014, KAZ Minerals disposed of its 50% interest in Ekibastuz GRES-1 to Samruk-Energo and received net funds of $1.25 billion. The Group ceased equity accounting of Ekibastuz GRES-1's earnings following the agreement to sell the Group's 50% interest in the power station to Samruk-Energo in December 2013. The financial results of Ekibastuz GRES-1 have therefore not been reported in 2014.

$ million	2014	2013
EBITDA (excluding special items)[1]	–	153

1 Represents KAZ Minerals' 50% share of Ekibastuz GRES-1's results for the period until 5 December 2013.

In the period to 5 December 2013, Ekibastuz GRES-1's net power generation volumes totalled 12,785 GWh with output limited by the increased competition in the domestic electricity market during the year.

The power station contributed EBITDA (excluding special items) of $153 million in 2013 with the results negatively affected by the challenging trading environment. Revenues of $248 million were impacted by the lower generation volumes and operating costs rose on the back of strong domestic inflation in the electricity industry. In the period until its divestment in April 2014, Ekibastuz GRES-1 reported net power generation volumes of 3,072 GWh.

REVIEW OF MKM

The Group disposed of its 100% holding in MKM, which is based in Germany and produces copper and copper alloy semi-finished products, on 28 May 2013. The consideration received for the disposal of MKM totalled €42 million, including €12 million on a deferred basis. Before the divestment of the Group's holding, MKM paid a dividend of €10 million in April 2013. In December 2014, KAZ Minerals received the deferred consideration of €12 million.

$ million	2014	2013
EBITDA (excluding special items)[1]	–	(2)
Capital expenditure (sustaining)[1]	–	9

1 The results for MKM in 2013 are shown for the period until the date of MKM's disposal on 28 May 2013.

MKM is treated as a discontinued operation in the Group's financial statements in 2013. EBITDA was negative $2 million for the five month period to 28 May 2013. Due to the copper price movements in the five month period the EBITDA was negatively impacted by an IFRS inventory adjustment. Capital expenditure in the period to 28 May 2013 totalled $9 million as MKM invested mainly to maintain production equipment.

REVIEW OF ENRC

The Group disposed of its 26% interest in ENRC, a diversified natural resources group, on 8 November 2013. As consideration for its holding in ENRC, the Group received net cash proceeds of $875 million and approximately 77 million shares in the Company, which were subsequently cancelled.

$ million	2014	2013
EBITDA (excluding special items)[1]	–	276

1 KAZ Minerals' share of EBITDA (excluding special items) of ENRC is for the period to 24 June 2013.

ENRC is treated as a discontinued operation in the Group's financial statements in 2013. In the period to 24 June 2013, KAZ Minerals' share of ENRC's EBITDA (excluding special items) was $276 million. ENRC's revenues in the six month period to 24 June 2013 were impacted by the lower realised prices obtained for key products such as ferroalloys, partially offset by higher sales volumes across most of the divisions, including the Iron Ore 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 2013, except for the first-time adoption of: IFRS 10 'Consolidated Financial Statements'; IFRS 11 'Joint Arrangements'; and IFRS 12 'Disclosure of Interests in Other Entities', with effect from 1 January 2014. These standards have not had a material impact on the financial position or performance of the Group. Consequently, no adjustment has been made to the comparative financial information as at 31 December 2013.

The independent shareholders approved the divestment of certain of the Group's subsidiaries owning relatively mature mining and power operations, primarily located in the Zhezkazgan and Central Regions (the 'Disposal Assets') on 15 August 2014. Following shareholder approval, the Disposal Assets were classified as assets held for sale and treated as a discontinued operation in the financial statements from the beginning of the year until their disposal on 31 October 2014. Given the reclassification of the Disposal Assets as a discontinued operation, the comparative financial information has been restated in accordance with the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. The Group's investment in the Ekibastuz GRES-1 joint venture, which represented a separate business line of the Group, has also been treated as a discontinued operation for the period up to its disposal on 1 April 2014.

The consolidated income statement and the related notes for the prior year have been restated to conform with this presentation for all businesses that met the asset held for sale criteria during 2014.

The following businesses were treated as discontinued operations for the year ended 31 December 2013: MKM, to the date of its disposal on 28 May 2013; with the joint venture investment in Ekibastuz GRES-1, to the date the Group accepted an offer for its sale on 5 December 2013; and the investment in ENRC, to the date the Group accepted an offer for its sale on 24 June 2013.

The Restructuring undertaken in 2014 resulted in a change to the Group's operating segments. As the Disposal Assets were classified as a discontinued operation at 15 August 2014, with the comparatives restated to conform with this presentation, the operating segment disclosures for the year ended 31 December 2013 have also been restated to reflect the new operating segments, which are:

- East Region operations, which comprises the Group's main operating entity, Vostoktsvetmet LLC ('VCM'), whose principal activity is the mining and processing of copper and other metals which are produced as by-products; and the Group's UK trading function, KAZ Minerals Sales Limited, which is responsible for the purchase of exported products from VCM and subsequently applies an appropriate mark-up prior to onward sale to third parties.
- The Bozymchak copper-gold deposit, which is located in Kyrgyzstan, is in the commissioning phase.
- Mining Projects, which comprises the Group's project companies, whose responsibility is the development of the major growth projects (Aktogay, Bozshakol and Koksay).
- Corporate Services, which comprises the Group's head office costs.

Income statement

An analysis of the consolidated income statement is shown below:

$ million (unless otherwise stated)	2014	2013
Continuing operations		
Revenues	846	931
Operating costs (excluding non-cash component of the disability benefits obligation, depreciation, depletion, amortisation, MET and special items)	(491)	(572)
EBITDA (excluding special items) from continuing operations	355	359
Special items:		
Less: additional disability benefits obligation related to previously insured employees	–	(3)
Less: impairment charges	(132)	(13)
Less: MET	(86)	(94)
Less: non-cash component of the disability benefits obligation	(1)	(1)
Less: depreciation, depletion and amortisation	(42)	(57)
Operating profit	94	191
Net finance costs	(82)	(53)
Net foreign exchange loss arising on the devaluation of the tenge	(181)	–
(Loss)/profit before taxation	(169)	138
Income tax expense	(65)	(48)
(Loss)/profit for the year from continuing operations	(234)	90
Discontinued operations		
Loss for the year from discontinued operations	(2,128)	(2,122)
Loss for the year	(2,362)	(2,032)
Non-controlling interests	–	2
Loss attributable to equity holders of the Company	(2,362)	(2,030)
EPS – basic and diluted ($)		
From continuing operations	(0.52)	0.18
From discontinued operations	(4.76)	(4.14)
	(5.28)	(3.96)
EPS based on Underlying Profit ($)		
From continuing operations	0.19	0.20
From discontinued operations	(0.18)	0.17
	0.01	0.37

Revenues

The Group's revenues from continuing operations decreased by 9% from $931 million in 2013 to $846 million, principally as a result of lower commodity prices. Copper revenues were $550 million in 2014, 7% below 2013 as sales volumes fell by 4% and the average realised price for copper decreased by 3% to $7,040 per tonne compared to $7,231 per tonne in 2013. Revenues from by-products were $296 million, $46 million lower than in 2013. Zinc revenues remained unchanged compared to 2013, as lower sales volumes were offset by a higher realised price, while gold and silver revenues declined by 30% and 26% respectively, as a result of a fall in both commodity prices and sales volumes in 2014.

EBITDA (excluding special items) by operating segment

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

As EBITDA is considered to be a proxy for cash earnings from the Group's trading performance, the actuarial income statement charge in respect of the Group's disability benefits obligation has been excluded from EBITDA and, instead, the actual disability benefits payments disbursed during the year have been deducted in arriving at EBITDA.

A reconciliation of Group EBITDA (excluding special items) by operating segment and the EBITDA (excluding special items) attributed to the discontinued operations is shown below:

$ million	2014	2013
Continuing operations		
East Region operations	403	432
Bozymchak	(4)	(3)
Mining Projects	(14)	(11)
Corporate Services[1]	(30)	(59)
Total continuing operations	355	359
Discontinued operations		
Disposal Assets[2]	201	363
MKM	–	(2)
Share of EBITDA of joint venture	–	153
Share of EBITDA of ENRC	–	276
Total discontinued operations	201	790
Group EBITDA (excluding special items)	556	1,149

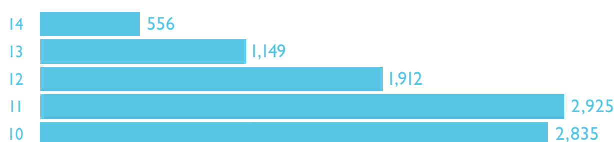
1 Following the restatement of the Group's 2013 income statement to reflect the Disposal Assets as discontinued operations, intersegment rechargeable costs of $30 million were reallocated from the former Kazakhmys Mining segment within the Disposal Assets, to Corporate Services within the continuing operations.

2 The Disposal Assets comprise the Zhezkazgan and Central Region operations which were previously reported within Kazakhmys Mining and the captive power stations which were previously reported within Kazakhmys Power in the prior year.

EBITDA (excluding special items) from continuing operations of $355 million was consistent with 2013, as cost reductions offset the lower revenues.

The East Region's EBITDA of $403 million was 7% lower than the prior year, as the impact of lower pricing on revenues was largely offset by reduced costs due to the Group's optimisation programme and the favourable impact of the devaluation of the tenge. The impact of the tenge devaluation was partly reduced by the inflationary pressures in Kazakhstan, including a 10% increase in wages in April 2014.

Group EBITDA (excluding special items) ($ million)



The negative EBITDA from Mining Projects and Bozymchak of $18 million represents costs incurred in preparing the Group's major growth projects for commercial production which are not considered directly attributable to the construction of the assets and therefore expensed. These costs were previously included within the Kazakhmys Mining segment.

Corporate costs of $30 million were in line with the prior year of $29 million, when adjusted to exclude the intersegment costs reflected within the continuing operations, as noted in the table footnote.

EBITDA (excluding special items) from discontinued operations represents the results of the Disposal Assets up to 31 October 2014. In the prior year, EBITDA (excluding special items) from discontinued operations included the results of ENRC, Ekibastuz GRES-1, and MKM for the period until their respective disposals. Refer to the discontinued operations section for more detail.

Special items

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

Special items within operating profit from continuing operations: 2014

Impairment charges

The Bozymchak copper and gold development project has been subject to an impairment review following the identification of impairment indicators. The indicators identified were lower assumed copper prices for 2015, ongoing optimisation work to be performed during 2015 thereby delaying the ramp up of the concentrator and changes to the mine plan. As a result, the Group has recognised a total impairment of $128 million. The impairment charge has been recognised as $107 million against property, plant and equipment, $18 million against mining assets and $3 million against other non-current assets of the Bozymchak project. The impairment charge reduces the carrying value of the Bozymchak project to its recoverable amount of $100 million, determined as its value-in-use on a discounted cash flow basis, as at 31 December 2014. The cash flow forecasts were discounted at a post-tax discount rate of 11% (pre-tax rate of 12%).

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

2013

Disability benefits obligation

In accordance with Kazakhstan law, the Group obtained insurance cover from 2005 for the disability payments to employees for illness and disability sustained at the Group's continuing operations. During 2013, as a result of financial difficulties, the insurance companies ceased making their obligated payments to the employees covered by insurance contracts. The Group assumed the liability for future disability benefit payments to these employees and the related $3 million charge in respect of the East Region operations was treated as a special item in the income statement.

Impairment charges

Impairment charges of $8 million were recognised principally from the impairment of Berezovsky concentrator in the East Region following its suspension in the second half of 2013. Other impairment charges of $5 million related to assets no longer in use.

Other items outside of EBITDA (excluding special items) from continuing operations

Depreciation, depletion and amortisation

The Group's depreciation, depletion and amortisation charge from continuing operations for 2014 of $42 million is $15 million below the charge in the prior year, principally due to the impact of the tenge devaluation.

MET

The MET charge for the East Region operations of $86 million for 2014 was below the $94 million recognised in 2013, principally reflecting lower commodity prices.

Net finance costs

Net finance costs, which include finance costs incurred on borrowings, net foreign exchange losses and interest on the employee benefits obligation, have increased significantly from $53 million in 2013 to $263 million in 2014, principally due to the impact of the tenge devaluation.

On 11 February 2014, the National Bank of Kazakhstan announced it would seek to support the tenge at around 185 KZT to the US dollar, with the tenge swiftly devaluing to trade at this level. The KZT/$ exchange rate at 31 December 2014 was KZT 182.35 compared to KZT 153.61 at 31 December 2013, a 19% devaluation. The average KZT/$ exchange rate for 2014 was KZT 179.19 compared to KZT 152.13 in 2013, a change of 18%.

The net exchange losses of $235 million were higher than the $7 million in 2013 largely as a result of the tenge devaluation. Exchange losses of $361 million arose mainly from the translation of tenge denominated intercompany monetary assets and liabilities, while US dollar denominated monetary assets and liabilities in Kazakhstan, principally accounts receivable and cash balances, gave rise to exchange gains of $126 million. Of this net exchange loss, $181 million arising from the devaluation at 11 February 2014 is treated as a special item and is excluded from Underlying Profit from continuing operations. The remaining net exchange losses arose largely from the depreciation of the Kyrgyz som on the translation of intercompany monetary liabilities relating to the financing of the Bozymchak project. These losses are largely offset by corresponding translation gains on consolidation, which are recognised directly in equity.

The interest costs incurred on borrowings decreased to $35 million from $51 million in 2013, principally due to lower interest charges in the year arising from a reduced weighted average interest rate and a lower average level of borrowings during 2014, being partially offset by $10 million of pre-export finance facility unamortised fees being expensed following the Group's amendment to the pre-export finance facility in October 2014. Interest charges capitalised to the Bozshakol, Aktogay and Bozymchak projects amounted to $124 million (2013: $126 million).

Other finance costs included $2 million (2013: $2 million) and $1 million (2013: $2 million) of unwinding of the discount on the Group's employee benefit obligations and long-term provisions, respectively.

In addition, the Group earned $10 million of interest income on cash deposits compared to $9 million in 2013.

Taxation

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

$ million (unless otherwise stated)	2014	2013
(Loss)/profit before taxation from continuing operations	(169)	138
Add: MET	86	94
Add: special items within operating profit	132	16
Add: net foreign exchange loss arising on the devaluation of the tenge	181	–
Adjusted profit before taxation from continuing operations	230	248
Income tax expense	65	48
Add: MET	86	94
Add: deferred tax asset on additional disability benefits obligation related to previously insured employees	–	1
Add: recognition of a deferred tax asset resulting from impairment charges	1	3
Less: tax effect on foreign exchange gain arising on the devaluation of the tenge	(8)	–
Adjusted tax expense from continuing operations	144	146
Effective tax rate (%)	(38)	35
All-in effective tax rate[1] (%)	63	59

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

Effective tax rate

Despite making a loss before taxation from continuing operations of $169 million, the Group has incurred a tax charge of $65 million, principally as a result of the net foreign exchange losses arising from the tenge devaluation in February 2014 of $181 million, which includes $223 million of foreign exchange losses not deductible for tax purposes. The tax impact of the non-deductible exchange loss amounted to $48 million. In addition, the tax impact of the Bozymchak impairments of $13 million also had upward pressure on the effective tax rate.

As a result, the effective tax rate from continuing operations was (38)% compared to 35% in 2013. The restatement of the Group's income statement following the reclassification of the Disposal Assets as a discontinued operation has led to a restatement of the effective tax rate for 2013. Prior to this reclassification the prior year effective tax rate was (19)%.

All-in effective tax rate

The all-in effective tax rate increased from 59% in 2013 to 63% in 2014 as the adjusted tax expense remained constant while the adjusted profit decreased in 2014. MET, which is revenue-based and independent of the profitability of the operations, was 9% lower than in 2013, following lower prices. In both years MET represented more than 100% of the income expense, whilst the non-deductible items in 2014 were higher and therefore placed upward pressure on the all-in effective tax rate.

Non-deductible items

The tax impact of non-deductible items was $84 million in 2014 (2013: $21 million), mainly relating to the non-deductibility of unrealised exchange losses which arose from the tenge devaluation of $48 million, with $36 million relating principally to the Bozymchak impairment and ongoing non-deductible business expenses.

Unrecognised tax losses

In 2013, the Group incurred tax losses during the year, primarily related to certain subsoil use contracts, which were not expected to generate sufficient taxable profits for these losses to be utilised in the foreseeable future. As a result, deferred tax assets of $8 million in respect of these losses were not recognised.

Taxation related special items:

2014

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

2013

The taxation related special items in 2013 related to deferred tax assets recognised in respect of certain impairment charges, treated as special items, where future tax benefits are expected. The resulting tax credits were treated as a taxation related special item. The additional disability benefits obligation special item of $3 million was deductible against taxable profits in the future when the disability payments are made. As a result, a deferred tax asset was recognised during the year in respect of the obligation, with $1 million in respect of the $3 million charge treated as a taxation related special item.

Future tax rates

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

Discontinued operations

$ million	2014	2013
Disposal Assets		
Revenues	1,534	2,168
EBITDA (excluding special items)	201	363
Less: special items, non-cash items and MET	(267)	(1,156)
Operating loss	(66)	(793)
Net finance costs	–	(26)
Taxation credit/(charge)	4	(79)
Loss for the year	(62)	(898)
Loss on disposal	(2,273)	–
Total loss	(2,335)	(898)
Ekibastuz GRES-1		
Share of profits from joint venture	–	89
Gain on disposal	207	–
Profit for the year	207	89
MKM		
Revenues	–	595
EBITDA (excluding special items)	–	(2)
Less: special items	–	(22)
Operating loss	–	(24)
Net finance costs	–	(1)
Taxation charge	–	(1)
Loss for the year	–	(26)
Loss on disposal	–	(1)
Total loss	–	(27)
ENRC		
Share of profits from associate	–	65
Impairment charge against investment in associate	–	(823)
Loss on disposal	–	(528)
Loss for the year	–	(1,286)
Loss for the year from discontinued operations	(2,128)	(2,122)

Disposal Assets

2014

On 31 October 2014, the Disposal Assets, which include a number of the Group's relatively mature assets, primarily located in the Zhezkazgan and Central Regions within the former Kazakhmys Mining and Kazakhmys Power operating segments, were sold to Cuprum Holding (a company owned by Vladimir Kim, a Director of the Company, and Eduard Ogay, a former Director of the Company). The Disposal Assets were classified as a discontinued operation for the years ended 31 December 2014 (until the date of their disposal on 31 October 2014) and 31 December 2013.

Performance

Revenues from the Disposal Assets for the 10 month period ended 31 October 2014 were impacted by the decline in commodity prices as well as lower sales volumes during 2014 as the current period includes 10 months of operations, compared to 12 months in the prior year. Copper revenues of $1,260 million were 25% below the $1,679 million in 2013 resulting from a reduction in the realised price and a 27% fall in sales volumes, principally from the shorter period in 2014. The by-product revenues from gold, silver and other products fell by 44% to

$274 million in 2014. Gold revenues of $70 million, down from $89 million, were impacted by lower sales volumes as the current period includes 10 months of operations and lower realised prices, whilst silver revenues were down $147 million at $58 million impacted by lower prices and reduced sales volumes due to the shorter period.

The Disposal Assets' EBITDA contribution fell from $363 million in 2013 to $201 million, principally as a result of the shortened period of inclusion in the Group's results and the fall in commodity prices, partly offset by cost control initiatives and the favourable impact of the tenge devaluation on the cost base.

Within the Disposal Assets, the following special items and other items are excluded from EBITDA (excluding special items):

Impairment charges

2014

A charge of $15 million was recognised in the year against property, plant and equipment and mining assets which were no longer in use.

2013

The impairment charges arose principally from the write down of the carrying value of the Zhezkazgan Region, a separate cash generating unit ('CGU') of the Group, which forms part of the Disposal Assets. The carrying value of the CGU was fully impaired. The impairment charge consisted of $477 million against total assets in the Region, comprising $325 million against property, plant and equipment, $139 million against mining assets and $13 million against long-term advances.

The asset review programme undertaken in 2013 also resulted in certain production assets and medium-sized projects being suspended or subject to a change in intended use. The additional impairments against specific assets were: $119 million against assets in the Zhezkazgan Region, comprising $115 million against property, plant and equipment, primarily relating to the Satpayev concentrator and the Zhezkazgan smelter, which were suspended during the year and $4 million against specialised consumables. In addition a $61 million charge was recognised against medium-sized projects which were suspended.

Loss on disposal of assets

During 2013, the Group disposed of various assets for proceeds of $38 million, on which a loss of $14 million was realised.

Disability benefits obligation

In accordance with Kazakhstan law, the Group obtained insurance cover from 2005 for the disability payments to employees for illness and disability sustained at the Group's operations. During 2013, as a result of financial difficulties, the insurance companies ceased making their obligated payments to the employees covered by insurance contracts. The Group assumed the liability for future disability benefit payments to these claimants and the related $81 million charge in respect of the Disposal Assets was treated as a special item in the income statement for the year ended 31 December 2013.

The non-cash component of the disability benefits obligation increased from $25 million in 2013 to $92 million in 2014 following a change in actuarial assumptions, with the new claimants in 2013 receiving payments for the 10 months in 2014 and the 10% increase in salaries being partially offset by the tenge devaluation. The actual payments (included within EBITDA) made in 2014 of $45 million were lower than the $65 million in the prior year with only 10 months of payments made in 2014.

MET

On 17 June 2014, the Government of Kazakhstan agreed to reduce the MET rates at some of the Disposal Assets incorporating certain deposits in the Zhezkazgan Region and the Konyrat mine. As a result of the lower MET rates, which were effective retrospectively from 1 January 2014, lower commodity prices and the shortened 10 months of operations led to the $83 million reduction in the MET charge from $148 million in 2013 to $65 million in 2014.

Loss on disposal

The Disposal Assets were classified as assets held for sale and shown within discontinued operations with effect from 15 August 2014, the date that the independent shareholders of the Group approved the sale. On reclassification, the Group recognised a charge of $1.6 billion from the remeasurement of these assets to fair value less costs to sell of nil (net of $12 million transaction costs). Upon completion, a charge of $690 million was recognised arising from the recycling to the income statement of the cumulative foreign exchange losses previously recognised in equity along with a credit of $42 million relating to the recycling of other reserves in equity. Consequently, on completion the total loss on disposal recognised on the divestment was $2.3 billion.

Other special items in respect of the Disposal Assets are as follows:

Following a favourable court ruling in Kazakhstan, the Group released a historic provision for corporate income tax of $7 million (treated as a taxation related special item) and other taxes, fines and penalties of $15 million.

Taxation related special items

As described above, $7 million of historic tax claims were reversed in 2014 and deferred tax assets of $3 million were recognised in respect of impairment charges. In addition, a $5 million current tax charge was recognised from the exchange gains from the tenge devaluation.

In 2013, the principal taxation related special items related to the impairment of previously recognised deferred tax assets in the Zhezkazgan Region of $98 million and the $16 million deferred tax assets recognised on the additional disability benefits obligation special item of $81 million.

Ekibastuz GRES-1

The investment in the Ekibastuz GRES-1 joint venture, which had a carrying value of $1,018 million at 31 December 2013, was sold on 1 April 2014 for net proceeds of $1,249 million. The Group realised a profit of $207 million after recycling of the foreign currency translation differences within equity of $24 million.

With the loss on divestment of the Disposal Assets of $2,273 million and the gain on the sale of Ekibastuz GRES-1 of $207 million, the total loss on disposal of subsidiaries and investments for the year was $2,066 million.

MKM

2013

MKM was sold on 28 May 2013, for a consideration of €42 million ($55 million), comprising €30 million ($39 million) in cash and €12 million ($16 million) which was deferred. The results from MKM included its loss for the period until its disposal of $4 million, an impairment charge of $22 million to write MKM down to the net sales proceeds and a $1 million loss on its disposal. The loss on disposal of MKM arose from the recycling of the foreign currency translation losses recognised in the Group's equity on consolidation of MKM of $2 million. In the second half of 2014, the deferred consideration was settled and the Group received cash proceeds of $16 million.

ENRC

2013

On 24 June 2013, the Group accepted the proposed offer from Eurasian Resources Group B.V. ('Eurasian Resources') for its 26% investment in ENRC, comprising $2.65 in cash plus approximately 0.23 Company shares per ENRC share, amounting in total to $1,194 million net of expenses. An impairment charge of $823 million was recognised to write the investment down to this value in the first half of 2013. On 8 November 2013, the transaction completed and the Group received the net proceeds of $1,194 million, comprising $875 million in cash and 77 million Company shares valued at $319 million. The Group recognised a loss on disposal of $528 million, mainly representing the recycling of the Group's share of ENRC's reserves which arose principally from the translation reserve. As well as the impairment charge of $823 million recognised to write ENRC down to its fair value less costs to sell and the loss on disposal, the Group's share of post-tax results of ENRC of $65 million up to 24 June 2013, the date on which equity accounting ceased, has been included in the 2013 consolidated income statement.

Underlying Profit

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

	2014	2013
Net (loss)/profit attributable to equity shareholders of the Company from continuing operations	(234)	90
Special items within operating profit:		
Additional disability benefits obligation related to previously insured employees	–	3
Impairment charges	132	13
Net foreign exchange loss arising on the devaluation of the tenge	181	–
Taxation related special items:		
Recognition of a deferred tax asset on additional disability benefits obligation related to previously insured employees	–	(1)
Net foreign exchange gain arising on the devaluation of the tenge	8	–
Recognition of a deferred tax asset resulting from impairment charges	(1)	(3)
Underlying Profit from continuing operations	86	102
Net loss attributable to equity shareholders of the Company from discontinued operations	(2,128)	(2,120)
Special items within operating loss:		
Additional disability benefits obligation related to previously insured employees	–	81
Provisions released against historic tax claims	(15)	–
Impairment charges	15	679
Loss on disposal of property, plant and equipment	–	14
Special items within loss before finance items and taxation:		
Impairment charge recognised on remeasurement of the ENRC investment	–	823
Share of special items in the equity accounted investment in ENRC	–	30
Net loss on disposal of subsidiaries and investments	2,066	529
Net foreign exchange gain arising on the devaluation of the tenge	(24)	–
Taxation effect of special items:		
Provisions released against historic tax claims	(7)	–
Recognition of deferred tax assets resulting from impairment charges and other special items	(3)	(20)
Net foreign exchange gain arising on the devaluation of the tenge	5	–
Tax accruals arising from Kazakhstan legal demerger of Kazakhmys LLC	10	–
Recognition of a deferred tax asset on additional disability benefits obligation related to previously insured employees	–	(16)
Impairment of deferred tax assets recognised in the Disposal Assets	–	98
Release of deferred tax liabilities resulting from the remeasurement of MKM	–	4
Recognition of deferred tax assets on impairment charges recognised by ENRC	–	(14)
Underlying (Loss)/Profit from discontinued operations	(81)	88
Total Underlying Profit	5	190

The Group's net loss attributable to equity holders of the Company from continuing operations was $234 million for the year ended 31 December 2014, down from a profit of $90 million in the prior year. The fall in profits in 2014 arises principally from foreign exchange losses resulting from the devaluation of the tenge, the impairment recognised at Bozymchak and lower revenues, partly offset by the benefits gained from the optimisation programme and the favourable impact of the tenge devaluation on operational costs.

Underlying Profit from continuing operations for the year of $86 million was below the $102 million in the prior year, primarily due to lower revenues, partially offset by reduced costs arising from the optimisation programme and the favourable impact of the tenge devaluation on costs. The depreciation of the Kyrgyz som gave rise to net foreign exchange losses at Bozymchak, reducing Underlying Profit.

The Underlying Loss from discontinued operations in 2014 was $81 million compared to a profit of $88 million in 2013. This decline reflects the absence of the contributions to earnings from Ekibastuz GRES-1, sold in 2014, of $89 million and ENRC, sold in 2013, of $81 million in the 2014 results. In addition to the loss of earnings from these investments, the Disposal Assets' loss for the 10 months to 31 October 2014 was $1 million lower than the full year in 2013.

As a result of the above, total Underlying Profit for the year fell by $185 million to $5 million in 2014.

Earnings per share

	2014	2013
Weighted average number of shares in issue (million)	447	513
EPS – basic and diluted ($)		
From continuing operations	(0.52)	0.18
From discontinued operations	(4.76)	(4.14)
	(5.28)	(3.96)
EPS based on Underlying Profit ($)		
From continuing operations	0.19	0.20
From discontinued operations	(0.18)	0.17
	0.01	0.37

Basic earnings per share from continuing and discontinued operations was a loss of $5.28 per share, compared to a loss of $3.96 in the prior year principally from the loss realised on divestment of the Disposal Assets, partly offset by the reduction in the weighted average number of shares in issue in 2013 arising from the 77 million Company shares received as part of the consideration for the ENRC disposal, which were subsequently cancelled on 8 November 2013.

Key financial indicators

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

	2014	2013
Group EBITDA (excluding special items) ($ million)	556	1,149
EPS based on Underlying Profit ($)	0.01	0.37
Free Cash Flow ($ million)	(31)	(171)
Net cash cost of copper after by-product credits (USc/lb) – continuing operations only	85	87

Dividends

The policy established at the time of Listing was for the Company to maintain a dividend policy which took into account the profitability of the business and underlying growth in earnings of the Group, as well as its cash flows and growth requirements. The Directors would also ensure that dividend cover is prudently maintained. In previous years, share buy-backs and special dividends have been used in addition to the ordinary dividend to return surplus funds to shareholders.

The Company paid dividends of 8.0 US cents per share ($42 million) during the first half of 2013, representing the final dividend from 2012. Taking into consideration the Group's anticipated increase in net debt during the construction phase of two of the major growth projects, the Directors did not declare an interim dividend and will not recommend a final dividend for 2014. The Board will continue to assess the Group's financial position, its cash flows and growth requirements in determining when to resume dividend payments in the future.

Cash flows

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

$ million	2014	2013
EBITDA (excluding special items)	556	720
Provisions released against historic tax claims	15	–
Working capital movements[1]	21	69
Interest paid	(150)	(156)
MET paid	(102)	(259)
Income tax paid	(55)	(67)
Foreign exchange and other movements	(15)	18
Net cash flows from operating activities before other expenditure associated with major projects	270	325
Sustaining capital expenditure	(301)	(496)
Free Cash Flow	(31)	(171)
Expansionary and new project capital expenditure	(912)	(757)
Acquisition of Koksay licence	(225)	–
Non-current VAT receivable associated with major projects	(68)	(44)
Major social projects	–	(32)
Interest received	12	12
Proceeds from disposal of property, plant and equipment	7	38
Proceeds from disposal of associate	–	875
Proceeds from disposal of joint venture	1,249	–
Proceeds from disposal of long-term investments	16	–
Proceeds from disposal of subsidiaries, net of cash disposed[2]	(170)	27
Dividends paid	–	(42)
Other movements	(6)	(9)
Cash flow movement in net debt	(128)	(103)

1 Working capital movements exclude any accruals relating to MET and the movement in non-current VAT receivable incurred on capital expenditure relating to the major growth projects.

2 In addition to $158 million of cash, the Group also transferred $30 million of short-term investments to the Disposal Assets bringing the total cash given up at 31 October 2014 to $188 million. In the above cash flow statement, the $170 million reflects $12 million of costs incurred on the transaction by the Group. The $30 million short-term investments movement is reflected outside of the cash flow movement in net debt.

Summary of the year

Net cash flows from operating activities decreased as lower profitability from Group operations were only partly offset by lower MET and income tax payments and a lower positive working capital movement. The Group received $1,249 million from the sale of Ekibastuz GRES-1 in April 2014 and also disposed of $158 million of cash with the Disposal Assets in October 2014 and paid transaction costs of $12 million.

Working capital

The working capital movements resulting in the $21 million inflow in 2014 are explained below:

- inventory levels increased by $10 million, mainly as a result of increased copper cathode goods-in-transit;
- receivables decreased by $87 million due to the timing of cash receipts and lower sales volumes following divestment of the Disposal Assets;
- prepayments and other current assets rose by $84 million as the Group's operating companies continued to accrue VAT in excess of refunds over the course of the year; and
- trade and other payables and provisions increased by $28 million in 2014, primarily driven by a rise in accruals for services across the Group.

In the prior year there was a working capital inflow of $69 million. Overall inventory levels fell by $145 million primarily resulting from the release of goods-in-transit and the impact of the optimisation programme on inventory management. MKM's reduction in inventory levels reflects the impact of lower commodity prices on their copper inventory. Receivables increased by $185 million due to the timing of cash receipts and changes in product mix. Copper concentrate sales, which commenced following the suspension of the Zhezkazgan smelter, are only settled in full following confirmation of content and quality. In addition, when comparing December 2013 with December 2012, a greater proportion of cathode sales were to China where payment terms under letters of credit are longer than for sales to Europe. Both these factors have contributed to the higher receivables balance at 31 December 2013. Prepayments and other current assets decreased by $31 million largely due to VAT refunds in the first half of the year. Trade and other payables and provisions increased by $78 million principally due to amounts owed to contractors in respect of the major growth projects.

Interest cash flows

Interest paid during the year was $150 million, comparable with the $156 million paid in the prior year. The marginal fall reflects the decreased level of debt outstanding during the year and a lower average effective interest rate on debt of 4.84% compared to 5.07% in 2013. Interest payments are made bi-annually in January and July under the CDB/Samruk-Kazyna facilities, quarterly under the CDB/Aktogay RMB facility and monthly under the pre-export finance facility.

Income taxes and mineral extraction tax

Income tax payments of $55 million were lower than the $67 million in the prior year, reflecting the fall in the Group's profitability, principally relating to the Disposal Assets. At 31 December 2014, the Group's income tax payable was $20 million.

MET payments fell from $259 million to $102 million as a result of the lower MET rates granted to the Disposal Assets by the Government and the fall in commodity prices. At 31 December 2014, the Group's MET payable was $10 million.

Free Cash Flow

The Group's Free Cash Flow, which includes $150 million (2013: $156 million) of interest payments on borrowings specifically for the funding of capital expenditure at the major growth projects, was an outflow of $31 million compared to a $171 million outflow in 2013, as lower sustaining capital expenditure, MET and income tax payments were partially offset by a smaller working capital contribution.

Capital expenditure

Sustaining capital expenditure was reduced to $301 million from $496 million, and expansionary expenditure rose by $155 million as the Group invested in the Bozshakol, Aktogay and Bozymchak projects. Total capital expenditure in the year was $1,213 million, compared to $1,253 million for the year ended 31 December 2013.

Major social projects

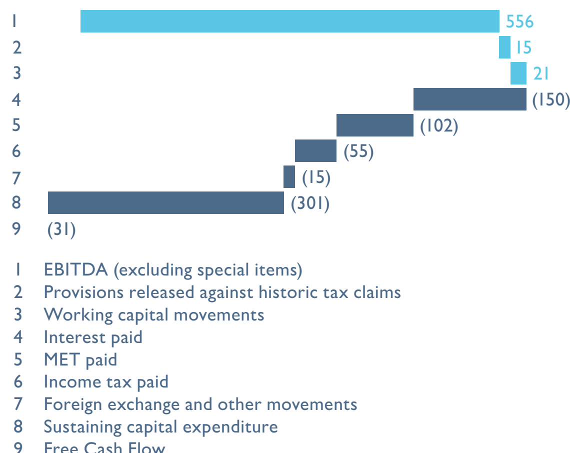
In 2013, the Group spent $32 million as part of the Group's social development programme on major projects in Kazakhstan.

Other investing and financing cash flows

Investing cash flows in 2014 include $225 million for the purchase of the Koksay licence and the cash proceeds received from the sale of Ekibastuz GRES-1. In respect of the Disposal Assets, the Group transferred $158 million of cash and cash equivalents and $30 million in short-term investments and incurred $12 million of transaction costs.

In 2013, investing cash flows related to the proceeds received from the sale of the investment in ENRC of $875 million, the net cash proceeds from the disposal of MKM of $27 million, proceeds from the disposal of various other assets of $38 million and the payment of the Group's final dividend for 2012 of $42 million.

Reconciliation of Group EBITDA to Free Cash Flow ($ million)



1 EBITDA (excluding special items)
2 Provisions released against historic tax claims
3 Working capital movements
4 Interest paid
5 MET paid
6 Income tax paid
7 Foreign exchange and other movements
8 Sustaining capital expenditure
9 Free Cash Flow

Balance sheet

The Group's capital employed position at 31 December 2014 is shown below:

$ million	2014	2013
Equity attributable to owners of the Company	2,101	4,217
Non-controlling interests	3	4
Borrowings	3,092	3,111
Capital employed	5,196	7,332

Summary of movements

The Group's attributable loss for the year, largely related to the loss on disposal of the Disposal Assets and a non-cash loss of $430 million arising on the tenge devaluation, mainly recognised in the foreign currency translation reserve during the year, led to a $2,116 million decrease in equity attributable to holders of the Company to $2,101 million at 31 December 2014. The significant non-cash foreign currency loss arises from the weakening of the tenge against the US dollar on the Kazakhstan entities' tenge denominated net assets. The tenge devaluation also reduced the carrying values of the tenge denominated assets and liabilities, including property, plant and equipment, mining assets and the disability benefits obligations in the Group's Kazakhstan entities when presented in US dollars.

Disability benefits obligation

The Group's disability benefits obligation, which is the largest portion of the overall employee benefits obligation, has grown substantially following changes in the legislation of Kazakhstan which significantly increased the level of disability payments to be made by companies to disabled employees.

The disability benefits obligation fell from $530 million at 31 December 2013 to $24 million at 31 December 2014 following the divestment of the Disposal Assets at 31 October 2014. On a continuing basis, the obligation at 31 December 2013 of $26 million is consistent with the obligation at 31 December 2014, with changes in certain actuarial valuation assumptions, a lower discount rate and higher near-term inflation, being offset by the tenge devaluation. The cash payments made under the obligation were $3 million for the year ended 31 December 2014, compared to $4 million in the prior year.

Ekibastuz GRES-1

The investment in the Ekibastuz GRES-1 joint venture, which had a carrying value of $1,018 million at 31 December 2013, was sold on 1 April 2014 for net proceeds of $1,249 million. The Group realised a profit of $207 million after recycling of the foreign currency translation difference within equity of $24 million.

Net debt

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

$ million	2014	2013
Cash and cash equivalents	1,730	1,715
Current investments	400	625
Borrowings	(3,092)	(3,111)
Net debt	(962)	(771)

Cash and cash equivalents and current investments of the Group's continuing businesses as at 31 December 2014 were $2,130 million. Of the cash and cash equivalents and current investments, approximately $2 million relates to the CDB/Samruk-Kazyna financing facilities and $252 million relates to the CDB Aktogay finance facility. These facilities are intended to be used for the development of the Group's projects under the terms of the individual facility agreements. Current investments are cash deposits with a three to six month maturity profile.

In order to manage counterparty and liquidity risk, surplus funds within the Group are held predominantly in the UK and funds remaining in Kazakhstan are utilised mainly for working capital purposes. The funds within the UK are held primarily with major European and US financial institutions and triple-'A' rated liquidity funds. At 31 December 2014, $2,090 million of cash and short-term deposits were held in the UK and $40 million in Kazakhstan.

Borrowings under the CDB/Samruk-Kazyna financing facilities were $2,568 million (net of fees) at 31 December 2013, compared to $2,056 million at 31 December 2014. Funds drawn under these facilities can only be used for development costs of the projects to which they relate. In January 2014, the Group repaid early $400 million under the CDB/Samruk-Kazyna financing facilities relating to the Akbastau-Kosmurun and Zhomart projects as development of these projects was not expected to commence in the near future.

Gross borrowings of the Group's continuing operations decreased from $3,111 million at 31 December 2013 to $3,092 million at 31 December 2014, reflecting the $507 million repayments under the CDB/Samruk-Kazyna financing facilities and the $166 million repayment under the PXF facility on the date that the terms were re-negotiated, offset by the draw down of $590 million under the CDB Aktogay US dollar facility, the $57 million draw down under the CDB Aktogay RMB facility and the $15 million draw down under the amended PXF terms.

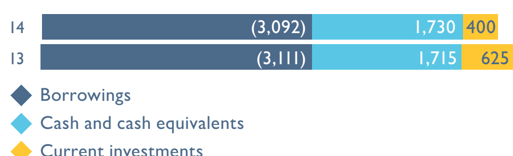
On 30 December 2014, the Group announced an amendment to the CDB/Samruk-Kazyna financing facilities, which resulted in the facilities becoming bilateral between KAZ Minerals and CDB and a lowering of the interest rate from US$ LIBOR plus 4.80% to US$ LIBOR plus 4.50%. An arrangement fee of 0.5% was agreed, of which 60% was paid in December 2014 and 40% is payable in January 2016. Repayment of the previous CDB and Samruk-Kazyna facilities and drawing of the new facilities directly from CDB is expected to occur during the first quarter of 2015. All other material terms of the facilities, including the final maturity of 2025, remain unchanged.

The CDB Aktogay finance facility consists of two separate agreements: the US dollar agreement for up to $1.3 billion and the RMB1.0 billion agreement (approximately $161 million equivalent at the RMB/$ exchange rate as at 31 December 2014). The US dollar agreement (which was drawn down for the first time in 2014) attracts interest at US$ LIBOR plus 4.2% and the RMB agreement attracts interest at the applicable benchmark lending rate published by the People's Bank of China. At 31 December 2014, the Group had drawn down $692 million (2013: $57 million), net of fees, under the CDB Aktogay facilities.

On 29 October 2014, the Group signed an amendment to the PXF debt facility. The amended facility restates the existing pre-export finance facility signed in December 2012 which contained certain disposal and other restrictions, meaning the facility could not continue after completion of the Restructuring. At signing, commitments from the existing syndicate of lending banks totalled $334 million and a net repayment of $166 million was paid to the exiting banks. The amended facility contains an accordion feature which will enable existing lenders to increase their commitments, or new lenders to join, up to a maximum total facility amount of $500 million. On 5 December 2014, the facility was increased to $349 million (2013: $500 million), which was fully drawn at 31 December 2014. Arrangement fees with an amortised cost as at 31 December 2014 of $5 million (2013: $14 million), (gross cost before amortisation of $5 million (2013: $18 million)), have been netted off against these borrowings in accordance with IAS 39. Following the amendment signed in October 2014, $10 million of previously unamortised costs were expensed in full.

As at 31 December 2013, the Group had a $100 million revolving credit facility available for standby liquidity and general corporate purposes. This facility was cancelled in October 2014.

Analysis of net debt ($ million)



Taxation

Tax strategy and risk management

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

The Group's core objectives in managing and controlling its tax affairs and related tax risks are as follows:

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

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

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

Total tax contribution

During 2014, the Group paid $412 million (2013: $689 million) in taxes across the countries in which it has a presence. Direct taxes paid by the Group, such as corporate income taxes, MET, environmental taxes and employer taxes, comprised $300 million (2013: $551 million) of this total. In addition, the Group indirectly contributed $112 million (2013: $138 million) in employee taxes and withholding taxes primarily on services, which the Group collected on behalf of government authorities and paid over to them.

$ million	Central Asia[1]	UK	2014 total	2013 total
Taxes paid				
Corporate income taxes	76	(5)	71	117
Mineral extraction tax	102	–	102	259
Payroll taxes (employer's obligations)	53	2	55	78
Customs and stamp duties	4	–	4	2
Taxes on properties	12	–	12	17
Environmental payments	46	–	46	74
Miscellaneous taxes	10	–	10	4
	303	(3)	300	551
Taxes collected and remitted				
Withholding taxes on dividends, interest, services	3	–	3	4
Payroll taxes (employee's obligations)	105	4	109	134
	108	4	112	138
Total	411	1	412	689

1 Includes Kazakhstan and Kyrgyzstan and the Disposal Assets for the period to 31 October 2014 and for the year ended 31 December 2013. In addition, the 2013 total payments include 100% of the Ekibastuz GRES-1 joint venture for the period to 5 December 2013.

MANAGING OUR RISKS

The significant risks identified by KAZ Minerals are those that could materially affect the Group's financial condition, performance, strategy and prospects. There may be other risks unknown, or currently believed immaterial by the Group, which might become material. The Group's risk profile has changed following the completion of the Restructuring which is reflected in the commentary on the risks. The risks set out below are not in order of likelihood of occurrence or materiality and should be viewed, as with any forward looking statements in this document, with regard to the cautionary statement on page 183.

OPERATIONAL RISKS

Health and safety

Description

Mining is a hazardous industry with inherent risks and the failure to adopt and embed health and safety management systems could result in harm to the Group's employees, contractors or local communities. Fatality levels within the Group are higher than at comparable internationally listed mining companies with 13 fatalities, including four contractors recorded for 2014 (2013: 18, including three contractors).

Impact

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

Action

KAZ Minerals recognises that the highest standards of health and safety practices are vital to its success and are a key responsibility of all employees. The Group's goal is for zero fatalities and to minimise the number of incidents. The Group's policies and procedures in these areas are designed to identify relevant risks and opportunities and provide a clear framework for conducting business. With the completion of the Restructuring, the reduced scale of the continuing operations creates the opportunity to increase the pace at which new practices and standards are introduced by the Group. The open-pit mines and modern processing facilities that the Group is developing at Bozshakol and Aktogay will also provide inherently safer operating environments for employees.

Further details on the measures being taken to improve health and safety practices, including the work of the Group's HSE function, are set out in the Corporate Responsibility Report commencing on page 64.

Business interruption

Description

The Group's mining and processing operations are resource intensive, and could be subject to a number of risks, including, but not limited to: geological and technological challenges; weather and other natural phenomena such as floods and earthquakes; fires, explosions; equipment failures; delays in supplies or services; and loss of key inputs including electricity and water, which could cause prolonged shutdowns or periods of reduced production from the Group's mines and concentrators.

Impact

Any disruption to operational activities could have a negative impact on the Group's profitability and cash flows, may require the Group to incur unplanned capital expenditure, may result in harm to people and may cause environmental damage. In addition to the aforementioned consequences, business interruption could result in a loss of customers and reputational damage.

Action

Work is being undertaken across the Group, with the support of appropriate in-house and third-party specialists, to address operational risks. With the completion of the Restructuring, the Group is more reliant on a smaller number of operating assets, in particular the Orlovsky and Artemyevsky mines, increasing the relative impact of business disruption. The continuing operations' mines and concentrators are, however, geographically diversified, which potentially mitigates a single incident causing widespread disruption across the operations.

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

Political

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

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

Action
KAZ Minerals maintains a proactive dialogue with the Governments of both Kazakhstan and Kyrgyzstan across a range of issues, including subsoil use regulations, taxation, the environment and social responsibility and community relations. The Government of Kazakhstan has actively pursued a programme of economic reform, helping to make it one of the most politically stable and economically developed countries in Central Asia. Political, legal and regulatory developments affecting the Group's operations and development projects are monitored closely. The Board continues to view the political, social and economic environment within Kazakhstan favourably and looking forward remains optimistic about the conditions for business in the region.

New projects

Description
The development of new projects involves many risks including geological, engineering, procurement, staffing, financing and regulatory risks. If the Group fails to adopt an appropriate procurement and project management strategy it may experience delays to project schedules and an increase in development costs. Regulatory risks include failures to obtain and maintain applicable permits, licences or approvals from the relevant authorities to perform certain development work.

Impact
Projects may fail to achieve the desired economic returns due to an inability to recover mineral resources as planned and where the capital and operating costs of the projects are higher than expected. Projects may also fail to complete or suffer delays which may reduce future production volumes affecting the Group's liquidity and financial performance. A reduction in future production volumes would also increase the cash cost on a per unit basis. A lack of available funding may also prevent or delay the completion of projects.

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

For the development of the major growth projects the Group is utilising the services of Non Ferrous China to provide additional resources primarily for the construction and commissioning of the Bozshakol sulphide and clay processing plants. Non Ferrous China are also constructing and commissioning the sulphide processing plant at Aktogay with the other sections of the project divided between several smaller contractors. The Projects Assurance Committee regularly assesses the operational and financial status of the projects to identify any material risks to their successful commissioning and start-up. In respect of project funding, committed financing is in place for Bozshakol and Aktogay. Details on the current status of the major growth projects is included in the Operating Review on pages 42 and 43.

Change management

Description
The Group completed the Restructuring in 2014, which included the disposal of the mining, processing and captive power operations in the Zhezkazgan and Central Regions. As a result, KAZ Minerals has undergone significant changes to its operations, management structure, business processes and systems.

Impact
The significant changes arising from the Restructuring may adversely affect the operating and financial performance of the continuing operations, the implementation of other initiatives as well as labour, community and Government relations.

Action
The Restructuring, which was overseen by the Board, was managed by a cross-functional project team within the Group and supported by external advisers. KAZ Minerals will continue to evolve with the potential appointment of new service providers, the pursuit of operational efficiencies and the enhancement of existing systems. The Group engages with key stakeholders, including representatives of the workforce and the local and national Government on relevant major changes.

OPERATIONAL RISKS CONTINUED

Employees

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

Impact
Labour productivity, skill levels, efficiency and turnover may have direct influence on the Group's ability to provide a safe and efficient working environment, fulfil its production plans and its financial performance. The ability to attract, train and retain the skilled staff for the Bozshakol and Aktogay operations team may directly affect the financial and operating performance of the development projects. A shortage of skilled employees could increase the Group's operating costs as wages are increased to recruit the required staff.

Action
The Group actively monitors the market to remain competitive in the hiring of staff. KAZ Minerals has an extensive social benefits programme for its employees and their dependants and invests in training facilities and staff development to raise skill levels. Providing employees with a safe working environment is also a fundamental priority. The Bozshakol and Aktogay operations teams have a detailed recruitment and training plan which is currently being implemented.

Suppliers and contractors

Description
The Group's reliance on services and materials provided by external suppliers and contractors has increased following the completion of the Restructuring as the Group is no longer a vertically integrated producer of copper. Smelting, electricity supply, shaft sinking, auxiliary construction and maintenance services may be provided from the Disposal Assets, now owned by Cuprum Holding, a related party. As these suppliers are not owned by KAZ Minerals, there can be no guarantee that these services or other services sourced externally will be provided, or will be provided to the standards required by the Group or will not be subject to delay, interruption or periods of non-availability.

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

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

Action
The performance of the Balkhash smelter is closely monitored and whilst it is not as financially attractive, the concentrate from the East Region could be shipped to China for processing should a significant outage occur at the smelter. The Group is investigating the option of using alternative suppliers for a number of services currently provided by Cuprum Holding. The Group also actively monitors the market for mining equipment and supplies to remain competitive in the procurement of mining equipment and supplies. The Group ensures that the appropriate monitoring and disclosure procedures are in place for related party transactions.

Labour and community relations

Description
Many of the Group's employees are represented by labour unions under various collective labour agreements. Negotiations of wages may become more difficult in times of higher commodity prices as labour unions may seek wage increases and other forms of additional compensation. In addition, the Group's employees may seek wage increases outside the collective labour agreements and labour agreements may not prevent a strike or work stoppage. Labour unions may resist measures to raise labour efficiency.

The Group currently operates in the East Region and at Bozymchak where it is a major employer and may also provide targeted support to the local community. Community expectations are typically complex with the potential for multiple inconsistent stakeholder views that may be difficult to resolve. Industrial accidents, health and safety and environmental incidents may negatively affect the Group's community relationships.

Impact
Poor employee relations influenced by internal and external factors could result in an unstable workforce that disrupts operations or seeks wage increases and other forms of compensation, having a material adverse effect on the Group's financial performance. The Group's exposure to labour costs has decreased due to the Restructuring with a reduction in the workforce from 53,000 at the start of the year to under 10,000 at 31 December 2014. The major growth projects of Bozshakol and Aktogay are only expected to employ 1,500 workers at each site.

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

Action
A full engagement strategy with community representatives, unions and employees operates within the Group which aims to address concerns raised by different stakeholders. The Group also has a social programme for its employees and their dependants. The Group works closely with the local authorities on social matters. The number of employees within the Group has decreased as a result of the Restructuring along with the number of local communities which are dependent on the Group's operations, and the regions where Group operations are now located are also more economically diverse. Further details of the Group's social programme are set out in the Corporate Responsibility Report commencing on page 64.

Reserves and resources

Description

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

Impact

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

Action

The Group's ore reserves and mineral resources are published in accordance with the criteria of the JORC Code. KAZ Minerals engages the services of independent technical experts annually to convert reserve and resource calculations for operating mines and development projects from the estimation method established by the former Soviet Union to the method prescribed by the JORC Code. The Group's ore reserves and mineral resources were last audited in 2010 by an independent technical expert. Drilling and exploration programmes are conducted by the Group to enhance the understanding of geological information at the deposits. Further details are provided in the disclosure on ore reserves and mineral resources commencing on page 178.

COMPLIANCE RISKS

Subsoil use rights

Description

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

Impact

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

Action

The Group's management makes every effort to engage with the relevant regulatory authorities and ensure compliance with all relevant legislation and subsoil use contracts. The Group's procedures to ensure compliance with the terms of subsoil contracts have been updated to reflect the requirements of legislation, including more active procurement of goods and services from Kazakhstan. In 2014, over half of the goods and services used by the continuing operations were sourced from Kazakhstan. A specialist department is also tasked with monitoring compliance with the terms of the subsoil use contracts.

Environmental compliance

Description

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

Impact

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

Action

The Group has policies and procedures in place which set out the required operating standards for all employees and monitors its emissions. The Group liaises with the relevant governmental bodies on environmental matters, including the development of new legislation. The completion of the Restructuring has changed the Group's asset base with the disposal of mining, concentrating, power and smelting facilities reducing KAZ Minerals' environmental footprint. Energy consumption, water usage and waste generation have fallen as a result of the Restructuring, but will continue to be high priority areas for our East Region environmental programme. Further details of the environmental measures being taken by the Group are set out in the Corporate Responsibility Report commencing on page 64.

FINANCIAL RISKS

Commodity prices

Description

The Group's policy is to sell its products under contract at prices determined by reference to prevailing market prices on international global metal exchanges. The Group's financial results are strongly influenced by commodity prices, in particular copper and the major by-products, gold, silver and zinc. At the start of 2015, the LME copper price has traded below $5,500 per tonne, compared to an average of $6,862 per tonne in 2014. The prices for these metals are dependent on a number of factors, including world supply and demand and investor sentiment. In particular, KAZ Minerals is exposed to demand from China as described below, a major consumer of the metals which the Group produces. Due to these factors, commodity prices may be subject to significant fluctuations, which could have a positive or negative impact on the Group's financial results.

Impact

Commodity prices can fluctuate widely and could have a material impact on the Group's asset values, revenues, earnings, cash flows and growth prospects.

Action

The Group regularly reviews its sensitivity to fluctuations in commodity prices. The Group does not as a matter of course hedge commodity prices, but may enter into a hedge programme for certain commodities where the Board determines it is in the Group's interest to provide greater certainty over future cash flows. The Group adopts a prudent approach in its financial planning and investment appraisal, reflecting the volatility in commodity prices. The Restructuring of the Group has led to a reduction in copper cathode and by-product output in the near term reducing the financial impact of commodity price movements on the Group's financial position prior to the ramp up in output from the major growth projects. Further details on the performance of the markets in which the Group operates are set out in the Market Overview section commencing on page 22.

Exposure to China

Description

In addition to the impact of Chinese demand on the pricing of KAZ Minerals' major products, as noted under the 'Commodity prices' risk above, the Group makes significant physical sales to a limited number of customers in China. In 2014, sales to China accounted for a significant portion of the continuing operations' revenues. Sales to China are likely to increase further when production commences from the major growth projects. In addition, the Group uses contractors, services and materials from China. China is also an important source of financing to the Group with long-term debt facilities secured which provide access to funding of $3.6 billion at 31 December 2014, primarily for the development of Bozshakol and Aktogay.

Impact

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

Action

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

Acquisitions and divestments

Description

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

Impact

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

Action

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

Liquidity

Description

The Group is exposed to liquidity risks, including the risk that borrowing facilities are not available to meet cash requirements, and the risk that financial assets cannot readily be converted to cash without significant loss of value.

Impact

Failure to manage financing risks could have a material impact on the Group's cash flows, earnings and financial position as well as reducing the funds available to the Group for working capital, capital expenditure, acquisitions, dividends and other general corporate purposes.

Action

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. Surplus funds within the Group are held predominantly in the UK in order to manage counterparty and liquidity risk. The Board monitors the net debt level of the Group taking into consideration the expected outlook of the Group's financial position, cash flows and future capital commitments. KAZ Minerals adopts a prudent approach in managing its liquidity risk, reflecting the volatility in commodity prices. The completion of the Restructuring resulted in the disposal of a number of assets which were expected to generate negative cash flows under the existing organisational structure, which has improved the liquidity outlook for the Group during the construction of the major growth projects.

The Group has secured committed funding for the development of Bozshakol and Aktogay. In October 2014, KAZ Minerals announced the signing of an amendment to its existing PXF facility. The commitments from the existing syndicate of lending banks at 31 December 2014 totalled $349 million, with existing or new lenders able to increase the facility up to $500 million prior to 31 December 2015. The facility also contains amendments to the covenant package including the suspension of the net debt to EBITDA ratio covenant until 1 July 2016. Further details are set out in the Financial Review on pages 55 and 56.

Taxation

Description

As the tax legislation in Kazakhstan and Kyrgyzstan has been in force for a relatively short period of time, the tax risks in these countries are substantially greater than typically found in countries with more established tax systems. Tax law is evolving and is subject to different and changing interpretations, as well as inconsistent enforcement. Tax regulation and compliance is subject to review and investigation by the authorities who may impose severe fines, penalties and interest charges.

Impact

The uncertainty of interpretation, application and the evolution of tax laws creates a risk that additional and substantial payments of tax could arise for the Group, which could have a material adverse effect on the Group's cash flows, financial performance and position. Failure to comply with tax laws could also impact the Group's reputation in the countries in which it operates.

Action

The Group makes every effort to comply with existing tax legislation, and works closely with the Government and tax authorities in the review of proposed amendments to tax legislation and regulation. Further details of the Group's tax strategy and risk management are set out in the Financial Review on pages 56 and 57.

CORPORATE RESPONSIBILITY

Materiality and reporting

In 2014, we undertook a materiality assessment to prioritise key Corporate Responsibility (CR) issues from both an internal and external perspective. As part of this process we benchmarked our reporting against a number of industry peers, considered the Global Reporting Initiative reporting guidelines and engaged with internal stakeholders from across the business, including senior operational management and key executive management in health and safety, environment, risk, human resources and finance. We also sought the views of some of our external stakeholders, including investors and environmental, social and governance analysts.

The outcome of this engagement was a matrix (see below) setting out the CR issues most material to our business and to our stakeholders. This was reviewed by senior management and the Board.

This section of our Annual Report and Accounts includes information on our performance in 2014 relating to the highest priority issues as determined by the matrix. Our website provides further details of our performance in this area.

The Restructuring that was completed on 31 October 2014 has changed some of our CR impacts. Where data is presented for the Group, this includes data for the Disposal Assets up to the date of completion of the Restructuring, as well as first quarter data for Ekibastuz GRES-1 power station, in which the Group held a 50% stake until its disposal on 1 April 2014. Where appropriate, we have presented performance data for the continuing operations only to provide a better context for the Group CR impacts going forward.

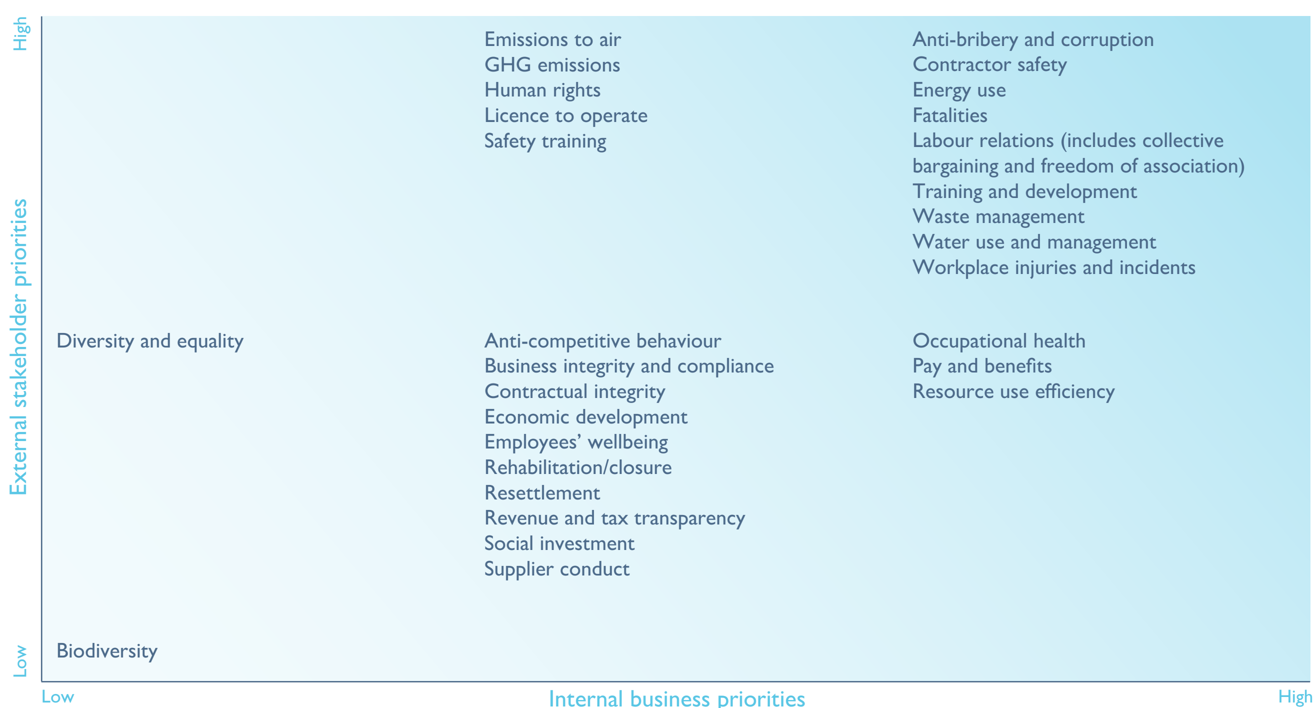
Health and safety

General approach

Copper mining and processing are inherently hazardous activities, and we recognise the need to continually improve our health and safety performance. Following the Restructuring, the Group operates four underground mines and one open-pit mine, four concentrators and has two major growth projects under construction, Bozshakol and Aktogay. In future, approximately 80% of our production will come from open-pit mines and modern processing plants, which is expected to improve the health and safety risk profile of our operations.

For more information on our Growth Projects, see pages 6 and 7.

In 2014, we appointed a new Group Health and Safety Director who, drawing on his experience with major international mining companies, will focus on enhancing the existing systems and policies and improving the consistency of our approach across all operations. In 2015, we will review and simplify existing health and safety standards to bring them closer in line with international practice. A key focus going forward will be on improving our health and safety reporting systems, as we believe more robust data will help us understand and address our main problem areas better. As part of this effort, we will adopt the International Council on Mining and Metals' (ICMM) Health and Safety Performance Indicators for internal and external reporting.



For more information, see pages
4 Business Model
16 Strategy
28 Risk Management Overview

The new safety programme will also focus on developing the leadership skills required to drive a safe and efficient working environment for our employees and contractors by emphasising four key areas: right tools, right people, right work environment and right procedures. Central to this framework is a solid management system and strong leadership. We believe that determined leadership on safety from all levels of management will help improve behavioural patterns amongst the workforce, where awareness and understanding of health and safety risks continues to present a major challenge.

Providing sufficient training to our employees to ensure they have the right skills to perform their duties safely is core to the success of our programme. Under regulatory requirements in Kazakhstan, each employee involved in hazardous activities is required to undergo 10 hours of annual safety training, and those in supervisory roles must complete 40 hours. In addition to this, we provide our workforce with training and inductions on internal safety standards and procedures. At Bozshakol, where training and on-boarding of future operational staff commenced in December 2014, this includes an intensive three month induction programme for every new employee with safety built in throughout.

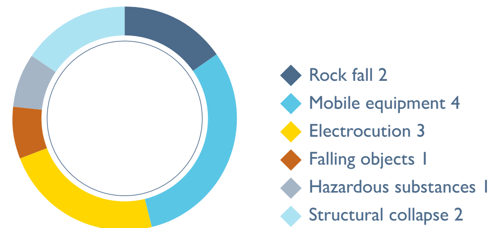
Following the completion of the Restructuring, both the Disposal Assets and continuing operations will continue to improve their health and safety management framework. The Group will seek assistance and best practice advice from external consultants to address some of the most crucial areas of concern.

Fatalities

We deeply regret the deaths of nine employees and four contractors at our operations in 2014; of those, three employees and three contractors died at sites which remain part of KAZ Minerals' continuing operations. This compares to 15 employees and three contractor fatalities at the Group's operations in 2013. Whilst the number of fatalities has reduced, we still view this performance as unacceptable and recognise only one goal in this area – zero work-related fatalities. All fatalities are investigated and the resulting remedial action plans are reviewed by the Group Health, Safety and Environment Committee.

In future, as our major growth projects ramp up, KAZ Minerals' overall safety risk profile will improve. The growth projects will work with modern equipment, which together with an intensive safety training and induction programme as well as support from a senior management team that includes experienced professionals from some of the leading mining companies globally, will instil a new safety mind-set from the start. We will also continue to focus on changing the existing safety culture at our producing assets, where we currently face some historical challenges. In 2015, we will conduct a comprehensive review of underground operations risk management at our operations in the East Region.

Fatalities by cause



Incidents and injuries

Lost-time injury frequency rate (LTIFR) for the Group was 1.36, while the LTIFR for the continuing operations was 1.91 (both excluding contractors).

There were 100 lost-time injuries across our operations in 2014, including 24 at the continuing operations. This compares to 172 injuries amongst our employees last year. The reduction was in part driven by the completion of the Restructuring on 31 October 2014, which resulted in the divestment of 12 of the 16 mines and four of the eight concentrators within the Group's portfolio. Further improvements were also attributable to stricter controls and safety compliance checks at sites, which helped raise risk awareness at some of the most challenging sites at the Disposal Assets, thus improving overall safety performance.

We monitor injury statistics of our contractors where possible. In 2014, we received reports of 26 lost-time injuries from our contractors, including 18 injuries at the Disposal Assets, prior to completion of the Restructuring on 31 October 2014, and eight injuries at our continuing operations during the 12 months of 2014.

We continue to develop our internal reporting systems, to ensure all incidents are captured. This will require additional effort to address under-reporting amongst both our employees and contractors.

In 2015, we will introduce a new incident reporting system to record and report a Total Recordable Injury Frequency Rate as the Group moves to the ICMM guidelines for health and safety reporting.

Occupational health

Occupational health issues are significant within our workforce due to the hazardous nature of the work undertaken. The main health impacts include dust-induced lung disease, circulatory disorders and hand-arm vibration syndrome. We monitor the health of our operational employees closely and provide free medical care and subsidies for holidays at health centres. All operational staff undergo an annual health assessment to ensure problems are diagnosed and treated as early as possible.

The number of occupational health cases has reduced from 347 in 2013 to 307 in 2014, a rate of 4.17 per million hours worked. 48 of these occupational health cases were recorded at the continuing operations. The most common work-related illnesses include silicosis, bronchitis and lower back pain.

Contractor safety

All of our operations use contractors for a variety of works, including shaft sinking, structural repairs and maintenance, transportation, and, most significantly, in the construction of our major growth projects. We expect contractors to apply safety standards in line with KAZ Minerals' internal policies, but management of their performance can be challenging due to the short duration of much of the contracted work. Nonetheless, we include safety performance requirements in all contracts, actively monitor compliance and reserve the right to terminate the relationship in case of repeated or severe violations.

In the case of longer-term cooperation we provide supplementary training inductions and communications around safety, with the aim of improving contractor safety at our sites. We investigate and draw lessons from all contractor fatalities and serious incidents. Our growth projects regrettably reported two fatalities in the first half of 2014, following which we intensified safety monitoring at the construction sites. The second half of 2014 demonstrated better contractor compliance with our safety standards at Bozshakol and we achieved three million man hours without a lost-time injury from June to December.

Environment

General approach

Environmental management remains a key priority for KAZ Minerals. The Restructuring saw the disposal of the smelting and power generating facilities, along with a number of mature mines and concentrators, resulting in a change to our environmental footprint. CO_2 and air emissions are lower at the continuing operations than at the Disposal Assets, therefore the impact of our operations on the health of the communities will be relatively small going forward but our overall impact on the environment will continue to be significant given the nature of our operations. Our main focus and priorities going forward will shift to waste, including tailings management, as well as water and energy use from copper mining and processing.

Environmental compliance is an important component of our licence to operate and we apply internal environmental risk management systems to address ongoing and emerging risks and minimise the impact on the health of our employees and communities around our operations. Our goal is to ensure compliance with existing legislation as a minimum while striving for continuous additional improvement where possible. Our operations receive environmental permits that set annual levels for emissions, water use and discharge as well as waste.

We report all environmental fines and incidents incurred during the year on our website, and apply a materiality threshold to those reported in the Annual Report and Accounts. The threshold is based on a qualitative assessment (scope of impact on the environment, employees and communities, impact on operations) and a financial assessment (a fine for a single incident in excess of $100,000) of each incident. There were no major environmental incidents at our operations in 2014. All fines incurred are reported in the Corporate Responsibility section of our website.

We support the Government of Kazakhstan's efforts in moving to a green economy and welcome the launch of the new cap and trade system in 2014. The system issues carbon quotas to entities whose annual CO_2 emissions exceed 20,000 tonnes, and the market currently lists approximately 10 corporate participants, with limited trading activity.

Energy use

Following the Restructuring, we no longer own or operate power generating facilities and energy used at our operations is purchased from third party providers. We will continue to work on energy saving initiatives in order to contribute to the Government's target of reducing energy intensity in Kazakhstan by 25% from 2008 levels by 2020.

During 2013 and 2014, the Group convened a working group, formed of energy specialists and engineers, to plan and implement energy efficiency initiatives across all operations, including the East Region. Such initiatives included equipment servicing and repairs, building insulation, boiler ventilation and the installation of energy efficient alternatives where appropriate.

An internal energy audit, covering both our Disposal Assets and continuing operations, was conducted during May to July 2014, which has resulted in the development of a five year energy efficiency programme.

In 2014, our Group-wide energy use was 3,962 GWh, 32% lower than in 2013. Of this total, continuing operations' energy use was 716 GWh. The lower electricity and heat consumption in 2014 is attributable to the closure of the Zhezkazgan smelter, Satpayev concentrator and Berezovsky concentrator in 2013, the disposal of the Ekibastuz GRES-1 power station on 1 April 2014 and the divestment of 12 mines, four concentrators and two smelters as part of the Restructuring completed in October 2014. Reduced output in the Power Division prior to completion of the Restructuring also led to lower energy use. Further reductions are attributable to energy-saving initiatives conducted across our operations.

Operational energy use (GWh)

	Disposal Assets and Ekibastuz GRES-1	Continuing operations	Total
14	3,246	716	3,962
13	5,182	618	5,800

Greenhouse gas emissions

Prior to the completion of the Restructuring, our operations produced the power necessary for operational use in-house. The majority of our CO_2e emissions reported below are therefore Scope 1. Scope 2 emissions have been included for the continuing operations for the period after the completion of the Restructuring on 31 October 2014. CO_2e emissions for the Group going forward will reduce significantly as we no longer own power or smelting facilities. We collect and calculate Scope 1 emissions data based on the methodology approved by the Ministry of Environment of Kazakhstan as of November 2010, which is in turn based on the revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories.

The East Region has adopted the ISO 14064 standard for quantifying, monitoring, reporting and verifying Scope 1 and Scope 2 greenhouse gas emissions.

In 2014, the Group's carbon dioxide equivalent totalled 12.1 million tonnes, 53% less than in 2013. Of this, 328,000 tonnes is attributable to the continuing operations. The reduction in carbon emissions is largely driven by closure of the Zhezkazgan smelter in 2013, the disposal of power generating facilities as part of the

Restructuring, as well as the disposal of the Ekibastuz GRES-1 power station, which alone accounted for over 50% of total Group carbon output in 2013. Additional carbon reductions were achieved as a result of the modernisation programme at the captive power plants, which included the installation of battery emulsifiers.

We were previously unable to normalise our CO_2e emissions to copper output due to the very different nature of the Mining and Power Divisions. The Group is now a focused copper producer and the CO_2e intensity at the continuing operations in 2014 was 3.93 tonnes of CO_2e per tonne of copper cathode equivalent.

Greenhouse gas emissions ('000 tonnes) in 2014

	Disposal Assets	Continuing operations	Group total
Scope 1	11,745	328	12,073
Scope 2	N/A	0.332	0.332
CO_2e/tonne of copper cathode[1]	–	3.93	N/A

1 KAZ Minerals continuing operations only

Emissions to air

Prior to the Restructuring, our operations produced a substantial amount of sulphur dioxide (SO_2), nitrogen oxides (NO_x), ash, and low levels of airborne dust, which contained traces of arsenic. These emissions were largely derived from the smelting and power generation process, and impacted the local communities surrounding those operations. The disposal of the power generating and smelting facilities has significantly reduced KAZ Minerals' emissions. Emissions at our operations are monitored internally on an ongoing basis, with quarterly assessments by an accredited independent laboratory.

SO_2 emissions for the Group totalled 127,688 tonnes, compared with 214,123 tonnes in 2013. Smelting and power assets are the main sources of SO_2 emissions. We disposed of all power and smelting facilities as part of the Restructuring in October 2014. Prior to that, we also disposed of our 50% stake in the Ekibastuz GRES-1 power station, which significantly reduced the Group SO_2 output. Further reductions are attributable to the reduced power generation at the captive power stations. At 69,118 tonnes, SO_2 output of the Disposal Assets' Mining Division during the 10 months of 2014 was higher than during the comparative period in the prior year due to greater sulphur content in the ore processed in 2014, as well as repair works at sections of the Balkhash sulphuric acid plant.

Going forward, SO_2 emissions will no longer be a material issue for the Group as we no longer own or operate power generation or smelting facilities. The Group continues to use the smelter in Balkhash to process its concentrate on a tolling basis. The smelter maintains low levels of SO_2 by capturing emissions and transforming them into sulphuric acid. The SO_2 utilisation rate for 2014 is available in the Corporate Responsibility section on our website.

For further information, see the Corporate Responsibility section on our website.

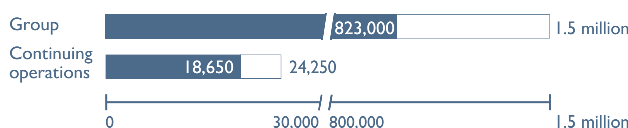
NO_x emissions at Group level decreased by 63% from 53,931 tonnes in 2013 to 20,188 tonnes in 2014. Total ash emissions fell to 38,537 tonnes in 2014, a reduction of 54% from the previous year. NO_x and ash emissions decreased largely due to the closure of smelting and processing assets mentioned above as well as the Restructuring. The captive power stations also achieved reductions due to the ongoing modernisation programme and the installation of two battery emulsifiers.

Emission levels at the continuing operations are low compared to the levels achieved at the Group prior to the Restructuring: NO_x emissions in 2014 amounted to 300 tonnes, ash emissions to 0.017 tonnes.

Water

Water remains a high priority issue for KAZ Minerals, even after the disposal of the power facilities which used large amounts of water for cooling. Copper processing requires careful management of water withdrawal and discharge, and our operations recycle approximately two thirds of withdrawn water. We seek to ensure that our operational use does not affect communal water supplies and we use different water sources for production purposes to those used by local communities. The Group's total water consumption decreased from 3.3 million megalitres in 2013 to 1.5 million megalitres in 2014. Of this total consumption, 0.8 million megalitres was recycled water. A further 0.6 million megalitres was surface water that we draw directly from lakes, rivers and reservoirs. The reduction in water consumption between 2013 and 2014 is largely due to the structural changes within the Group, including the disposal of Ekibastuz GRES-1 power station, which previously accounted for over 50% of total Group water use, as well as the captive power stations as part of the Restructuring. 24,250 megalitres of water were consumed by the continuing operations in 2014, 77% of which was recycled process water, which is captured and reused multiple times.

Water use (megalitres)



Recycled process water

Waste

Our operations produce significant amounts of waste, which includes overburden, tailings, slimes and slags, as well as ash in the now disposed power facilities.

Compliance with the Government Environmental Code requires companies in Kazakhstan to develop waste management plans, a task we have been working on in coordination with the regulatory authorities in 2013 and 2014. The renewed plan, which was drafted for the continuing operations following the completion of the Restructuring, is currently under review. In the meantime we will continue to manage our waste in line with our annual licence commitments, seeking to minimise waste generation where appropriate and improve disposal processes.

In 2014, the Group produced 72.8 million tonnes of waste, 42% less than in 2013. 4.2 million tonnes was attributable to continuing operations. The majority of our waste volume is represented by overburden and total Group waste volumes are therefore largely driven by mining activities. The closure of the Zhezkazgan smelter, Satpayev and Berezovsky concentrators, as well as the decreased electricity output from the power division, have also contributed to waste reduction.

31.1 million tonnes (43%) of the Group's total waste production was reused or recycled, an increase of 8% from the previous year. This includes overburden which is used to backfill completed mining sections. At the continuing operations, the recycling and re-use rate was 33% in 2014.

Tailings management is a major focus in waste management and presents a significant environmental risk. Tailings are regulated by the Government's subsoil use law and the Environmental Code. The Group currently operates four tailings facilities for each of its operational concentrators. The facilities are subject to rigorous internal monitoring and risk assessment as well as regular inspections by the regulatory authorities. Tailings volumes are forecast as part of annual production planning with specific capital expenditure provisions for repairs, maintenance and extensions. In 2014, the Group produced 29 million tonnes of tailings, with 2.8 million tonnes attributable to the continuing operations.

Employees

General approach

Provision of stable employment and social security in the remote and economically undiverse regions where our Disposal Assets are located was one of the key considerations during the execution of the Restructuring. As a result, the Restructuring proceeded without causing any significant reductions in employee numbers at either the Disposal Assets or continuing operations. Prior to the Restructuring, the Group employed 53,000 people. KAZ Minerals now employs less than 10,000 people.

Our producing assets are located in economically more diverse regions and our employee turnover is therefore likely to increase following the Restructuring. We aim to address the challenge of attracting and retaining skilled staff by offering safe working conditions with fair remuneration and social benefits packages for employees and their families.

Ethics, compliance, anti-bribery and corruption

KAZ Minerals' Board holds ultimate responsibility for managing our approach to ethics and compliance.

The Group anti-bribery and corruption policy has been developed in line with the requirements of the UK Bribery Act and has been in force across all Group operations since 2011. Prior to the Restructuring, employees in relevant positions, such as procurement, sales and those whose roles include interaction with the Government and regulatory bodies, received training on the policy and we continue to provide training to new joiners. The code and policy are available to employees on our intranet portal and as printed leaflets.

In 2014, ethical business specialists GoodCorporation reviewed our progress with the implementation of the Group anti-bribery and corruption programme. We were able to demonstrate improvements in providing anti-bribery and corruption training to staff, integrating relevant risks into the overall Group risk register, as well as in developing due diligence and procurement systems and procedures.

For further information on our ethical performance and the Speak-Up helpline, see the Corporate Responsibility section on our website.

Pay and benefits

We aim to provide fair remuneration to our employees, and incentivise safety and productivity. Each operational employee's monthly salary comprises 70% base pay and 30% bonuses. Half of the bonus payment depends on achieving health and safety performance targets, and half is dependent on production targets.

Bonuses for divisional heads are based on health and safety performance, compliance with Government-set environmental targets and the amount of environmental fines incurred, as well as production efficiency and cost control.

Following the devaluation of the tenge in February 2014, the Group was among a number of significant employers in Kazakhstan to agree a 10% pay rise to its operational staff to help mitigate the impact of a weaker local currency on our employees and their families.

In accordance with local regulations in Kazakhstan, we are required to make payments to employees and former employees for illness and disability sustained at our operations. The financial impact of this obligation is covered in the Financial Review and the Consolidated Financial Statements on pages 143 and 144.

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 2014, 99% of the Group employees were Kazakhstani or Kyrgyzstani nationals. In circumstances where specialist skills are required, we draw on international expertise with a view to transfer the knowledge and best practice approaches in the medium to long term. The number of expatriates at KAZ Minerals is very limited, and they are largely employed at our major growth projects working alongside local teams that will take over the management of operations in due course.

Gender balance at our operations is relatively strong compared to the global mining industry. Women represent 31% of the entire workforce, with 29% at senior management level and 11% at Board level (one Board member).

Gender diversity

	Women	Men	Total
All employees	2,587	5,800	8,387
Managers	16	40	56
Directors	1	8	9

Training and development

Providing our employees with adequate training and development opportunities increases productivity, efficiency and safety. Training and development also benefits our business by building capabilities and leadership qualities that are critical to our growth strategy.

In 2014, Group employees received on average 46 hours of training. This includes mandatory safety training required by the regulator in Kazakhstan (40 hours per year for supervisory staff and 10 hours for operational staff), but does not include additional in-house safety training, which is currently not recorded centrally. Topics covered included health and safety training, with a focus on electrical and fire safety, labour protection training, physical fitness and professional development training. The Disposal Assets undertake the majority of professional training for operational staff at in-house colleges and training facilities, while the continuing operations use external providers to develop the workforce. In 2014, as part of the operational cost control measures, some of the continuing operations temporarily reduced the number of hours dedicated to non-critical professional training and development, without compromising on safety training commitments.

Due to the Restructuring, some of the internal training programmes envisaged for 2014 did not take place as roles and locations of staff were changing. This includes training modules for site and middle management, which are intended to resume in future. The modules will focus on developing management skills within KAZ Minerals, including communication, planning and self-organisation.

Consultation and communication

We respect the right to freedom of association and consult our employees and trade unions about changes to our business and employment conditions.

All employees in both the continuing operations and the Disposal Assets are entitled to join a union of their choice. In 2014, 92% of the Group's employees prior to Restructuring belonged to one of the three trade unions active in the mining industry in Kazakhstan (88% of KAZ Minerals employees following the Restructuring).

The Group signed a new collective bargaining agreement in 2014 which was developed in coordination with representatives of major companies in the mining industry in Kazakhstan and trade unions. The provisions of the new collective agreement included measures to enforce a zero tolerance approach to safety breaches. East Region management accordingly withheld bonus payments for teams involved in a series of serious health and safety incidents, which prompted objections from the workforce leading to negotiations between Group senior management, workers and the trade unions. The matter was resolved with agreement by all parties on the importance of health and safety. Other concerns raised by employees through the trade unions and addressed by management in 2014 related to transportation arrangements, and housing conditions for shift workers.

Health and safety issues are a shared priority between the Group and the trade unions. The unions engage actively with our sites to address the issue. In line with the collective bargaining agreement, 43 KAZ Minerals employees have been nominated as safety inspectors who report breaches they identify as part of their weekly inspections to the trade unions, who then discuss the matters with the senior management. Trade unions also play an important role in our employee engagement activities, helping us to stage sporting and cultural events for our employees and the employees of other local companies.

Communities

Social investment

Social responsibility is one of the core aspects of our licence to operate. Social provisions are included in subsoil licences, and historically the Group has provided additional significant support to the communities in the more remote and less economically diverse regions of our operations, where the Group often was the only significant employer. In 2014, social investment for the Group amounted to $60 million; this included sponsorship, support and donations for community projects in the primary regions of our operations as well as projects on a national level prior to and following the Restructuring. We expect this commitment to reduce as the number of our assets and the size of our workforce has decreased as a result of the Restructuring. We will continue to work with regional authorities in identifying projects that are relevant to our business while benefiting the communities to the greatest extent possible in the long term. Our main focus areas include healthcare, infrastructure development, childcare, education and sport.

Prior to the completion of the Restructuring, the Group was the largest copper producer and amongst the largest industrial businesses in Kazakhstan. As such, we recognised our responsibility for the development of the local economies and local enterprise. Previously the Group supported two small business associations in 'monotowns' – areas largely dependent on a single large employer. The programme encourages the diversification of local economies in those areas and will continue to be run by the Disposal Assets. KAZ Minerals will focus on ensuring that the level of local procurement is maintained to support the development and growth of a diverse industry in Kazakhstan. We seek to prioritise local procurement and only use imported goods and services where there is no acceptable locally sourced alternative.

For further information, see the Corporate Responsibility section on our website.

Human rights

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

Local communities are consulted during project development and any major operational changes that may affect them, and we respect and protect local heritage and culture.

We do not tolerate any form of child or forced labour at any of our operations. We comply with local legislation with regard to employee age, and as such do not employ anyone under the age of 18.

Aktogay

Aktogay is a large scale, low cost, open-pit copper mining project with many similar characteristics to Bozshakol. Aktogay will commence production from oxide ore in Q4 2015 and from sulphide ore in 2017. The mine has 5.8 MT of contained copper at a grade of 0.33% (sulphide) and will produce 90 kt of copper per annum in the first 10 years of operation.

For more information about our major growth projects, go to **www.kazminerals.com**

GOVERNANCE REPORT

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GOVERNANCE FRAMEWORK

This section has been prepared in accordance with the UK Corporate Governance Code dated September 2012 (the 'Code') issued by the Financial Reporting Council (the 'FRC') which is available to view at www.frc.org.uk. The Code applies to the Company's Annual Report and Accounts for the year ended 31 December 2014.

Code compliance

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

Leadership

The role of the Board

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

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

The Board has a formal schedule of matters specifically reserved for its decision which is reviewed regularly. A summary of the matters reserved for the Board is set out below. These are matters that are significant to the Group as a whole because of their strategic, financial and reputational implications or consequences.

The Board has four principal committees to deal with specific aspects of the Group's affairs. The chairs of the respective committees provide detailed reports to the Board on the matters discussed at the committee meetings, thereby ensuring that all Directors have visibility of and the opportunity to discuss such matters.

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

Division of responsibilities

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

Roles and responsibilities

Chairman – Simon Heale

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

- promoting the interests of the Company with special regard to Group planning and development to secure the Group's future success;
- ensuring the effective operation of the Board and its committees in conformity with the highest standards of corporate governance;
- providing leadership to the Board, setting its agenda, style and tone of meeting discussions to promote open and constructive debate and effective decision-making, as well as ensuring that adequate time is available for discussion of all agenda items and taking account of all views of the Directors;

MATTERS RESERVED FOR THE BOARD

Key matters reserved for the Board include the approval of:

- the Group's strategy, inclusive of short and medium-term plans;
- major acquisitions, mergers and disposals;
- major Group financing;
- major capital investments and projects;
- the annual production and financial budget;
- the Group's risk management strategy and insurance;
- health, safety, environmental and ethical policies;
- the Company's dividend policy;
- the appointment and removal of any Directors or the Company Secretary of the Company;
- the authorisation of Directors' conflicts or potential conflicts of interest;
- the annual performance evaluation of the Board, its committees and individual Directors;
- the annual report and accounts and half-yearly reports;
- all circulars, reports, prospectuses or other related documents for shareholders;
- the principal regulatory filings with stock exchanges; and
- the rules and procedures for dealing in the Company's shares; and
- the appointment or removal of the Company's external auditor and main financial, legal and technical advisers.

- ensuring that shareholders and the Board receive accurate, timely and clear information on all important matters, including Director remuneration, corporate governance and strategic issues;
- chairing the Nomination Committee and assembling an effective, complementary Board by initiating change and succession planning of Board and Committee members;
- ensuring comprehensive induction programmes for new Directors and the needs of all Directors are identified and met;
- ensuring the performance of the Board, its committees and individual Directors is formally evaluated annually, with an externally facilitated evaluation performed every three years;
- promoting effective and constructive relationships and communications between non-executive Directors and executive Directors and senior management, and holding meetings with the non-executive Directors without the executive Directors being present;
- ensuring effective communication with shareholders and that their views are understood by the Board; and
- maintaining an effective working relationship with the Chief Executive.

Chief Executive – Oleg Novachuk

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

- ensuring the creation and maintenance of a safe working environment and a safety-focused culture within the Group's operations;
- ensuring the Group's operations comply with all relevant health and safety standards, and activities are undertaken with special regard for environmental and social concerns in the countries in which the Group operates;
- leading the management team in the day-to-day running of the Group's business, including chairing meetings of the Executive Committee;
- developing the Group objectives and strategy having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders;
- establishing and maintaining an organisational structure that will enable the Group's strategy to be implemented effectively;
- responsibility to the Board for the performance of the business, consistent with agreed plans, strategies and policies;
- developing through investment and divestment an appropriate asset base for the Group to execute its strategy;
- developing and promoting effective communication with shareholders and other interested parties;
- ensuring at all times that the Group conducts its business in accordance with the legal requirements of the countries in which it operates and the Company's standards, if higher;
- planning human resourcing to ensure the Company has the capabilities and resources required to achieve its plans;
- establishing a senior management team which has the knowledge, skills, attitude and motivation to achieve the Group's business objectives both now and in the future;
- developing and maintaining an effective framework of internal controls over risk in relation to all business activities;
- managing the Group's risk profile in line with what is deemed acceptable by the Board;
- recommending to the Board an annual budget and medium-term financial and production plan; and
- ensuring the flow of information to the Board is accurate, timely and clear.

Senior Independent Director – Michael Lynch-Bell

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

- acting as a point of contact for shareholders and other stakeholders to discuss matters of concern which would not be appropriate through the normal channels of communication with the Chairman, Chief Executive and Chief Financial Officer. No such matters of concern were raised by shareholders during the year ended 31 December 2014;
- acting as a sounding board for the Chairman and serving as an intermediary for the other Directors when necessary;
- meeting with the non-executive Directors (without the Chairman being present) at least annually and leading the Board in the ongoing monitoring and annual performance evaluation of the Chairman;
- monitoring the training and development requirements of Directors; and
- availability to meet with a range of major shareholders when requested, to develop a balanced understanding of their issues and concerns and reporting the outcome of such meetings at subsequent Board meetings.

Non-executive Directors

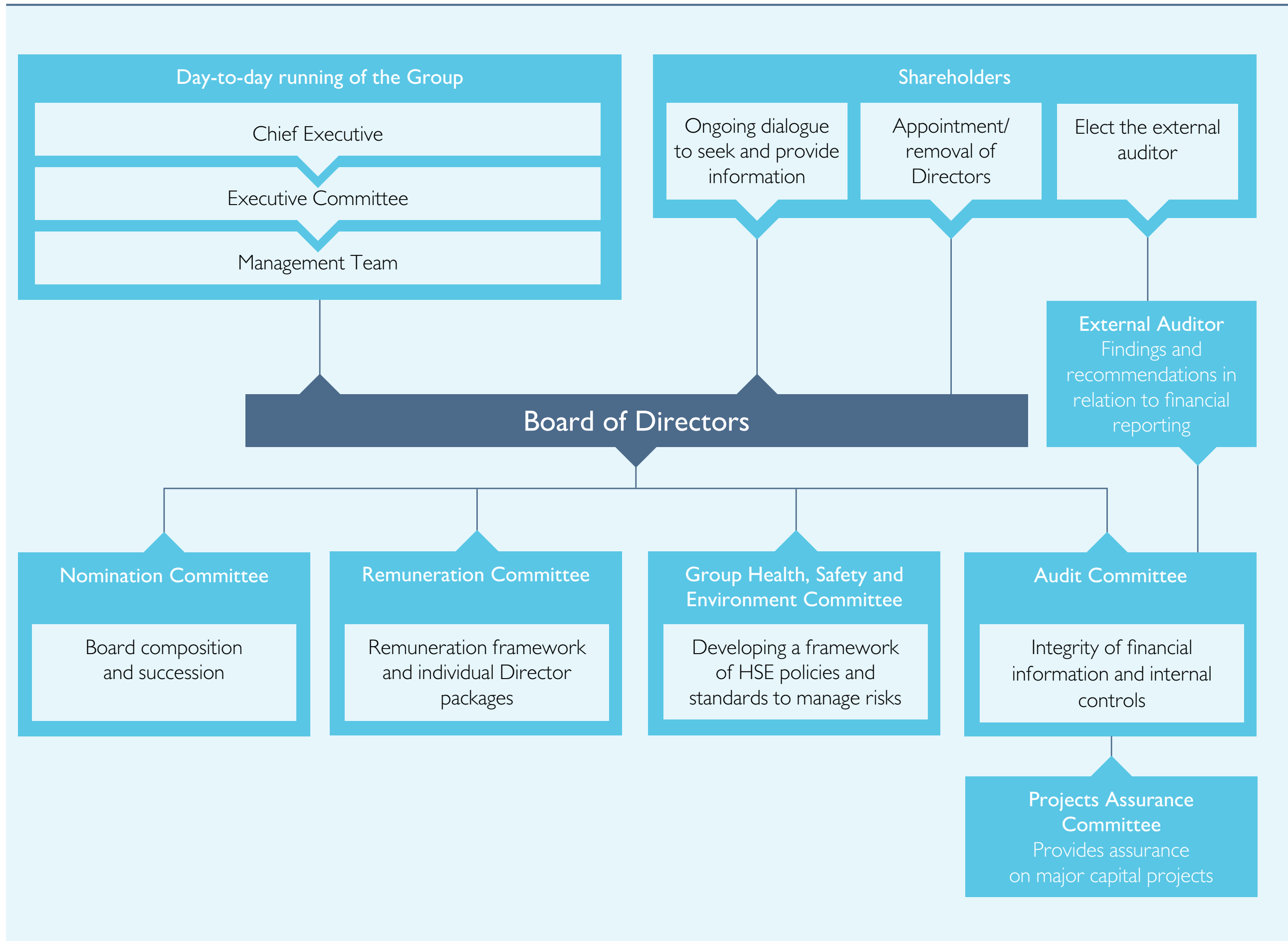
The non-executive Directors provide a strong independent element to the Board and a solid foundation for good corporate governance. Although all Directors are equally accountable under the law for the stewardship of the Company's affairs, the non-executive Directors fulfil a vital role in corporate accountability. They have responsibility for constructively challenging the strategies proposed by the executive Directors, scrutinising the performance of management in achieving agreed goals and objectives, as well as playing a leading role in the functioning of the main Board committees. Between them, the current non-executive Directors have the appropriate balance of skills, experience, knowledge and independent judgement gained through experience in a variety of business sectors.

Effectiveness

Composition of the Board

Effective management and good stewardship of the Group are led by the Board. The Board is currently comprised of the Chairman, two executive Directors and six non-executive Directors. John MacKenzie will be joining the Board as an independent non-executive Director on 1 March 2015 although Lord Renwick, who has served on the Board as an independent non-executive Director since December 2005, will be stepping down from the Board at the conclusion of the forthcoming Annual General Meeting. 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 the minority shareholders are protected. Biographies of all current Directors are set out on pages 32 and 33.

CORPORATE GOVERNANCE FRAMEWORK



Board composition

It is the Company's policy that at least half the Board 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 provides objective challenge to management, is willing to stand up and defend his or her own beliefs and viewpoints in order to support the ultimate good of the Company and there are no business or other relationships likely to affect, or which could appear to affect, the judgement of Lynda Armstrong, Clinton Dines, Michael Lynch-Bell, Lord Renwick or Charles Watson. The Board carries out a review of the independence of its Directors on an annual basis. Vladimir Kim is not considered by the Board to be independent due to his significant shareholding in the Company.

Diversity

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

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

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

Commitment

All Directors are expected to attend each Board meeting and each committee meeting for which they are members, save for in exceptional circumstances. To help enable this, scheduled Board and committee meetings are arranged at least a year in advance to allow Directors to manage other commitments.

All Directors are provided with the papers for consideration and other relevant information around seven days in advance of each meeting. Regular agenda items this year included: reports on health, safety and environmental matters; cash forecasts; updates on Bozshakol, Aktogay and Bozymchak; operational and financial performance; business development; corporate responsibility reporting; corporate communications; changes in corporate governance; and reports received from Board committees. If a Director is unable to attend a meeting because of exceptional circumstances, he or she still receives the papers and other relevant information in advance of the meeting and has the opportunity to discuss with the relevant chair or the Company Secretary any matters he or she wishes to raise and to follow up on the decisions taken at the meeting. The Chairman, Chief Executive and Company Secretary are always available to discuss issues relating to meetings or other matters with the Directors. Reasons for non-attendance are generally prior business and personal commitments or illness.

The attendance of Directors at scheduled Board meetings, which they were eligible to attend and the number of meetings attended during 2014 is shown below:

Directors during the year	Number of scheduled Board meetings eligible to attend	Number of scheduled Board meetings attended
Simon Heale	6	6
Oleg Novachuk	6	6
Eduard Ogay[1]	5	4
Andrew Southam[2]	1	1
Lynda Armstrong	6	6
Clinton Dines	6	6
Vladimir Kim	6	5
Michael Lynch-Bell	6	5
Lord Renwick	6	5
Charles Watson	6	6

1 Eduard Ogay stepped down as a Director on 31 October 2014, following completion of the Restructuring.

2 Andrew Southam was appointed as a Director on 1 November 2014. Prior to his appointment, he attended all Board meetings held during 2014 in his capacity as Chief Financial Officer.

Eduard Ogay, Vladimir Kim and Lord Renwick missed one Board meeting each due to a conflict in schedules and Michael Lynch-Bell missed one Board meeting due to personal circumstances. They provided any comments to the Chairman or Company Secretary on matters to be discussed in advance of the meetings they missed.

In addition to the six scheduled meetings of the Board during the year, two further meetings were held, one which focused solely on a review of the Group's strategy and one which related to the consideration and approval of the terms of the Restructuring. Despite these meetings being held at short notice, all Directors received the relevant meeting papers before the meeting and attendance levels were high.

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 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, the Company's corporate governance practices and procedures, as well as providing them with appropriate training and guidance as to their duties, responsibilities and liabilities as a director of a public limited company.

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

Where appropriate, additional training and updates on particular issues are provided. During the year, the Board received briefings on changes to the UK Corporate Governance Code, narrative reporting, the Takeover Code and new regulations relating to the extractive industries. The Board also sought advice from advisers regarding the Restructuring and it was concluded that the terms of the transaction were fair, reasonable and in the best interests of all shareholders.

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

To ensure the Board as a whole remains fully informed of the views of shareholders, the Board receives regular reports on shareholder sentiment from the Head of Investor Relations. Although not part of their induction programme, all non-executive Directors can attend shareholder meetings and analyst presentations, and shareholders may meet informally with all Directors at the Annual General Meeting.

Information and support

The Company Secretary, through the Chairman, is responsible for advising the Board on all governance matters and for ensuring that Board procedures are followed, applicable rules and regulations are complied with and that due account is taken of relevant codes of best

practice. The Company Secretary is also responsible for ensuring communication flows between the Board and its committees, and between senior management and non-executive Directors. All Directors have access to the advice of the Company Secretary and, in appropriate circumstances, may obtain independent professional advice at the Company's expense. The appointment and removal of the Company Secretary is a matter reserved for the Board as a whole.

The Company Secretary is Stephen Hodges, who joined the Group in 2007 as Deputy Company Secretary and was appointed to his current position in May 2014 following the departure of the previous Company Secretary, Robert Welch. Stephen Hodges is an Associate of the Institute of Chartered Secretaries and Administrators and is secretary to all of the Board committees, except the Audit Committee. The secretary to the Audit Committee is Susanna Freeman, Deputy Company Secretary, who joined the Group during the year.

Performance evaluation

In line with the Company's policy and in compliance with the provisions of the UK Corporate Governance Code, a full Board performance evaluation process, facilitated by an external consultant, Independent Audit Limited, commenced in early 2015 in respect of the 2014 calendar year. The process was carefully structured but pragmatic, designed to bring about a genuine debate of issues that were relevant, and assist in identifying any potential for improvement in the Company's processes. It entailed the completion of tailored questionnaires on the performance of the Board, its committees and its executive and non-executive Directors by each Director (excluding Andrew Southam who was appointed to the Board on 1 November 2014) and the preparation of a composite report. The results of the performance evaluation report will be presented and discussed at the May 2015 Board meeting and will be disclosed in next year's annual report and accounts. The last externally conducted Board performance evaluation was conducted in 2011. Independent Audit Limited has no other connection with the Company.

As set out in last year's annual report and accounts, an internal Board performance evaluation process was undertaken in late 2013/early 2014 in respect of the 2013 calendar year. The process entailed the completion of detailed questionnaires on the performance of the Board, its committees and its executive and non-executive Directors by each Director (excluding Lynda Armstrong who was appointed on 21 October 2013).

The Board questionnaire focused on:

- Board composition, expertise and dynamics;
- adequacy of information provided by management and time allocated for discussion;
- performance and composition of Board committees;
- the Board's strategic and operational oversight;
- risk management and internal control;
- succession planning and human resource management;
- the overall role the Board played in relation to the disposal of the Group's 26% interest in ENRC PLC; and
- the priorities for improving the Board's performance in the future.

The results of the Board performance evaluation report were presented at the February 2014 Board meeting and it was concluded that the Board and its committees operated effectively. The main areas identified for improvement and corresponding actions taken during 2014 were as follows:

Area identified	Action taken
Board composition with a focus on mining expertise	The Board initiated a recruitment process for a Director with mining experience
Management of Board meetings and focus of discussion	The agenda is drafted in accordance with key priorities of health, safety and the environment, cost control, cash forecasts, business development and updates on Bozshakol, Aktogay and Bozymchak to ensure major points are covered
Succession planning	The executive directorships were reviewed in 2014, ahead of the Restructuring. Eduard Ogay stepped down from the Board on completion of the Restructuring and after recommendations from the Nomination Committee, Andrew Southam was appointed to the Board

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

Re-election

Directors newly appointed by the Board are required to submit themselves for election by shareholders at the Annual General Meeting following their appointment. Andrew Southam, having been appointed by the Board on 1 November 2014 and John MacKenzie who will be appointed to the Board on 1 March 2015, will retire and submit themselves for election at the forthcoming Annual General Meeting. In accordance with best practice and the Code, all other Directors will be submitted for re-election at the forthcoming Annual General Meeting, save for Lord Renwick who will be stepping down from the Board at the conclusion of the forthcoming Annual General Meeting and therefore will not be seeking re-election.

During 2014, the Financial Conduct Authority ('FCA') published amendments to the Listing Rules, which include changes affecting premium listed companies with a controlling shareholder. Under the Listing Rules, the concert party is classed as a 'controlling shareholder' of the Company. This means that the independent non-executive Directors of the Company must be elected or re-elected by a majority of votes cast by all shareholders. Therefore, at the forthcoming Annual General Meeting, the resolutions for the election or 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 in addition to a majority of the votes cast by all shareholders being in favour.

Conflicts of interest

The Companies Act 2006 introduced a statutory duty requiring Directors to avoid situations in which they have or can have a direct or indirect interest that conflicts or may conflict with the interests of the Company. This duty is in addition to the existing duty that a Director owes to the Company to disclose to the Board any transaction or arrangement under consideration by the Company. The Company's Articles of Association include provisions giving the Directors authority to approve such situations and to allow conflicts of interest to be dealt with in a similar way to the position that existed prior to the coming into force of this legislation. There is no breach of duty if the relevant situation has been authorised in advance.

The Board has a procedure for authorising conflicts or potential conflicts of interest. Under this procedure, Directors are required to declare all directorships or other appointments outside the Group which could give rise to a conflict or potential conflict of interest. In considering each conflict or potential conflict of interest declared by a Director, firstly, only independent Directors will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider to be in good faith and will most likely promote the success of the Company. In addition, the Directors can impose limits or conditions when giving authorisation if appropriate.

The Company Secretary minutes the consideration of any conflict or potential conflict of interest and authorisations granted by the Board, and maintains a register of conflicts of interest. On an ongoing basis, the Directors inform the Company Secretary of any new, actual or potential conflict of interest that may arise or if there are any changes in circumstances that may affect an authorisation previously given. Even when authorisation is given, a Director is not absolved from his duty to promote the success of the Company.

Furthermore, the Company's Articles of Association include further provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a Director from breaching his or her duty if a conflict of interest arises. These provisions will only apply where the circumstance giving rise to the potential conflict of interest has previously been authorised by the Directors.

UK Bribery Act 2010 (the 'Bribery Act')

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

The Programme includes a clear statement on anti-bribery and corruption, which is fully supported by the Board, by the use of: corruption risk assessments across the Group; clear and practical policies and procedures; due diligence of business partners; training; as well as monitoring and assurance. As part of the Programme, a number of Group policies have been established including an Anti-Bribery and Corruption Code, a Facilitation Payments Policy, a Gifts and Hospitality Policy, a Third Party Due Diligence Compliance Programme, a Conflicts of Interest Policy and a Speak-Up Policy.

An independent review of the adequacy of the Programme in meeting the requirements of the Bribery Act was carried out by the external consultant, GoodCorporation, originally during 2012.

During 2013, outcomes from the external review carried out by GoodCorporation on the Programme were reviewed. The review found that since the Programme was introduced in 2011 many of the important key compliance milestones had been accomplished but provided recommendations for further improvement, including ensuring communication of the Programme was rolled out to the wider workforce and for the programme to evolve into a cross-functional issue. The Group has sought to work on the recommendations and during the year a number of actions were taken to enhance and further embed the Programme.

A further review of the progress on the implementation of the recommendations was carried out by GoodCorporation in 2014. The further review found that since the last review in 2013 a number of important changes had been made to procedures within the Group and the Group has sought to continue to take steps to implement the recommendations. The Company will work with GoodCorporation to assess the recommendations in light of the change to the Group's business profile following completion of the Restructuring.

Related party transactions policy

Following completion of the Restructuring on 31 October 2014, the Group implemented a policy on concluding transactions with the Kazakhmys group due to Vladimir Kim's substantial shareholdings in both the KAZ Minerals Group and the Kazakhmys group. The policy is to remind all KAZ Minerals employees of their obligations under the Listing Rules that all arrangements, contracts and transactions between any KAZ Minerals Group company and any Kazakhmys group company must be carried out on an arm's length basis and on normal commercial terms.

Competition policy

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

Accountability

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

Internal control

The Board is responsible for determining the nature and extent of any significant risks the Group is willing to take in order to achieve its strategic objectives as well as maintaining sound risk management and internal control systems. The Board has established a Group-wide system of internal control which identifies, evaluates and manages the significant risks associated with the Group's achievement of its business objectives, with a

view to safeguarding the shareholders' investment and the Group's assets. This system is bespoke to the Company's particular needs and the risks to which it is exposed and is designed to manage rather than eliminate risk. Due to the limitations inherent in any system of internal control, this system provides reasonable, but not absolute, assurance against material misstatement or loss. The effectiveness of the Group's system of internal control is reviewed by the Board annually.

The Board confirms that throughout the year ended 31 December 2014 and up to the date of approval of this Annual Report and Accounts, there have been processes in place to identify, evaluate and manage the significant risks faced by the Group in accordance with the Turnbull Guidance. The Company is aware that the FRC published a revised edition of the UK Corporate Governance Code in September 2014, together with its Guidance on Risk Management and Internal Control. Accordingly, the Company is reviewing its internal control and risk management policies and procedures to incorporate these changes and it is anticipated that it will report on any changes made in the 2015 annual report and accounts.

The Board has adopted a risk-based approach in establishing the Group's system of internal control and in reviewing its effectiveness. To assist in the identification and management of key risks, the Board has: established a number of Group-wide procedures, policies and standards; set up a framework for reporting matters of significance; authorised the Audit Committee to review the Group's approach to risk management and the effectiveness of the Group's financial reporting, internal control and assurance systems; developed a system of regular reports from management; and reserved specific key matters for its decision. The process is designed to provide assurance by way of cumulative assessment.

All of the Group's internal control and corporate governance policies and procedures are contained in a single document entitled 'Group Policy Guidelines on Corporate Governance' with the aim of promoting a culture of pragmatic corporate governance by raising awareness of the policies and procedures amongst senior management.

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

- Group financial, treasury, operating, compliance and administrative policies and procedures which incorporate statements of required behaviour;
- continuous review of safety, operating and financial performance of the Group's businesses;
- regular reports to the Board and Group Health, Safety and Environment Committee on health, safety and environmental matters;
- monitoring by the Board of a comprehensive reporting system, including monthly results, periodic short-term forecasts, annual budgets and medium-term plans;
- well-defined procedures for appraisal, approval, control and monitoring of major capital projects, including acquisitions and disposals;
- an established methodology for ranking the level of risk in each of its business operations and the significant risk issues associated therewith;.
- implementation of appropriate strategies to deal with significant risks, including measures such as insurance and the use of external specialists;
- a centrally coordinated internal audit programme to support the Board in its role of ensuring a sound control environment;
- a Speak-Up policy and helpline in place to allow staff to raise concerns about possible legal, regulatory, financial reporting or any other improprieties;
- regular reports to the Audit Committee on the adequacy and effectiveness of internal control;
- regular reports to the Projects Assurance Committee on progress against targets of the Group's major growth projects at Bozshakol and Aktogay; and
- a remuneration policy for executives which motivates them, without delivering excessive benefits or encouraging excessive risk-taking.

The Board, in conjunction with management, continues to review and develop the internal control environment where appropriate.

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

The Group's approach to risk management and how it profiles the risks identified is set out in the Risk Management Overview on pages 28 and 29.

Internal audit

Internal audit advises management on the extent to which systems of internal control are adequate and effective to manage business risk, safeguard the Group's resources, and ensure compliance with legal and regulatory requirements. It provides objective assurance on risk and controls to senior management, the Audit Committee and the Board.

Internal audit's work is focused on the Group's significant risks and the Head of Internal Audit and the Group Risk Manager work closely when considering the internal audits to be performed. The mandate and programme of work of the internal audit department is approved by the Audit Committee. Based on the approved audit plan, a number of internal audits took place across the Group's operations and functions to facilitate improvement of the Group's internal controls and report findings to relevant operational management. The Head of Internal Audit reports regularly to the Audit Committee and the chair of the Audit Committee is responsible for reviewing the remuneration of the Head of Internal Audit.

The Audit Committee receives reports from the Head of Internal Audit on the department's work and findings, and the effectiveness of internal audits are reviewed and discussed on an annual basis with the Head of Internal Audit.

Internal audit reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues raised. Internal audit follows up on the implementation of recommendations and reports on progress to senior management and the Audit Committee.

Relations with shareholders

Dialogue with shareholders

The Board recognises the importance of good communication with all its shareholders and maintains an active dialogue with its key financial audiences including institutional shareholders, sell-side analysts and potential shareholders. The Chief Executive and Chief Financial Officer are closely involved in investor relations and the Head of Investor Relations has day-to-day responsibility for such matters. Each of them provides the Board with shareholder feedback at Board meetings.

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

There is regular dialogue with key institutional shareholders, fund managers and sell-side analysts to discuss strategy, financial performance and investment activities throughout the Group, who also from time to time visit Group operations. During 2014, executive Directors and senior management held meetings with institutional investors in the United Kingdom, continental Europe and the United States of America and attended several conferences in these locations, providing a comprehensive dialogue with shareholders.

During 2014, the Company issued quarterly production updates in January, April, July and October and interim management statements in April and October. These, together with copies of institutional analyst presentations each half year, the Group's preliminary and half-yearly results and all announcements issued to the London Stock Exchange and Hong Kong Stock Exchange (in English and in Chinese), are available on the Company's website (www.kazminerals.com).

Annual General Meetings

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

At the Annual General Meeting, the Chairman provides a brief summary of the Company's activities for the previous year to shareholders. All resolutions at the 2014 Annual General Meeting were voted on by way of a poll. The procedure for voting on a poll follows best practice and allows the Company to count all votes rather than just those of the shareholders attending the meeting.

As recommended by the Code, all resolutions proposed at the 2014 Annual General Meeting were voted separately and the voting results, which included all votes cast for, against and those withheld, together with all proxies lodged prior to the meeting, were announced to the London Stock Exchange and Hong Kong Stock Exchange and made available on the Company's website as soon as practicable after the meeting. As in previous years, the Form of Proxy clearly advised that a 'vote withheld' is not a vote in law and is not used in calculating the votes for or against a resolution.

Board committees

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

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

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

Board committee membership

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

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

C: Chair of committee

M: Member of committee

AUDIT COMMITTEE

Dear fellow shareholder,

During 2014, the Committee reviewed the Group's financial results, including significant financial reporting estimates and judgements, the Group's system of internal control, management of the Group's risks and oversaw the relationship with the external auditor. There have also been a number of transactions of which we have considered the financial effects, including the disposal of the Group's 50% interest in Ekibastuz GRES-1 and the Restructuring.

In my role as chair of the Committee I have again met with our external auditor, KPMG, outside the normal meeting schedule and with various senior managers to increase my understanding of the Group. I intend to continue with such meetings in order to deepen my knowledge of the Group, the risks it faces and its internal control framework.

Finally, I would like to acknowledge the continued work of the Projects Assurance Committee in identifying and monitoring the activities critical to the successful commissioning of two of the Group's major growth projects at Bozshakol and Aktogay.

Michael Lynch-Bell
Chair, Audit Committee

Responsibilities

The Board relies on the Audit Committee to provide effective governance in financial reporting, internal control and assurance processes together with the identification and management of risk.

The current members of the Committee are:

Michael Lynch-Bell, Chair
Clinton Dines
Charles Watson

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

Governance

Michael Lynch-Bell has recent and relevant financial experience; his biography is set out on page 32. The other members of the Committee, Clinton Dines and Charles Watson, have broad commercial experience and knowledge of international businesses which they bring to the Committee's deliberations. The Chairman of the Board, Chief Executive, Chief Financial Officer, Company Secretary, Head of Internal Audit and the external auditor are normally invited to attend Committee meetings.

At the end of each meeting the Committee normally meets separately with both the external auditor and Head of Internal Audit, without management being present, to discuss any matter relating to its remit and any issues arising from external and internal audits.

AUDIT COMMITTEE RESPONSIBILITIES

External auditor

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

The Committee reviewed the effectiveness of the external audit process during the year, considering performance, objectivity, independence and relevant experience and recommended to the Board the re-appointment of KPMG as the Company's auditor. The Group continues to benefit from the insight and knowledge that the auditor has of its business processes and controls and therefore the Board has approved resolutions to be proposed at the forthcoming Annual General Meeting, to re-appoint KPMG as the Company's auditor and to authorise the Directors to set KPMG's remuneration.

The Committee is aware of the Competition and Markets Authority reforms on tendering audit contracts at least every 10 years. Accordingly, it is the intention of the Committee that the external audit is put out to tender by 2022 at the latest, subject to any further regulatory change.

Attendance at Audit Committee meetings

During 2014, 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 2014
Michael Lynch-Bell	27 February 2013	6/6
Clinton Dines	1 October 2009	6/6
Charles Watson	24 August 2011	5/6

Charles Watson missed one Committee meeting during the year due to personal circumstances. He was provided with Committee papers prior to the meeting and provided comments to the Committee chair for discussion at the meeting.

Role of the Audit Committee

Key roles and responsibilities of the Audit Committee include:

- monitoring and challenging, where necessary, the integrity of the financial statements of the annual and half-yearly results, interim management statements and any other formal announcement relating to financial performance, including a review of the financial reporting judgements which they contain;
- reviewing the Company's internal controls, including financial controls and risk management systems;
- monitoring the role and effectiveness of the internal audit function;
- overseeing the work of the Projects Assurance Committee;
- establishing and overseeing the Company's relationship with the external auditor, including the monitoring of its independence and expertise, the terms of reference of its engagement and fees, and assessing the effectiveness of the audit process with due regard to relevant UK professional and regulatory requirements;
- agreeing the scope of the external auditor's annual audit plan and reviewing the output;
- considering and making recommendations to the Board on the appointment and re-appointment of the external auditor;
- developing and implementing a policy on the provision of non-audit services by the external auditor with due regard to ethical guidance;
- reviewing annually the Committee's own performance, constitution and terms of reference; and
- reporting to the Board on how the Committee has discharged its responsibilities.

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

Activities in 2014

At its meetings in 2014, the Committee considered and discharged its responsibilities on the following matters:

Financial reporting

- reviewed annual and half-yearly results and interim management statements including accounting policies, significant financial reporting estimates and judgements applied in preparing them and the transparency and clarity of the disclosures within them;
- received reports from management and the external auditor on accounting, financial reporting and taxation issues;
- considered impairment reviews performed by management in relation to the Group's investments;
- reviewed the methodology for producing the disclosure of ore reserves and mineral resources and other relevant disclosures in the Annual Report and Accounts;
- considered the financial impact of the terms of the Restructuring on the Group's financial statements; and
- reviewed the basis for preparing the Group accounts on a going concern basis.

Internal control

- reviewed the structure and effectiveness of the Group's system of internal control as set out on pages 77 and 78 and the disclosures made in the Annual Report and Accounts on this matter;
- reviewed and recommended to the Board amendments to the Group Treasury Policy;
- reviewed the Group's processes for disclosing information to the external auditor and the statement concerning such disclosure in the Annual Report and Accounts; and
- received reports from the Projects Assurance Committee.

Risk management

- reviewed the risk management activities undertaken and the process and frequency of reporting on risks to the Committee in order to identify, measure and assess the Group's significant risks;
- reviewed and challenged the Group's significant risks identified by management in the Group risk map, and reviewed the effectiveness of the Group risk management framework as described on pages 28 and 29, and reports arising out of the risk management process; and
- monitored the Group's significant insurance arrangements and reviewed the Group's insurance broking arrangements.

Internal audit

- approved the annual operational plan and reviewed reports from the internal audit department relating to control matters;
- received a presentation of the results of an internal audit carried out by GoodCorporation on the Group Anti-Bribery and Corruption Compliance Programme; and
- agreed to engage external specialists to assist the internal audit department in connection with specialist audits including anti-bribery and corruption, and health and safety.

External auditor

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

Other matters

- reviewed reports on changes to UK and Kazakhstan tax legislation;
- reviewed the Speak-Up policy as well as the independent and confidential arrangements in place by which staff may raise concerns about possible legal, regulatory or other improprieties in matters of financial reporting and other matters;
- received reports on matters raised via the Speak-Up facilities, the process for the investigation of those matters raised, the outcome of the investigation and any actions taken;
- received an update from management on the latest technical accounting and regulatory issues;
- approved the appointment of the external auditor to provide non-audit services in relation to the Restructuring;
- reviewed its terms of reference and the results of the performance evaluation of the Committee; and
- reviewed the training requirements of the Committee members.

Policy on the provision of non-audit services

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

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

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

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

The Group engaged KPMG on the Restructuring as reporting accountant and in the opinion of the Committee, KPMG's knowledge of the Group and presence in Kazakhstan as well as the efficiency of using KPMG, made them the most appropriate choice for reporting accountant. The Committee believes that the compliance nature of the work and the fact that the work performed was reviewed by staff from KPMG's transaction services which is independent of the audit team, meant that there would be no impact on auditor independence.

Details of the amounts paid to the external auditor for audit and non-audit services for the year ended 31 December 2014 and information on the nature of non-audit fees appear in note 10 to the consolidated financial statements on page 128.

Projects Assurance Committee

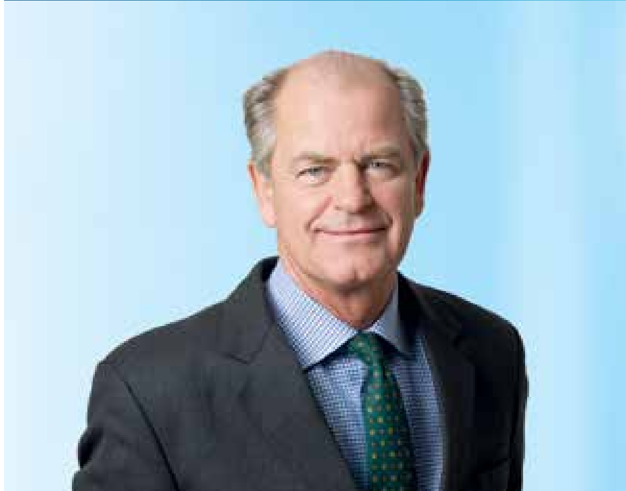
During 2012, the Audit Committee considered and approved the establishment of a sub-committee, the Projects Assurance Committee, for the purpose of assisting the Audit Committee in procuring third party, independent operational and financial assessments of the Group's major growth projects at Bozshakol and Aktogay. The Projects Assurance Committee currently comprises Charles Watson (chair), Oleg Novachuk and Lynda Armstrong and met four times during 2014. The significant issues the Projects Assurance Committee considered during 2014 related to health, safety and environmental standards at sites, reviewing the performance of the contractors, progress against construction plans, and the monitoring of capital expenditure at Bozshakol and Aktogay, the appointment of an additional contractor at Aktogay and the processes to be put in place for the operational start up at Bozshakol. The chair of the Projects Assurance Committee reported on its activities to the next Audit Committee meeting following each of its meetings.

Significant issues considered by the Committee

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

Significant issues	Committee actions
Divestment of the Disposal Assets	
The divestment of a number of the Group's relatively mature mining and power operations, primarily located in the Zhezkazgan and Central Regions (the 'Disposal Assets'), was approved by independent shareholders on 15 August 2014. On this date, the Disposal Assets were considered by management to be "assets held for sale" and accounted for in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. An impairment charge of $1.6 billion was recognised to reflect these assets at their fair value less costs to sell of nil. On completion of the divestment on 31 October 2014, the Disposal Assets were derecognised with a total loss of $2.3 billion, including the recycling of foreign currency translation reserves, reflected in the Group income statement within loss on discontinued operations.	Having discussed and reviewed management's proposed accounting treatment, the Committee concurred with the proposals and disclosures.
Taxation matters arising from the divestment	
In light of the Restructuring and the legal re-organisation required to effect the transaction, management considered the tax implications on the Group's entities in the territories in which they operate and how they should be reflected in the Annual Report and Accounts.	The Committee considered papers setting out the taxation impacts of the Restructuring and challenged management on the positions taken in arriving at their conclusions. The Committee agreed with the positions adopted and disclosures made by management.
Operating segments	
Following the classification of the Disposal Assets as assets held for sale, management reassessed the operating segments of the continuing operations in line with IFRS 8 'Operating Segments' and identified the revised operating segments to be reflected in the relevant notes to the financial statements.	Having discussed and reviewed management's proposals on the definition and presentation of the operating segments, the Committee concurred with the proposals and disclosures.
Impairments – Group	
At 31 December 2014, the Group's net asset value was below its market capitalisation and, in response, management undertook impairment indicator reviews on certain of the Group's cash generating units. An impairment of the Bozymchak project of $128 million was recognised.	The Committee considered papers setting out the results of the impairment reviews and management's assessment and assumptions. Having received input from the external auditor and challenged the appropriateness of key assumptions used by management in the discounted cash flow models and evaluated the sensitivity of the outcomes of the reviews, the Committee agreed with management's assessment and disclosures.
Impairments – KAZ Minerals PLC	
Following the divestment of the Disposal Assets on 31 October 2014, an impairment review of the investments held on the Company's stand-alone balance sheet at 31 December 2014 was performed. Following the review, KAZ Minerals PLC recognised an impairment charge on its stand-alone balance sheet.	The Committee considered papers setting out the results of the impairment review and management's assessment and assumptions. Having received input from the external auditor and challenged the appropriateness of key assumptions used by management in the discounted cash flow models and evaluated the sensitivity of the outcomes of the reviews, the Committee agreed with management's assessment and disclosures.
Going concern	
It is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements for the year ended 31 December 2014. In reaching this conclusion, management have taken into account the Group's financial position, the available borrowing facilities, the planned capital expenditure programme and the outlook for the Group's products and major growth projects, and believe there is sufficient funding available to meet the Group's anticipated cash flow requirements in its current form 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).	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 recommendation to prepare the accounts on a going concern basis was appropriate.
Significant accounting matters affecting the Disposal Assets while under the control of the Group	
a) Excess Profits Tax (EPT) Until completion of the divestment, uncertainty over the recoverability of $39 million of EPT paid in prior years remained as the tax authorities in Kazakhstan had continued to challenge its refund in 2014.	The Committee considered papers prepared by management setting out the status of the dispute surrounding the recoverability of the EPT paid in prior years and concurred with the accounting treatment up to the date of the divestment.
b) Disability benefits provisions The provision for disability benefits was reassessed by management on 31 October 2014 on an actuarial basis in line with the relevant accounting standards applying various actuarial and management assumptions.	The Committee considered papers prepared by management outlining the key assumptions and variables applied in the actuarial valuations for future disability payments relating to the Disposal Assets. Having challenged management on the assumptions applied, the Committee concurred with the calculation, accounting treatment and disclosure thereof.
Accounting standards and tax developments	
Management considered the implications of the new accounting standards issued and applicable for the year ended 31 December 2014 as well as enacted and proposed tax amendments across the territories in which the Group operates. The new accounting standards have not had a material impact on the financial position or performance of the Group and no restatements were made to the 2014 financial statements and the comparatives included therein as a result of the new standards. Management considered tax developments across the jurisdictions in which the Group operates and their impact on the tax positions and disclosures in the Annual Report and Accounts.	Having discussed and reviewed management's technical update papers, the Committee concurred with the conclusions reached and accounting treatment and disclosure thereof.

GROUP HEALTH, SAFETY AND ENVIRONMENT COMMITTEE



Dear fellow shareholder,

Implementing and maintaining good health, safety and environmental practices is critical to KAZ Minerals, which is why the Group is working hard to put in place clear processes and training to make continual improvements in these areas and to develop a 'safety-first' culture. The role of the Committee is to assist the Board in overseeing management's processes, standards and strategies for managing health, safety and environmental commitments and responsibilities.

During the year, the Committee's agenda covered a range of health, safety and environmental issues including: vehicle safety and monitoring; development of cardinal rules; health and safety strategy; environmental strategy; reviewing outcomes from DuPont's assessments and recommending further actions; monitoring reports of concern raised via the Speak-Up facilities; reports from internal audit; receiving updates on corporate responsibility reporting; and changes to labour agreements. The Committee also addressed leadership behaviour and cultural change issues during its meetings.

This year we established a new Health, Safety and Environment team led by the new Group Health and Safety Director. This team has expert health and safety experience gained from working within the mining industry and has initiated important improvements to the processes in place.

In order to give the Committee a full understanding of the Group's safety culture and practices at an operational level, the Committee visited the Bozshakol site and the Irtyshsky mine during the year. We met with locally based staff and contractors which enabled us to understand better the processes and risks involved at the Group's operations.

Charles Watson
Chair, Group Health, Safety and Environment Committee

Responsibilities

The current members of the Committee are:

Charles Watson, Chair
Lynda Armstrong
Clinton Dines
Simon Heale

The Committee is primarily responsible for keeping under review the development and maintenance of a framework of policies and standards which are used to assess, manage and report on health, safety and environmental risks and their impact on the Group's activities.

All meetings of the Committee during the year were held in Kazakhstan and involved meetings with management responsible for health and safety, with all visits lasting for two or three days.

Attendance at Group Health, Safety and Environment Committee meetings

There were three scheduled meetings of the Group Health, Safety and Environment Committee during 2014, with each member attending as shown below:

Members	Committee member since	Attendance at scheduled meetings during 2014
Charles Watson	16 November 2011	2/3
Clinton Dines	25 August 2010	2/3
Lynda Armstrong	21 October 2013	2/3
Simon Heale	13 March 2013	3/3

Clinton Dines missed one Committee meeting due to a conflict in schedules and Charles Watson and Lynda Armstrong each missed one Committee meeting due to personal circumstances.

The Senior Independent Director is normally invited to attend meetings.

Role of the Group Health, Safety and Environment Committee

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

- keeping under review the development and maintenance of a framework of policies and standards for managing health, safety and environmental risks and their impact on the Group's activities;
- reviewing compliance by the Group with relevant health, safety and environmental legislation;
- assessing the impact of health, safety and environmental decisions and actions taken by the Group on its reputation, employees, communities and other stakeholders, and ensuring remedial action is taken where appropriate;
- monitoring and assessing the commitment and behaviour of management towards health, safety and environmental-related risks;
- reviewing significant safety incidents, considering the key causes thereof and ensuring actions are taken and communications made by management to prevent similar incidents occurring in the future;
- facilitating the promotion by management of a culture of care and sensitivity towards the environments and communities in which the Group operates;
- making proposals to the Remuneration Committee regarding appropriate health, safety and environmental performance objectives for executive Directors and certain senior managers and providing its assessment as to performance against such objectives;

- reviewing the findings of any internal or external reports on the Group's health, safety and environmental systems, assessing any strategies and action plans developed by management in response to issues raised and where appropriate, making recommendations to the Board on such matters; and
- reviewing annually the Committee's own performance, constitution and terms of reference.

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

Activities in 2014

At its meetings in 2014, the Committee considered, amongst other matters, the following:

- reviewed and evaluated fatal and serious incident reports through the Fatal and Serious Incidents Review Panel;
- reviewed the outcomes of a safety culture assessment conducted by DuPont in 2013 and resulting action plan for 2014;
- monitored compliance with changing environmental legislation and emission levels;
- monitored and evaluated a number of key safety and environmental initiatives (vehicle safety, additional training for inexperienced workers and emission levels at Group projects);
- reviewed and evaluated reports on the implementation and effectiveness of a number of health, safety and environmental policies and procedures and assessed performance against the Group's five year health and safety management plan and five year environmental plan;
- monitored the performance of DuPont, a third party health and safety consultant;
- received reports on matters raised and actions taken in respect of calls made to the Trust Hot Line and the Speak-Up helpline on the process for the investigation of those matters, as well as the outcome of the investigation and any actions taken;
- reviewed and approved the Group's cardinal rules for open cast mining, smelters, concentrators and power stations;
- provided guidance to management on the development of a health and safety strategy and environmental strategy;
- reviewed its terms of reference and the results of the performance evaluation of the Committee; and
- reviewed the future role and direction of the Committee.

NOMINATION COMMITTEE

Dear fellow shareholder,

The Nomination Committee reviews the composition of the Board and its committees and oversees succession planning in respect of skills, knowledge, experience and general diversity. By identifying and recommending candidates with the necessary range of skills and experience as Directors, the Committee aims to ensure that the Board and its committees are fit for purpose and able to meet any challenges that are brought before them.

During 2014, the Group underwent a major restructuring which resulted in a change to the composition of the Board. It was agreed that Eduard Ogay would step down from his role as executive Director following completion of the Restructuring. The Committee recommended the appointment of Andrew Southam, Chief Financial Officer, to the Board due to his seniority, experience and knowledge of the Company. Andrew was subsequently appointed to the Board on 1 November 2014.

Recently, the Nomination Committee has worked on securing the appointment of a new independent non-executive Director. To ensure a wide pool of candidates was available for us to choose from, we appointed Spencer Stuart, who specialise in the recruitment of high calibre executives. I managed the relationship with Spencer Stuart and I confirm that they provide no other recruitment service to the Company, although they were appointed as the external recruitment consultancy for the appointment of Lynda Armstrong in 2013.

As a result of this search, I am pleased to welcome John MacKenzie who will be joining the Board as an independent non-executive Director with effect from 1 March 2015. As the former CEO of Copper for Anglo American, John brings extensive experience of the copper mining industry and we look forward to him joining us.

Simon Heale
Chair, Nomination Committee

Responsibilities

The current members of the Committee are:

Simon Heale, Chair
Michael Lynch-Bell
Lord Renwick

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

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

Governance

The Committee is chaired by the Chairman of the Company and the members of the Committee are independent non-executive Directors, in accordance with the provisions of the Code. If a matter were to concern the Chairman, then he would leave the meeting and Michael Lynch-Bell would instead take the chair.

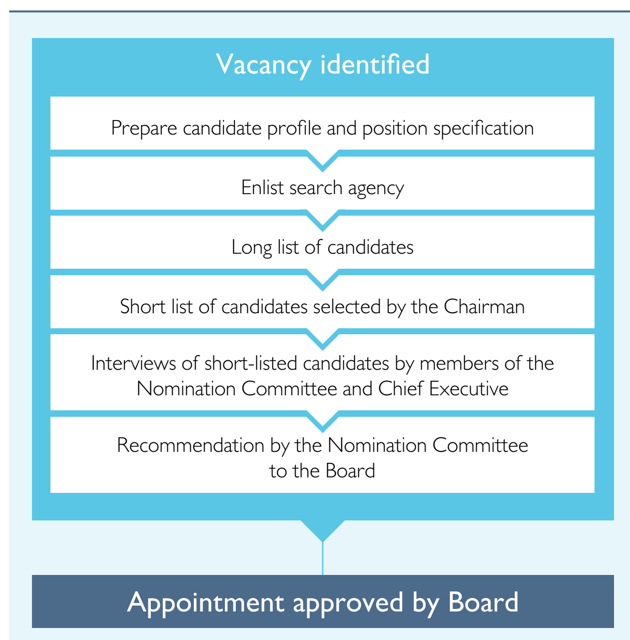
Recruitment process

When considering the recruitment of new Directors, the Committee evaluates the particular skills, knowledge, independence, experience and diversity, including gender, that would benefit and balance the Board most appropriately for each appointment.

In the recent search for a new non-executive Director, resulting in the decision to appoint John MacKenzie to the Board, a formal, rigorous and transparent search process was put in place with a candidate profile and position specification prepared, including time commitment expected and experience required. Spencer Stuart presented the Chairman with a long list of candidates and the Chairman put together a short list of candidates. Interviews were then conducted by the Chairman, the other members of the Committee and the Chief Executive. The preferred candidate was then recommended by the Committee to the Board for approval.

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

RECRUITMENT PROCESS



Attendance at Nomination Committee meetings

There was one scheduled meeting of the Nomination Committee during 2014 with each member attending as shown below:

Members	Committee member since	Attendance at scheduled meetings during 2014
Simon Heale	1 January 2007	1/1
Michael Lynch-Bell	1 September 2013	1/1
Lord Renwick	1 December 2005	1/1

Role of the Nomination Committee

Key roles and responsibilities of the Nomination Committee include:

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

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

Activities in 2014

At its meeting in 2014, the Committee considered, amongst other matters, the following:

- the appointment of a new independent non-executive Director, resulting in the appointment of John MacKenzie;
- following Eduard Ogay stepping down as an executive Director, recommended the appointment of Andrew Southam as an executive Director;
- in accordance with the Company's Articles of Association, recommended to the Board the re-election of all Directors by shareholders at the 2014 Annual General Meeting having due regard to the performance and ability for each Director to continue to contribute to the Board and its committees;
- the time commitment required by non-executive Directors to fulfil their duties; and
- its terms of reference and the results of the performance evaluation of the Committee.

DIRECTED BY STRATEGY

Policy Report

Key parts of the Policy Report that was approved by shareholders at the 2014 Annual General Meeting have been included again in this report for the purposes of clarity and transparency. The current intention is that the policy will operate in its present form until at least the 2017 Annual General Meeting.

Where references were made in the Policy Report last year to specific levels of pay in 2014 (e.g. the reward scenarios charts which incorporated salary levels effective 1 January 2014), these have been updated so that the report can be read in the context of the 2015 financial year. In addition, the remuneration policy table has been annotated to additionally include details of how the policy will be implemented in 2015. The original Policy Report, approved at the 2014 Annual General Meeting, can be found on pages 76 to 81 in the 2013 Annual Report and Accounts on the Company's website (www.kazminerals.com).

Remuneration Policy table

The table below summarises the key aspects of the Company's remuneration policy for executive Directors.

	Salary	Benefits
Purpose and link to strategy	To attract and maintain high calibre executives taking account of market levels at the date of appointment and on subsequent review	Provide market competitive benefits to help recruit and retain high calibre executives
Operation	Reviewed annually, effective 1 January Any increases take account of: • Company and individual performance • Skill set and experience of the executive • External indicators such as inflation and market conditions • Remuneration levels of Group employees, particularly in the UK Where no pension provision is provided an adjustment will be made to salary	Provision of benefits such as: • Private medical insurance • Car and driver • Relocation assistance • All employee share schemes • Travel and related expenses Additional benefits such as pension and life assurance may be provided from time to time. The Committee will consider whether the payment of any additional benefits is appropriate and in line with market practice when determining whether and at what level they are paid *2015: There is no current plan to provide any pension benefits to the Chief Executive*
Maximum	No prescribed maximum annual increase Salary reviews take account of Company and individual performance The Committee is guided by the general increase for the broader employee population, particularly in the UK, but on occasions may need to recognise, for example, development in role, change in responsibility and/or specific retention issues as well as the market context The Committee has the flexibility to set the salary of a new hire at a discount to the market level initially, with a series of planned increases implemented over the following few years to bring the salary to the desired positioning, subject to individual performance *2015: Salaries will not be increased from 2014 levels*	Cost of benefits is not pre-determined

Annual bonus plan and Long Term Incentive Plan (LTIP) flexibility

The Committee will operate the annual bonus plan and LTIP according to the rules of each respective plan and consistent with normal market practice and the Listing Rules, including flexibility in a number of regards.

The Committee will consult with shareholders in the event of material application of discretion.

Shareholding guidelines

All executive Directors are expected to hold shares equivalent in value to a minimum of 200% of their base salary within a five year period from their date of appointment. The relevant salary is the salary at the date of appointment and the market value is measured at the current date.

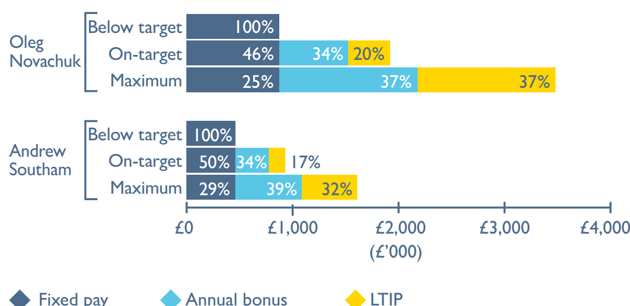
Executive Directors are required (where permitted from a technical perspective) to hold shares arising from an LTIP award for a period of five years from the date of grant, with only those shares required to cover a tax liability on exercise of an LTIP award permitted to be sold.

Annual Bonus Plan	Long Term Incentive Plan	All Employee Share Plans
Incentivise the delivery of annual objectives consistent with the Group's strategy, without encouraging short-term measures or excessive risk-taking	Incentivise long-term value creation and alignment with longer-term returns to shareholders	Encourages long-term shareholding in the Company Provides all employees with the opportunity to become owners in the Company on similar terms
Not pensionable Clawback facility to take account of material and exceptional adverse circumstances which may arise after the payment of the bonus which makes the payment of that bonus unwarranted • Payments determined on the basis of: – Operational performance – Financial performance – Strategic developments Payments scaled back in the absence of an improvement in the Group's safety performance Targets set by reference to the financial and operating plans	Normally granted annually, awards under the Long Term Incentive Plan are rights to receive nil-cost shares, subject to continued employment and relative TSR performance measured over a minimum three-year period Shares arising from an LTIP award must be held for a period of five years from the date of grant The Committee obtains independent external advice to assess whether the Company has met the TSR performance condition at the end of the relevant period The composition of the TSR comparator group is reviewed at least annually by the Committee	Opportunity to participate in UK and International Sharesave and Share Incentive Plans on the same terms as other eligible employees Significant tax benefits in the UK subject to satisfying certain HMRC requirements Plans can only operate on an "all employee"/equal terms basis. The plan operates on a non-tax favoured basis outside the UK as appropriate There are no post grant performance targets applicable to awards
From 2014, the maximum bonus potential is 150% of salary for the achievement of stretching performance objectives with a target bonus of 75% of salary Target bonus no higher than 100% of salary Bonus starts to earn at a threshold level (where 0% of salary is payable) and rises on a straight-line basis	Maximum of 250% of salary per annum Normal award policy currently set at 200% of salary per annum *2015: Awards will be made at up to 150% of salary*	The maximum participation level (for UK-based employees) is as per HMRC limits

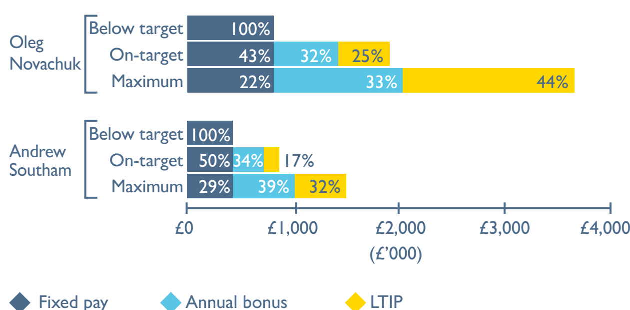
Reward scenarios

The balance between fixed and variable elements of remuneration changes with performance. The remuneration policy results in a significant proportion of remuneration received by executive Directors being dependent on Company performance. The pay mix is shown in the charts below. The charts are indicative as no assumed share price movement has been included.

Maximum potential remuneration 2015



Maximum potential remuneration 2014 (for comparison)



Please note that the percentage in each bar chart may not add up to 100% due to rounding.

The basis of calculation and key assumptions used to complete the 2015 chart above are as follows:

Below target – only fixed pay is payable (i.e. base salary and benefits). Base salary levels (on which other elements of the remuneration package are calculated) are those applying for 2015 and 2014 and benefits are calculated on the estimated cash cost to the Company or the taxable value to the executive Director.

On-target – fixed pay plus 50% of maximum annual bonus payout and an LTIP award which vests at 30% of maximum, being the threshold level of vesting.

Maximum – fixed pay plus 100% of maximum annual bonus payout (i.e. 150% of salary) and an LTIP award with a face value of 150% of base salary for Oleg Novachuk and 125% of base salary for Andrew Southam which vest at 100%.

Recruitment and appointment policy

The remuneration package for a new executive Director will be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment. The Committee may offer, in addition, certain cash or share-based elements for the sole purpose of buying out existing awards. Any such payments would be based solely on remuneration relinquished when leaving the former employer and would be used for the specific purpose of recruiting an executive Director key to the operation of the Company. These payments would not exceed what is felt to be a fair estimate of remuneration lost when leaving the former employer and would reflect (as far as possible) the nature and time horizons attaching to that remuneration and the impact of any performance conditions. Shareholders will be informed of any such payments at the time of appointment.

In the case of an internal executive appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its existing terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment will continue.

The Committee has the flexibility to set the salary of a new hire at a discount to the market level initially, with a series of planned increases implemented over the following few years to bring the salary to the desired positioning, subject to individual performance.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as appropriate. In addition, the Committee may agree to provide tax equalisation for any new appointment.

For the appointment of a new Chairman or non-executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

Service contracts

Service contracts normally continue until the executive Director's agreed retirement date or such other date as the parties agree. The Company's policy is that executive Directors will be employed on a contract that can be terminated by the Company on giving no more than one year's notice, with the executive Director required to give up to six months' notice of termination. The Committee will, consistent with best practice, and the interests of the Company and its shareholders, seek to minimise termination payments.

A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums earned up to the date of termination, on the occurrence of certain events, such as gross misconduct. The circumstances of the termination (taking into account the individual's performance) are taken into account by the Committee when determining amounts payable as a result of termination. The Committee's normal policy on termination is to make phased compensatory payments and to stop or reduce such payments to former executive Directors where they receive remuneration from other employment during the notice period (where this is consistent with local employment legislation and market practice).

Any share-based entitlements granted under the Company's share plans will be determined on the basis of the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, under the rules of the LTIP, in certain prescribed circumstances, such as death, redundancy, disability, retirement, or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure), 'good leaver' status can be applied. In these circumstances a participant's awards vest on a time pro-rata basis subject to the satisfaction of the relevant performance criteria with the balance of the awards lapsing. The Committee retains discretion to decide not to pro-rate if it is inappropriate to do so in particular circumstances. If, however, the termination of employment is not for one of the specified reasons, and the Committee does not exercise its discretion to allow an award to vest, a participant's full awards lapse.

Provision	Summary terms
Notice period	Up to 12 months
Termination payment	Base salary plus benefits. Payments will normally be paid monthly and be subject to mitigation (where this is consistent with local employment legislation and market practice)
Remuneration entitlements	A pro-rata bonus may also become payable for the period of active service along with, under the rules, vesting of outstanding share awards (in certain circumstances – see above). In all cases performance targets will apply

The contract of Oleg Novachuk is terminable by either the Company or the executive Director on three months' notice. This was granted to him on 26 September 2005. The Company reserves the right on termination to make phased payments which are paid in monthly instalments and subject to mitigation through a legal obligation on the part of the outgoing executive Director to seek new employment.

The contract of Andrew Southam is terminable by the Company on 12 months' notice or by the executive Director on six months' notice. This was granted to him on 18 May 2013 when he became Chief Financial Officer. The Company reserves the right on termination to make phased payments which are paid in monthly instalments and subject to mitigation through a legal obligation on the part of the outgoing executive Director to seek new employment.

Chairman and other non-executive Directors' letters of appointment

The Chairman and other non-executive Directors do not have service contracts, but each has a letter of appointment with the Company. Each letter of appointment provides for a one month notice period other than for the Chairman, who has a three month notice period. Non-executive Directors are normally appointed for two consecutive three-year terms, with any third term of three years being subject to rigorous review and taking into account the need progressively to refresh the Board.

Chairman's fee

The fee for the Chairman is determined by the Committee, with the Chairman abstaining from any discussion or decision on his fee, and reflects the commitment, demands and responsibility of the role. The fee is paid monthly in cash inclusive of all committee roles and is not performance-related or pensionable. Limited benefits relating to travel, accommodation and meals for the Chairman and his spouse may also be payable in certain circumstances.

Non-executive Director fees

Fees for the non-executive Directors are determined by the Board as a whole, upon the recommendation of the executive Directors.

The policy on non-executive Directors' fees is:

Purpose and link to strategy	To be sufficient to attract, motivate and retain world class talent necessary to contribute to a high-performing Board
Operation	Fees are determined by the Board, within the limits set out in the Company's Articles of Association, with non-executive Directors abstaining from any discussion or decision on their fees The Board takes account of recognised best practice standards for such positions when determining the fee level and structure Fees are paid monthly in cash. Non-executive Directors do not participate in any of the Company's incentive arrangements or receive any pension provision The non-executive Directors receive a base fee, with additional fees payable for chairing and being a member of the Company's key committees and for performing the Senior Independent Director role. In addition to his base fee, Vladimir Kim receives an advisory payment for the vital role he plays in terms of the Company's relationship with the Government and regional authorities in Kazakhstan The fee levels are reviewed on a periodic basis, with reference to the time commitment and responsibilities of the role and market levels in companies of comparable size and complexity Limited benefits relating to travel, accommodation and meals for non-executive Directors and their spouses may also be payable in certain circumstances

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Financial Conduct Authority's Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the Annual General Meeting on 7 May 2015.

Role of the Remuneration Committee

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

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

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

Composition of the Remuneration Committee

The members of the Committee during 2014 were Lord Renwick (Chair), Lynda Armstrong, Simon Heale and Charles Watson. The Chief Executive is normally invited to attend meetings to provide information and advice to the Committee to enable it to make informed decisions. He is, however, specifically excluded from any matter concerning his own remuneration. Representatives of New Bridge Street, the Committee's retained adviser, also attend meetings by invitation. The Company Secretary attends meetings as secretary to the Committee.

Attendance at Remuneration Committee meetings

The Committee met four times in 2014, with each member attending as follows:

Members	Committee member since	Attendance at full meetings during 2014
Lord Renwick of Clifton, KCMG	1 December 2005	4/4
Simon Heale	1 January 2007	4/4
Charles Watson	17 May 2013	4/4
Lynda Armstrong OBE	21 October 2013	4/4

After each meeting, the chair of the Committee presented a report on its activities to the full Board.

Committee activities

In line with its remit, the following were considered, amongst other matters, by the Committee during the year:

- reviewed current trends in remuneration practice and institutional investors' current guidelines on executive compensation;
- reviewed Annual General Meeting outcome and feedback from institutional shareholders and shareholder bodies, giving consideration to the implications for future remuneration policy and its implementation;
- reviewed and agreed the exit terms of Eduard Ogay upon his stepping down from the Board as an executive Director;
- set, reviewed and agreed to approve individual remuneration arrangements for executive Directors and certain senior managers;
- performed an oversight role on the remuneration of certain senior managers immediately below Board level;
- reviewed the performance elements of the annual bonus plan for 2015;
- assessed the level of achievement against objectives under the annual bonus plan and LTIP;
- considered and approved plan design, performance measures and targets to be used under the LTIP;
- reviewed and amended the list of comparator companies for the LTIP;
- reviewed and approved the Directors' Remuneration Report; and
- reviewed the Committee's performance and its terms of reference.

Priorities for 2015

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

- supporting the Group's strategy and business objectives;
- ensuring compliance with regulatory requirements;
- reviewing and assessing the ongoing appropriateness of current executive remuneration plan design and targets;
- ongoing training of Committee members; and
- ensuring that remuneration arrangements continue to promote the long-term success of the Company, and to reward Company performance, with a focus on maintaining the link between performance and reward, whilst maintaining a prudent approach to cost and the risk to the business.

Management of risk in remuneration arrangements

The Committee periodically commissions a detailed assessment of the risk environment surrounding the Company's current remuneration arrangements for executive Directors and certain senior managers. The latest assessment determined that whilst remuneration arrangements were broadly compatible with the Company's risk policies and systems, a number of areas could be considered further, including keeping under review the performance condition of the LTIP. Overall, the Committee remains satisfied that the remuneration policy is aligned with the long-term needs of the business and that incentive quantum, structure and objectives do not encourage short-term measures or excessive risk-taking.

The Committee draws upon the relevant experience and knowledge of its members to ensure that it benefits from the positions they hold at the Company. These include the fact that Simon Heale is Chairman and Charles Watson is chair of the

Group Health, Safety and Environment Committee and the Projects Assurance Committee. The Chief Executive also provides a link to the Executive Committee. The leveraging of such experience and knowledge enables the Committee to have an oversight of risk factors that may be relevant to remuneration arrangements and target setting specifically.

External adviser

The Committee has authority to obtain the advice of external independent remuneration consultants. It is solely responsible for their appointment, retention and termination and for approval of the basis of their fees and other terms. During 2014, the Committee received advice on executive compensation, performance-related pay schemes and equity-based incentive schemes from New Bridge Street, a trading name of Aon Hewitt Limited (an Aon plc company). New Bridge Street also provides advice to the Company on remuneration matters for senior employees including benchmarking of remuneration and equity-based incentives and on remuneration matters relating to non-executive Directors. No other company within Aon plc provides other services to the Company. The terms of engagement between the Committee and New Bridge Street are available on request. The total fees paid to New Bridge Street in respect of its services during the year were £53,571. New Bridge Street is a signatory to the Remuneration Consultants Group Code of Conduct. The Committee regularly reviews the external adviser relationship and is comfortable that New Bridge Street's advice remains objective and independent.

Implementation of Remuneration Policy for 2015

Salary

No increases were made to executive Directors' base salaries in 2012, 2013 or 2014. The Remuneration Committee has considered pay increases for the executive Directors and certain senior managers for 2015. In determining these salaries, the Remuneration Committee took into consideration, particularly, the experience, performance, and the internal and external relative positioning for total reward of the individuals, and also took into account the average budgeted increase in base salaries of the Group's workforce in 2015 which is expected to be within local inflation levels and of the UK workforce of 1.8%. As a result of these considerations and the emphasis on salary restraint from shareholders, the Remuneration Committee (in consultation with Oleg Novachuk) determined that the base salaries of Oleg Novachuk, Andrew Southam and certain senior managers would not be increased in 2015.

The base salaries for Oleg Novachuk and Andrew Southam with effect from 1 January 2015 are £856,000 and £410,000, respectively.

Pension and benefits

The Company does not provide pension benefits on behalf of Oleg Novachuk. The absence of any pension provision is taken into account when setting his base salary and other elements of remuneration. Andrew Southam receives a defined contribution of 10% of base salary.

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

Annual bonus

Following a review of incentive pay potential during the year, the maximum annual bonus opportunity was reduced in respect of 2014 and henceforth from 200% of salary to 150% of salary for Oleg Novachuk and will remain at 150% of salary for Andrew Southam. The target bonus is also reduced from 100% of salary to 75% of salary for Oleg Novachuk and will remain at 75% of salary for Andrew Southam. This is intended to better reflect incentive levels appropriate for the Company following the reduction in size and complexity of the business resulting from the completion of the Restructuring during the year. The Committee will continue to review the maximum bonus level to ensure it remains appropriate.

For 2015, the annual bonus plan will comprise three discrete elements:

- operational performance;
- financial performance; and
- strategic developments (including development of the major growth projects and objectives relating to restructuring of the core business),

with the first two elements representing 25% each of the maximum bonus potential and the strategic developments element representing 50% of the maximum bonus potential.

Awards will also be subject to a safety override, ensuring that they may be scaled back to reflect the Group's safety performance.

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.

The operational element will be determined on the basis of a rounded assessment of performance against budget for the following metrics: ore output, own copper cathode equivalent production, net cash cost of copper and maintenance spend per tonne of own copper cathode equivalent production.

The financial element will be determined on the basis of a rounded assessment of performance against budget for the following metrics: Group EBITDA, EPS and Free Cash Flow.

The strategic developments element will be determined on the basis of a rounded assessment of objectives mainly relating to the execution of new projects, particularly those at Bozshakol and Aktogay, and the realignment of the business. However, specific metrics relating to the strategic developments element will not be disclosed in advance as they are considered to be commercially sensitive at this time.

The Committee will assess performance against the 2015 elements utilising a scoring system of 0-4 where 0 represents 0% bonus and rising in equal increments so that a maximum bonus is payable for a score of 4. Details of the assessment for 2015 will be disclosed in next year's Annual Report on Remuneration along with details of the payments resulting. However, details relating to strategic developments will not be disclosed until it is felt that such disclosures cease to be commercially sensitive.

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

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

Long-term incentives

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

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

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

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

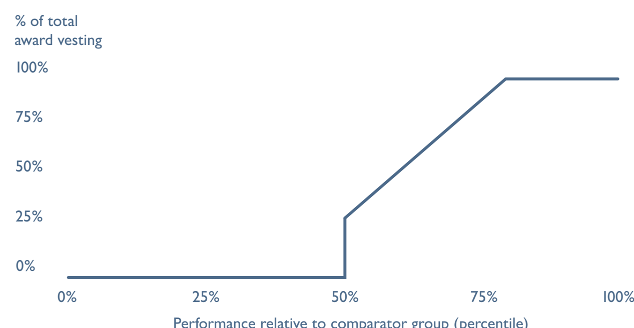
For awards to be granted in 2015 the performance period for the sub-awards will be:

- sub-award 1: 1 January 2015 to 31 December 2017; and
- sub-award 2: 1 June 2015 to 31 May 2018.

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

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

TSR Performance Vesting Schedule



The comparator group applicable for awards to be granted in 2015 will comprise:

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

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

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

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

Executive share option plan (ESOP)

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

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

No executive Director currently participates in the ESOP.

All employee share schemes

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

Service contracts

Oleg Novachuk has a service contract dated 26 September 2005 which is terminable by the Company or by the executive Director on three months' notice and Andrew Southam has a service contract dated 18 May 2013, when he became Chief Financial Officer, which is terminable by the Company on 12 months' notice or by the executive Director on six months' notice. The terms of the executive Directors' contracts are consistent with those set out in the policy on page 90.

Chairman and other non-executive Directors' remuneration

The fees paid to the non-executive Directors for chairing and being members of committees and of the Senior Independent Director were reviewed in August 2013 and decreased, with the changes taking effect from 1 September 2013. These changes resulted in the total fees payable to non-executive Directors being reduced by around 4% per annum. Non-executive Director fees were further reviewed during 2014 and it was determined that fees would not be increased for 2015. The fee structure (per annum) from 1 January 2015 remains as follows:

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

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

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

For the Chairman and each non-executive Director who served during 2014, the effective date of their letter of appointment is shown in the table below:

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

1 Prior to his appointment as Deputy Chairman and Chairman designate, Simon Heale had a letter of appointment dated 21 November 2006 in respect of his appointment as a non-executive Director on 1 January 2007, which terminated upon him becoming Chairman of the Company.

2 Prior to his appointment as a non-executive Director, Vladimir Kim had a service agreement dated 26 September 2005 in respect of his appointment as an executive Director on 1 October 2005, which terminated upon him becoming a non-executive Director.

Directors' remuneration for 2014

Executive Directors' remuneration

	Oleg Novachuk		Eduard Ogay[4]		Vladimir Kim[5]		Andrew Southam[6]	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Salary	856	856	419	619	–	404	68	–
Benefits[1]	3	3	–	–	–	60	1	–
Pension	–	–	–	–	–	–	7	–
Sub-total – fixed remuneration	859	859	419	619	–	464	76	–
Annual performance bonus[2]	728	599	–	244	–	170	410	–
Long Term Incentive Plan	–	–	–	–	–	–	–	–
Sub-total – variable remuneration	728	599	–	244	–	170	410	–
Other[3]	–	–	–	–	–	–	5	–
Total	1,587	1,458	419	863	–	634	491	–

1 Benefits for Oleg Novachuk and Andrew Southam relate to the provision of private medical insurance and for Vladimir Kim relate to the provision of a car and driver.

2 Annual performance bonus relate to bonus amounts paid in 2015 and 2014 in respect of the prior year performance period.

3 Includes the value of the 20% discount offered in relation to the annual invitation under the UK Sharesave Plan in November 2014 and the market value of the matching shares received following the monthly purchase of partnership shares under the UK Share Incentive Plan from 1 November 2014 to 31 December 2014.

4 Stepped down from the Board on 31 October 2014 - see payments for loss of office section below. Eduard Ogay's salary was set in dollars and paid in tenge. In 2013, the basis of currency conversion was changed from a fixed rate to a floating rate at market levels. Whilst his dollar denominated salary remained unchanged at $968,000 per annum, the amount paid to him had increased by 17% to KZT148 million (equivalent to £619,000).

5 In addition to his remuneration as Executive Chairman, during 2013 Vladimir Kim was paid a fee of £52,000 as a non-executive Director plus a salary of £486,500 and an annual bonus of £204,000 as executive chairman of Kazakhmys Corporation LLC. During 2014, Vladimir Kim was paid a fee of £84,000 as a non-executive Director plus £649,240 as executive chairman of Kazakhmys Corporation LLC for the period to the completion of the Restructuring on 31 October 2014.

6 Appointed to the Board on 1 November 2014.

Executive Directors' annual bonus awards (performance period 1 January 2014 to 31 December 2014)

For 2014, the annual bonus plan comprised the following three discrete elements, with the first two elements each representing 25% and the third 50% of maximum bonus potential:

- operational performance;
- financial performance; and
- strategic developments (including development of the major growth projects and objectives relating to restructuring of the core business).

The maximum bonus potential for Oleg Novachuk was reduced by the Committee for 2014 from 200% to 150% of salary.

The Committee assessed each discrete element of the annual bonus plan separately as part of an overall balanced scorecard of measures. Within each element the Committee considered a number of sub-elements and formed a rounded assessment of the performance of executive Directors at the end of the year.

Awards were also subject to a safety override enabling them to be scaled back to reflect the Group's safety performance.

Performance assessment for 2014

Despite the challenging market conditions, the executive management team were able to deliver solid operational performance for the continuing operations with copper cathode production in line with external guidance. Financial performance was affected by lower commodity prices, but EBITDA (excluding special items) for the continuing operations was broadly in line with budget as cost savings offset the fall in revenues. The cash costs for the continuing operations were lower than forecast as management were successful in mitigating inflationary pressures and due to strong zinc by-product credits. Bozshakol is on track for commencement of commissioning in the fourth quarter of 2015. A change in contractor strategy was initiated at Aktogay with an additional contractor appointed during the year leading to an increase in the overall budget cost for the project of around $300 million.

The overall level of performance achieved resulted in annual bonus awards of 57% and 67% of maximum potential for Oleg Novachuk and Andrew Southam, respectively. The Committee is satisfied that this level of bonus is appropriate given the performance achieved across this scorecard and the safety assessment. The Committee scored performance between the scales of 2 and 3.5 for each of the three discrete elements before scaling back resulting bonuses to reflect safety performance.

Executive Directors' Long Term Incentive Plan awards (performance period 1 June 2011 to 31 May 2014 and 1 January 2012 to 31 December 2014)

Awards granted to executive Directors under the LTIP on 6 April 2011 (with performance measured partly over the period 1 June 2011 to 31 May 2014) and on 4 April 2012 (with performance measured partly over the period 1 January 2012 to 31 December 2014) were subject to a relative TSR performance condition with TSR measured against a bespoke group of global mining companies over the three year period from date of grant, consistent with the approach and vesting schedule described on page 94.

For the sub-award measured over the period 1 June 2011 to 31 May 2014, the Company was ranked below median ranking. This sub-award has thus lapsed in full having failed to reach the threshold median positioning.

For the sub-award measured over the period 1 January 2012 to 31 December 2014, the Company was ranked below median ranking. This sub-award has thus lapsed in full having failed to reach the threshold median positioning. The sub-award measured over the period 1 June 2012 to 31 May 2015 is also expected not to reach the threshold median positioning and is also expected to lapse in full.

LTIP awards granted in the year

During 2014, awards were made to each of Oleg Novachuk and Eduard Ogay at 200% of salary. The awards were made on 7 March 2014 on the following basis:

Executive Director	Type of award	Basis of award granted	Share price at date of grant	Number of shares awarded	Face value of award £000	% of face value which vests at threshold
Oleg Novachuk	Nil-cost option	200% of salary	300p	570,933	1,712	30
Eduard Ogay	Nil-cost option	200% of salary	300p	387,128	1,161	30

The awards were made subject to a TSR performance condition which requires the Company to deliver a median ranking (30% vests) rising on a straight-line basis to an upper quartile TSR ranking (100% vests) relative to a peer group of mining companies. The awards were split into two sub-awards measured over two separate performance periods, i.e. 1 January 2014 to 31 December 2016 and 1 June 2014 to 31 May 2017. The averaging period for calculating TSR will be three months leading up to the start and the end of the performance period of each sub-award.

Executive Directors' interests in the Long Term Incentive Plan

Executive Director	Date of award	Date of vesting	Number of shares conditionally awarded as at 1 January 2014 or date of appointment	Market price at date of grant	Awards made during the year	Awards vested during the year	Awards lapsed during the year	Number of shares under award as at 31 December 2014[1]
Oleg Novachuk	4 April 2012	1 June 2015	188,359	887p	–	–	–	188,359[2]
	5 April 2013	1 June 2016	455,998	375p	–	–	–	455,998
	7 March 2014	1 June 2017	–	300p	570,933	–	–	570,933
Eduard Ogay	4 April 2012	1 June 2015	110,841	887p	–	–	20,419[3]	90,422[2]
	5 April 2013	1 June 2016	280,379	375p	–	–	140,190[3]	140,189
	7 March 2014	1 June 2017	–	300p	387,128	–	307,718[3]	79,410
Andrew Southam	4 April 2012	1 June 2015	17,878	887p	–	–	–	17,878[2]
	5 April 2013	1 June 2016	85,333	375p	–	–	–	85,333
	2 September 2013	2 September 2016	62,597	307p	–	–	–	62,597
	7 March 2014	1 June 2017	–	300p	170,913	–	–	170,913

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

2 Half of the award lapsed on 1 January 2015 on failing to satisfy the performance condition.

3 Following stepping down from the Board and leaving Group employment, awards were time pro-rated based on the period of time from the respective date of award to the date of leaving Group employment relative to the vesting period of the respective award. The remaining number of shares comprised in the awards will vest on their normal date of vesting, subject to the satisfaction of their respective performance conditions.

Payments for loss of office

Eduard Ogay did not receive any payments for loss of office following his stepping down from the Board and leaving Group employment on 31 October 2014. Eduard Ogay's LTIP awards were time pro-rated based on the period of time from the respective date of award to the date of leaving Group employment relative to the vesting period of the respective award. The remaining number of shares comprised in the LTIP awards will vest on their normal date of vesting, subject to the satisfaction of their respective performance conditions.

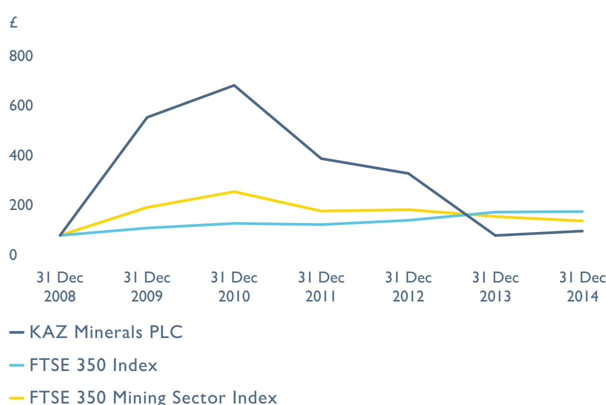
External appointments

No executive Director held a non-executive directorship of another company during 2014.

Performance graph

The graph below shows the value, at 31 December 2014, of £100 invested in KAZ Minerals PLC shares on 31 December 2008 compared with an equivalent investment in the FTSE 350 Index and FTSE 350 Mining Sector Index. These indices were chosen as they are broad-based indices and are widely recognised performance comparisons for large UK mining companies.

Total Shareholder Return



Source: Thomson Reuters

During 2014, the total shareholder return of the Company's shares was 18%. This compares to the negative return on the FTSE 350 Mining Sector Index of 10%.

Remuneration of highest paid executive Director

The table below shows the total remuneration figure for the highest paid executive Director (i.e. the Executive Chairman for 2009 to 2012 and the Chief Executive for 2013 and 2014) during each of those financial years. The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance in those years. The annual bonus and LTIP percentages show the payout for each year as a percentage of the maximum.

	2009[1]	2010[1]	2011[1]	2012[1]	2013[2]	2014[2]
Total remuneration (£000)	1,801	1,736	1,768	1,676	1,458	1,587
Annual bonus (%)	71	58	50	40	35	57
LTIP vesting (%)	–	–	–	–	–	–

1 Relates to the remuneration of Vladimir Kim, Executive Chairman at that time.

2 Relates to the remuneration of Oleg Novachuk, Chief Executive.

Remuneration of other senior managers

The base salaries of those senior managers immediately below the level of the Board who were employed in the Group as at 31 December 2014 were as shown in the table below:

Salary range	Number of senior managers
£500,000 – £599,000	1
£400,000 – £499,999	–
£300,000 – £399,999	–
£200,000 – £299,999	1
£100,000 – £199,999	3

Percentage change in remuneration levels

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

Change in remuneration levels	% change
Chief Executive	
Salary	Nil
Benefits	Nil
Bonus[1]	21
Average per employee	
Salary	<1
Benefits	(20)
Bonus[1]	31

1 Bonus relates to percentage change in bonus amounts paid in 2014 and 2015 in respect of the prior year performance period.

Relative importance of spend on pay

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

Spend on pay	2014 £ million	2013 £ million	% change
Overall expenditure on Group employees' pay	**79**	90	(12)
Overall expenditure on pay for executive Directors	**2**	3	(15)
Distribution by way of dividends	**–**	27	N/A
Capital expenditure	**722**	506	43

Information for 2014 relates solely to the continuing operations and information for 2013 has been restated accordingly. Capital expenditure is shown in the table above as Directors have a choice of whether to distribute profits and cash flows by way of dividend, or reinvest these in the asset base to maintain or improve the Group's operations.

Non-executive Directors' fees

Fees paid to non-executive Directors during the year ended 31 December 2014 are set out below:

Non-executive Directors' fees and expenses	Total 2014 £000	Total 2013 £000
Lynda Armstrong OBE[1]	**104**	19
Clinton Dines[2]	**120**	132
Simon Heale	**281**	242
Vladimir Kim[3]	**84**	52
Michael Lynch-Bell	**111**	87
Lord Renwick of Clifton, KCMG	**92**	95
Charles Watson	**123**	119

1 Includes £1,000 in travel and accommodation expenses for travel to attend Board and Committee meetings.

2 Includes £19,000 (2013: £29,000) in flight and accommodation expenses for travel to the UK to attend Board and committee meetings.

3 Stood down as Executive Chairman and became a non-executive Director on 17 May 2013. In addition to his fee as a non-executive Director, Vladimir Kim was paid £649,240 for the period 1 January 2014 to the completion of the Restructuring on 31 October 2014 as executive chairman of Kazakhmys Corporation LLC (full year 2013: salary of £486,500 and an annual bonus of £204,000). Prior to his appointment as a non-executive Director and executive chairman of Kazakhmys Corporation LLC, he was paid £403,900 as Executive Chairman of the Company and received benefits of £60,185 and a bonus of £170,000.

Directors' interests in ordinary shares

The beneficial interests of the Directors and their connected persons who held office at 31 December 2014 in the Company's ordinary shares as at that date and 1 January 2014 are shown in the table below:

Directors' interests in ordinary shares	Ordinary shares beneficially owned at 1 January 2014 or date of appointment	Ordinary shares beneficially owned at 31 December 2014	Outstanding LTIP awards	Outstanding DSBP awards	Outstanding UK Sharesave Plan options	% of shareholding guideline as at 31 December 2014
Lynda Armstrong OBE	4,000	4,000	–	–	–	–
Clinton Dines	3,000	3,000	–	–	–	–
Simon Heale	28,000	53,000	–	–	–	–
Vladimir Kim	149,306,795	149,306,795	–	–	–	–
Michael Lynch-Bell	7,000	7,000	–	–	–	–
Oleg Novachuk	34,923,423	34,923,423	1,215,290	–	–	100
Lord Renwick of Clifton, KCMG	4,000	4,000	–	–	–	–
Andrew Southam	22,763	22,881	336,721	63,632	8,737	7
Charles Watson	3,624	3,624	–	–	–	–

1 The ordinary shares beneficially owned by Oleg Novachuk have been pledged to support loans. The voting rights in respect of the pledged ordinary shares have been retained by him.

2 No changes in Directors' interests occurred in the period 1 January 2015 to 25 February 2015, save for the monthly purchase of partnership shares by Andrew Southam under the UK Share Incentive Plan.

3 The closing market price of the Company's shares at 31 December 2014 was 258p and the range for the year was 172p to 354p.

4 Of the ordinary shares beneficially owned by Andrew Southam at 31 December 2014, 1,269 shares relate to the partnership shares purchased and held in trust under the UK Share Incentive Plan.

Executive Directors are required to build up a holding of ordinary shares in the Company worth at least 200% of salary within a five year period from appointment. As set out in the table above, Oleg Novachuk has met and exceeded the shareholding requirement and Andrew Southam has currently met 7% of the shareholding requirement, although he has five years from his date of appointment to achieve the shareholding requirement.

Statement of shareholder voting

At the Annual General Meeting held on 8 May 2014, the advisory vote on the Directors' Remuneration Report received the following votes from shareholders:

	Remuneration Policy Report		Annual Report on Remuneration	
Votes for	251,099,185	99.33%	219,913,961	86.88%
Votes against	1,685,791	0.67%	33,218,255	13.12%
Total votes cast	252,784,976	100%	253,132,216	100%
Votes withheld	1,477,064		1,129,823	

Dilution of share capital

The Company's share-based incentive plans currently operate with market purchase shares that are held in an Employee Benefit Trust. Therefore, there is no dilution of existing shareholders on the vesting of awards. In the event of the Company deciding to use shares held in treasury, such shares will count towards the limits on the number of new shares which may be issued under the rules of the relevant share-based incentive plan pursuant to institutional shareholder guidelines.

Employee Benefit Trust

The Employee Benefit Trust has been established to acquire ordinary shares in the Company, by subscription or purchase, from funds provided by the Group to satisfy rights to shares arising on the exercise of awards under the Group's share-based incentive plans. The trustees of the Employee Benefit Trust have informed the Company that their intention is to abstain from voting in respect of the KAZ Minerals shares held in the trust.

As at 31 December 2014, 542,235 shares were held by the Employee Benefit Trust to hedge outstanding awards of 3,517,321. This means that the trust holds 15% of outstanding awards.

Shareholder engagement

When reviewing the remuneration framework of executive Directors and certain senior managers, the Committee takes into account the views and guidance expressed by institutional shareholders and shareholder bodies.

At the Annual General Meeting held on 8 May 2014, comments were raised by some institutional shareholders on the quantum of LTIP awards granted to executive Directors. The Remuneration Committee considered this feedback, along with other feedback received during the year, as part of the annual review of the implementation of policy.

Audit requirements

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

On behalf of the Board

Lord Renwick of Clifton, KCMG
Chair, Remuneration Committee

Directors

The Directors of the Company who served during the year were as shown on pages 32 and 33, together with Eduard Ogay who stepped down from the Board following completion of the Restructuring on 31 October 2014. Details of Directors' interests in shares can be found in the Directors' Remuneration Report on page 99.

All Directors are required by the Company's Articles of Association to be elected by shareholders at the first Annual General Meeting after their appointment, if appointed by the Board. Andrew Southam, having been appointed by the Board on 1 November 2014 and John MacKenzie, who will be appointed to the Board on 1 March 2015, will be seeking election as Directors at the forthcoming Annual General Meeting. In accordance with the UK Corporate Governance Code, all other Directors (excluding Lord Renwick who will be stepping down from the Board at the conclusion of the forthcoming Annual General Meeting) will retire and submit themselves for re-election at the Company's forthcoming Annual General Meeting. Details of Directors' contracts or letters of appointment are included in the Directors' Remuneration Report.

The performance of each Director was reviewed and it was found that each of them continues to make an effective and valuable contribution to the deliberations of the Board and demonstrate commitment to the role. The performance of the Chairman was reviewed by the Senior Independent Director.

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

Directors' indemnity and insurance

KAZ Minerals maintains liability insurance for its Directors and Officers. The Company has also granted indemnities to each of the Directors, the Chief Financial Officer and the Company Secretary to the extent permitted by law. These indemnities are uncapped in amount, in relation to certain losses and liabilities which they may incur to third parties in the course of acting as a Director (or Officer or Company Secretary as the case may be) of the Company or any of its associated companies. Neither the indemnity nor insurance cover provides cover in the event that a Director (or Officer or Company Secretary as the case may be) is proved to have acted fraudulently or dishonestly.

The indemnity is categorised as a 'qualifying third-party indemnity' for the purposes of the Companies Act 2006 and will continue in force for the benefit of Directors (or Officers or Company Secretary as the case may be) on an ongoing basis.

Annual General Meeting

The Company's Annual General Meeting will be held at 12.15pm on Thursday 7 May 2015 at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED, United Kingdom. Details of the meeting venue and the resolutions to be proposed, together with explanatory notes, are set out in a separate Notice of Annual General Meeting which accompanies this Annual Report and Accounts.

A summary of the business carried out at the Annual General Meeting will be published on the Company's website (www.kazminerals.com).

Share capital

At 31 December 2014, the Company's issued share capital was 458,379,033 ordinary shares of 20 pence, each credited as fully paid. As at the date of this Directors' Report, the Company holds 11,701,830 ordinary shares in treasury and the issued share capital of the Company which carries voting rights of one vote per share comprises 446,677,203 ordinary shares (excluding treasury shares). Further details of the Company's issued share capital are shown in note 26 commencing on page 141.

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

A list of main subsidiary undertakings and their principal activity, is given in note 38(m) on page 170.

Major shareholdings

As at 25 February 2015, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the Financial Conduct Authority of the following interests in its total voting rights of 3% or more:

Name of holder	Number of ordinary shares of 20 pence each held	Percentage of total voting rights held as at 25 February 2015
Cuprum Holding Limited[1]	135,944,325	30.43
Harper Finance Limited[2]	29,706,901	6.65
Lafonda Limited	26,696,953	5.98

1 Vladimir Kim holds a 100% interest in Cuprum Holding Limited.

2 Oleg Novachuk holds a 100% interest in Harper Finance Limited.

Relationship agreements

As required by Listing Rule 9.2.2AR(2)(a), 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 on 23 July 2014; (ii) a relationship agreement with Harper Finance Limited, Kinton Trade Limited and Oleg Novachuk on 23 July 2014; and (iii) a relationship agreement with Stansbury International Limited and Eduard Ogay on 23 July 2014. 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 Mr. 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.

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 33 commencing on page 147.

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 34 commencing on page 153.

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 $2 billion facility agreement dated 30 December 2009, a $100 million facility agreement dated 30 December 2009 and a $200 million facility agreement dated 12 January 2010 in each case entered into between KAZ Minerals Finance PLC as borrower and Joint Stock Company Sovereign Wealth Fund "Samruk-Kazyna" as lender, contain terms which give the lender the right to cancel all or any of the commitments provided to KAZ Minerals Finance PLC, declare all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding immediately due and payable and/or declare that all or part of the loans be payable on demand if the Company ceases to hold 100 per cent less one share of the issued share capital of KAZ Minerals Finance PLC.

Each of a $1.34 billion facility agreement and a RMB1.0 billion facility agreement dated 16 December 2011 between KAZ Minerals Aktogay Finance Limited as borrower and China Development Bank Corporation as lender, contain terms which give the lender the right to cancel any of the commitments provided to KAZ Minerals Aktogay Finance Limited and declare all outstanding loans together with accrued interest, and all other amounts accrued and outstanding immediately due and payable on 30 business days' notice if the Company ceases to hold (directly or indirectly) more than 50 per cent of the issued share capital of KAZ Minerals Aktogay Finance Limited and/or certain other named subsidiaries.

The terms of a pre-export finance debt facility dated 20 December 2012, as amended and restated on 29 October 2014, between KAZ Minerals Finance PLC and a syndicate of banks, provide that if any person (excluding Vladimir Kim and Oleg Novachuk) or group of people acting in concert secures control of the Company: (i) a lender under the facility shall not be obliged to fund a loan; and (ii) if a body of lenders representing more than two-thirds of the amount of the facility so require, the parties shall enter into negotiations for a period of not more than 30 days with a view to agreeing alternative terms for continuing the facility. If no alternative basis has been agreed during such period then the lenders may cancel the commitments of the lenders to lend the facility and declare all outstanding amounts due and payable.

Each of a $1,844 million facility agreement and a $148.5 million facility agreement dated 29 December 2014 between KAZ Minerals Finance PLC as borrower and China Development Bank Corporation as lender, contain terms which give the lender the right to cancel any of the commitments provided to KAZ Minerals Finance PLC and declare all outstanding loans together with accrued interest, and all other amounts accrued and outstanding immediately due and payable on 30 business days' notice if the Company ceases to hold (directly or indirectly) more than 50 per cent of the issued share capital of KAZ Minerals Finance PLC and/or certain other named subsidiaries.

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 representative) who is present in person or by proxy has one vote on each resolution and on a poll every member (or his representative) who is present in person or by proxy shall have one vote on each resolution for each share of which he/she is the holder.

As a result of changes introduced by the Companies Act 2006 to allow multiple proxies appointed by a single member to vote on a show of hands, all substantive resolutions at general meetings will normally be put to a poll vote. Employees who participate in the Company's Share Incentive Plans (SIP) and hold shares in the SIP trusts, provide directions to the trustee to vote on their behalf by way of a form of direction.

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

Dividend rights

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

Transfer of shares

There are no restrictions on the transfer of shares other than certain restrictions as set out in the Company's Articles of Association.

Transfers of uncertificated shares must be carried out using CREST and the Board can refuse a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

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

Powers of the Directors

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

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 2015 Annual General Meeting.

Statement of Directors' responsibilities in respect of the annual report and the financial statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the Group and parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities, and have adopted a control framework for application across the Group.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies 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 knowledge that:

- the Group and parent company accounts, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report, Directors' Report and Governance Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Strategic Report comprising pages 2 to 35, the Directors' Report comprising pages 38 to 69 and 101 to 103, and the Governance Report comprising pages 72 to 100, and including the sections of the Annual Report and Accounts referred to in these pages, have been approved by the Board and signed on its behalf by:

Stephen Hodges
Company Secretary

25 February 2015

Registered Office
6th Floor, Cardinal Place
100 Victoria Street
London
SW1E 5JL

Registered in England and Wales No. 05180783

Koksay

Koksay is the Group's third major growth project, acquired in June 2014. Koksay will be developed once Bozshakol has commenced production. The project's measured and indicated resource contains copper of 3.1 MT at a grade of 0.44% as well as gold, silver and molybdenum by-products.

For more information about our major growth projects, go to **www.kazminerals.com**

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAZ MINERALS PLC ONLY

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of KAZ Minerals PLC for the year ended 31 December 2014 set out on pages 110 to 171. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs as adopted by the EU');
- the 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.

2 Our assessment of risks of material misstatement

We summarise below the risks of material misstatement that had the greatest effect on our audit, our key audit procedures to address those risks and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. Our findings are the result of procedures undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and consequently are incidental to that opinion, and we do not express discrete opinions on separate elements of the financial statements.

Impairment of assets

Refer to page 118 (note 3 – Significant accounting judgements and key sources of estimation uncertainty – Impairment of assets), pages 126 and 127 (note 7 – Impairment losses) and page 83 (Audit Committee report)

- **The risk** The Group recorded a significant impairment during the year on the Bozymchak asset in Kyrgyzstan which has been written down to the Group's estimate of its recoverable amount. Having identified the fall in spot copper prices in the second half of 2014 as a possible impairment trigger, the Group also performed an impairment review on the East Region assets and no impairment charge was found to be necessary. Nevertheless, at 31 December 2014 the Group's net asset value still exceeded its market capitalisation by $0.3 billion, which might imply that there are additional impairments that have not been recognised.
- **Our response** In light of this, we assessed the Group's impairment analysis for Bozymchak and the East Region assets and assessed the potential for impairment of all cash generating units within the Group irrespective of whether indicators of potential impairment had been identified. Our audit procedures included testing the control designed and applied by the Group to ensure that its impairment analysis was appropriately undertaken and reviewed. We evaluated the identification of cash generating units by the Group against the requirements of accounting standards, taking into account any business changes during the year. We considered the estimates of fair value less costs to sell for Bozymchak and the East Region assets which the Group derived, as is common in the industry, on a discounted cash flow basis. Taking into account the substantial headroom in the impairment analysis for the East Region assets and the Group's conclusion that an impairment charge was required for the Bozymchak asset, we challenged the appropriateness of key assumptions underlying the discounted cash flows (including commodity prices, production costs, inflation, foreign exchange, production volume, discount rates, life of assets and ore reserves) based on historical production information and internal mine plans, together with market and other externally available information. We used our valuation specialists to assess the discount rates used. We tested the mathematical accuracy of the discounted cash flow models. We evaluated the sensitivity of the outcomes by considering downside scenarios against reasonably plausible changes to the key assumptions – for the Bozymchak asset this primarily included modelling the impact of lower copper prices, higher discount rates and further delays in commissioning; for the East Region assets this primarily included modelling the impact of lower copper prices. We considered the existence of any impairment triggers for the Group's major growth projects and considered the Group's internal review of progress on these projects. Finally, we sought to rationalise the difference between market capitalisation and the net asset value, having regard to analyst valuations, which are typically also based on net present values, and market commentary and we evaluated the appropriateness of the relevant disclosure.
- **Our findings** We found that the Group had assessed impairments based on an overall balanced set of assumptions. We found the judgements taken in identifying any impairment triggers in the Group's major growth projects to be balanced. We found that the Group's net asset value fell within the range of recent analyst valuations and that the difference between the market capitalisation and the Group's net asset value could be largely explained by market valuations generally discounting greater perceived risk associated with the delivery of the Group's major growth projects, which represent a substantial proportion of its market capitalisation, and the volatility in mining companies' share prices resulting from the fall in the spot copper price, which consensus forecasts suggest will recover in the medium term. We found that the disclosures were proportionate in describing the inherent degree of judgement involved and the potential impact on future periods of amendments to the key assumptions.

Disclosure relating to going concern

Refer to page 115 (note 2 – Basis of preparation – (a) Going concern) and page 83 (Audit Committee report)

- **The risk** The Group's cash flow projections over the near term are characterised by capital expenditure on its major growth projects exceeding operating cash inflows. The Group is therefore dependent on its existing cash resources and available borrowing facilities to fund this expenditure until the first of these projects, Bozshakol, delivers positive cash flow. The financial statements explain how the Directors have formed a judgement that the going concern basis is appropriate in preparing the financial statements of the Group. The Directors have considered the Group's forecast cash flows over a 12 month period and concluded that the range of possible outcomes they have

considered in arriving at this judgement is not sufficient to give rise to a material uncertainty regarding the Group's ability to continue as a going concern. As this assessment involves consideration of future events, there is a risk that this judgement is inappropriate and that any uncertainty should have been assessed as material, in which case additional disclosures would have been required.

- **Our response** Our audit procedures included challenging the appropriateness of key assumptions in the cash flow projections (including commodity prices, production costs, inflation, foreign exchange, production volume, committed capital expenditure and the availability of borrowing facilities) based on historical production information, together with market and other externally available information. We tested the mathematical accuracy of the projections. We evaluated the sensitivity of the projected available cash by considering a downside scenario against a set of reasonably plausible changes to the key assumptions. We recalculated the forecast covenant calculations. We considered the appropriateness of the relevant disclosure.
- **Our findings** We found the Group's judgement that there was no material uncertainty to be disclosed to be balanced. We found the disclosure on the use of the going concern basis of accounting in note 2 to the financial statements to be proportionate and that it included a balanced description of the risks relating to copper prices and the major growth projects which could impact the Group in the medium term.

Bribery and corruption

Refer to page 82 (Audit Committee report)

- **The risk** The Group's business involves mining activities in Kazakhstan and Kyrgyzstan. Transparency International's Corruption Perceptions Index 2014 indicates that corruption risks are significant in both countries. In addition, companies in the mining sector are inherently at higher risk from corruption due to the significant level of government regulation and their procurement profile. This could result in material losses to the Group and material improper payments not being appropriately disclosed.
- **Our response** Our audit procedures included considering the Group's policies and procedures to prevent the risk of corruption. We evaluated the tone set by the Board and by senior management. We evaluated the Group's policies and procedures and tested controls over the selection of suppliers and the process over acknowledging acceptance of services/ equipment provided by suppliers. We tested samples of payments made to suppliers and considered any transactions which we considered unusual in the context of the Group's operations. We considered dealings with government agencies with a view to identifying indicators of corruption. Where we identified individual transactions that at face value appeared as though they might have been outside the normal course of business (largely relating to the Disposal Assets), having enquired about these transactions from senior operational management and executive management, we sought to corroborate explanations given by investigating the nature of the transactions and evaluating the business rationale for the transactions taking account of our experience in the mining and other industries in Kazakhstan. We discussed our findings with senior operational management, the Audit Committee and the Board and enquired as to whether they had knowledge of any improper payments. We involved our own forensic accounting specialists to assist in the design of our procedures and we remained alert to indications of the existence of bribery and corruption throughout our performance of other audit procedures.
- **Our findings** We did not identify any instances of improper payments or indications of bribery or corruption.

Sale of Zhezkazgan and Central Region operations ('Disposal Assets')

Refer to page 117 (note 3 – Significant accounting judgements and key sources of estimation uncertainty – Assets held for sale and discontinued operations), pages 131 to 135 (note 13 – Disposal of subsidiaries and investments and note 14 – Discontinued operations and assets held for sale) and page 83 (Audit Committee report)

- **The risk** The Group completed the sale of a large part of its business comprising relatively mature mining and power operations primarily located in the Zhezkazgan and Central Regions of Kazakhstan on 31 October 2014. The Disposal Assets were classified as assets held for sale on 15 August 2014, the date that shareholder approval was granted. The disposal involved the legal demerger of the ongoing businesses in the East Region of Kazakhstan from the Group's principal subsidiary resulting in significant complexity in accounting for the disposal. In addition, the Group financial statements include the results, cash flows and net assets of the Disposal Assets for the period up to the date of completion as a discontinued operation and so it was necessary to secure appropriate access to the accounting records of and personnel who managed the Disposal Assets to allow the Group financial statements to be prepared and to allow us to complete our audit procedures.
- **Our response** Our audit procedures included reading the sale and purchase agreement which governed the disposal and evaluating whether the Group's methodology for separating the Disposal Assets from the retained business properly reflected that agreement. We critically assessed the accuracy of the separation accounting. We considered the key accounting judgements made in determining the Disposal Assets' results for the 10 month period up to disposal, including the risks on disability benefits and tax contingencies described below, and tested the accuracy of the calculation of the loss on disposal. We assessed the disclosures, including whether it was appropriate to reflect the Disposal Assets as a discontinued operation and we tested the accuracy of the allocation of the prior year results between continuing and discontinued operations. We discussed with management suitable arrangements to include in the sale and purchase agreement for access to the accounting records of and personnel who managed the Disposal Assets after the sale completed. Group audit team members visited the Kazakhstan component teams to oversee the planning and execution of the audit of the Disposal Assets' results.
- **Our findings** We found that the judgements made in applying the relevant terms of the sale and purchase agreement to the accounting for the separation of the businesses to be balanced. We found no errors in the calculations of the loss on disposal. We found that the judgements made in determining the results for the Disposal Assets were balanced. We found that the disclosure is ample, that the judgement that the Disposal Assets met the criteria to be treated as a discontinued operation was balanced, that the judgements applied in the allocation of current and prior period results between continuing and discontinued operations was balanced. We were given the necessary access to the accounting records and personnel of the Disposal Assets to complete our audit procedures.

Disability benefits recorded by the Disposal Assets at the date of disposal

Refer to page 119 (note 3 – Significant accounting judgements and key sources of estimation uncertainty – Employee benefits) and pages 143 and 144 (note 28 – Employee benefits) and page 83 (Audit Committee report)

- **The risk** The Disposal Assets have a number of employees and former employees who have suffered workplace injuries or occupational disease and are eligible to receive disability payments from the Group compensating the employees for their inability to work, the disability they have suffered and to pay for certain medical expenses. The disability payments can be for a predefined term or for life, depending on severity, and are often linked to the rate of salary increases in the business. The provision is established on an actuarial basis with key assumptions being interpretation of the relevant legislation in Kazakhstan, discount rate, mortality rates and future salary inflation. Small changes to the assumptions and estimates used to value the future disability payment obligation can have a significant impact on the financial position and results of the Group.
- **Our response** Our audit procedures included testing the controls designed and applied by the Group to provide itself with assurance that the assumptions are updated and monitored regularly and that the final assumptions used in the calculation have been approved. We evaluated the process undertaken by the Group to compile the employee data used for the valuation by testing samples to assess the accuracy and completeness of this data. We challenged the key assumptions used in the calculation of the future disability payment obligation, with input from our own actuarial specialists, including comparing key assumptions such as the discount, inflation and mortality rates against externally derived data. We assessed the competency and objectivity of the actuarial specialists engaged by the Group to assist in valuing the future disability payment obligation.
- **Our findings** We found the Group's judgements as to the assumptions and resulting estimates to be balanced overall. We identified no concerns over the Group's external actuary's competence and objectivity.

Tax contingencies (including Excess Profits Tax) recorded by the Disposal Assets at the date of disposal

Refer to page 119 (note 3 – Significant accounting judgements and key sources of estimation uncertainty – Income taxes), pages 153 and 154 (note 34 – Commitments and contingencies – (b) Kazakhstan taxation contingencies), pages 129 to 131 (note 12 – Income taxes) and page 83 (Audit Committee report)

- **The risk** Tax legislation in Kazakhstan continues to evolve and can be open to different interpretations. Changes to the Kazakhstan tax legislations and new interpretations of existing legislation could impact the Disposal Assets' financial results for the 10 month period prior to disposal and the tax relating to the disposal. Consequently, provisions for tax contingencies require the Group to make judgements and estimates in relation to tax risks, the outcomes of which can be less predictable than in many other jurisdictions.
- **Our response** Our audit procedures included seeking to understand the current status of the tax claims and reviewing recent correspondence with the tax authorities to challenge the Group's view on the quantification, provisioning and disclosure of tax claims. We challenged the judgements inherent in the provisioning of tax claims made by the Group and the basis of accounting for provisions or refunds based on our knowledge of Kazakhstan tax legislation. We involved our tax specialists in Kazakhstan and the UK to assist the Group audit team in making this assessment. We considered the adequacy of the Group's disclosures in respect of tax and uncertain tax positions.
- **Our findings** We found the Group's judgements as to the amounts recognised as provisions at the date of disposal to be mildly cautious resulting in a larger provision being recorded at the date of disposal and a correspondingly lower loss on disposal than otherwise would have been the case.

In reaching our audit opinion on the financial statements we took into account the findings that we describe above and those for other, lower risk areas. Overall, the findings from across the whole audit are that the financial statements use judgements and estimates that are balanced and provide proportionate disclosure. Compared with materiality and considering the qualitative aspects of the financial statements as a whole we have not modified our opinion on the financial statements.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at $29 million determined with reference to a benchmark of Group total assets of $5,718 million, of which it represents 0.5%. We consider Group total assets to be the most appropriate benchmark as it provides a stable measure following the sale of the Disposal Assets and the focus on the Group's major growth projects.

We report to the Audit Committee: (i) corrected identified misstatements exceeding $29 million; (ii) uncorrected identified misstatements exceeding $1.3 million for income statement items; and (iii) other identified misstatements that warrant reporting on qualitative grounds.

Audits for Group reporting purposes were carried out at five reporting components located in Kazakhstan and Kyrgyzstan (all of which are individually significant reporting components) and eight reporting components in the United Kingdom (of which one represents an individually significant reporting component). Audits for Group reporting purposes covered: 98% of revenue; 100% of loss before taxation; and 99% of total assets.

The audits of components located in the United Kingdom were performed by the Group audit team. Detailed audit instructions were sent to the KPMG member firm carrying out the audits of the reporting components in Kazakhstan and Kyrgyzstan. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported to the Group audit team. The Group audit team visited all the Kazakhstan and Kyrgyzstan component teams on six separate occasions during the year for oversight of the planning and performance of the audits in Kazakhstan and Kyrgyzstan, and to attend meetings with key management personnel in Kazakhstan.

The audits undertaken at the reporting components of the Group were very largely performed to local materiality levels as the majority of components also prepare local statutory accounts. The audits undertaken for Group reporting purposes at the key reporting components were all performed to materiality levels set by, or agreed with, the Group audit team. These materiality levels were set individually for each component and ranged from $1.5 million to $26 million.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on pages 72 to 103 with respect to internal control and risk management systems in relation to financial reporting processes and to share capital structures is consistent with the financial statements.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading. In particular, we are required to report to you if:

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

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 102, in relation to going concern; and
- the part of the Corporate Governance Statement on page 72 relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 103, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014b, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Jimmy Daboo
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants
15 Canada Square
London, E14 5GL

25 February 2015

$ million (unless otherwise stated)	Notes	2014	2013
Continuing operations			
Revenues	4(b)	846	931
Cost of sales	6(a)	(456)	(548)
Gross profit		390	383
Selling and distribution expenses	6(b)	(25)	(22)
Administrative expenses	6(c)	(139)	(153)
Net other operating income/(expenses)		5	(4)
Impairment losses	7	(137)	(13)
Operating profit		94	191
Analysed as:			
Operating profit (excluding special items)		226	207
Special items	5	(132)	(16)
Finance income	11	136	23
Finance costs	11	(399)	(76)
(Loss)/profit before taxation		(169)	138
Analysed as:			
Profit before taxation (excluding special items)		144	154
Special items	5	(313)	(16)
Income tax expense	12(a)	(65)	(48)
(Loss)/profit for the year from continuing operations		(234)	90
Discontinued operations			
Loss for the year from discontinued operations	14(e)	(2,128)	(2,122)
Loss for the year		(2,362)	(2,032)
Attributable to:			
Equity holders of the Company		(2,362)	(2,030)
Non-controlling interests		–	(2)
		(2,362)	(2,032)
Earnings per share attributable to equity holders of the Company – basic and diluted			
From continuing operations ($)	15(a)	(0.52)	0.18
From discontinued operations ($)	15(a)	(4.76)	(4.14)
		(5.28)	(3.96)
EPS based on Underlying Profit – basic and diluted			
From continuing operations ($)	15(b)	0.19	0.20
From discontinued operations ($)	15(b)	(0.18)	0.17
		0.01	0.37

$ million	Notes	2014	2013
Loss for the year		(2,362)	(2,032)
Other comprehensive income for the year after tax:			
Items that will never be reclassified to the income statement:			
Actuarial losses on employee benefits, net of tax		(1)	(22)
		(1)	(22)
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on retranslation of foreign operations		(430)	(60)
Recycling of capital reserves and non-controlling interests on disposal of subsidiaries		647	2
Recycling of exchange differences on disposal of joint venture	13	24	–
Recycling of capital reserves on disposal of associate	13	–	511
Share of other comprehensive losses of joint venture		–	(12)
Share of other comprehensive losses of associate		–	(75)
		241	366
Other comprehensive income for the year		240	344
Total comprehensive expense for the year		(2,122)	(1,688)
Attributable to:			
Equity holders of the Company		(2,121)	(1,686)
Non-controlling interests		(1)	(2)
		(2,122)	(1,688)
Total comprehensive expense attributable to equity holders of the Company arising from:			
Continuing operations		(413)	71
Discontinued operations		(1,708)	(1,757)
		(2,121)	(1,686)

At 31 December 2014

$ million	Notes	2014	2013
Assets			
Non-current assets			
Intangible assets	17	11	26
Property, plant and equipment	18	2,264	2,754
Mining assets	19	476	584
Other non-current assets	20	429	647
Deferred tax asset	12(b)	42	21
		3,222	4,032
Current assets			
Inventories	21	147	610
Prepayments and other current assets	22	49	325
Income taxes receivable		2	59
Trade and other receivables	23	168	235
Investments	24	400	625
Cash and cash equivalents	25	1,730	1,715
		2,496	3,569
Assets classified as held for sale		–	1,018
		2,496	4,587
Total assets		5,718	8,619
Equity and liabilities			
Equity			
Share capital	26(a)	171	171
Share premium		2,650	2,650
Capital reserves	26(c)	(299)	(541)
Retained earnings		(421)	1,937
Attributable to equity holders of the Company		2,101	4,217
Non-controlling interests		3	4
Total equity		2,104	4,221
Non-current liabilities			
Borrowings	27	2,911	2,608
Deferred tax liability	12(b)	17	14
Employee benefits	28	22	477
Provisions	29	26	98
		2,976	3,197
Current liabilities			
Trade and other payables	30	435	631
Borrowings	27	181	503
Income taxes payable		20	9
Employee benefits	28	2	53
Provisions	29	–	5
		638	1,201
Total liabilities		3,614	4,398
Total equity and liabilities		5,718	8,619

These financial statements were approved by the Board of Directors on 25 February 2015.

Signed on behalf of the Board of Directors

Oleg Novachuk
Chief Executive Officer

Andrew Southam
Chief Financial Officer

$ million	Notes	2014	2013
Cash flows from operating activities			
Cash flow from operations before interest and income taxes	31	407	504
Interest paid		(150)	(156)
Income taxes paid		(55)	(67)
Net cash flows from operating activities		202	281
Cash flows from investing activities			
Interest received		12	12
Proceeds from disposal of property, plant and equipment and mining assets		7	38
Purchase of Koksay licence		(225)	–
Purchase of intangible assets		(10)	(14)
Purchase of property, plant and equipment		(1,062)	(1,120)
Investments in mining assets		(141)	(151)
Licence payments for subsoil contracts		(3)	(6)
Acquisition of non-current investments		(3)	(3)
Proceeds from disposal of long-term investments		16	–
Movement in short-term bank deposits	32	195	(110)
Proceeds from disposal of associate	13	–	875
Proceeds from disposal of joint venture	13	1,249	–
Disposal of subsidiaries, net of cash disposed	13	(170)	27
Net cash flows used in investing activities		(135)	(452)
Cash flows from financing activities			
Proceeds from borrowings – net of arrangement fees paid of $15 million (2013: $22 million)		647	790
Repayment of borrowings		(673)	(107)
Dividends paid by the Company	16	–	(42)
Net cash flows (used in)/from financing activities		(26)	641
Net increase in cash and cash equivalents	32	41	470
Cash and cash equivalents at the beginning of the year		1,715	1,250
Effect of exchange rate changes on cash and cash equivalents	32	(26)	(5)
Cash and cash equivalents at the end of the year	25	1,730	1,715

The consolidated statement of cash flows includes cash flows from both continuing and discontinued operations (see note 14).

		Attributable to equity holders of the Company					Non-controlling interests	Total equity
$ million	Notes	Share capital	Share premium	Capital reserves[1]	Retained earnings	Total		
At 1 January 2013		200	2,650	(932)	4,341	6,259	6	6,265
Loss for the year		–	–	–	(2,030)	(2,030)	(2)	(2,032)
Exchange differences on retranslation of foreign operations		–	–	(60)	–	(60)	–	(60)
Recycling of exchange differences on disposal of subsidiary	13	–	–	2	–	2	–	2
Recycling of capital reserves on disposal of associate	13	–	–	511	–	511	–	511
Share of losses of joint venture recognised in other comprehensive income		–	–	(12)	–	(12)	–	(12)
Net share of losses of associate recognised in other comprehensive income		–	–	(75)	–	(75)	–	(75)
Actuarial losses on employee benefits, net of $5 million tax	28	–	–	–	(22)	(22)	–	(22)
Total comprehensive income/(expense) for the year		–	–	366	(2,052)	(1,686)	(2)	(1,688)
Share-based payments	36	–	–	–	5	5	–	5
Purchase of Company's share capital on disposal of associate	26(a),(c)	(29)	–	25	(315)	(319)	–	(319)
Dividends paid by the Company	16	–	–	–	(42)	(42)	–	(42)
At 31 December 2013		171	2,650	(541)	1,937	4,217	4	4,221
Loss for the year		–	–	–	(2,362)	(2,362)	–	(2,362)
Exchange differences on retranslation of foreign operations		–	–	(430)	–	(430)	–	(430)
Recycling of capital reserves and non-controlling interests on disposal of subsidiaries	13	–	–	648	–	648	(1)	647
Recycling of capital reserves on disposal of joint venture	13	–	–	24	–	24	–	24
Actuarial losses on employee benefits, net of tax	28	–	–	–	(1)	(1)	–	(1)
Total comprehensive expense for the year		–	–	242	(2,363)	(2,121)	(1)	(2,122)
Share-based payments	36	–	–	–	5	5	–	5
At 31 December 2014		171	2,650	(299)	(421)	2,101	3	2,104

1 Refer to note 26(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 subsidiaries. The Restructuring which resulted in the sale of a number of the Group's relatively mature mining and power operations, primarily located in the Zhezkazgan and Central Regions (the 'Disposal Assets') completed on 31 October 2014. As a result of this transaction, the Company which was previously known as Kazakhmys PLC changed its name to KAZ Minerals PLC. Following the Restructuring, the Group consists of the East Region operations, Bozymchak and the major growth projects. The Group operates within the natural resources sector through three divisions, the principal activities of which during 2014 were:

Operating division	Principal activity	Primary country of operations
East Region operations	Mining and copper processing operations	Kazakhstan
Mining Projects	Mining and copper processing development projects	Kazakhstan
Bozymchak	Mining and copper processing development project	Kyrgyzstan

The legal names of the constituent companies within the above divisions are shown in note 38(m).

From 15 August 2014, the date the independent shareholders approved the Restructuring, the Disposal Assets were classified as assets held for sale and have been treated as a discontinued operation in these financial statements (see note 14(a)).

2. Basis of preparation

The financial statements set out on pages 110 to 170 have been prepared using accounting policies consistent with IFRSs. The Company has taken the exemption under section 408 of the Companies Act 2006 and has not published the Company's income statement and related notes.

(a) Going concern

The Group's business activities, together with the factors likely to impact its future growth and operating performance, are set out in the Operating Review on pages 38 to 45. The financial performance and position of the Group, its cash flows and available debt facilities are described in the Financial Review on pages 46 to 57. In addition, note 33 commencing on page 147 sets out the Group's objectives, policies and processes for managing its capital structure, liquidity position and financial risks arising from exposures to commodity prices, interest rates, foreign exchange and counterparties.

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level of the Group taking into consideration the expected outlook of the Group's financial position, cash flows and future capital commitments. The Group adopts a prudent approach in managing its liquidity risk, reflecting the volatility in commodity prices.

At 31 December 2014, the Group's net debt was $962 million with total undrawn committed facilities of $798 million.

At 31 December 2014, $692 million of the $1.5 billion loan facility with CDB, to be used for the development of the major copper project at Aktogay, was drawn. The funds are available to draw down over a three and a half year period commencing from 31 December 2012 and mature 15 years from the date of the first draw down.

On 29 October 2014, the Group amended the $500 million PXF facility that was signed in December 2012. The amended facility is available for general corporate purposes and provides additional liquidity during the period of the development of the major growth projects at Bozshakol and Aktogay. At 31 December 2014, the amended PXF facility was fully drawn at $349 million, with $151 million of the original facility having been repaid. The principal repayments will amortise over a three year period commencing in January 2016 until final maturity in December 2018.

At 31 December 2014, the Group had gross liquid funds of $2.1 billion and an additional $798 million available only for the development of the Aktogay copper project.

The Directors have considered the Group's financial position, the available borrowing facilities, the planned capital expenditure programme and the outlook for the Group's products and major growth projects, and believe there is sufficient funding available to meet the Group's anticipated cash flow requirements. The Board is mindful of the Group's exposure to a single commodity and to the successful delivery of the Group's major growth projects in the medium term. A severe downturn in the copper price or material adverse developments on the major growth projects would impact future funding requirements.

After making appropriate enquiries, the Directors 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.

(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.

2. Basis of preparation continued

(c) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2014 and the Group's financial performance for the year ended 31 December 2014.

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.

Prior to the completion of the Restructuring, Kazakhmys LLC underwent a demerger which created Vostoktsvetmet LLC, which holds the East Region operating assets. As a result of the demerger, the non-controlling interests in the East Region assets, which were previously within Kazakhmys LLC, remain with Vostoktsvetmet LLC. The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Refer to note 38(m) for a list of the Company's significant subsidiaries.

(d) Statement of compliance

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with IFRSs, as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the European Union (EU), and in accordance with the provisions of the Companies Act 2006.

(e) Adoption of standards and interpretations

In preparing the consolidated financial statements, the Group has applied the following standards on their effective date:

- IFRS 10 *'Consolidated Financial Statements'*: The Group adopted IFRS 10 with effect from 1 January 2014. This has not had a material impact on the financial position or performance of the Group. Consequently, no adjustment has been made to the comparative financial information as at 31 December 2013.
- IFRS 11 *'Joint Arrangements'*: The Group has adopted IFRS 11 with effect from 1 January 2014. The adoption of the standard has not had a material impact on the financial position or performance of the Group. Consequently, no adjustment has been made to the comparative financial information as at 31 December 2013.
- IFRS 12 *'Disclosure of Interests in Other Entities'*: The Group has adopted IFRS 12 with effect from 1 January 2014. This has not had a material impact on the financial position or performance of the Group. Consequently, no adjustment has been made to the comparative financial information as at 31 December 2013.

The Group has not early adopted any standards, interpretations or amendments that were issued but are not yet effective.

(f) New standards and interpretations not yet adopted

In preparing the consolidated financial statements, the Group has not applied the following relevant standards and interpretations. The Group's adoption of these standards and interpretations is dependent on the date they become effective for application in the EU:

- IFRS 9 *'Financial Instruments'*; the IASB effective date is 1 January 2018, however the standard has yet to be endorsed by the EU. Based on the nature of the Group's financial assets, the adoption of the standard is not expected to have a material impact on the financial position or performance of the Group.
- IFRS 15 *'Revenue from Contracts with Customers'*; the standard was issued in 2014 with an IASB effective date of 1 January 2017. The standard has yet to be endorsed by the EU. The Group is currently assessing the impact of IFRS 15 on its financial position and reporting of performance.
- Improvements to IFRSs: There are a number of amendments to certain standards following the 2013 annual improvements project which have not yet been endorsed by the EU. The impact of any consequential changes to the consolidated financial statements is not expected to be significant.

(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.

The sale of a number of the Group's relatively mature mining and power operations, primarily located in the Zhezkazgan and Central Regions (the 'Disposal Assets') was approved by the independent shareholders on 15 August 2014. As a result these operations were reclassified as assets held for sale and as a discontinued operation from that date. The consolidated income statement for the year ended 31 December 2013 has been restated to conform to this presentation. The sale completed on 31 October 2014.

(h) Devaluation of the tenge

On 11 February 2014, the National Bank of Kazakhstan announced it would seek to support the tenge at around 185 KZT to the US dollar, resulting in a devaluation of approximately 19%. The impact of the devaluation in the condensed consolidated financial statements is as follows:

- net finance costs of $263 million includes net foreign exchange losses of $181 million from continuing operations which primarily arose from the retranslation of tenge denominated monetary assets and liabilities, particularly on intercompany loans, within the Group's UK subsidiaries which have a US dollar functional currency. The foreign exchange losses arising on the devaluation of the tenge are non-operational and have been treated as a special item;
- the loss for the year from discontinued operations includes a net foreign exchange gain of $24 million; and
- non-cash foreign exchange loss of $430 million recognised within equity, primarily due to the retranslation on consolidation of the Group's Kazakhstan based subsidiaries whose functional currency is the tenge, which mainly arose at the time of the devaluation, of which $180 million relates to continuing operations and $250 million to discontinued operations.

3. Significant accounting judgements and key sources of estimation uncertainty

In the course of preparing these financial statements, the Directors make necessary judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Judgements are based on the Directors' best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements.

Estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions applied are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

(a) Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), which the Directors believe are likely to have the most significant effect on the amounts recognised in the consolidated financial statements.

Assets held for sale and discontinued operations

On 15 August 2014, the Group's independent shareholders approved the sale of the Disposal Assets, within the previous Kazakhmys Mining and Kazakhmys Power segments. The Directors believed it was highly probable that the disposal would complete within 12 months following independent shareholder approval. As a result, the Disposal Assets were classified as assets held for sale at 15 August 2014, and reflected as a discontinued operation in the consolidated income statement for the period ended 31 October 2014, when the sale completed. On the date of classification, the Disposal Assets were remeasured to the fair value less costs to sell of nil, resulting in a charge of $1.6 billion being recognised.

On 5 December 2013, the Board of Directors accepted an offer from Samruk-Energo, an investment vehicle of the Government of Kazakhstan, for the sale of the Group's 50% joint venture in Ekibastuz GRES-1 and the Group's investment in Kazhydrotechenergo LLP ('Kaz Hydro') for $1,249 million, after transaction costs of $2 million and the additional $49 million, being the cost of acquiring the remaining shares held in Kaz Hydro. After considering the status of the sales process, the Directors believed that it was highly probable a sale would complete within 12 months. As a result, the Group's investments in Ekibastuz GRES-1 and Kaz Hydro were classified as assets held for sale at 31 December 2013, with Ekibastuz GRES-1 being classified as a discontinued operation in the consolidated income statement for the period ended 5 December 2013. The sale completed on 1 April 2014.

Determination of excess profits taxation ('EPT') – Discontinued operations

In 2011, the Supreme Court of Kazakhstan ruled that Kazakhmys LLC should not have been an EPT payer in the periods up to and including 2008. Kazakhmys LLC subsequently submitted a claim for $108 million to the Ministry of Finance. During 2012, $60 million had been reimbursed by set-off against the 2012 tax year income tax and MET liabilities and was recognised in the consolidated financial statements as a special item. The remaining $48 million of the $108 million claim was challenged by the Ministry of Finance, who believed that this amount related to periods beyond the Kazakhstan statute of limitations.

In 2013, the Ministry of Finance continued its legal action over the $48 million claim, with their appeal reaching the Supreme Court. In October 2013, the Supreme Court ruled in favour of Kazakhmys LLC confirming Kazakhmys LLC's right to receive the $48 million ($39 million at year end exchange rates) of the past EPT payments. Due to the ongoing uncertainty following a legal appeal by the tax authorities against the Supreme Court's decision, no credit was recognised for the year ended 31 December 2013.

3. Significant accounting judgements and key sources of estimation uncertainty continued

Due to actions taken by the tax authorities during 2014, management continued to believe that sufficient uncertainty remained over the recoverability of this amount such that no credit was recognised in the Disposal Assets financial statements as at 31 October 2014, the date of disposal.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of assets

The Directors review the carrying value of the Group's assets to determine whether there are any indicators of impairment such that the carrying values of the assets may not be recoverable. The assessment of whether an indicator of impairment has arisen requires considerable judgement, taking account of future operational and financial plans, commodity prices, sales demand and the competitive environment. Where such indicators exist, the carrying value of the assets of a cash generating unit is compared with the recoverable amount of those assets, that is, the higher of net realisable value and value in use, which is determined on the basis of discounted future cash flows.

This involves management estimates of commodity prices, market demand and supply, the development of operating costs, economic and regulatory climates, capital expenditure requirements, long-term mine plans and other factors.

Any subsequent changes to cash flows due to changes in the above mentioned factors could impact the carrying value of the assets.

Bozymchak

During the year ended 31 December 2014, Bozymchak recognised a $128 million impairment charge following the identification of a number of impairment indicators. In determining the value-in-use of the Bozymchak project, the Directors made estimates of the future cash flows to be generated by this project with the key variables being copper and gold price assumptions, the mine economics such as copper grades, capital expenditure to complete the project and its commissioning date for commercial production (see note 7).

The Zhezkazgan Region within the Disposal Assets and discontinued operations

The asset review performed in 2013 considered the results of the optimisation programme and the potential for future savings, when assessing the future economic outlook for assets. The prospects for the Zhezkazgan Region, a cash generating unit ('CGU') previously within Kazakhmys Mining, were considered challenging. The recoverable amount of the Zhezkazgan Region CGU was believed by management to be significantly lower than its carrying value such that an impairment charge of $575 million was recognised at 31 December 2013 (see note 14).

The calculation of the fair value less costs to sell of the Group's CGUs for the impairment review at 31 December 2013 provided a range of outcomes which were particularly sensitive to changes in commodity prices, operating cost inflation, capital expenditure and the discount rate used. Any changes to the assumptions adopted in the calculation of the fair value less costs to sell, individually or in aggregate, would result in a different valuation being determined.

The Directors note that following the impairments recognised in 2013, the deficit between the Group's net asset value and its market capitalisation remained significant at 31 December 2013. This deficit was largely due to the fact that under accounting standards, the carrying value of the assets could not be negative, whilst the valuation of the same assets on a discounted cash flow basis could result in values below zero. In particular, whilst the Zhezkazgan Region CGU was written down to nil, the forecast discounted cash flows resulted in a significant negative amount which could not be recognised at 31 December 2013. The Directors considered this and other circumstances that contributed to the difference between the Group's net asset value and market capitalisation and believed that despite this difference there were no further impairments necessary in respect of the Group's other CGUs.

The Zhezkazgan Region CGU's assets formed part of the Disposal Assets that were divested by the Group on 31 October 2014.

Determination of ore reserves and useful lives of property, plant and equipment

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's mining properties. In order to estimate reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

The Group estimates its ore reserves and mineral resources based on information compiled by competent persons as defined in accordance with the JORC Code. A review of the Group's reserves and resources is undertaken on an annual basis by an independent competent person.

In assessing the life of a mine for accounting purposes, mineral reserves are only taken into account where there is a high degree of confidence of economic extraction (proven and probable mineral reserves). Since the economic assumptions used to estimate reserves change from period to period, and as additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows;
- depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the unit of production basis, or where the useful economic lives of assets change;
- decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities; and

- the carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of tax benefits.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being revised.

For property, plant and equipment depreciated on a straight-line basis over its useful economic life, the appropriateness of the asset's useful economic life is reviewed at least annually and any changes could affect prospective depreciation rates and asset carrying values.

Employee benefits

The expected costs of providing long-term employment benefits under defined benefit arrangements relating to employee service during the period are determined based on financial and actuarial assumptions. Assumptions in respect of the expected costs are set in consultation with an independent actuary.

Kazakh legislation requires that the amounts payable for death and disability benefits are linked to future salary increases. As a result, future salary increases within the business have to be estimated. Other key assumptions include the selection of discount and mortality rates. The discount rate used was determined by reference to the 10-year Kazakhstan Government euro-dollar bonds issued in 2014 adjusted for currency conversion to KZT. The 10-year bond rate approximates to the average maturity profile of the Group's benefit obligations. Mortality rates are based on the official mortality table of Kazakhstan published by the Government.

While the Directors believe the assumptions used are appropriate, a change in the assumptions used would impact the employee benefit obligation recognised on the balance sheet and hence the financial performance of the Group. This obligation predominantly arises within the Disposal Assets, which were disposed of on 31 October 2014. The obligation that remains with the continuing operations is significantly smaller and therefore any changes in the above assumptions are unlikely to have a material impact on the Group's balance sheet.

Income taxes

In determining the level of accruals and provisions to be recognised in respect of any potential exposures for various tax liabilities, the Directors make estimates in relation to the level of taxes payable, particularly in relation to transfer pricing, non-deductible items and outcomes of tax disputes. The tax obligations, upon audit by the tax authorities at a future date, may differ as a result of differing interpretations. These differences may also impact the level of accruals and provisions recognised.

4. Segment information

Information provided to the Group's Board of Directors for the purposes of resource allocation and the assessment of segmental performance is prepared in accordance with the management and operational structure of the Group. For management and operational purposes, the Group is organised into three separate businesses as shown below, according to the nature of their operations, end-products and services rendered. Each of these business units represents an operating segment in accordance with IFRS 8 '*Operating segments*'.

The Restructuring undertaken by the Group in 2014 has resulted in a change in the Group's operating segments. As the Disposal Assets were classified as a discontinued operation at 15 August 2014 with the comparatives restated to conform to this presentation, the operating segment disclosures for the year ended 31 December 2013 have also been restated to reflect this classification. The Group's updated operating segments following the Restructuring are:

East Region operations

The East Region operations business is managed as one operating segment and comprises:

- the Group's main operating entity, Vostoktsvetmet LLC, whose principal activity is the mining and processing of copper and other metals which are produced as by-products; and
- the Group's UK trading function, KAZ Minerals Sales Limited, which is responsible for the purchase of exported products from Vostoktsvetmet LLC and subsequently applies an appropriate mark-up prior to onward sale to third parties. The UK entity is a sales function on behalf of the East Region operations business and consequently the assets and liabilities related to those trading operations, i.e. trade payables and trade receivables, are included within the East Region operations operating segment.

Mining Projects

The Group's project companies, whose responsibility is the development of the Group's major growth projects (Aktogay, Bozshakol and Koksay).

Bozymchak

The Bozymchak gold-copper deposit, which is located in Kyrgyzstan, is at the commissioning phase and is managed and reported on as a separate operating segment.

Managing and measuring operating segments

The key performance measure of the operating segments is EBITDA (excluding special items), which is defined as operating profit adjusted to remove depreciation, depletion, amortisation, the non-cash component of the disability benefits obligation, MET and 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 notes 5 and 14).

4. Segment information continued

The Group's Treasury department monitors finance income and finance costs at the Group level on a net basis rather than on a gross basis at an operating segment level.

Segmental information is also provided in respect of revenues, by destination and by product. Segmental information relating to employees is provided in notes 8 and 14.

(a) Operating segments

(i) Income statement information

	Year ended 31 December 2014						
			Mining Projects				
$ million	East Region operations	Bozymchak	Aktogay	Bozshakol	Corporate Services	Continuing operations	Discontinued operations[1]
Revenues							
Segment sales	846	–	–	–	–	846	1,609
Intersegment sales	–	–	–	–	–	–	(75)
Sales to external customers	846	–	–	–	–	846	1,534
EBITDA (excluding special items)	403	(4)	(6)	(8)	(30)	355	201
Special items – notes 5 and 14:							
Less: provisions released against historic tax claims	–	–	–	–	–	–	15
Less: impairment charges	(4)	(128)	–	–	–	(132)	(15)
Less: loss on disposal of assets[2]	–	–	–	–	–	–	(2,066)
EBITDA	399	(132)	(6)	(8)	(30)	223	(1,865)
Less: non-cash component of the disability benefits obligation[3]	(1)	–	–	–	–	(1)	(92)
Less: depreciation, depletion and amortisation	(39)	(2)	–	–	(1)	(42)	(110)
Less: mineral extraction tax[4]	(86)	–	–	–	–	(86)	(65)
Operating profit/(loss)	273	(134)	(6)	(8)	(31)	94	(2,132)
Net finance costs						(263)	–
Income tax (expense)/credit						(65)	4
(Loss) for the year						(234)	(2,128)

$ million	East Region operations	Bozymchak	Mining Projects Aktogay	Mining Projects Bozshakol	Corporate Services[5]	Continuing operations	Discontinued operations[1]
							Year ended 31 December 2013
Revenues							
Segment sales	931	–	–	–	–	931	2,873
Intersegment sales	–	–	–	–	–	–	(110)
Sales to external customers	931	–	–	–	–	931	2,763
EBITDA (excluding special items)	432	(3)	(2)	(9)	(59)	359	361
Special items – notes 5 and 14:							
Less: additional disability benefits obligation charge	(3)	–	–	–	–	(3)	(81)
Less: impairment charges	(12)	–	–	–	(1)	(13)	(679)
Less: loss on disposal of assets[6]	–	–	–	–	–	–	(543)
EBITDA	417	(3)	(2)	(9)	(60)	343	(942)
Less: non-cash component of the disability benefits obligation[3]	(1)	–	–	–	–	(1)	(25)
Less: depreciation, depletion and amortisation	(53)	(3)	–	–	(1)	(57)	(231)
Less: mineral extraction tax[4]	(94)	–	–	–	–	(94)	(148)
Operating profit/(loss)	269	(6)	(2)	(9)	(61)	191	(1,346)
Share of profits from joint venture[7]						–	89
Share of losses from associate[7]						–	(758)
Net finance costs						(53)	(27)
Income tax expense						(48)	(80)
Profit/(loss) for the year						90	(2,122)

1 For the year ended 31 December 2014, discontinued operations comprise the results of the Disposal Assets for the period up to 31 October 2014, the date on which they were sold, and the gain on disposal of the Group's investment in Ekibastuz GRES-1. For the year ended 31 December 2013, discontinued operations comprised the results of Disposal Assets, the results of MKM for the period up to 28 May 2013, the date on which it was sold, the share of post-tax results from the Group's investment in Ekibastuz GRES-1 up to 5 December 2013 and the share of post-tax results from the Group's investment in ENRC up to 24 June 2013.

2 On 31 October 2014, the Group sold the Disposal Assets recognising a loss on disposal of $2,273 million (see note 13(a)). In addition, on 1 April 2014 the Group completed the sale of the Group's investment in Ekibastuz GRES-1 joint venture and Kaz Hydro recognising a gain on disposal of $207 million (see note 13(b)).

3 The non-cash component of the Group's disability benefits obligation has been excluded from EBITDA, a key financial indicator, as EBITDA is a proxy for cash earnings from current trading performance. The non-cash component of the disability benefits obligation is determined as the actuarial remeasurement charge recognised in the income statement less the actual cash payments disbursed during the year in respect of the disability benefits obligation.

4 MET has been excluded from the key financial indicator of EBITDA. The Directors believe that MET is a substitute for a tax on profits, hence its exclusion provides a more informed measure of the operational performance of the Group.

5 Following the restatement of the Group's 2013 income statement to reflect the Disposal Assets as discontinued operations, intersegment rechargeable costs of $30 million were reallocated from the previous Kazakhmys Mining segment within the Disposal Assets, to Corporate Services within the continuing operations.

6 On 28 May 2013, the Group sold its German subsidiary, MKM, recognising a loss on disposal of $1 million (see note 13(c)). In addition, on 8 November 2013 the Group completed the sale of the Group's investment in ENRC recognising a loss on disposal of $528 million (see note 13(d)). Loss on disposal of assets includes $14 million relating to the disposal of property, plant and equipment (see note 14(h)).

7 Shown net of taxes. For the year ended 31 December 2013, following the reclassification of ENRC as a discontinued operation the results for the period from the associate include an impairment charge of $823 million recognised to write the investment down to fair value less costs to sell.

4. Segment information continued

(ii) Balance sheet information

							At 31 December 2014
					Mining Projects		
$ million	East Region operations	Bozymchak	Aktogay	Bozshakol	Koksay	Corporate Services	Total
Assets							
Property, plant and equipment, mining assets and intangible assets[1]	338	52	663	1,465	230	3	2,751
Intragroup investments	–	–	–	–	–	3,068	3,068
Non-current investments and other assets[2]	4	20	195	210	–	–	429
Operating assets[3]	244	28	71	1	–	181	525
Intersegment loans	–	–	–	–	–	2,074	2,074
Current investments	–	–	–	–	–	400	400
Cash and cash equivalents	136	1	121	65	1	1,406	1,730
Segment assets	722	101	1,050	1,741	231	7,132	10,977
Deferred tax asset							42
Income taxes receivable							2
Elimination							(5,303)
Total assets							5,718
Liabilities							
Employee benefits and provisions	30	5	6	6	3	–	50
Intersegment borrowings	14	312	542	1,206	–	–	2,074
Operating liabilities[4]	127	56	115	219	1	78	596
Segment liabilities	171	373	663	1,431	4	78	2,720
Borrowings							3,092
Deferred tax liability							17
Income taxes payable							20
Elimination							(2,235)
Total liabilities							3,614

$ million	East Region operations	Bozymchak	Mining Projects Aktogay	Mining Projects Bozshakol	Corporate Services	Disposal Assets	Total	Balance sheet	Discontinued operations[5]
								At 31 December 2013	
Assets									
Property, plant and equipment, mining assets and intangible assets[1]	377	146	279	874	3	1,685	3,364	3,364	–
Intragroup investments	–	–	–	–	2,500	–	2,500	2,500	–
Non-current investments and other assets[2]	–	22	250	274	1,036	83	1,665	647	1,018
Operating assets[3]	323	30	6	11	215	807	1,392	1,392	–
Intersegment loans	–	–	–	–	1,382	–	1,382	1,382	–
Current investments	–	–	–	–	575	50	625	625	–
Cash and cash equivalents	55	4	9	20	1,554	73	1,715	1,715	–
Segment assets	755	202	544	1,179	7,265	2,698	12,643	11,625	1,018
Deferred tax asset							21	21	–
Income taxes receivable							59	59	–
Assets classified as held for sale[5]							–	1,018	(1,018)
Elimination							(4,104)	(4,104)	–
Total assets							8,619	8,619	–
Liabilities									
Employee benefits and provisions	37	2	4	1	–	589	633	633	–
Intersegment borrowings	19	260	55	976	–	72	1,382	1,382	–
Operating liabilities[4]	54	41	37	235	79	407	853	853	–
Segment liabilities	110	303	96	1,212	79	1,068	2,868	2,868	–
Borrowings							3,111	3,111	–
Deferred tax liability							14	14	–
Income taxes payable							9	9	–
Elimination							(1,604)	(1,604)	–
Total liabilities							4,398	4,398	–

1 Property, plant and equipment, mining assets and intangible assets are located in the principal country of operations of each operating segment. East Region operations and Mining Projects operate in Kazakhstan. Bozymchak development project operates in Kyrgyzstan.

2 Non-current investments and other assets include other non-current investments, non-current VAT receivable and non-current advances paid in both years. In 2013, this included the Group's investment in Ekibastuz GRES-1 LLP and Kaz Hydro, a Hydro power development project company in Kazakhstan.

3 Operating assets comprise inventories, prepayments and other current assets and trade and other receivables, including intragroup receivables.

4 Operating liabilities comprise trade and other payables, including intragroup payables.

5 At 5 December 2013, the Group's investment in Ekibastuz GRES-1 and investment in Kaz Hydro, were classified as assets held for sale and included within discontinued operations.

4. Segment information continued

(iii) Capital expenditure

								Year ended 31 December 2014
					Mining Projects[2]			
$ million	East Region operations[1]	Bozymchak[2]	Aktogay	Bozshakol	Koksay	Corporate Services	Continuing operations	Discontinued operations[3]
Property, plant and equipment	35	49	369	587	–	–	1,040	159
Mining assets	20	7	4	16	229	–	276	97
Intangible assets	–	–	2	4	–	–	6	4
Capital expenditure	55	56	375	607	229	–	1,322	260

							Year ended 31 December 2013
				Mining Projects[2]			
$ million	East Region operations[1]	Bozymchak[2]	Aktogay	Bozshakol	Corporate Services	Continuing operations	Discontinued operations[3]
Property, plant and equipment	70	82	301	475	–	928	314
Mining assets	31	11	4	15	–	61	108
Intangible assets	–	–	–	1	–	1	13
Capital expenditure	101	93	305	491	–	990	435

1 Capital expenditure includes non-current advances paid for items of property, plant and equipment (see note 20).

2 Capital expenditure within the Mining Projects and Bozymchak segments includes capitalised depreciation of $1 million (2013: $nil) and $2 million (2013: $2 million) and capitalised borrowing costs of $122 million (2013: $111 million) and $2 million (2013: $15 million) related to property, plant and equipment and mining assets respectively. During the year, the site restoration and clean up provisions within Mining Projects and Bozymchak segments were reassessed and as a result, increased by $7 million (2013: $2 million) and $3 million (2013: $1 million) with a corresponding adjustment to property, plant and equipment and mining assets, respectively. These amounts are non-cash items and are recorded within site restoration and clean up provisions and provisions for payments for licences. Capital expenditure also includes non-current advances paid for items of property, plant and equipment (see note 20).

3 For the year ended 31 December 2014, discontinued operations comprise the Disposal Assets for the period up to their divestment on 31 October 2014. For the year ended 31 December 2013 discontinued operations comprised the Disposal Assets and MKM for the period up to its disposal on 28 May 2013. Capital expenditure within the Disposal Assets includes capitalised depreciation of $6 million (2013: $10 million) and $4 million (2013: $2 million) related to property, plant and equipment and mining assets respectively. During the year, the site restoration and clean up provisions were reassessed and as a result, increased by $1 million (2013: reduced by $1 million) and reduced by $4 million (2013: reduced by $2 million) with a corresponding adjustment to property, plant and equipment and intangible assets, respectively. These amounts are non-cash items and are recorded within site restoration and clean up provisions and provisions for payments for licences. Capital expenditure also includes non-current advances paid for items of property, plant and equipment (see note 20).

(b) Segmental information in respect of revenues

Revenues by product earned by continuing operations are as follows:

$ million	2014	2013
East Region operations		
Copper cathodes	550	589
Silver	78	106
Gold	44	63
Zinc in concentrate	144	143
Other by-products	23	25
Other revenue	7	5
Total continuing operations	846	931

Revenues by destination earned by continuing operations are as follows:

$ million	2014	2013
East Region operations		
Europe	36	72
China	492	545
Kazakhstan	189	213
Other	129	101
	846	931

Year ended 31 December 2014

Four customers within the East Region operations segment, three of which are collectively under common control, represent 28% of total revenue from continuing operations for the 12 months. The total revenue from these customers is $239 million. The revenue from the three customers under common control of $147 million represents 17% of the total revenue from continuing operations. Revenues from the fourth major customer of $92 million represent 11% of total revenue from continuing operations.

Year ended 31 December 2013

Four customers within the East Region operations segment, three of which are collectively under common control, represent 34% of total revenue from continuing operations for the year. The total revenue from these customers is $320 million. The revenue from the three customers under common control of $213 million represents 23% of the total revenue from continuing operations. Revenues from the fourth major customer of $107 million represent 11% of total revenue from continuing operations.

Information in respect of discontinued operations is included in note 14.

5. Special items

Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business. The table below shows the special items in respect of continuing operations, the disclosures relating to discontinued operations is presented in note 14.

$ million	2014	2013
Special items within operating profit		
Additional disability benefits obligation related to previously insured employees	–	3
Impairment charges – note 7	132	13
Impairment charges against intangible assets	–	4
Impairment charges against property, plant and equipment	111	10
Impairment charges/(reversal) against mining assets	18	(1)
Provisions raised against other non-current assets	3	–
	132	16
Special items within (loss)/profit before taxation		
Net foreign exchange loss arising on the devaluation of the tenge	181	–
	313	16
Taxation related special items		
Recognition of a deferred tax asset on additional disability benefits obligation related to previously insured employees	–	(1)
Net foreign exchange gain arising on the devaluation of the tenge	8	–
Recognition of a deferred tax asset resulting from impairment charges	(1)	(3)
Total special items	320	12

6. Cost of sales, selling and distribution expenses and administrative expenses

(a) Cost of sales

$ million	2014	2013
Raw materials	95	102
Employee salaries and payroll taxes	72	71
Depreciation, depletion and amortisation	36	52
Refining services	85	100
Production overheads	100	104
Mineral extraction tax	86	94
Other taxes	1	1
Change in work in progress and finished goods	(19)	24
	456	548

The table above relates to continuing operations only.

(b) Selling and distribution expenses

$ million	2014	2013
Transportation expenses	10	8
Port charges	9	7
Raw materials	–	1
Other	6	6
	25	22

The table above relates to continuing operations only.

(c) Administrative expenses

$ million	2014	2013
Employee salaries and payroll taxes	57	62
Social responsibility costs	6	17
Legal and professional	17	15
Utilities	11	12
Transportation	6	8
Business travel	5	8
Personal injury claims	3	7
Levies and charges	7	5
Depreciation and amortisation	6	5
Supplies	3	2
Other	18	12
	139	153

The table above relates to continuing operations only.

7. Impairment losses

$ million	2014	2013
Impairment charges against intangible assets[1]	–	4
Impairment charges against property, plant and equipment – note 7(a)[1]	111	10
Impairment charges/(reversal) against mining assets[1]	18	(1)
Provisions raised against inventories	1	–
Provisions raised against other assets	4	–
Provisions raised against other non-current assets[1]	3	–
	137	13

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 5). Of the total impairment charges, $128 million relates to the impairment of Bozymchak in 2014.

The table above relates to continuing operations only.

Year ended 31 December 2014

(a) Mining Projects – impairment charges property, plant and equipment

The Bozymchak copper and gold development project has been subject to an impairment review following the identification of impairment indicators. The indicators identified were lower assumed copper prices for 2015, ongoing optimisation work to be performed during 2015 thereby delaying the ramp up of the concentrator and changes to the mine plan. As a result, the Group has recognised a total impairment of $128 million. The impairment charge has been recognised as $107 million against property, plant and equipment, $18 million against mining assets and $3 million against other non-current assets of the Bozymchak project. The impairment charge reduces the carrying value of the Bozymchak project to its recoverable amount of $100 million, determined as its value-in-use on a discounted cash flow basis, as at 31 December 2014. The cash flow forecasts were discounted at a post-tax discount rate of 11% (pre-tax rate of 12%).

Year ended 31 December 2013

(a) East Region operations – impairment charges property, plant and equipment

Following the suspension of the Berezovsky concentrator in the East Region in the second half of the year an impairment charge of $8 million was recognised.

8. Employee information

$ million	2014	2013
Wages and salaries	109	116
Social security costs	20	17
Employee benefits – note 28	3	7
	132	140

The table above relates to continuing operations only.

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 weekly number of employees within continuing operations during the year was as follows (discontinued operations are presented in note 14):

	2014	2013
East Region operations	7,424	7,837
Mining Projects	469	297
Bozymchak	827	656
Central services including Corporate	452	369
	9,172	9,159

Analysed as:

	2014	2013
Central Asia[1]	9,126	9,099
UK	32	45
Netherlands	1	2
China	13	13
	9,172	9,159

1 Includes Kazakhstan and Kyrgyzstan.

9. Key management personnel

In accordance with IAS 24 'Related party disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. For the 10 month period ended 31 October 2014, prior to the completion of the sale of the Disposal Assets, key management included the Directors of the Company and the Chief Financial Officer, the Chief Operating Officer, Head of Projects, and the Director of Strategy. For the period 1 November 2014 to 31 December 2014, key management personnel were deemed to be the Directors of the Company, including the Chief Financial Officer, the Head of Projects (construction), Head of Projects (operations), the East Region General Director, the Bozymchak General Director and the Head of Government Relations and Legal.

For the year ended 31 December 2013, prior to the completion of the sale of the Disposal Assets, key management personnel of the Group comprised the Directors of the Company and the Chief Financial Officer, the Chief Operating Officer, Head of Projects, and the Director of Strategy.

9. Key management personnel continued

Compensation for key management personnel (including Directors) comprises the following:

$ million	2014	2013
Salaries	7.0	8.2
Annual bonuses	2.3	2.9
Share awards[1]	3.4	3.4
Benefits	0.2	0.5
	12.9	15.0

1 Share awards are long term in nature and may be awarded after a three year vesting period.

The amounts related to key management of the Disposal Assets are shown within the discontinued operations income statement in note 14.

The aggregate amount paid to Directors was £5.5 million (2013: £5.9 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 2014 was $2.9 million (2013: $2.8 million), comprised as follows:

$ million	2014	2013
Audit and other services:		
Amounts receivable by the Company's auditor and its associates for the audit of these financial statements	1.4	0.8
Amounts receivable by the Company's auditor and its associates in respect of:		
– the audit of financial statements of subsidiaries of the Company	0.2	1.1
– audit-related assurance services	0.5	0.3
– regulatory reporting services pursuant to legislation as reporting accountants	0.8	0.6
Total remuneration	2.9	2.8

Included above is $0.6 million of audit fees related to work done in respect of the Disposal Assets for the year ended 31 December 2014. In 2013, the fees for the audit of these businesses were included in the fees for the audit of subsidiaries.

11. Finance income and finance costs

$ million	2014	2013
Finance income		
Interest income	10	9
Foreign exchange gains[1]	126	14
	136	23
Finance costs		
Interest expense	(35)	(51)
Total interest expense	(159)	(177)
Less: amounts capitalised to the cost of qualifying assets[2]	124	126
Interest on employee obligations	(1)	(2)
Unwinding of discount on provisions	(2)	(2)
Finance costs before foreign exchange losses	(38)	(55)
Foreign exchange losses[1]	(361)	(21)
	(399)	(76)

1 Of the net foreign exchange losses, $181 million arises as a result of the devaluation of the tenge in February 2014 (see note 2(h)).

2 In 2014, the Group capitalised to the cost of qualifying assets $124 million (2013: $126 million) of borrowing costs incurred on the outstanding debt during the period on the CDB/Samruk-Kazyna facilities at an average rate of interest (net of interest income) of 5.15% (2013: 5.02%) and on the CDB-Aktogay US$ and RMB facilities at an average rate of interest of 4.79% (2013: 6.55%).

The table above relates to continuing operations only.

12. Income taxes

(a) Income statement

Major components of income tax expense for continuing operations for the years presented are:

$ million	2014	2013
Current income tax		
Corporate income tax – current period (UK)[1]	(6)	(14)
Corporate income tax – current period (overseas)	96	60
Corporate income tax – prior periods	1	(11)
Deferred income tax		
Corporate income tax – current period temporary differences	(22)	6
Corporate income tax – prior period temporary differences	(4)	7
	65	48

1 The UK current income tax benefit of $6 million excludes a tax charge of $10 million relating to transactions with the Disposal Assets undertaken during the year which is included within the income tax expense of the discontinued operations.

A reconciliation of the income tax expense applicable to the accounting (loss)/profit before tax at the statutory income tax rate to the income tax expense at the effective income tax rate for continuing operations is as follows:

$ million	2014	2013
(Loss)/profit before tax from continuing operations	(169)	138
At UK statutory income tax rate of 21.5% (2013: 23.25%)[1]	(36)	32
Under/(over) provided in prior periods – current income tax	1	(11)
(Over)/under provided in prior periods – deferred income tax	(4)	7
Tax losses	–	8
Effect of domestic tax rates applicable to individual Group entities	20	(9)
Non-deductible items:		
Transfer pricing	–	2
Net foreign exchange loss arising on the devaluation of the tenge	48	5
Other non-deductible expenses	36	14
	65	48

1 For 2014, the UK statutory rate for January to March 2014 was 23.0% and for April to December 2014 was 21.0%, giving a weighted average full year rate of 21.5%. For 2013, the UK statutory rate for January to March 2013 was 24.0% and for April to December 2013 was 23.0%, giving a weighted average full year rate of 23.25%.

Corporate income tax ('CIT') is calculated at 21.5% (2013: 23.25%) of the assessable profit for the year for the Company and its UK subsidiaries, 20.0% for the operating subsidiaries in Kazakhstan (2013: 20.0%) and 10.0% for the Group's Kyrgyzstan based subsidiary (2013: 10.0%).

Effective tax rate

Tax charges are affected by the mix of profits and tax jurisdictions in which the Group operates. The lower CIT rate in Kazakhstan will have the effect of lowering the Group's overall effective tax rate below the current UK statutory corporate tax rate. The impact of transfer pricing provisions and non-deductible items, including impairment losses, will increase the Group's overall effective tax rate.

The following factors impact the effective tax rate for continuing operations for the year ended 31 December 2014:

Tax losses

During 2014, there was no utilisation of tax losses. In 2013, the continuing operations incurred tax losses during the year, primarily related to certain subsoil use contracts, which were not expected to generate sufficient taxable profits for these losses to be utilised in the foreseeable future. As a result, deferred tax assets of $8 million in respect of these losses were not recognised.

Transfer pricing

Notwithstanding recent changes to Kazakhstan's transfer pricing legislation to closer align it with international trading practices, inconsistencies still arise between the transfer pricing requirements in Kazakhstan and the UK. However, these inconsistencies have been minimised based on the current contracts, such that no transfer pricing provision was necessary at 31 December 2014 (2013: $2 million).

Other non-deductible expenses

Includes the $13 million tax impact of the impairment charges recognised at Bozymchak and other non-deductible expenses within East Region operations, Mining Projects, Bozymchak and in the UK of $23 million (2013: $14 million).

12. Income taxes continued

(b) Recognised deferred tax assets and liabilities

The amounts of deferred taxation assets/(liabilities) provided in the consolidated financial statements are as follows:

$ million	At 1 January 2014	Charged to income statement continued operation	Attributed to discontinued operations	Disposal of subsidiaries	Net exchange translation	At 31 December 2014
Intangible assets	(7)	–	1	4	1	(1)
Property, plant and equipment	(66)	29	(4)	53	12	24
Mining assets	14	(1)	5	(8)	(1)	9
Trade and other receivables	15	–	(5)	(8)	(1)	1
Provisions and employee benefits	18	5	16	(31)	(2)	6
Trade and other payables	25	(4)	11	(40)	(8)	(16)
Tax losses	5	(2)	(1)	–	(2)	–
Share-based payment schemes	3	(1)	–	–	–	2
Deferred tax asset/(liability), net	7	26	23	(30)	(1)	25
Analysed as:						
Deferred tax asset	21	29	23	(30)	(1)	42
Deferred tax liability	(14)	(3)	–	–	–	(17)

$ million	At 1 January 2013	Income statement	Discontinued operations	Charged to equity	Net exchange translation	At 31 December 2013
Intangible assets	(8)	–	1	–	–	(7)
Property, plant and equipment	(78)	1	10	–	1	(66)
Mining assets	10	3	1	–	–	14
Trade and other receivables	11	–	4	–	–	15
Provisions and employee benefits	82	(7)	(61)	5	(1)	18
Trade and other payables	60	(9)	(25)	–	(1)	25
Tax losses	6	(1)	–	–	–	5
Share-based payment schemes	3	–	–	–	–	3
Deferred tax asset/(liability), net	86	(13)	(70)	5	(1)	7
Analysed as:						
Deferred tax asset	87	(11)	(59)	5	(1)	21
Deferred tax liability	(1)	(2)	(11)	–	–	(14)

(c) Unrecognised deferred tax assets

Deferred tax assets not recognised in the consolidated financial statements are as follows:

$ million	2014		2013	
	Temporary difference	Deferred tax asset	Temporary difference	Deferred tax asset
Continuing operations: Kazakhstan/Kyrgyzstan – tax losses				
Losses carried forward	97	10	14	3
Other deductible temporary differences	190	19	–	–
Continuing operations: UK – tax losses				
Losses carried forward	58	12	68	14

Details of the Group's tax losses arising in the jurisdictions in which it operates are as follows:

(i) Kyrgyzstan

At 31 December 2014, Kazakhmys Gold Kyrgyzstan LLC had accumulated tax losses which remained unrecognised. These losses can be utilised against future taxable profits within the statute of limitations period, which for tax losses is currently five years. The recent impairment attributed to Bozymchak indicates that utilisation of these losses may extend beyond the five year period and were not recognised.

(ii) United Kingdom

Certain companies in the UK have tax losses that can be carried forward and used against future taxable profits in these companies. There is no time restriction over the utilisation of tax losses. There is insufficient certainty that a taxable profit will arise in these companies against which the losses can be offset. For these reasons, no deferred tax asset has been recognised.

(d) Unrecognised deferred tax liability

The gross temporary differences in respect of the undistributed reserves of the Group's subsidiaries, as shown in their statutory accounts prepared in accordance with applicable accounting standards, are as follows:

$ million	2014	2013
Undistributed reserves of subsidiaries	3,919	5,675

The Group has not recognised all of the deferred tax liability in respect of the distributable reserves of its subsidiaries because it controls them and only part of the temporary differences are expected to reverse in the foreseeable future.

13. Disposal of subsidiaries and investments

$ million	Disposal Assets 31 October 2014	Ekibastuz GRES-1 and Kaz Hydro 1 April 2014	MKM 28 May 2013	ENRC 8 November 2013
Intangible assets	31		–	
Property, plant and equipment	1,190		25	
Mining assets	318		–	
Other non-current assets	36		–	
Deferred tax asset	30		–	
Inventories	376		67	
Prepayments and other current assets	309		4	
Trade and other receivables	165		97	
Investments	30		–	
Cash and cash equivalents	158		12	
Borrowings	–		(106)	
Employee benefits and provisions	(624)		(6)	
Income taxes payable	(1)		(3)	
Trade and other payables	(405)		(36)	
Net identifiable assets	1,613	1,018	54	1,194
Recycling of foreign currency translation and other reserves	648	24	2	511
Transaction costs	12	2	–	17
Consideration received	–	(1,251)	(55)	(1,194)
Loss/(gain) on disposal	2,273	(207)	1	528

Year ended 31 December 2014

(a) Disposal Assets

On 3 July 2014, the Board approved the divestment of the Disposal Assets, which included a number of the Group's relatively mature assets, liabilities and operations, primarily located in the Zhezkazgan and Central Regions within the Kazakhmys Mining and Kazakhmys Power operating segments, to Cuprum Netherlands Holding B.V. (a company owned by Vladimir Kim, a Director of the Company, and Eduard Ogay, a former Director of the Company) under the Restructuring. The Group's independent shareholders approved the Restructuring on 15 August 2014, with completion on 31 October 2014.

Accordingly, the Disposal Assets were classified as assets held for sale with effect from 15 August 2014 and are treated as a discontinued operation in these financial statements. On reclassification, the Group recognised a charge of $1.6 billion from the remeasurement of these assets to fair value less costs to sell of nil. Upon completion, a further charge of $690 million was recognised arising from the recycling to the income statement of the cumulative foreign exchange losses previously recognised in equity and the recycling of other reserves of $42 million. The Group recognised a total loss on disposal of $2.3 billion for year ended 31 December 2014.

On completion of the Restructuring, the Group transferred $158 million of cash and cash equivalents and $30 million in short-term liquid investment and incurred $12 million of transaction costs.

(b) Ekibastuz GRES-1 joint venture and Kaz Hydro

On 5 December 2013, the Board accepted an offer from Samruk-Energo, an investment vehicle of the Government of Kazakhstan, for the sale of the Group's 50% joint venture in Ekibastuz GRES-1 and the Group's investment in Kaz Hydro for $1,249 million, after transaction costs of $2 million and an additional $49 million being the cost of acquiring the remaining shares held in Kaz Hydro. The offer was approved by shareholders on 7 January 2014 with completion dependent on certain conditions precedent. As a result, the Group's investments in Ekibastuz GRES-1 and Kaz Hydro were classified as assets held for sale at 31 December 2013 with a combined carrying value of $1,018 million, with Ekibastuz GRES-1 being classified as a discontinued operation in the consolidated income statement. The sale completed on 1 April 2014, with the Group recognising a profit on disposal of $207 million after the recycling to the income statement of the cumulative foreign exchange losses previously recognised in equity of $24 million (see note 14(b)).

13. Disposal of subsidiaries and investments continued

Year ended 31 December 2013

(c) MKM

On 28 May 2013, the Group completed the disposal of MKM for a total consideration of €42 million ($55 million) net of expected selling costs of €2 million ($2 million). At the date of disposal MKM had net assets of €41 million ($54 million). The total consideration of €42 million consists of €30 million ($39 million) which was received in May 2013 and €12 million ($16 million) which was deferred. The total consideration was concluded after the receipt of a dividend from MKM of €10 million ($13 million) in April 2013. The loss on disposal of $1 million was mainly attributable to the recycling of the foreign currency translation reserve of $2 million. The deferred consideration of $16 million was received in December 2014.

(d) ENRC

On 24 June 2013, Eurasian Resources, acting on behalf of the ENRC Consortium comprising Mr Machkevitch, Mr Ibragimov, Mr Chodiev and the Government of Kazakhstan, announced a firm intention to make an offer for ENRC comprising $2.65 in cash plus approximately 0.23 Company shares per ENRC share. The share component of the offer was fixed at the Company's share price on 21 June 2013, resulting in an offer of approximately $1,206 million ($1,194 million net of expenses). On 8 November 2013, the transaction completed and the Group received total proceeds of $1,194 million, comprising $875 million in cash and 77,041,147 Company shares valued at $319 million. On completion the Group recognised a loss on disposal of its investment in ENRC of $528 million, principally representing the recycling of the Group's share of ENRC's transactions recognised directly in equity of $511 million.

The Company shares received by the Group were subsequently cancelled.

14. Discontinued operations and assets held for sale

For the year ended 31 December 2014, discontinued operations comprise the results of the Disposal Assets for the period up to 31 October 2014 (including the loss on disposal), the date on which it was sold, and the gain on the disposal of the Group's investments in Ekibastuz GRES-1 and Kaz Hydro. For the year ended 31 December 2013, discontinued operations comprised the results of the Disposal Assets, the results of MKM for the period up to 28 May 2013, the date on which it was sold, the share of post-tax results from the Group's investment in Ekibastuz GRES-1 and the share of post-tax results from the Group's investment in ENRC up to 24 June 2013.

As at 31 December 2013, assets held for sale comprised the Group's investments in Ekibastuz GRES-1 and Kaz Hydro.

(a) Disposal Assets

Following the independent shareholders' approval on 15 August 2014, the Board concluded that the Disposal Assets were available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such disposal groups and its sale was 'highly probable'. Accordingly, the Disposal Assets were classified as assets held for sale and shown within discontinued operations from that date. The sale completed on 31 October 2014 (see note 13(a)).

(b) Ekibastuz GRES-1

On 5 December 2013, the Board of Directors accepted an offer from Samruk-Energo, an investment vehicle of the Government of Kazakhstan, for the sale of the Group's 50% joint venture in Ekibastuz GRES-1 and the Group's investment in Kaz Hydro for $1,249 million, after transaction costs of $2 million and an additional $49 million being the cost of acquiring the remaining shares held in Kaz Hydro. The offer was approved by shareholders on 7 January 2014 with completion dependent on certain conditions precedent. After considering the status of the sales process, the Directors believed that it was highly probable a sale would complete within 12 months. As a result, the Group's investments in Ekibastuz GRES-1 and Kaz Hydro were classified as assets held for sale at 31 December 2013, with Ekibastuz GRES-1 being classified as a discontinued operation in the consolidated income statement for the period ended 5 December 2013. The investment was stated at its last equity accounted carrying value, which was lower than the expected net sales proceeds (see note 13(b)).

(c) ENRC

The Group disposed of its investment in ENRC on 8 November 2013. It was classified as a discontinued operation for the year ended 31 December 2013 (until the date of its disposal).

(d) MKM

As stated in note 13(c), the Group disposed of MKM on 28 May 2013. It was classified as a discontinued operation for the year ended 31 December 2013 (until the date of its disposal).

(e) Financial performance of discontinued operations

The summary of results from discontinued operations as presented in the consolidated income statement is shown below:

$ million	2014	2013 Disposal Assets	2013 MKM	2013 Ekibastuz GRES-1	2013 ENRC	2013 Total
Revenues	1,534	2,168	595	–	–	2,763
Cost of sales	(997)	(1,562)	(567)	–	–	(2,129)
Gross profit	537	606	28	–	–	634
Selling and distribution expenses	(56)	(51)	(16)	–	–	(67)
Administrative expenses	(533)	(666)	(13)	–	–	(679)
Net other operating expenses	3	(6)	–	–	–	(6)
Impairment losses	(17)	(676)	(23)	–	–	(699)
Operating loss	(66)	(793)	(24)	–	–	(817)
Share of profits from joint venture	–	–	–	89	–	89
Share of losses from associate	–	–	–	–	(758)	(758)
Loss before finance items and taxation	(66)	(793)	(24)	89	(758)	(1,486)
Finance income	61	22	5	–	–	27
Finance costs	(61)	(48)	(6)	–	–	(54)
Loss before tax	(66)	(819)	(25)	89	(758)	(1,513)
Income tax credit/(expense)	4	(79)	(1)	–	–	(80)
Loss for the year	(62)	(898)	(26)	89	(758)	(1,593)
Loss on disposal[1]	(2,066)	–	(1)	–	(528)	(529)
Loss for the year from discontinued operations	(2,128)	(898)	(27)	89	(1,286)	(2,122)

1 The loss on disposal of $2,066 million includes the $207 million gain on the disposal of Ekibastuz GRES-1.

(f) Revenues

Revenues by product earned by discontinued operations are as follows:

$ million	2014	2013
Disposal Assets		
Copper cathodes	587	1,384
Copper rods	67	85
Copper in concentrate	536	210
Silver (including silver in concentrate)	128	205
Gold	70	89
Other by-products	70	49
Electricity generation	51	79
Heating and other	12	16
Other revenue	13	51
	1,534	2,168
MKM	–	595
Total discontinued operations	1,534	2,763

Revenues by destination earned by discontinued operations are as follows:

$ million	2014	2013
Disposal Assets		
Europe	32	450
China	1,072	1,173
Kazakhstan	276	386
Other	154	159
	1,534	2,168
MKM	–	595
Total discontinued operations	1,534	2,763

14. Discontinued operations and assets held for sale continued

(g) Impairment losses

Year ended 31 December 2014

Disposal Assets

During 2014, the Disposal Assets wrote off $15 million relating to equipment which was no longer in use and impaired stripping costs where the mine is not expected to generate any future benefits.

Year ended 31 December 2013

Disposal Assets – Zhezkazgan Region cash generating unit ('CGU') impairment review

In light of the lower prices of commodities produced by the Group and inflationary pressures on operating costs, the Group commenced an optimisation programme and asset review which has resulted in operating cost and capital expenditure savings.

The asset review considered the results of the optimisation programme, and the potential for future savings, when assessing the future economic outlook for assets. The prospects for the Zhezkazgan Region, a CGU within the former Kazakhmys Mining segment, were considered challenging. The recoverable amount of the Zhezkazgan Region cash generating unit was believed by management to be significantly lower than its carrying value such that an impairment charge of $575 million was recognised, including $98 million of deferred taxes written off. The impairment charge reduced the carrying value of the Zhezkazgan CGU to nil.

The recoverable amount of the Zhezkazgan Region was determined based on the 'fair value less costs to sell' calculations using the cash flows expected to be generated from existing operations and certain development projects, in particular Zhomart II. Cash flows were projected for periods up to the date that mining, refining and power generation was expected to cease based on management's current expectations. For current operations, the completion dates were based on recent assessments of the reserves and resources available and annual ore extraction rates.

The key assumptions used in the recoverable amount calculations were:

- Recoverable amount of reserves and resources – Economically recoverable reserves and resources were based on management's expectations and the technical studies and exploration and evaluation work undertaken by in-house and third party specialists.
- Commodity prices – Long-term commodity prices assumed fall within the range of external market analyst consensus.
- Operating costs – Variable operating costs were included in the impairment test as a function of the related production volumes. Fixed costs at the mines, concentrators and smelters were largely constant but reflect material changes in activity levels.
- Discount rate – A discount rate of 16% was used in the recoverable amount calculations, which represents the pre-tax rate that reflected the Group's current market assessments of the time value of money and the risks specific to the CGU.
- Timing of capital expenditure – Management estimated the timing of capital expenditure on the development projects based on the Group's current and future financing plans and the results of technical studies completed to date.
- Inflation and exchange rates – These were based on a combination of externally sourced forecasts and rates determined from information available in the market after considering long-term market expectations.

The calculation of the fair value less costs to sell of the Group's CGUs for the impairment review at 31 December 2013 provided a range of outcomes as the calculation was particularly sensitive to changes in commodity prices, operating cost inflation, capital expenditure and the discount rate used. Any changes to the assumptions adopted in the calculation of the fair value less costs to sell, individually or in aggregate, would have resulted in a different valuation being determined.

Impairment charges against property, plant and equipment

The impairment charges recognised against property, plant and equipment included $325 million related to the impairment of the Zhezkazgan Region CGU, the impairment of certain production assets during the year, principally the Zhezkazgan smelter, Satpayev concentrator and associated assets of $115 million and a number of mid-sized projects that were suspended during the year of $33 million.

Impairment charges against mining assets

The Zhezkazgan Region CGU's mining assets were impaired by $139 million and certain mid-sized projects were impaired by $5 million as these were suspended during the year.

Inventories

An impairment charge of $4 million related to specialised consumable inventories at the suspended Zhezkazgan smelter.

Other assets

The impairment of other assets of $32 million related mainly to the allocation of the impairment charge recognised in respect of the Zhezkazgan Region CGU, as discussed above, in accordance with IAS 36 on a proportionate basis.

MKM

In 2013, MKM was impaired by $22 million to write it down to its fair value less costs to sell. Of the total impairment charges recognised at MKM in the year ended 31 December 2013 (for the period until 28 May 2013 when it was disposed of), $1 million relates to the impairment of receivables which are not treated as special items.

(h) Special items

Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business.

$ million	2014	2013
Special items within operating loss		
Additional disability benefits obligation related to previously insured employees	–	81
Provisions released against historic tax claims	(15)	–
Impairment charges	15	679
Impairment charges against intangible assets	–	3
Impairment charges against property, plant and equipment	8	473
Impairment charges against mining assets	7	145
Provisions raised against inventories	–	4
Provisions raised against other assets	–	32
Impairment charge against property, plant and equipment – MKM	–	22
Loss on disposal of property, plant and equipment	–	14
	–	774
Special items within loss before finance items and taxation		
Impairment charge recognised on remeasurement of the ENRC investment	–	823
Share of special items in the equity accounted investment in ENRC	–	30
Net loss on disposal of subsidiaries and investments	2,066	529
	2,066	2,156
Special items within loss for the year		
Net foreign exchange gain arising on the devaluation of the tenge	(24)	–
Taxation related special items	5	52
Provisions released against historic tax claims	(7)	–
Recognition of deferred tax assets resulting from impairment charges and other special items	(3)	(20)
Net foreign exchange gain arising on the devaluation of the tenge	5	–
Tax accruals arising from Kazakhstan legal demerger of Kazakhmys LLC	10	–
Recognition of a deferred tax asset on additional disability benefits obligation related to previously insured employees	–	(16)
Impairment of deferred tax assets	–	98
Release of deferred tax liabilities resulting from the remeasurement of MKM	–	4
Recognition of deferred tax assets on impairment charges recognised by ENRC	–	(14)
	(19)	52
	2,047	2,208

The loss on disposal of subsidiaries and investments in 2014 represents the loss on the sale of the Disposal Assets (see note 13(a)) and the gain on disposal of Ekibastuz GRES-1 (see note 13(b)). (2013: includes the loss on disposal of investments in MKM and ENRC, see note 13(c) and 13(d) respectively.)

(i) Cash flows

Net cash flows from discontinued operations included within the consolidated cash flow statement are shown below:

$ million	2014	2013
Operating activities	8	17
Investing activities	(228)	(440)
Financing activities[1]	61	43
Net cash outflow	(159)	(380)

1 Cash flows from financing activities within the discontinued operations reflect intercompany financing arrangements which eliminate on consolidation.

The average weekly number of employees within discontinuing operations during the year was as follows:

	2014	2013
Mining Operations – Disposal Assets	40,274	47,137
MKM	–	1,095
	40,274	48,232

All the employees of the Disposal Assets are located in Kazakhstan and all the employees of MKM are located in Germany.

15. Earnings per share

(a) Basic and diluted EPS

Basic EPS is calculated by dividing the (loss)/profit for the year attributable to owners of the Company by the weighted average number of ordinary shares of 20 pence each outstanding during the year. Purchases of the Company's shares by the Employee Benefit Trust and by the Company under the share buy-back programme are held in treasury and treated as own shares.

The following reflects the income and share data used in the EPS computations:

$ million	2014	2013
Net (loss)/profit attributable to equity shareholders of the Company from continuing operations	(234)	90
Net loss attributable to equity shareholders of the Company from discontinued operations	(2,128)	(2,120)
	(2,362)	(2,030)

Number	2014	2013
Weighted average number of ordinary shares of 20 pence each for EPS calculation	446,838,267	512,554,049
EPS – basic and diluted ($)		
From continuing operations	(0.52)	0.18
From discontinued operations	(4.76)	(4.14)
	(5.28)	(3.96)

(b) EPS based on Underlying Profit

The Group's Underlying Profit is the net profit for the year excluding special items and their resultant tax and non-controlling interest effects, as shown in the table below. EPS based on Underlying Profit is calculated by dividing Underlying Profit by the weighted average number of ordinary shares of 20 pence each outstanding during the year. The Directors believe EPS based on Underlying Profit provides a more consistent measure for comparing the underlying trading performance of the Group.

The following table shows the reconciliation from the reported profit to Underlying Profit and the share data used to determine the EPS based on Underlying Profit:

$ million	2014	2013
Net (loss)/profit attributable to equity shareholders of the Company from continuing operations	(234)	90
Special items – note 5	320	12
Underlying Profit from continuing operations	86	102
Net loss attributable to equity shareholders of the Company from discontinued operations	(2,128)	(2,120)
Special items – note 14(h)	2,047	2,208
Underlying Profit from discontinued operations	(81)	88
Total Underlying Profit	5	190

Number	2014	2013
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	446,838,267	512,554,049
EPS based on Underlying Profit – basic and diluted ($)		
From continuing operations	0.19	0.20
From discontinued operations	(0.18)	0.17
	0.01	0.37

16. Dividends paid

(i) Year ended 31 December 2014

No dividends were paid in the year ended 31 December 2014.

(ii) Year ended 31 December 2013

On 21 May 2013, the Company paid the final dividend of $42 million in respect of the year ended 31 December 2012 to shareholders on the register as at 26 April 2013.

17. Intangible assets

$ million	2014	2013
Cost		
At 1 January	41	43
Additions	9	14
Disposals	(1)	(15)
Disposal of subsidiaries	(27)	–
Net exchange adjustment	(7)	(1)
At 31 December	15	41
Amortisation		
At 1 January	15	10
Amortisation charge	3	5
Impairment	–	14
Disposals	–	(14)
Disposal of subsidiaries	(12)	–
Net exchange adjustment	(2)	–
At 31 December	4	15
Net book value		
At 31 December	11	26

18. Property, plant and equipment

$ million	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Cost					
At 1 January 2013	1,112	1,975	393	1,000	4,480
Additions	18	68	100	834	1,020
Capitalised borrowing costs	–	–	–	111	111
Capitalised depreciation	–	–	–	10	10
Transfers	76	92	19	(187)	–
Disposals	(34)	(18)	(40)	(40)	(132)
Net exchange adjustment	(19)	(32)	(8)	(28)	(87)
At 31 December 2013	1,153	2,085	464	1,700	5,402
Additions	3	65	15	1,153	1,236
Capitalised borrowing costs	–	–	–	122	122
Capitalised depreciation	–	–	–	7	7
Transfers	67	54	11	(132)	–
Disposals	(38)	(6)	(6)	–	(50)
Disposal of subsidiaries	(797)	(1,514)	(327)	(371)	(3,009)
Net exchange adjustment	(174)	(282)	(73)	(290)	(819)
At 31 December 2014	214	402	84	2,189	2,889
Depreciation and impairment					
At 1 January 2013	568	1,162	191	111	2,032
Depreciation charge	47	155	35	–	237
Disposals	(8)	(19)	(23)	(19)	(69)
Impairment	127	203	63	90	483
Net exchange adjustment	(10)	(17)	(4)	(4)	(35)
At 31 December 2013	724	1,484	262	178	2,648
Depreciation charge	28	80	22	–	130
Disposals	(37)	(5)	(5)	–	(47)
Impairment[1]	1	2	1	112	116
Disposal of subsidiaries	(516)	(1,066)	(204)	(76)	(1,862)
Net exchange adjustment	(102)	(186)	(40)	(32)	(360)
At 31 December 2014	98	309	36	182	625
Net book value					
At 31 December 2014	116	93	48	2,007	2,264
At 31 December 2013	429	601	202	1,522	2,754

1 Of the total impairment against property, plant and equipment of $116 million, $107 million relates to the impairment of Bozymchak.

19. Mining assets

$ million	Mineral licences and properties	Exploration cost	Mine development costs	Mine stripping costs	Construction in progress	Total
Cost						
At 1 January 2013	40	273	490	64	108	975
Additions	3	(26)	43	34	96	150
Capitalised borrowing costs	–	–	14	–	1	15
Capitalised depreciation	–	–	1	3	–	4
Transfers	–	–	71	–	(71)	–
Disposals	(3)	(2)	(8)	(24)	–	(37)
Net exchange adjustment	(1)	(7)	(11)	(1)	(3)	(23)
At 31 December 2013	39	238	600	76	131	1,084
Additions	228	11	12	28	58	337
Capitalised borrowing costs	–	–	3	–	(1)	2
Capitalised depreciation	–	–	1	5	–	6
Transfers	–	1	41	(1)	(41)	–
Disposals	(3)	(8)	–	(25)	–	(36)
Disposal of subsidiaries	(22)	(59)	(268)	(61)	(88)	(498)
Net exchange adjustment	(5)	(40)	(96)	(7)	(21)	(169)
At 31 December 2014	237	143	293	15	38	726
Depletion and impairment						
At 1 January 2013	9	97	197	25	2	330
Depletion charge	1	2	33	24	–	60
Disposals	–	(2)	(3)	(24)	–	(29)
Impairment	3	24	88	18	14	147
Net exchange adjustment	–	(3)	(5)	–	–	(8)
At 31 December 2013	13	118	310	43	16	500
Depletion charge	1	3	19	9	–	32
Disposals	(3)	(8)	–	(25)	–	(36)
Impairment[1]	–	16	(7)	13	–	22
Disposal of subsidiaries	(7)	(24)	(123)	(25)	(12)	(191)
Net exchange adjustment	(2)	(18)	(50)	(4)	(3)	(77)
At 31 December 2014	2	87	149	11	1	250
Net book value						
At 31 December 2014	235	56	144	4	37	476
At 31 December 2013	26	120	290	33	115	584

1 Of the total impairment against mining assets of $22 million, $18 million relates to the impairment of Bozymchak.

20. Other non-current assets

$ million	2014	2013
Advances paid for property, plant and equipment	273	535
Non-current VAT receivable	161	113
Other non-current investments[1]	1	28
Gross value of other non-current assets	435	676
Provision for impairment	(6)	(29)
	429	647

1 Other non-current investments include long-term deposits placed in escrow accounts with financial institutions in Kazakhstan as required by the Group's site restoration obligations amounting to $1 million (2013: $9 million) and unlisted investments of $nil (2013: $19 million). In 2013, the unlisted investments included a $16 million long-term receivable in respect of the sale of MKM. The $16 million long-term receivable was received in December 2014.

21. Inventories

$ million	2014	2013
Raw materials and consumables	59	344
Work in progress	65	259
Finished goods	31	100
Gross value of inventories	155	703
Inventories provision	(8)	(93)
	147	610

The carrying amount of inventory that has been written down to net realisable value is $8 million (2013: $93 million).

22. Prepayments and other current assets

$ million	2014	2013
Advances paid for goods and services	15	100
VAT receivable	11	207
Amounts due from related parties	10	13
Other	14	35
Gross value of prepayments and other current assets	50	355
Provision for impairment of prepayments and other current assets	(1)	(30)
	49	325

Provision for impairment as at 31 December 2013 includes a provision against the balances due from related parties (included within 'other companies' – see note 35), amounting to $nil (2013: $13 million).

23. Trade and other receivables

$ million	2014	2013
Trade receivables	168	284
Amounts due from related parties	15	41
Amounts due from third parties	153	243
Interest receivable	1	3
Gross value of trade and other receivables	169	287
Provision for impairment of receivables	(1)	(52)
	168	235

Provision for impairment as at 31 December 2013 includes a provision on receivables due from related parties (included within 'companies under trust management' – see note 35), amounting to $33 million.

24. Current investments

$ million	2014	2013
At 1 January	625	515
Additions	10	197
Disposals	(195)	(87)
Disposal of subsidiaries[1]	(40)	–
At 31 December[2]	400	625

1 Reflects the amount of current investments held by the discontinued operation on 15 August 2014, when the Disposal Assets were classified as an asset held for sale. On completion of the Restructuring on 31 October 2014, current investments disposed of was $30 million (see note 13).

2 Current investments and cash and cash equivalents include approximately $2 million (2013: $1,120 million) of cash drawn down under the CDB/Samruk-Kazyna financing facilities which is reserved for specific development projects in accordance with the relevant facility agreements (see note 27) and approximately $252 million of cash drawn down under the CDB Aktogay financing facility (2013: $8 million).

Current investments consist of bank deposits with initial terms of maturities of between three and 12 months held with institutions in the UK and Kazakhstan.

25. Cash and cash equivalents

$ million	2014	2013
Cash deposits with initial maturities of less than three months[1]	750	1,125
Cash at bank[1]	980	590
	1,730	1,715

1 Current investments and cash and cash equivalents include approximately $2 million (2013: $1,120 million) of cash drawn down under the CDB/Samruk-Kazyna financing facilities which is reserved for specific development projects in accordance with the relevant facility agreements (see note 27) and approximately $252 million of cash drawn down under the CDB Aktogay financing facility (2013: $8 million).

26. 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 2013	535,420,180	107	200
Purchase of Company's issued share capital	(77,041,147)	(15)	(29)
At 31 December 2013 and 2014	458,379,033	92	171

In November 2013, the Group completed the disposal of its investment in ENRC, receiving 77,041,147 Company shares as part of the total consideration. These shares were subsequently cancelled.

(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 2014, 105,980 shares (2013: 115,579) were transferred out of the Trust in settlement of share awards granted to employees that were exercised during the period.

At 31 December 2014, the Group, through the Employee Benefit Trust, owned 542,235 shares in the Company (2013: 648,215) with a market value of $2 million and a cost of $10 million (2013: $2 million and $12 million respectively). The shares held by the Trust represented 0.12% (2013: 0.14%) of the issued share capital at 31 December 2014.

(c) Capital reserves

$ million	Reserve fund	Currency translation reserve	Capital redemption reserve	Hedging reserve	Total
At 1 January 2013	42	(978)	6	(2)	(932)
Exchange differences on retranslation of foreign operations[1]	–	(60)	–	–	(60)
Recycling of exchange differences on disposal of subsidiary	–	2	–	–	2
Recycling of capital reserves on disposal of associate	–	509	–	2	511
Share of losses of joint venture recognised in other comprehensive income	–	(12)	–	–	(12)
Share of losses of associate recognised in other comprehensive income	–	(75)	–	–	(75)
Purchase of Company's issued share capital	–	–	25	–	25
At 31 December 2013	42	(614)	31	–	(541)
Exchange differences on retranslation of foreign operations[1]	–	(430)	–	–	(430)
Recycling of capital reserves on disposal of subsidiaries	(42)	690	–	–	648
Recycling of capital reserves on disposal of joint venture	–	24	–	–	24
At 31 December 2014	–	(330)	31	–	(299)

1 Of the $430 million (2013: $60 million) of foreign exchange differences recognised in the currency translation reserve for the year, $250 million (2013: $38 million) relates to discontinued operations.

(i) Reserve fund

In accordance with legislation of the Republic of Kazakhstan, the reserve fund comprised the prescribed transfers from retained earnings amounting to 15% of Kazakhmys LLC's charter capital, which was recycled through loss on disposal of discontinued operations on the divestment of the company.

(ii) Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries whose functional currency is not the US dollar into the Group's presentation currency.

(iii) Capital redemption reserve

As a result of the share buy-back programme undertaken in 2008 and the repurchase of Company shares 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.

27. Borrowings

	Maturity	Average interest rate during the year	Currency of denomination	Current $ million	Non-current $ million	Total $ million
31 December 2014						
CDB/Samruk-Kazyna facility – US$ LIBOR + 4.80%	2025	5.21%	US dollar	181	1,875	2,056
CDB - Aktogay facility – PBoC 5 year	2028	5.42%	CNY	–	112	112
CDB - Aktogay facility – US$ LIBOR + 4.20%	2029	4.53%	US dollar	–	580	580
Pre-export finance facility – US$ LIBOR + 3.00% – 2014	2018	2.98%	US dollar	–	344	344
				181	2,911	3,092
31 December 2013						
CDB/Samruk-Kazyna facility – US$ LIBOR + 4.80%	2025	5.26%	US dollar	503	2,065	2,568
CDB - Aktogay facility – PBoC 5 year	2028	6.55%	CNY	–	57	57
Pre-export finance facility – US$ LIBOR + 2.80% – 2012	2017	2.98%	US dollar	–	486	486
				503	2,608	3,111

Pre-export finance facility

On 20 December 2012, KAZ Minerals Finance PLC, a wholly owned subsidiary of the Company, signed a five year PXF facility for $1.0 billion with a syndicate of banks to be used for general corporate purposes. The funds attracted interest at US$ LIBOR plus 2.80%. The facility had a final maturity date of December 2017 and monthly loan repayments of principal due to commence in January 2015.

On 27 December 2013, the facility was reduced to $500 million, being the amount drawn at the end of the availability period. Following the amendment signed in October 2014, this facility was fully repaid.

On 29 October 2014, the Group signed an amendment to the PXF debt facility. The amended facility restates the existing PXF facility signed in December 2012 which contained certain disposal and other restrictions meaning the facility could not continue after completion of the Restructuring.

At signing, commitments from the existing syndicate of lending banks totalled $334 million and a net payment of $166 million paid to exiting banks. The amended facility contains an accordion feature which will enable existing lenders to increase their commitments, or new lenders to join, up to a maximum total facility amount of $500 million. On 5 December 2014, the facility was increased to $349 million.

Under the facility, principal repayments amortise in equal monthly instalments over a three year period commencing from January 2016 until final maturity on 31 December 2018. The margin payable on the amended facility is variable, ranging from 3.0% to 4.5% above US$ LIBOR, dependent on the ratio of net debt to EBITDA which will be tested semi-annually. KAZ Minerals PLC, Vostoktsvetmet LLC and KAZ Minerals Sales Limited act as guarantors of the loan. The amended facility resulted in certain changes to the covenant package including the suspension of the net debt to EBITDA ratio covenant, until 1 July 2016, and changes to the balance sheet gearing covenants to make these more aligned to the Group's projected financial profile until completion of the Bozshakol major growth project.

At 31 December 2014, $344 million (2013: $500 million) was drawn under the facility agreements. Arrangement fees with an amortised cost as at 31 December 2014 of $5 million (2013: $14 million), (gross cost before amortisation of $5 million (2013: $18 million)), have been netted off against these borrowings in accordance with IAS 39. For accounting purposes the amendments, which were considered significant, resulted in the settlement of the facility signed on 20 December 2012, with $10 million of previously unamortised costs being expensed in full.

China Development Bank and Samruk-Kazyna financing facilities

On 30 December 2009, KAZ Minerals announced that it had secured a $2.7 billion financing line with CDB and Samruk-Kazyna, allocated from a $3.0 billion financing line agreed between CDB and Samruk-Kazyna. Of the $2.7 billion secured for the Group, facility agreements were signed for $2.1 billion on 30 December 2009, and for a further $200 million on 12 January 2010, for the development of the Group's projects at Bozshakol and Bozymchak and other development projects, and two facility agreements for $200 million each, allocated to the Akbastau-Kosmurun and Zhomart projects, were signed on 11 June 2012. Samruk-Kazyna has separately signed an agreement for $300 million of the $3.0 billion to be used elsewhere and not for the benefit of the Group, which was subsequently repaid to CDB by Samruk-Kazyna in January 2013. As part of this financing package, the Company, along with a subsidiary of Samruk-Kazyna, provided a guarantee in favour of CDB in respect of Samruk-Kazyna's obligations under the $2.7 billion financing line.

The funds, which were fully drawn in January 2013, attract interest semi-annually at an annualised rate of US$ LIBOR plus 4.80%. The loans have a final maturity falling between January 2022 and August 2025 and the first repayment commenced in January 2013.

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

On 30 December 2014, the Group announced an amendment to these facilities, which resulted in the facilities becoming bilateral between KAZ Minerals and CDB and a lowering of the interest rate from US$ LIBOR plus 4.80% to US$ LIBOR plus 4.50%. An arrangement fee of 0.5% was agreed of which 60% was paid in December 2014 and 40% is payable in January 2016.

Repayment of the previous facilities with Samruk-Kazyna and drawing of the new facilities directly from CDB is expected to occur during the first quarter of 2015. All other material terms of the facilities, including the final maturity, remain unchanged.

As at 31 December 2014, $2.1 billion (2013: $2.6 billion) was drawn under the facility agreements. Arrangement fees with an amortised cost as at 31 December 2014 of $30 million (2013: $25 million), (gross cost before amortisation of $35 million (2013: $43 million)), have been netted off against these borrowings in accordance with IAS 39.

China Development Bank Aktogay finance facility

On 16 December 2011, the Group signed a $1.5 billion loan facility with CDB, to be used for the development of the major copper project at Aktogay. The loan facility consists of two separate agreements with similar terms and conditions. The first agreement is for up to $1.3 billion and the second agreement for up to CNY1.0 billion ($161 million equivalent at the CNY/US$ exchange rate on 31 December 2014). The US dollar agreement attracts interest at US$ LIBOR plus 4.20% and the RMB agreement attracts interest at the applicable benchmark lending rate published by the People's Bank of China. The funds are available to draw down over a three and a half year period commencing from 31 December 2012 and mature 15 years from the date of the first draw down. KAZ Minerals PLC acts as guarantor of the loan.

At 31 December 2014, the Group had drawn down CNY697 million ($112 million) (2013: CNY350 million ($57 million)) under the RMB facility. Arrangement fees with an amortised cost of $1 million (2013: $0.6 million), gross cost before amortisation of $1.2 million (2013: $0.8 million), have been netted off against these borrowings in accordance with IAS 39. In order to protect the Group from currency risks arising on this CNY denominated debt, the Group has entered into a CNY/US$ cross currency swap during the year. This derivative instrument provides a hedge against any movement in the CNY exchange rate against the US dollar and also swaps the interest basis from a CNY interest rate into a US$ LIBOR interest basis. The fair value of the swap at 31 December 2014, included within payables, is $3 million.

At 31 December 2014, $580 million was drawn down under the USD facility. Arrangement fees with an amortised cost of $10 million, gross cost before amortisation of $11 million, have been netted off against these borrowings in accordance with IAS 39.

Undrawn project and general and corporate purpose facilities

$ million	2014	2013
CDB Aktogay finance facility (within KAZ Minerals Finance)	798	1,443
Revolving credit facilities (within KAZ Minerals Finance)	–	100
Letter of credit and bank guarantee facilities (within Kazakhmys LLC)	–	82
	798	1,625

28. Employee benefits

Vostoktsvetmet LLC and Kazakhmys LLC (until its disposal on 31 October 2014) provide post-retirement benefits and other long-term benefits in Kazakhstan which are unfunded. The largest portion of the employee benefits provision is for other long-term benefits, of which the most significant is for the long-term disability allowances. The other benefits provided include one-time retirement grants, financial aid, dental care, medical benefits, sanatorium visits, annual financial support to pensioners and funeral aid.

The amounts recognised in the income statements are as follows:

$ million	2014	2013
Employer's share of current service cost	–	1
Employer's share of past service cost	(1)	3
Actuarial losses recognised in the period	4	3
Interest cost on benefits obligation	1	1
Income statement charge attributable to continuing operations	4	8
Income statement charge attributable to discontinued operations	64	195
	68	203

In accordance with Kazakhstan law, the Group obtained insurance cover for the disability payments to employees from February 2005. The disability payments that were covered by insurance contracts were accounted for under IAS 19 *'Employee benefits'* as an insured benefit, with no asset or liability being recognised on the Group's balance sheet. During 2013, as a result of financial difficulties, the insurance companies ceased making their obligated payments to the employees covered by insurance contracts and the Group agreed to meet these future disability payments. Consequently at 31 December 2013, the liability for the future disability benefit payments to the employees previously covered by the insurance contracts was included in the disability benefits obligation. See note 14 for information on the discontinued operations.

The expense is recognised in the following line items of the income statements:

$ million	2014	2013
Administrative expenses	3	7
Finance costs	1	1
Income statement charge attributable to continuing operations	4	8
Income statement charge attributable to discontinued operations	64	195
	68	203

28. Employee benefits continued

The movement in the defined employee benefits obligation is as follows:

$ million	2014	2013
At 1 January	543	373
Employer's share of current service cost	–	1
Employer's share of past service cost	(1)	3
Net actuarial losses arising in the income statement	4	3
Income statement charge attributable to discontinued operations	64	195
Net actuarial losses recognised in other comprehensive income	1	27
Interest cost on benefit obligation	1	1
Benefits paid	(27)	(52)
Disposal of subsidiaries	(474)	–
Net exchange adjustment	(87)	(8)
Defined benefit obligation at 31 December	24	543

The movement in the plan assets is as follows:

$ million	2014	2013
At 1 January	13	–
Interest income	–	1
Contributions by employer	27	64
Benefits paid	(27)	(52)
Disposal of subsidiaries	(13)	–
Fair value of plan assets at 31 December	–	13

The employee benefits obligation of $24 million (2013: $530 million), consists of $8 million (2013: $60 million) related to post-employment benefits and $16 million (2013: $470 million) related to other long-term benefits.

The net liability and expected settlement of the defined benefit obligation is as follows:

$ million	2014	2013
Defined benefit obligation	24	543
Less fair value of plan assets	–	13
Net liability recognised at 31 December	24	530
Current	2	53
Non-current	22	477
	24	530

The principal actuarial assumptions used in determining the employee benefit obligation are as follows:

	2014	2013
Discount rate at 31 December	8.0%	8.2%
Future salary increases	3.6%	3.4%
Medical and other related cost increases	5.0%	5.0%

In addition, mortality rates were determined with reference to the 2011 mortality table of Kazakhstan as published by the Government.

Historical information is as follows:

$ million	2014	2013	2012	2011	2010
Defined benefit obligation	24	543	373	211	58
Plan assets	–	13	–	–	–
Deficit	(24)	(530)	(373)	(211)	(58)
Experience adjustments on plan liabilities[1]	3	91	190	6	–

1 2014 includes experience adjustments for continuing operations only.

The Group continues to pay the non-monetary benefits described in note 8.

29. Provisions

$ million	Site restoration and clean up	Payments for licences	Total
At 1 January 2013	65	40	105
Arising/(reversing) during the year	1	(1)	–
Utilised	(1)	(6)	(7)
Unwinding of discount	4	4	8
Net exchange adjustment	(2)	(1)	(3)
At 31 December 2013	67	36	103
Arising/(reversing) during the year	8	(1)	7
Utilised	(1)	(3)	(4)
Unwinding of discount	4	2	6
Disposal of subsidiaries	(52)	(23)	(75)
Net exchange adjustment	(11)	–	(11)
At 31 December 2014	15	11	26
Current	–	–	–
Non-current	15	11	26
At 31 December 2014	15	11	26
Current	–	5	5
Non-current	67	31	98
At 31 December 2013	67	36	103

(a) Site restoration and clean up

The costs of decommissioning and reclamation of mines within the Group are based on the amounts included in the Group's contracts for subsoil use. The provision represents the discounted values of the estimated costs to decommission and reclaim the mines at the dates of depletion of each of the deposits. The present value of the provision has been calculated using a discount rate of 8.0% (2013: 8.2%) per year. The liability becomes payable at the end of the useful life of each mine which ranges from one to 48 years. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives, and the levels of discount and inflation rates.

(b) Payments for licences for mining assets

In accordance with its contracts for subsoil use, the Group is liable to repay the costs of geological information provided by the Government of Kazakhstan for licensed deposits. The total amount payable by the Group is discounted to its present value using a discount rate of 8.0% (2013: 8.2%). The uncertainties include estimating the amount of the payments and their timing. The amounts are payable prior to 2019.

30. Trade and other payables

$ million	2014	2013
Payables under social obligations	3	146
Trade payables[1]	247	192
Salaries and related payables	17	92
Other taxes payable	13	48
Interest payable	53	64
Mineral extraction tax payable	10	54
Amounts payable to related parties	63	6
Payments received in advance	8	7
Other payables and accrued expenses	21	22
	435	631

1 Of the $247 million (2013: $192 million) of trade payables, $229 million (2013: $105 million) relate to capital accruals on the major growth projects.

31. Reconciliation of (loss)/profit before taxation to net cash inflow from operating activities

$ million	2014	2013
(Loss)/profit before taxation from continuing operations	(169)	138
Loss before taxation from discontinued operations	(2,132)	(2,042)
Interest income	(12)	(12)
Interest expense	35	53
Share-based payments	5	5
Depreciation, amortisation and depletion	152	288
Share of profits from joint venture	–	(89)
Share of losses from associate	–	758
Impairment losses	154	712
Unrealised foreign exchange loss	213	32
Loss on disposal of subsidiaries	2,273	1
Loss on disposal of associate	–	528
Gain on disposal of joint venture	(207)	–
Loss on disposal of property, plant and equipment	–	14
Operating cash flows before changes in working capital and provisions	312	386
Increase in non-current VAT receivable	(68)	(44)
(Increase)/decrease in inventories	(10)	145
(Increase)/decrease in prepayments and other current assets	(84)	31
Decrease/(increase) in trade and other receivables	87	(185)
Increase in employee benefits	121	138
Increase in provisions	7	6
Increase in trade and other payables	42	27
Cash flow from operations before interest and income taxes	407	504

The consolidated statement of cash flows includes cash flows from both continuing and discontinued operations (see note 14).

Non-cash transactions

There were the following non-cash transactions:

- as stated in note 4(a)(iii) the Group capitalised depreciation of $13 million (2013: $14 million) for property, plant and equipment and mining assets.
- the Group capitalised interest of $124 million (2013: $126 million) for property, plant and equipment and mining assets.
- the Group released $1 million (2013: $1 million) relating to provisions for contractual reimbursements payable to the Government for geological information and social commitments with a corresponding decrease in intangible assets.
- the reassessment of the site restoration and clean up provisions during the year has resulted in the capitalisation of $8 million (2013: $1 million) to property, plant and equipment, with a corresponding increase in the site restoration and clean up provisions.

32. Movement in net debt

$ million	At 1 January 2014	Cash flow	Attributable to discontinued operations[1]	Other movements[2]	At 31 December 2014
Cash and cash equivalents	1,715	41	–	(26)	1,730
Current investments	625	(195)	(30)	–	400
Borrowings	(3,111)	26	–	(7)	(3,092)
Net debt	(771)	(128)	(30)	(33)	(962)

$ million	At 1 January 2013	Cash flow	Attributable to discontinued operations	Other movements[2]	At 31 December 2013
Cash and cash equivalents	1,246	470	4	(5)	1,715
Current investments	515	110	–	–	625
Borrowings	(2,468)	(683)	56	(16)	(3,111)
Net liquid funds/(debt)	(707)	(103)	60	(21)	(771)

1 The $30 million movement in current investments relates to the investments disposed with the Disposal Assets on completion of the Restructuring.

2 Other movements comprise net foreign exchange movements, non-cash amortisation of fees on borrowings and other non-cash reconciling items. For the year ended 31 December 2014, the $7 million other movement on borrowings consists of $20 million of amortisation of fees on the Group's financing facilities less $11 million of accrued fees, and $2 million of foreign exchange differences on the CDB Aktogay RMB facility. For the year ended 31 December 2013, the $16 million other movement on borrowings consists of $14 million of amortisation of fees on the Group's financing facilities and $2 million of foreign exchange differences on the CDB Aktogay RMB facility.

33. Financial risk management

The financial information disclosed in the tables relating to the year ended 31 December 2014 represents continuing operations only. The 2013 comparative amounts include the Disposal Assets which were classified as assets held for sale and a discontinued operation from 15 August 2014 and were sold on 31 October 2014.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk, interest rate risk, foreign exchange risk and commodity price risk. These risks arise from exposures that occur in the normal course of business and are managed by the Group's Treasury department in close cooperation with the Group's business divisions under oversight of a Treasury Committee, which is chaired by the Chief Financial Officer. The responsibilities of the Treasury Committee include the monitoring of financial risks, management of the Group's cash resources, debt funding programmes and capital structure, approval of treasury counterparties and relevant transaction limits, and oversight of all significant treasury activities undertaken by the Group. The Treasury department operates as a service centre to the business divisions of the Group and not as a profit centre.

A Group Treasury Policy has been approved by the Board and is periodically updated to reflect developments in the financial markets and the financial exposures facing the Group. The Treasury Policy covers specific areas of financial risk management, in particular, liquidity risk, credit risk, interest rate risk, foreign exchange risk and commodity price risk. The Group's Treasury Committee and the Group's Internal Audit department monitor compliance with the Treasury Policy on a regular basis.

The Group's Treasury department prepares monthly treasury reports for senior management which monitor all major financial exposures and treasury activities undertaken by the Group. In addition, a treasury report is prepared for each Board meeting which includes a summary of the credit markets and their impact on the implementation of the Group's strategy, progress on the Group's financing initiatives and the significant financial exposures faced by the Group.

The Group's principal financial instruments comprise borrowings, cash and cash equivalents, current investments and derivatives used for risk management purposes. The Group's borrowings, surplus liquidity and derivative financial instruments are controlled and managed centrally by the Group's Treasury department. Liquidity retained within Kazakhstan is only held for working capital purposes.

The Group's accounting policies with regard to financial instruments are detailed in note 37.

(a) Derivatives, financial instruments and risk management

The Group periodically uses derivative financial instruments to manage certain exposures to fluctuations in commodity prices, interest rates and exchange rates. The Group's philosophy is generally not to hedge its core revenue streams. In periods of significant market volatility or uncertainty, the Group may use derivative instruments as a means of reducing volatility and any negative impact on its operating cash flows. Limits on the size and type of any derivative hedge transaction are laid down by the Board and subject to strict internal controls.

(b) Categories of financial assets and financial liabilities

The carrying amounts of financial assets and liabilities by categories are as follows:

$ million	Notes	2014	2013[4]
Loans and receivables[1]	20,23,24,25	2,299	2,584
Available for sale assets[2]	20	–	19
Financial liabilities measured at amortised cost[3]	27,29,31	(3,507)	(3,669)

1 Loans and receivables comprise long-term deposits within other non-current investments (see note 20), trade and other receivables, current investments and cash and cash equivalents.

2 Available for sale assets comprise unlisted investments within other non-current investments (see note 20).

3 Financial liabilities measured at amortised cost comprise borrowings, provision for cash payments (payments for licences) and trade and other payables (excluding payments received in advance, other taxes payable and MET payable that are not regarded as financial instruments).

4 Includes the Disposal Assets which were classified as assets held for sale and a discontinued operation from 15 August 2014.

(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, of the Bozymchak project in Kyrgyzstan is the Kyrgyz som and of KAZ Minerals Services Limited, UK sterling. The Company, the Group's financing and holding companies and also the sales entity of East Region operations (KAZ Minerals Sales Limited) have US dollar functional currency. The currencies giving rise to this foreign currency risk are primarily the US dollar based revenues and certain costs, bank deposits and trade receivables of Vostoktsvetmet LLC and certain intercompany funding balances that exist within the Group.

Where possible, the Group attempts to conduct its business, maintain its monetary assets and seeks to source corporate debt capital in US dollars so as to minimise its exposure to other currencies. The Group retains surplus cash balances in US dollars for capital expenditure, acquisitions and returns to shareholders. Working capital balances are maintained in a mix of US dollars and local currencies depending on the short-term requirements of the business. Whilst there is a strong correlation between many mining input costs and the US dollar, a significant portion of the mining business' operating costs are denominated in local currencies, particularly the Kazakhstan tenge. Rates of exchange for these currencies relative to the US dollar could fluctuate significantly and may materially impact the profitability of the underlying operations and the net assets of the Group.

The Group generally does not enter into hedging positions in respect of its exposure to foreign currency risk. From time to time, acquisitions and capital investments may expose the Group to movements in other currencies and the Group will consider hedging such exposures on a case by case basis.

33. Financial risk management continued

To protect the Group from currency risks arising on the CDB Aktogay CNY denominated debt, the Group has entered into a CNY/USD cross currency swap. This derivative instrument provides a hedge against any movement in the CNY exchange rate against the US dollar and also swaps the interest basis from a CNY interest rate into a US$ LIBOR interest basis.

(i) Foreign currency exposure by company profile

The analysis in the table below of the net monetary assets and liabilities (including intercompany amounts) indicates the Group's exposure to currencies other than the functional currency of a company. These exposures represent the transactional exposures that may give rise to net currency gains and losses recognised in the income statement. As at 31 December 2014 and 2013 these exposures were as follows:

$ million	US dollar	UK sterling	Euro	KZT	Other
2014					
Company	n/a	(2)	–	–	–
Vostoktsvetmet LLC	255	–	–	n/a	–
Other trading companies	(302)	–	(2)	n/a	16
Non-trading or holding companies	108	–	–	1,928	(114)
	61	(2)	(2)	1,928	(98)

$ million	US dollar	UK sterling	Euro	KZT	Other
2013[1]					
Company	n/a	(2)	–	–	–
Kazakhmys LLC	386	–	(4)	n/a	(1)
Other trading companies	(369)	–	–	n/a	(2)
Non-trading or holding companies	105	6	8	1,272	(57)
	122	4	4	1,272	(60)

1 Includes the Disposal Assets which were classified as assets held for sale and a discontinued operation from 15 August 2014.

(ii) Foreign currency exposure by balance sheet account profile

The Group's exposure to foreign currency risk based on gross amounts is shown below:

$ million	US dollar	UK sterling	Euro	KZT	Other	Total
2014						
Trade and other receivables	224	–	(1)	1,929	1	2,153
Current investments	–	–	–	–	–	–
Cash and cash equivalents	385	–	1	1	23	410
Provisions for cash payments	(11)	–	–	–	–	(11)
Borrowings	(312)	–	–	–	(112)	(424)
Trade and other payables	(225)	(2)	(2)	(2)	(10)	(241)
	61	(2)	(2)	1,928	(98)	1,887

$ million	US dollar	UK sterling	Euro	KZT	Other	Total
2013[1]						
Trade and other receivables	449	–	(1)	1,269	–	1,717
Current investments	50	–	–	–	–	50
Cash and cash equivalents	68	6	9	6	3	92
Provisions for cash payments	(34)	–	–	–	–	(34)
Borrowings	(268)	–	–	–	(57)	(325)
Trade and other payables	(143)	(2)	(4)	(3)	(6)	(158)
	122	4	4	1,272	(60)	1,342

1 Includes the Disposal Assets which were classified as assets held for sale and a discontinued operation from 15 August 2014.

(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 2014. 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 increased equity and 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 2013:

$ million	Impact on profit 2014	2013
KZT	(198)	(126)
Euro	–	–
UK sterling	–	–
CNY	–	–

A 10% weakening of the US dollar against the above currencies at 31 December would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(d) Commodity price risk

The Group's mining revenues and earnings are directly impacted by fluctuations in the prices of the commodities it produces. The Group's principal commodities (copper, zinc, gold and silver) are priced via reference to global metal exchanges, upon which pricing is derived from global demand and supply and influenced by macroeconomic considerations and financial investment cash flows. The pricing of the Group's principal commodities may also include a pre-determined margin or discount depending on the terms of sales contracts. Commodity prices, particularly those derived from global metal exchanges, may fluctuate significantly and may have a material impact on the Group's financial results.

Management closely monitors the impact of fluctuations in commodity prices on the business and uses conservative pricing assumptions and sensitivity analysis for its forecasting and investment appraisals.

In accordance with IFRS 7, the impact of commodity prices has been determined based on the balances of financial assets and liabilities at 31 December 2014. This sensitivity does not represent the income statement impact that would be expected from a movement in commodity prices over the course of a period of time. In addition, the analysis assumes that all other variables remain constant. A 10% increase/(decrease) in commodity prices after the period end would have no impact on (loss)/profit after tax (2013: $nil). This analysis assumes that all other variables, in particular costs, remain constant and was performed on the same basis as 2013.

(e) Interest rate risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates primarily impact borrowings by changing their future cash flows (floating rate debt) or their fair value (fixed rate debt) and deposits. The Group's interest rate management policy is generally to borrow and invest at floating rates of interest. In some circumstances, an element of fixed rate funding may be considered appropriate. A limited amount of fixed rate hedging using interest rate swaps may be undertaken during periods where the Group's exposure to movements in short-term interest rates is more significant, or in periods when interest rates are perceived to be below long-term historical levels. At 31 December 2014, the Group had outstanding interest rate swaps on the CDB Aktogay facility of $3 million (2013: $nil).

At 31 December 2014 and 2013 all borrowings were at floating rates. The exposure of the Group's financial assets and liabilities to interest rate risk is as follows:

$ million	At 31 December 2014 Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets				
Non-current investments	–	1	–	1
Trade and other receivables	–	–	168	168
Current investments	–	400	–	400
Cash and cash equivalents	941	750	39	1,730
Total financial assets	941	1,151	207	2,299
Financial liabilities				
Provisions for cash payments	–	11	–	11
Borrowings	3,092	–	–	3,092
Trade and other payables[1]	–	–	404	404
Total financial liabilities	3,092	11	404	3,507

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33. Financial risk management continued

$ million	At 31 December 2013[2]			
	Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets				
Non-current investments	–	9	19	28
Trade and other receivables	–	–	235	235
Current investments	–	625	–	625
Cash and cash equivalents	494	1,155	66	1,715
Total financial assets	494	1,789	320	2,603
Financial liabilities				
Provisions for cash payments	–	36	–	36
Borrowings	3,111	–	–	3,111
Trade and other payables[1]	–	–	522	522
Total financial liabilities	3,111	36	522	3,669

1 Trade and other payables exclude payments received in advance, other taxes payable and MET payable that are not regarded as financial instruments.

2 Includes the Disposal Assets which were classified as assets held for sale and a discontinued operation from 15 August 2014.

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 2014. 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 $16 million (2013: $20 million).

(f) Credit risk

Exposure to credit risk arises as a result of transactions in the Group's ordinary course of business and is applicable to all financial assets and commitments due from third parties. The Group has adopted policies and procedures to control and monitor the distribution of these exposures to minimise the risk of loss in the event of non-performance by counterparties. The maximum exposure with respect to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

Credit risk relating to trade receivables

Given the number and geographical spread of the Group's ultimate customers and the solvency of major trade debtors, credit risk is believed to be limited in respect of trade receivables. The Group regularly monitors its exposure to bad debts in order to minimise this exposure.

Customer credit risk is managed by each division but is subject to Group oversight to ensure that each division's customer credit risk management system operates in a prudent and responsible manner. Credit evaluations are performed for all major customers and credit limits are established based on internal or external rating criteria. The credit quality of the Group's significant customers is monitored on an ongoing basis, and receivables that are neither past due nor impaired are considered of good credit quality.

Letters of credit are obtained where customer credit quality is not considered strong enough for open credit.

There were no material impairments of trade receivables during the year ended 31 December 2014 or 2013. The solvency of the debtor and their ability to repay the receivables were considered in assessing the impairment of such assets.

Within East Region operations, cash is received prior to delivery and transfer of title of the goods for sales to European customers. Sales to Chinese customers are predominantly made under letters of credit which are obtained prior to delivery and transfer of title of the goods. For all sales made to Chinese customers without letters of credit, cash is received prior to delivery and transfer of title of the goods.

Payment from European and Chinese customers is subject to provisional pricing and then final pricing adjustments. East Region operations is therefore exposed to the residual final pricing adjustment for each sales transaction although such amounts are not considered material in the context of the Group's overall revenues.

East Region operations also provides certain social services to municipal authorities in the communities in which it operates as part of its contractual obligations under its subsoil licences. For most receivable balances due from municipal authorities, full provision is recognised in light of past payment history.

As at 31 December 2014, 10 (2013: 10) customers accounted for 86% (2013: 87%) of the trade and other receivables balance of East Region operations. By 23 February 2015, 100% (24 February 2014: 100%) of year-end balances due from these customers had been received in full.

(i) Risk for trade receivables by geographical regions

The maximum exposure to credit risk for trade receivables at 31 December by geographic areas was:

$ million	2014	2013[1]
Europe	3	8
China	73	150
Kazakhstan	25	63
Other	67	14
	168	235

1 Includes the Disposal Assets which were classified as assets held for sale and a discontinued operation from 15 August 2014.

(ii) Impairment losses

The ageing of trade receivables at 31 December was:

	2014		2013[1]	
$ million	Gross	Impairment	Gross	Impairment
Not past due	166	–	228	–
Past due 0-90 days	1	–	6	–
Past due 91-180 days	1	–	2	(1)
Past due 181-270 days	–	–	4	(4)
More than 270 days	1	(1)	47	(47)
	169	(1)	287	(52)

1 Includes the Disposal Assets which were classified as assets held for sale and a discontinued operation from 15 August 2014.

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

$ million	2014	2013
At 1 January	52	56
Charged to income statement	3	12
Written off	(15)	–
Disposal of subsidiaries	(29)	–
Net exchange adjustment	(10)	(16)
At 31 December	1	52

Credit risk related to financial instruments and cash deposits

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. Investment 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	2014	2013[1]
Non-current investments	1	28
Trade and other receivables	168	235
Current investments	400	625
Cash and cash equivalents	1,730	1,715
	2,299	2,603

1 Includes the Disposal Assets which were classified as assets held for sale and a discontinued operation from 15 August 2014.

33. Financial risk management continued

(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
2014						
Provisions for cash payments[1]	–	–	–	(10)	(2)	(12)
Borrowings[2]	–	(84)	(247)	(2,053)	(1,687)	(4,071)
Trade and other payables[3]	–	(404)	–	–	–	(404)
	–	(488)	(247)	(2,063)	(1,689)	(4,487)
Non-current investments	–	–	–	1	–	1
Trade and other receivables	–	168	–	–	–	168
Current investments	–	–	400	–	–	400
Cash and cash equivalents	980	750	–	–	–	1,730
	980	918	400	1	–	2,299
	980	430	153	(2,062)	(1,689)	(2,188)

$ million	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
2013[4]						
Provisions for cash payments[1]	–	(1)	(4)	(23)	(21)	(49)
Borrowings[2]	–	(449)	(190)	(1,743)	(1,640)	(4,022)
Trade and other payables[3]	–	(522)	–	–	–	(522)
	–	(972)	(194)	(1,766)	(1,661)	(4,593)
Non-current investments	–	–	–	19	9	28
Trade and other receivables	–	235	–	–	–	235
Current investments	–	–	625	–	–	625
Cash and cash equivalents	590	1,125	–	–	–	1,715
	590	1,360	625	19	9	2,603
	590	388	431	(1,747)	(1,652)	(1,990)

1 Provisions for cash payments are presented on an undiscounted gross basis.

2 Borrowings include expected future interest payments based on contracted margins and prevailing LIBOR rates at the balance sheet date.

3 Trade and other payables exclude payments received in advance, other taxes payable and MET that are not regarded as financial instruments.

4 Includes the Disposal Assets which were classified as assets held for sale and a discontinued operation from 15 August 2014.

(h) Fair value of financial assets and liabilities

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

$ million	2014 Carrying value	2014 Fair value	2013[2] Carrying value	2013[2] Fair value
Non-current investments	1	1	28	28
Trade and other receivables	168	168	235	235
Current investments	400	400	625	625
Cash and cash equivalents	1,730	1,730	1,715	1,715
Provisions for cash payments	(11)	(11)	(36)	(36)
Borrowings	(3,092)	(3,119)	(3,111)	(3,133)
Trade and other payables[1]	(404)	(404)	(522)	(522)
	(1,208)	(1,235)	(1,066)	(1,088)

1 Trade and other payables exclude payments received in advance, other taxes payable and MET payable that are not regarded as financial instruments.

2 Includes the Disposal Assets which were classified as assets held for sale and a discontinued operation from 15 August 2014.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- cash and cash equivalents, current investments, trade and other receivables, trade and other payables and dividends payable approximate to their carrying amounts largely due to the short-term maturities of these instruments;
- provisions for cash payments are discounted back to their present value; and
- the fair value of borrowings is estimated by discounting future cash flows using rates currently available for debt of similar maturities.

(i) Capital management

The over-riding objectives of the Group's capital management policy are to safeguard and support the business as a going concern through the commodity cycle, to maximise returns to shareholders (either through dividends or share buy-backs) and benefits to other stakeholders and to maintain an optimal capital structure in order to reduce the Group's cost of capital.

At 31 December 2014, total capital employed (which comprises equity holders' funds, non-controlling interests and borrowings) of the Group amounted to $5,196 million, compared to $7,332 million at 31 December 2013. Total capital employed is the measure of capital that is used by the Directors in managing capital.

At 31 December 2014, the Group is in a net debt position from continuing operations of $962 million (2013: $771 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, where 'normalised' EBITDA excludes special items. 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. There are no covenants under negotiation at present.

34. 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 2014 and 2013, the Group was not involved in any significant legal proceedings, including arbitration, which may crystallise a financial loss for the Group.

(b) Kazakhstan taxation contingencies

(i) Inherent uncertainties in interpreting tax legislation

The Group is subject to uncertainties relating to the determination of its tax liabilities. Kazakhstan 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 which could have a material adverse effect on the Group's financial performance or position.

34. Commitments and contingencies continued

(ii) Tax audits

Historical tax years relating to various Companies with 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.

(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 regards to the interpretation of the new 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) Period for additional tax assessments

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.

(v) Possible additional tax liabilities

The Directors believe that the Group is in substantial compliance with the tax laws promulgated in Kazakhstan 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.

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. However, due to the range of uncertainties described above in assessing any potential additional tax liabilities, it is not practical for the Directors to estimate the financial effect in terms of the amount of additional tax liabilities, if any, together with any associated penalties and charges for which the Group may be liable.

(c) Environmental contingencies

Environmental regulations in Kazakhstan are continually evolving and new emissions legislation is expected to be introduced in the near future. 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 recognise that the environmental regulators in Kazakhstan 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 29), is based upon the estimation of the Group's specialists. Where events occur that change the level of estimated future costs for these activities, the provision will be adjusted accordingly.

(d) Use of subsoil and exploration rights

In Kazakhstan, all subsoil reserves belong to the State, with the Ministry of Investments and Development (the 'Ministry') granting exploration and production rights to third party bodies. Subsoil and exploration rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or licence. These rights may be terminated by the Ministry if the Group does not satisfy its contractual obligations. The current subsoil rights will expire at varying dates up to 2062.

(e) Capital expenditure commitments

The Group has capital expenditure commitments for the purchase of property, plant and equipment as well as commitments under its mining subsoil agreements. Committed expenditure under the subsoil agreements typically relates to investments in community-related projects, and includes investments in social sphere assets, infrastructure and public utilities. The total commitments for property, plant and equipment as at 31 December 2014 amounted to $150 million (2013: $861 million).

(f) Operating lease commitments

The operating lease expense for the year was $5 million (2013: $4 million). At 31 December 2014 and 2013, the Group had the following total commitments under non-cancellable operating leases:

$ million	2014	2013
Within one year	2	5
After one year but not more than five years	7	18
More than five years	4	48
	13	71

(g) Koksay contingent consideration

As part of the purchase of the Koksay mining licence, a payment of $35 million is due in July 2015, which is contingent on the confirmation of resources.

35. Related party disclosures

(a) Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties, including Cuprum Holding, are disclosed below.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial period:

$ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties[1]	Amounts owed to related parties
Cuprum Holding and the Disposal Assets				
2014	**6**	**97**	**23**	**57**
2013	–	–	–	–
Companies under trust management				
2014	**10**	**13**	**–**	**–**
2013	12	6	43	6
Other				
2014	**4**	**11**	**2**	**6**
2013	2	20	11	–

1 A provision of $nil (2013: $46 million) is held set against the amounts owed by related parties. The bad debt expense in relation to related parties was $nil for the year (2013: $10 million).

(i) Government

Share ownership in the Company

On 24 July 2008, the Company issued 80,286,050 ordinary shares to the State Property and Privatisation Committee of the Government, thereby making the Government a 15% shareholder of the Company and a related party with effect from this date.

On 4 October 2010, the Group's Chairman at that time, Vladimir Kim, sold 58,876,793 ordinary shares, approximately 11% of KAZ Minerals' shares in issue, to Samruk-Kazyna. As a result of the transaction, the Government's interest in the Group increased to 139,162,843 ordinary shares, representing approximately 26% of the shares in issue. The Government's interest was held via the State Property and Privatisation Committee's existing 15% holding and the 11% shareholding of Samruk-Kazyna.

Following the purchase of 11,701,830 of the Company's shares under the share buy-back programme which completed in May 2012, the Government's percentage of the total voting rights held increased to 26.57% as at 31 December 2013.

On 19 June 2013, the Government transferred its entire shareholding of 26.57% to Eurasian Resources, and was considered a related party up until that date.

Eurasian Resources held 139,162,843 ordinary shares in KAZ Minerals PLC following a transfer from the Government of Kazakhstan on 19 June 2013. As part of the settlement of the consideration under the ENRC Takeover Offer on 8 November 2013, KAZ Minerals PLC received 77,041,147 of its ordinary shares from Eurasian Resources, which were subsequently cancelled.

Following the ENRC Takeover, Eurasian Resources transferred KAZ Minerals PLC shares to the shareholders of ENRC, such that Eurasian Resources' holding in KAZ Minerals PLC at 31 December 2014 is minimal (less than 1%).

China Development Bank and Samruk-Kazyna financing line

As explained in note 27, the Group secured a $2.7 billion financing line with Samruk-Kazyna, a wholly owned subsidiary of the Government of Kazakhstan, and CDB. The terms and conditions of the financing line, including a guarantee issued by the Group over the debt obligations of Samruk-Kazyna to CDB under the financing line, are considered to be on an arm's length basis.

Up until 19 June 2013 when the Government transferred its interest in the Group, Samruk-Kazyna was also considered a related party. Subsequent to that, both the Government and CDB were no longer considered as related parties. In addition, in December 2014 the loan was amended to a bilateral facility between CDB and KAZ Minerals PLC.

35. Related party disclosures continued

Other transactions

In the normal course of business, the Group conducts transactions with entities controlled by the Government. The principal activities relate to the payment of electricity transmission fees, use of railway infrastructure and payments to tax authorities. In addition, the Group also constructs or pays for the construction of community assets and projects which may be transferred to the relevant Government department as part of the Group's social programme in Kazakhstan. Transactions between the Group and Government departments and agencies are considered to be related party transactions. Disclosure of these routine transactions is not made where all of the following criteria are met:

- they were done in the ordinary course of business of the Government department and/or company;
- there is no choice of suppliers; and
- they have terms and conditions (including prices, privileges, credit terms, regulations, etc.) that are consistently applied to all entities, public or private.

The Group did not have any material or significant non-arm's length or privileged transactions with entities controlled by the Government (2013: $nil).

Dividend payment

No dividends were paid in 2014, the Government's share of the final 2012 dividend paid by the Company on 21 May 2013 was $11 million.

(ii) Cuprum Holding and the Disposal Assets

Following the completion of the sale of the Disposal Assets to Cuprum Holding (a company owned by Vladimir Kim, a Director of the Company, and Eduard Ogay, a former Director of the Company) on 31 October 2014, Cuprum Holding and its subsidiaries are considered related parties of the Group. The transactions mainly consist of transitional and longer-term services provided under two Framework Services Agreements between KAZ Minerals and Cuprum Holding. The Framework Services Agreements cover certain functions such as smelting and refining.

For the 10 months until 31 October 2014, the date the Disposal Assets were sold, the Group paid $2.4 million in remuneration to key management personnel of the Disposal Assets. These individuals were previously considered to be key management personnel of the Group prior to the completion of the Restructuring.

(iii) Companies under trust management agreements

The Group operates a number of companies under trust management agreements with local and state authorities. The activities include heating distribution systems and road maintenance. The purpose of these agreements is to provide public and social services without any material financial benefit for the Group.

(iv) Other

Transactions with other companies primarily relate to the provision of goods and services, on an arm's length basis, with companies whose boards or shareholders include members of senior management from the Group's subsidiaries.

(b) Terms and conditions of transactions with related parties

Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction.

36. Share-based payment plans

The Company's share-based payment plans consist of a Long Term Incentive Plan (LTIP), an Executive Share Option Plan (ESOP) and a Deferred Share Bonus Plan (DSBP). The total expense for the year ended 31 December 2014 arising from these plans was $5 million (2013: $5 million). The total number of shares outstanding under these schemes as at 31 December 2014 was 3,653,331 (2013: 2,567,348). The total number of shares exercisable under these schemes as at 31 December 2014 was 258,580 (2013: 168,966).

These plans are discretionary benefits offered by the Company for the benefit of its employees. The main purpose is to increase the interest of the employees in KAZ Minerals' long-term business goals and performance through share ownership. They represent incentives for employees' future performance and commitment to be aligned to the goals of the Group. The shares issued under these plans are dilutive ordinary shares. For any future awards, the Company may issue new shares rather than purchase the shares in the open market through the Employee Benefit Trust.

37. Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied across the Group.

(a) Foreign currency translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions translated at the rate prevailing at the date of the transactions, or the translation of monetary assets and liabilities at period end exchange rates, are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction.

The functional currency of the Company, the Group's 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 is the Kazakhstan tenge (KZT), with the Bozymchak project being the Kyrgyz som (KGS). On consolidation, income statements of subsidiaries are translated into US dollars, at average rates of exchange. Balance sheet items are translated into US dollars at period end exchange rates. Exchange differences on the retranslation are taken to a separate component of equity. All other exchange differences are charged or credited to the income statement in the year in which they arise.

The following foreign exchange rates against the US dollar have been used in the preparation of the consolidated financial statements:

	31 December 2014		31 December 2013	
	Spot	Average	Spot	Average
Kazakhstan tenge	182.35	179.19	153.61	152.13
Kyrgyz som	58.89	53.64	49.25	48.44
Euro	0.82	0.75	0.75	0.73
UK pounds sterling	0.64	0.61	0.61	0.64

(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, and 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.

37. Summary of significant accounting policies continued

(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.

(ii) Depreciation

The cost of each item of property, plant and equipment is depreciated over its useful life. Each item's estimated useful life has due regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, plant and equipment, with annual reassessments for major items. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of the individual asset or on a unit of production basis depending on the type of asset.

The unit of production method is the ratio of commodity production in the period to the estimated quantities of commercial reserves over the life of the mine (using proven and probable mineral reserves as determined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 ('JORC Code') on an annual basis) based on the estimated economically recoverable reserves to which they relate. Changes in estimates, which affect unit of production calculations, are accounted for prospectively.

Depreciation commences on the date the assets are used within the business. Freehold land is not depreciated.

The expected useful lives are as follows:

Buildings	15-40 years
Plant and equipment	4-25 years
Other	3-15 years

(iii) Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category.

Construction in progress is not depreciated.

(iv) Repairs and maintenance

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Repairs and maintenance expenditure is capitalised if additional future economic benefits will arise from the expenditure. All other repairs and maintenance expenditure is recognised in the income statement as incurred.

(v) Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor and not transferred to the Group are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(e) Mining assets

(i) Mineral licences and properties

Costs of acquiring mineral licences and properties are capitalised on the balance sheet in the year in which they are incurred. Costs associated with a start-up period for significant developments are capitalised during the commissioning period (development expenditure) where the asset is incapable of operating at normal levels without a commissioning period. Mineral licences and properties are amortised over the remaining life of the mine using a unit of production method.

(ii) Mine development costs

Mine development costs are incurred to obtain access to proved reserves or mineral-bearing ore deposits and to provide facilities for extracting, lifting and storing minerals. Such costs are, upon commencement of production, amortised over the remaining life of the mine using a unit of production method.

(iii) Mine stripping costs

Mine stripping costs incurred in order to access the mineral-bearing ore deposits are deferred prior to the commencement of production. Such costs are amortised over the remaining life of the mine using a unit of production method.

The cost of removal of the waste material during a mine's production phase is deferred if the stripping activity permits an increase in the output of the mine in future periods through providing access to additional sources of reserves that will be produced in future periods. Capitalised stripping costs are amortised in a systematic manner over the reserves that directly benefit from the specific stripping activity.

(iv) Exploration and evaluation costs

Exploration and evaluation expenditure for each area of interest once the legal right to explore has been acquired, other than that acquired through a purchase transaction, is carried forward as an asset, within mining assets, provided that one of the following conditions is met:

- such costs are expected to be recouped through successful exploration and development of the area of interest or, alternatively, by its sale;
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration expenditure which fails to meet at least one of the conditions outlined above is written off. Administrative and general expenses relating to exploration and evaluation activities are expensed as incurred.

Identifiable exploration and evaluation assets acquired in a purchase transaction are recognised as assets at their cost, or fair value if purchased as part of a business combination. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met.

Exploration and evaluation assets attributable to producing interests are amortised over the remaining life of the mine on a unit of production basis.

(f) Impairment

The carrying values of mining assets, capitalised exploration and evaluation expenditure and property, plant and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount to its recoverable amount.

Impairment losses related to continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash generating unit to which the asset belongs. The Group's cash generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

(ii) Reversals of impairment

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior years. Such reversals are recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its 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.

(h) Trade and other receivables

Trade and other receivables do not generally carry any interest and are normally stated at their nominal value less any impairment. Impairment losses on trade receivables are recognised within an allowance account unless the Group considers that no recovery of the amount is possible, in which case the carrying value of the asset is reduced directly.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits held on call or with maturities less than three months at inception and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

37. Summary of significant accounting policies continued

(j) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal groups are available for immediate sale in their present condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year of the date of classification.

Non-current assets (or disposal groups) held for sale are carried at the lower of the carrying amount prior to being classified as held for sale, and the fair value less costs to sell. A non-current asset is not depreciated while classified as held for sale. A non-current asset held for sale is presented separately in the balance sheet. The assets and liabilities of a disposal group classified as held for sale are presented separately as one line in the assets and liabilities sections on the face of the balance sheet.

An asset or business is considered to be a discontinued operation if it has been sold or is classified as held for sale and is part of a single coordinated plan to dispose of either a separate major line of business or is a subsidiary acquired exclusively with a view to sale. Once an operation has been identified as discontinued, its net profit is presented separately from continuing operations. Comparative information is reclassified so that the net profit of the prior period is also presented separately.

(k) Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

(l) Employee benefits

(i) Long-term employee benefits

The Group's entities located in Kazakhstan remit contributions to defined contribution pension plans on behalf of its employees. Contributions to be paid by the Group are withheld from employees' salaries and are recognised as part of the salary expense in the income statement as incurred.

The Group's defined benefit plans, including the death and disability plans for current and former employees, are accounted for in accordance with IAS 19 'Employee Benefits (Revised)', such that the plan liabilities and assets are measured by actuarial valuations using the projected unit credit method.

The future benefit that employees have earned is discounted to determine the present value. The discount rate is determined by reference to the US treasury bond rate adjusted for country specific inflation and risk. The treasury bond used approximates to the average maturity profile of the Group's benefit obligations. The calculation is performed by a qualified independent actuary.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise for defined benefit plans not considered to be other long-term employee benefits. In respect of other long-term employee benefit plans, namely the Group's disability benefits obligation, all actuarial gains and losses are recognised in the income statement in the period in which they arise. The expense in relation to all long-term employee benefits is charged to the income statement so as to match the cost of providing these benefits to the period of service of the employees.

(ii) Share-based payments

Certain employees of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions is determined using the Monte Carlo method and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

(m) Own shares

Own equity instruments which are re-acquired either by the Employee 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.

(n) Trust activities

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in the consolidated financial statements. Transactions entered into with these trust activities are expensed in the consolidated financial statements.

(o) Social responsibility costs

The Group is obliged to contribute towards social programmes for the benefit of the local community at large. The Group's contributions towards these programmes are expensed to the income statement at the point when the Group is committed to the expenditure.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Site restoration costs

Site restoration provisions are made in respect of the estimated future costs of closure and restoration, and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted where material and the unwinding of the discount is included in finance costs. Over time, the discounted provision is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over the remaining life of the mine to which it relates, using a unit of production method. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Any change in restoration costs or assumptions will be recognised as additions or charges to the corresponding asset and provision when they occur. For permanently closed sites, changes to estimated costs are recognised immediately in the income statement.

(ii) Payments for licences

In accordance with the terms of subsoil use contracts, provision is made for future licence payments when the Group has a present obligation to repay the costs of geological information provided for licensed deposits. The amount payable is discounted to its present value.

(iii) Other

Other provisions are accounted for when the Group has a legal or constructive obligation for which it is probable there will be an outflow of resources and for which the amount can be reliably estimated.

(q) Revenue

Revenue represents the value of goods and services supplied to third parties during the year. Revenue is measured at the fair value of consideration receivable, and excludes any applicable sales tax. MET is included within cost of sales.

All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue associated with the sale of goods is recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title and any insurance risk has passed to the customer and the goods have been delivered in accordance with the contractual delivery terms or when any services have been provided.

Almost all sales agreements for copper cathodes, copper rods and copper and zinc concentrate are provisionally priced (i.e. the selling price is subject to final adjustment at the end of a quotation period, typically the average price either for the month or the month following delivery to the customer), based on the LME market price for the relevant quotation period stipulated in the contract. Such a provisional sale contains an embedded derivative which is not required to be separated from the underlying host contact, being the sale of the commodity. At each reporting date, the provisionally priced metal sales are marked-to-market using forward prices, with adjustments (both gains and losses) being recorded in revenue in the income statement and in trade receivables or trade payables in the balance sheet.

(r) Finance income

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues, calculated in accordance with the effective interest rate method.

(s) Finance costs

Finance costs comprise interest expense on borrowings which are not capitalised under the borrowing costs policy (see 2(u) below), the unwinding of interest cost on provisions and foreign exchange losses.

(t) Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time as the assets are considered substantially ready for their intended use, i.e. when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the year. All other borrowing costs are recognised in the income statement in the period in which they are incurred using the effective interest rate method.

37. Summary of significant accounting policies continued

Borrowing costs that represent avoidable costs not related to the financing arrangements of the development projects and are therefore not directly attributable to the construction of these respective assets are expensed in the period as incurred. These borrowing costs generally arise where the funds are drawn down under the Group's financing facilities, whether specific or general, which are in excess of the near-term cash flow requirements of the development projects for which the financing is intended, and the funds are drawn down ahead of any contractual obligation to do so.

(u) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity. Excess profits tax is treated as income tax and forms part of the income tax expense.

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- those arising on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit; and
- investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(v) Dividends

Dividends are recognised as a liability in the period in which they are approved by shareholders. Dividends receivable are recognised when the Group's right to receive payment is established.

(w) Financial instruments

The Group recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

When financial assets are initially recognised, they are measured at fair value being the consideration given or received plus directly attributable transaction costs. Any gain or loss at initial recognition is recognised in the income statement.

The Group's financial assets include cash and short-term investments, trade and other receivables, loans and other receivables, quoted and unquoted investments and derivative financial instruments.

The Group's most significant financial assets, within the scope of IAS 39, are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are typically loans and receivables created by the Group in providing money to a debtor.

Subsequent measurement

After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method ('EIR'). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Allowance for impairment is estimated on a case-by-case basis.

Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts and derivative financial instruments.

The Group's most significant financial liabilities, within the scope of IAS 39, are classified as loans and borrowings.

Subsequent measurement

Interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method after initial recognition. Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(iii) Derivative financial instruments

Where the Group enters into derivative contracts that are not hedging instruments in hedge relationships as defined by IAS 39, these are carried in the balance sheet at fair value with changes in fair value recognised in finance income or finance costs in the income statement.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would have been expected.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured is provided in note 33.

38. Company financial statements

(a) Company balance sheet

$ million	Notes	2014	2013
Assets			
Non-current assets			
Investments	38(e)	3,334	6,483
Deferred tax asset		1	1
		3,335	6,484
Current assets			
Prepayments and other current assets		2	3
Income taxes reclaimable		–	–
Intercompany loan	38(f)	184	323
Trade and other receivables	38(g)	14	13
Cash and cash equivalents	38(j)	–	–
		200	339
Total assets		3,535	6,823
Equity and liabilities			
Equity			
Share capital	26(a)	171	171
Share premium		2,650	2,650
Capital reserves	38(h)	21	798
Retained earnings		586	3,098
Total equity		3,428	6,717
Current liabilities			
Trade and other payables	38(i)	2	7
Intercompany payables	38(l)	105	99
Total liabilities		107	106
Total equity and liabilities		3,535	6,823

These financial statements were approved by the Board of Directors on 25 February 2015.

Signed on behalf of the Board of Directors

Oleg Novachuk
Chief Executive Officer

Andrew Southam
Chief Financial Officer

(b) Company statement of cash flows

$ million	Notes	2014	2013
Cash flows from operating activities			
Loss before taxation		(3,305)	(6)
Interest income		–	(1)
Share-based payments	36	3	3
Non-cash contribution to subsidiary for share-based payments	38(e)	–	–
Impairment loss	38(e)	3,301	–
Dividends received		(50)	(60)
Operating cash flows before changes in working capital		(51)	(64)
Decrease/(increase) in prepayments and other current assets		1	(1)
(Increase)/decrease in trade and other receivables		(1)	12
(Decrease)/increase in trade and other payables		(5)	3
Increase in intercompany payables		6	28
Cash flows from operations before interest, income taxes and dividends received		(50)	(22)
Income taxes received/(paid)		5	(1)
Dividends received		50	60
Net cash flows from operating activities		5	37
Cash flows from investing activities			
Capital contributions into subsidiary undertakings	38(e)	(2)	–
Net cash flows used in investing activities		(2)	–
Cash flows from financing activities			
Purchase of Company's issued share capital		–	(319)
Amounts (paid)/repaid under intercompany loans		(3)	323
Dividends paid by the Company	16	–	(42)
Net cash flows used in financing activities		(3)	(38)
Net decrease in cash and cash equivalents	38(j)	–	(1)
Cash and cash equivalents at the beginning of year	38(j)	–	1
Cash and cash equivalents at the end of year	38(j)	–	–

(c) Company statement of changes in equity

$ million	Notes	Share capital	Share premium	Capital reserves[1]	Retained earnings	Total equity
At 1 January 2013		200	2,650	771	3,449	7,070
Total comprehensive income for the year		–	–	–	3	3
Share-based payments		–	–	–	3	3
Employee share awards exercised		–	–	2	–	2
Purchase of Company's issued share capital	26(a)	(29)	–	25	(315)	(319)
Dividends paid	16	–	–	–	(42)	(42)
At 31 December 2013		171	2,650	798	3,098	6,717
Total comprehensive expense for the year		–	–	(779)	(2,515)	(3,294)
Share-based payments		–	–	–	3	3
Employee share awards exercised		–	–	2	–	2
At 31 December 2014		171	2,650	21	586	3,428

1 Refer to note 38(h) for an analysis of 'Capital reserves'.

38. Company financial statements continued

(d) Company accounting policies

Basis of preparation

The KAZ Minerals PLC parent company balance sheet, statement of cash flows and related notes have been prepared in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 2006. The financial information has been prepared on a historical cost basis. The financial statements have been prepared on a going concern basis.

The functional currency of the Company and the presentational currency adopted is US dollars.

Principal accounting policies

The principal accounting policies are consistent with those applied in the consolidated financial statements (refer to notes 2 and 37) except for the additional accounting policy relating to non-current investments set out below. There were no changes to the accounting policies during the year.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, following implementation of these standards, actual results may differ from those estimates.

Non-current investments

Non-current investments are held at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

(e) Company non-current investments

$ million	2014	2013
Cost		
At 1 January	7,576	7,573
Additions	152	3
At 31 December	7,728	7,576
Provision for impairment		
At 1 January	1,093	1,093
Impairment charges	3,301	–
At 31 December	4,394	1,093
Net book value	3,334	6,483

(i) KAZ Minerals Investments Limited

Given the divestment of the Disposal Assets and the subsequent loss on disposal of $2.3 billion being recognised by the Group, the Company impaired its investment in KAZ Minerals Investments Limited, the intermediary owner of the company that ultimately owned the Disposal Assets. The impairment charge arises as the holding company of the Disposal Assets sold the respective companies for nil proceeds.

(ii) KAZ Minerals Services Limited

In 2014, an additional investment of $2 million (2013: $3 million) relating to capital contributions made by the Company to KAZ Minerals Services Limited was recognised in respect of the share awards issued by the Company on behalf of employees of KAZ Minerals Services Limited.

(iii) KAZ Minerals Finance PLC

During 2014, the Company waived $150 million of the intercompany loan receivable due from KAZ Minerals Finance PLC as a capital contribution to KAZ Minerals Finance PLC.

(iv) ENRC

The Company, via an intermediate holding company, held 334,824,860 shares in ENRC representing 26.0% of the issued share capital, until its disposal on 8 November 2013.

(v) 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 $169 million due from KAZ Minerals Finance PLC (2013: $313 million) and $15 million (2013: $10 million) from KAZ Minerals Sales Limited has been advanced by the Company for general corporate purposes. This balance is repayable on demand and accrues interest at US$ LIBOR minus 10 bps. As at 31 December 2014, interest receivable of $3 million (2013: $3 million) had accrued on this loan balance and is included within intercompany receivables (note 38(g)).

(g) Company trade and other receivables

$ million	2014	2013
Intercompany receivables	3	3
Group tax relief receivables	11	10
	14	13

Group tax relief is due from KAZ Minerals Sales Limited of $11 million (2013: $10 million) as all UK Group companies are considered part of a tax group for corporation tax purposes. The Company is in a loss-making position for tax purposes and therefore in a net receivable position.

(h) Company capital reserves

$ million	Capital reserve	Capital redemption reserve	Treasury shares[1]	Total
At 1 January 2013	779	6	(14)	771
Own shares issued upon exercise of options	–	–	2	2
Purchase of Company's issued share capital	–	25	–	25
At 31 December 2013	779	31	(12)	798
Own shares issued upon exercise of options	–	–	2	2
Impairment charge recognised against investments	(779)	–	–	(779)
At 31 December 2014	–	31	(10)	21

1 During 2012, in accordance with the Company's policy on treating shares purchased in the Company by the Employee Benefit Trust as own shares within equity, the Company created a new reserve for these shares. Consequently, the cost of these shares previously treated as a loan advanced to the Employee Benefit Trust has been reclassified to the treasury shares reserve within equity.

(i) Capital reserve

The capital reserve is a non-distributable reserve created when the shares issued pursuant to the share exchange agreements prior to the Company's listing were recorded at fair value. To the extent the Company received dividends from Kazakhmys LLC's profits created in the period prior to the share exchange, the capital reserve was realised through a transfer to distributable retained earnings. Prior to the divestment of the Disposal Assets, the Company recognised an impairment charge of $3.3 billion against the carrying value of its investments (see note 38(e)) and utilised the capital reserve, which related to Kazakhmys LLC and arose pursuant to the share exchange arrangements, to reflect part of the impairment.

(ii) Capital redemption reserve

As a result of the share buy-back programme undertaken in 2008 and the re-purchase of KAZ Minerals PLC shares received from the ENRC disposal in 2013, transfers were made from share capital to the capital redemption reserve based on the nominal value of the shares cancelled.

(iii) Treasury shares

The treasury shares reserve represents the cost of the Company's shares purchased by the Employee Benefit Trust to satisfy the share options awarded under the Company's share-based payment schemes.

(i) Company trade and other payables

$ million	2014	2013
Salaries and related payables	2	2
Other payables and accrued expenses	–	5
	2	7

(j) Company movement in net liquid funds

$ million	At 1 January 2014	Cash flow	At 31 December 2014
Cash and cash equivalents	–	–	–
Borrowings	–	–	–
Net liquid funds	–	–	–

$ million	At 1 January 2013	Cash flow	At 31 December 2013
Cash and cash equivalents	1	(1)	–
Borrowings	–	–	–
Net liquid funds	1	(1)	–

38. Company financial statements continued

(k) Company financial risk management

The Company, as a holding company, has limited exposure to foreign exchange, credit and interest rate risks and these are shown below. The Company has no exposure to commodity, liquidity or price risks.

(i) Foreign exchange risk

The Company has transactional currency exposures principally arising from transactions relating to corporate costs which are denominated in currencies other than the Company's functional currency being the US dollar. Corporate costs are primarily denominated in UK sterling. The Company generally does not enter into hedging positions in respect of its exposure to foreign currency risk.

(ii) Credit risk

Credit risk for the Company relates to cash and cash equivalents. Balances within intercompany loans and trade and other receivables mostly relate to amounts owed by Group undertakings resulting in reduced credit risk for these balances.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

$ million	2014	2013
Intercompany loans	184	323
Trade and other receivables	14	13
	198	336

The exposure to credit risk for intercompany loans and trade and other receivables at 31 December 2014 and 2013 by geographic areas was all European.

(iii) Interest rate risk

The Company has limited balances subject to interest rate risk. The exposure of the Company's financial assets and liabilities to interest rate risk is as follows:

	At 31 December 2014			
$ million	Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets				
Intercompany loans	184	–	–	184
Trade and other receivables	–	–	14	14
Total financial assets	184	–	14	198
Financial liabilities				
Trade and other payables	–	–	(2)	(2)
Intercompany payables	–	–	(105)	(105)
Total financial liabilities	–	–	(107)	(107)

	At 31 December 2013			
$ million	Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets				
Intercompany loans	323	–	–	323
Trade and other receivables	–	–	13	13
Total financial assets	323	–	13	336
Financial liabilities				
Trade and other payables	–	–	(7)	(7)
Intercompany payables	–	–	(99)	(99)
Total financial liabilities	–	–	(106)	(106)

All the Company's interest bearing monetary assets are denominated in US dollars and have a maturity of less than one year.

(iv) Fair value of financial assets and liabilities

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements:

$ million	2014 Carrying value	2014 Fair value	2013 Carrying value	2013 Fair value
Intercompany loans	184	184	323	323
Trade and other receivables	14	14	13	13
Trade and other payables	(2)	(2)	(7)	(7)
Intercompany payables	(105)	(105)	(99)	(99)
	91	91	230	230

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Cash and cash equivalents, trade and other receivables, trade and other payables and intercompany loans and payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

(v) Capital management

The over-riding objectives of the Company's capital management policy are to safeguard and support the business as a going concern through the commodity cycle, to maximise returns to shareholders (either through dividends or share buy-backs) and benefits to other stakeholders and to maintain an optimal capital structure in order to reduce the Company's cost of capital (see note 33(i)).

(l) Company related party disclosures

(i) Transactions with related parties

Transactions with related parties comprise interest received from KAZ Minerals Finance PLC of $0.1 million (2013: $1 million) and management fees to KAZ Minerals Services Limited for services provided on behalf of the Company during the year under a management service agreement of $52 million (2013: $30 million).

The amounts outstanding from subsidiary companies are provided in notes 38(f) and 38(g).

The intercompany payables amount of $105 million is due to KAZ Minerals Services Limited for management fees discussed above and other services (2013: $99 million). The balance is payable on demand and is interest free.

The Company received $50 million dividends from KAZ Minerals Sales Limited (2013: $60 million) during the year.

An additional investment of $2 million relating to capital contributions was made to KAZ Minerals Services Limited during 2014 (2013: $3 million) (see note 38(e)).

As explained in note 38(e), in 2014 the Company waived its right to receive repayment of $150 million of the outstanding intercompany loan receivable due from KAZ Minerals Finance PLC.

The Government became a related party shareholder of the Company on 24 July 2008 and remained as such when on 19 June 2013 it transferred its entire shareholding to Eurasian Resources. Following the completion of the Group's disposal of the ENRC investment to Eurasian Resources on 8 November 2013, the Government, a direct shareholder in Eurasian Resources, and Eurasian Resources are no longer considered to be related parties of the Company or Group. Transactions involving the Government are explained in note 35.

(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.

38. Company financial statements continued

(m) Subsidiaries

The consolidated financial statements include the financial statements of the Company and the principal subsidiaries listed in the following table:

	Principal activity	Operating division	Country of incorporation	Equity interest at 31 December 2014 %	Equity interest at 31 December 2013 %
Vostoktsvetmet LLC	Copper mining and concentrating	East Region operations	Kazakhstan	99.9[1]	–
KAZ Minerals Aktogay LLP[2]	Copper mine development	Mining Projects	Kazakhstan	100.0[1]	100.0[1]
KAZ Minerals Bozshakol LLP[2]	Copper mine development	Mining Projects	Kazakhstan	100.0[1]	100.0[1]
Kazakhmys Projects B.V.	Project management company	Mining Projects	Kazakhstan	100.0[1]	100.0[1]
Kazakhmys Gold Kyrgyzstan LLP	Copper/gold mine development	Bozymchak	Kyrgyzstan	100.0[1]	100.0[1]
KAZ Minerals Sales Limited[2]	Sales and logistics	East Region operations	United Kingdom	100.0	100.0
KAZ Minerals Finance PLC[2]	Group financing	N/A	United Kingdom	100.0	100.0
KAZ Minerals Services Limited[2]	Management and services company	N/A	United Kingdom	100.0	100.0
KAZ Minerals Investments Limited[2]	Holding company	N/A	United Kingdom	100.0	100.0
Kazakhmys Corporation LLC[3]	Copper mining and concentrating	Kazakhmys Mining	Kazakhstan	–	99.9[1]
Kazakhmys Smelting LLC[3]	Copper refining and smelting	Kazakhmys Mining	Kazakhstan	–	100.0[1]
Kazakhmys Energy LLP[3]	Electricity generation	Kazakhmys Power	Kazakhstan	–	100.0[1]

1 Indirectly held by the Company.

2 Certain companies were renamed from Kazakhmys to KAZ Minerals as announced following the completion of the Restructuring.

3 Sold in 31 October 2014 as part of the Disposal Assets (see note 13(a)).

(n) Guarantees

The Company is the guarantor for the following:

- as explained in note 27, the Company, together with Vostoktsvetmet LLC and KAZ Minerals Sales Limited, is a guarantor of the $349 million PXF debt facility signed in October 2014;
- as explained in note 27, the Company is the guarantor of the loan facilities signed between KAZ Minerals Finance PLC and Samruk-Kazyna under the CDB/Samruk-Kazyna financing line. As at 31 December 2014, KAZ Minerals Finance PLC had signed loan facilities amounting to $2.7 billion which were fully drawn at that date. Following an amendment which was signed on 20 December 2014, the CDB/Samruk-Kazyna financing facilities became bilateral between KAZ Minerals and CDB, which would be effective in 2015, with no further guarantees to Samruk-Kazyna;
- as explained in note 27, the Company is also party to a several but not joint guarantee to CDB under the loan facilities between CDB and Samruk-Kazyna which is capped at $1.7 billion of principal plus 8.5% of any interest and other duly payable costs and expenses. A right of set-off exists under the loan facilities between Samruk-Kazyna and KAZ Minerals Finance PLC in the event of any payment being made by the Company to CDB under this guarantee. Following an amendment which was signed on 20 December 2014, the CDB/Samruk-Kazyna financing facilities became bilateral between KAZ Minerals and CDB, which would be effective in 2015, with no further guarantees to Samruk-Kazyna;
- as explained in note 27, the Company is a guarantor of the $1.5 billion finance facility for the Aktogay project signed in December 2011 with CDB; and
- the operating lease on the Company's head office in London.

39. Events after the balance sheet date

No events were identified after the statement of financial position date which could be expected to have a material impact on the financial statements.

$ million (unless otherwise stated)	2014	2013	2012[2]	2011[2]	2010[2]
Results					
Revenues[1]	**846**	931	3,353	3,563	3,237
Profit before finance items and taxation[1]	**94**	191	242	1,125	1,099
(Loss)/profit before taxation[1]	**(169)**	138	151	1,057	1,032
(Loss)/profit after taxation[1]	**(234)**	90	65	836	(1,949)
(Loss)/profit for the year from discontinued operations	**(2,128)**	(2,122)	(2,335)	94	621
(Loss)/profit attributable to equity shareholders	**(2,362)**	(2,030)	(2,271)	930	1,450
Assets employed					
Non-current assets	**3,222**	4,032	6,699	8,355	8,095
Current assets	**2,496**	4,587	3,294	3,376	2,900
Non-current liabilities	**(2,976)**	(3,197)	(2,870)	(1,648)	(1,484)
Current liabilities	**(638)**	(1,201)	(858)	(1,251)	(1,292)
Net assets	**2,104**	4,221	6,265	8,832	8,219
Financed by					
Equity	**2,101**	4,217	6,259	8,825	8,206
Minority interests	**3**	4	6	7	13
	2,104	4,221	6,265	8,832	8,219
Key statistics					
EBITDA (excluding special items)[1]	**355**	359	1,364	1,959	1,932
Group EBITDA (excluding special items)	**556**	1,149	1,912	2,925	2,835
Underlying Profit[1]	**86**	102	492	1,498	1,489
Free Cash Flow	**(31)**	(171)	85	824	718
EPS – basic and diluted[1] ($)	**(0.52)**	0.18	(4.33)	1.75	2.71
EPS based on Underlying Profit[1] ($)	**0.19**	0.20	0.94	2.80	2.79
Dividends per share (US cents)	**–**	–	11.0	28.0	22.0
Maintenance spend per tonne of own copper cathode[1] ($/t)	**631**	935	2,065	1,237	1,075

1 2014 and 2013 reflect continuing operations only.

2 Not restated to remove Disposal Assets and as presented in 2013 consolidated five year summary.

SUPPLEMENTARY INFORMATION

1. Summary of significant production and sales figures

kt (unless otherwise stated)	2014	2013
Continuing operations		
Ore mined[1]	4,628	4,350
Copper content in ore mined (%)	2.35	2.41
Copper cathode production	84	77
Copper cathode sales	78	81
Zinc in concentrate production	121	134
Silver granule production (koz)	3,435	4,685
Gold bar production (koz)	35	49
Discontinued operations		
Ore mined	27,119	34,841
Copper content in ore mined (%)	0.83	0.81
Copper cathode production:		
From own concentrate	90	185
From purchased concentrate	–	2
Total copper cathode produced	90	187
Total copper cathode equivalent production[2]	171	217
Total copper cathode equivalent sales	179	231
Silver granule equivalent own production[3] (koz)	6,039	9,663
Gold bar own production (koz)	51	54
Gold doré production (koz)	3	5
Electricity generation sales[4] (GWh)	4,129	5,723

1 Includes output from the commissioning of the Bozymchak mine in 2014.

2 Includes production of copper cathode equivalent of copper in concentrate sold and cathode converted into rod.

3 Includes a small volume of by-product production from the former Kazakhmys Gold's mines, and silver granule equivalent in copper concentrate sold.

4 Represents captive power stations.

2. Mining

(a) Metal mining

	Ore mined 2014 kt	Ore mined 2013 kt	Copper 2014 %	Copper 2013 %	Zinc 2014 %	Zinc 2013 %	Gold 2014 g/t	Gold 2013 g/t	Silver 2014 g/t	Silver 2013 g/t
Continuing operations										
East Region										
Orlovsky	1,548	1,557	3.66	3.45	5.48	5.31	1.35	1.27	74.75	66.81
Irtyshsky	637	626	1.49	1.49	3.21	3.31	0.29	0.27	49.61	50.78
Yubileyno-Snegirikhinsky	659	835	2.13	2.30	1.65	1.85	0.43	0.46	21.60	25.18
Artemyevsky	1,358	1,332	1.78	1.68	4.04	4.65	0.64	0.92	63.76	90.83
Total East Region	4,202	4,350	2.48	2.41	4.07	4.16	0.82	0.86	59.05	63.87
Bozymchak	426	–	1.00	–	–	–	1.83	–	10.07	–
Total continuing operations	4,628	4,350	2.35	2.41	4.07	4.16	0.91	0.86	54.54	63.87
Discontinued operations										
Zhezkazgan Region										
North	1,396	2,601	0.74	0.66	–	–	–	–	6.47	6.98
South (incl. Stepnoy)	6,903	8,576	0.71	0.73	–	–	–	–	14.60	15.79
East (incl. West)	5,511	6,935	0.83	0.80	–	–	–	–	9.83	11.84
Zhomart	3,147	3,738	0.98	1.11	–	–	–	–	8.48	9.22
Total Zhezkazgan Region	16,957	21,850	0.80	0.81	–	–	–	–	11.25	12.36
Central Region										
Konyrat	3,995	4,810	0.31	0.30	–	–	–	–	1.71	1.20
Shatyrkul	536	646	1.92	2.24	–	–	0.30	0.35	2.13	2.02
Sayak	1,275	1,814	0.95	0.90	–	–	0.45	0.22	5.44	4.66
Abyz	–	391	–	0.62	–	1.98	–	2.68	–	19.46
Akbastau	1,786	2,163	1.99	1.80	1.38	1.16	0.63	0.64	16.62	16.28
Nurkazgan	2,570	3,167	0.71	0.60	–	–	0.29	0.27	2.00	1.44
Total Central Region	10,162	12,991	0.87	0.81	1.38	1.28	0.42	0.48	4.89	4.84
Total discontinued operations	27,119	34,841	0.83	0.81	1.38	1.28	0.42	0.48	8.87	9.56

(b) Coal mining

	Coal mined 2014 kt	Coal mined 2013 kt	Waste stripped 2014 kbcm	Waste stripped 2013 kbcm	Strip ratio 2014 bcm:t	Strip ratio 2013 bcm:t
Discontinued operations						
Molodezhny	5,534	6,842	12,326	14,788	2.23	2.16
Kusheki	404	802	3,551	3,205	8.79	4.00
Total discontinued operations	5,938	7,644	15,877	17,993	2.67	2.35

2. Mining continued

(c) Copper processing

	Copper concentrate produced		Copper in concentrate	
	2014 kt	2013 kt	2014 %	2013 %
Continuing operations				
East Region				
Orlovsky	279	261	18.2	18.2
Belousovsky	50	61	18.1	16.5
Irtyshsky	–	39	–	18.8
Nikolayevsky	137	75	20.3	19.4
Third party processor	6	26	27.3	28.3
Total East Region	472	462	18.9	18.8
Bozymchak	3	–	25.9	–
Total continuing operations	475	462	18.9	18.8
Discontinued operations				
Zhezkazgan Region				
Zhezkazgan	338	398	33.7	34.4
Satpayev	–	38	–	21.9
Total Zhezkazgan Region	338	436	33.7	33.3
Central Region				
Balkhash	221	268	15.3	15.2
Karagaily (Abyz)	35	33	2.7	3.7
Karagaily (Akbastau)	224	235	10.1	10.4
Nurkazgan (Akbastau)	–	8	–	17.4
Nurkazgan	81	80	18.9	18.7
Total Central Region	561	624	12.9	13.3
Total discontinued operations (own concentrate)	899	1,060	20.7	21.5
Purchased concentrate	–	3	–	52.6
Total discontinued operations (own and purchased concentrate)	899	1,063	20.7	21.6

(d) Zinc and precious metals processing

	Zinc concentrate produced		Zinc in concentrate		Silver[1]		Gold[1]	
	2014 kt	2013 kt	2014 %	2013 %	2014 g/t	2013 g/t	2014 g/t	2013 g/t
Continuing operations								
East Region								
Orlovsky	135	132	46.6	46.6	191.7	175.0	2.1	2.0
Belousovsky	27	11	46.2	43.5	447.9	78.2	2.2	1.8
Irtyshsky	–	28	43.8	47.6	3,429.9	632.0	4.5	2.7
Nikolayevsky	90	68	46.5	44.8	274.5	550.4	2.9	6.0
Artemyevsky (KazZinc)	9	47	50.8	51.2	932.3	1,708.1	4.5	10.1
Total East Region	261	286	46.7	46.9	252.9	347.6	2.3	3.2
Discontinued operations								
Zhezkazgan Region								
Zhezkazgan	–	–	–	–	524.4	563.6	–	–
Satpayev	–	–	–	–	–	430.7	–	–
Total Zhezkazgan Region	–	–	–	–	524.4	552.0	–	–
Central Region								
Balkhash	–	–	–	–	70.9	74.2	3.4	2.7
Karagaily	–	1	–	40.8	62.3	67.6	2.7	3.0
Nurkazgan	–	–	–	–	37.1	38.7	5.7	6.3
Total Central Region	–	1	–	40.8	62.1	66.3	3.4	3.5
Total discontinued operations (own and purchased concentrate)	–	1	–	40.8	235.8	266.0	3.4	3.5

1 Grade in grammes per tonne of copper concentrate.

SUPPLEMENTARY INFORMATION

2. Mining continued

(e) Copper cathode production

	Concentrate smelted		Copper in concentrate		Copper cathode	
	2014 kt	2013 kt	2014 %	2013 %	2014 kt	2013 kt
Continuing operations						
Balkhash Smelter	472	442	19.1	18.0	84	77
Discontinued operations						
Zhezkazgan Smelter – own production	13	230	24.0	31.0	–	76
Balkhash Smelter						
Own concentrate	590	743	15.1	17.4	90	109
Purchased concentrate	–	3	–	52.6	–	2
Other[1]	1	1	44.5	58.9	–	–
Total Balkhash Smelter	591	747	15.1	17.6	90	111
Total discontinued operations (excluding tolling)	604	977	15.3	20.7	90	187
Tolling	87	49	6.6	0.3	4	–
Total discontinued operations (including tolling)	691	1,026	14.2	19.7	94	187

1 Includes materials (slag, scrap, etc.) and ore used directly in smelting process reprocessed at the Balkhash Smelter.

(f) Copper rod and acid production

	Copper rod		Acid production	
	2014 kt	2013 kt	2014 kt	2013 kt
Total continuing operations	–	–	387	446
Total discontinued operations	9	12	510	620

(g) Precious metal production

	Silver		Gold bar		Gold doré	
	2014 koz	2013 koz	2014 koz	2013 koz	2014 koz	2013 koz
Continuing operations	3,435	4,685	35	49	–	–
Discontinued operations[1]	6,039	9,663	51	54	3	5
Tolling	–	–	9	11	–	–
Total discontinued operations (including tolling)	6,039	9,663	60	65	3	5

1 Includes production from the former Kazakhmys Gold's mines and silver granule equivalent in copper concentrate sold.

(h) Other production

	2014	2013
Continuing operations		
Lead dust (t)	6,867	7,294
Discontinued operations		
Enamel wire (t)	932	1,026
Lead dust (t)	1,076	3,555

(i) Sales

	2014		2013	
	kt[1]	$ million	kt[1]	$ million
Continuing operations				
Copper cathode	78	550	81	589
Zinc metal in concentrate	122	144	137	143
Silver granule (koz)	4,224	78	4,411	106
Gold bar (koz)	36	44	49	63
Discontinued operations				
Copper cathode	80	587	189	1,384
Copper rod	10	67	11	85
Copper in concentrate (cathode equivalent)	89	536	31	210
Copper cathode equivalent sales	168	1,190	231	1,679
Silver granule[2] (koz)	2,262	58	7,704	181
Silver granule equivalent in copper concentrate sold (koz)	3,608	70	1,391	24
Total silver granule equivalent sales (koz)	5,870	128	9,095	205
Gold bar (koz)	53	69	56	83
Gold doré[2] (koz)	1	1	4	6

1 Kilotonnes (unless otherwise stated).

2 Sales include production from the former Kazakhmys Gold's mines.

(j) Average realised prices

	2014	2013
Continuing operations		
Copper ($/t)	7,040	7,231
Zinc concentrate ($/t)	1,185	1,048
Silver ($/oz)	18.6	24.1
Gold ($/oz)	1,226	1,288
Discontinued operations		
Copper ($/t)	6,642	7,258
Silver ($/oz)	21.7	22.6
Gold ($/oz)	1,301	1,473

3. Power – production and sales

	2014	2013
Discontinued operations		
Ekibastuz GRES-1		
Electricity generation[1] (GWh)	–	13,492
Net power generated[1] (GWh)	–	12,785
Net power generated attributable to KAZ Minerals[2] (GWh)	–	5,862
Realised tariff prices (Tenge/kWh)	–	6.44
Captive Power Stations		
Electricity generation (GWh)	4,779	6,599
Net power generated (GWh)	4,129	5,723
Heating power (KGcal)	1,953	2,466
Realised tariff prices (Tenge/kWh)	5.50	5.10

1 2013 presented on a 100% basis for 12 months.

2 Based on the Group's 50% non-controlling interest in Ekibastuz GRES-1 until 5 December 2013 when the Group's investment in Ekibastuz GRES-1 was classified as an asset held for sale. Generation volumes after 5 December 2013 have not been attributed to KAZ Minerals.

Ore reserves and mineral resources estimation methods

KAZ Minerals

The Republic of Kazakhstan inherited the classification system and estimation methods for minerals established by the Former Soviet Union ('FSU'). Updated "Regulations for the Classification of Non-ferrous Metals Reserves" became law in Kazakhstan in 2006. In practice, this means that the statements of resources and reserves developed by KAZ Minerals and the mining plans to which they relate must be submitted for approval to the corresponding committees of the Ministry of Investment and Development for which adherence to the standardised national system of resources and ore reserves 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 by 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 with state authorities with respect to resource estimation methods. This has been reflected in the increased use of computers and associated software by KAZ Minerals in maintaining records about reserves at the operating mines and using databases linked to modelling software to assist in exploration and preliminary resource estimation. DMT Consulting Ltd ('DMT') recognises this as an important step to achieve verifiable and internally consistent estimates.

For the operating mines, DMT has reviewed the reserves statements of KAZ Minerals and has presented them in accordance with the criteria required to meet JORC standards. "Guidelines on the Alignment of Russian minerals reporting standards and the CRIRSCO Template" were published during 2010 as a joint initiative of the Committee for Mineral Reserves International Reporting Standards ('CRIRSCO') and the Russian Federal Government Agency State Commission on Mineral Reserves. The guidelines have been used to align categories of reserves (C2, C1, B and A) with appropriate Mineral Resource categories (Measured, Indicated and Inferred). The JORC Competent Person, however, remains responsible for any estimate that is reported.

Mineral Resources, by definition, must have reasonable prospects for eventual economic extraction. In general, therefore, the total active balance reserve, where no unresolvable problems are foreseen, is considered as the Mineral Resource. Balanced reserves in categories B and C1 are assigned to Measured Mineral Resource and C2 category is assigned to 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 the KAZ Minerals' major development projects at Aktogay, Bozshakol and Koksay, DMT has based the assessment of Mineral Resources and Ore Reserves on estimates derived from computer modelling. The JORC Code specifies that a Pre-feasibility Study is the minimum level of engineering design required before a Mineral Resource can be converted to an Ore Reserve. Each of these projects is being developed following international best practice, which includes the creation of a computerised geological model linked to an electronic database. GKZ estimates of tonnage and metal content will continue to be undertaken to comply with national Kazakhstan 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, or similar internationally recognised code.

DMT's visit to KAZ Minerals' Almaty technical offices for this year's audit took place in November 2014. Mine production is based on December 2014 year-end data.

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, which may include material that could be considered equivalent to JORC category of Inferred Resources. Inferred Resources are shown in the tabulations for Aktogay, Bozshakol and Koksay where model based estimates have been used and Inferred Resources have been categorised as such by a competent person under the JORC Code.

All Ore Reserves quoted in the following tables are discounted for ore losses and dilution and refer to estimates of tonnes and contained metal grades at the point of delivery to the processing plant. Mineral Resources are not discounted for losses and dilution and are inclusive of Ore Reserves. All figures in resources and reserves are in dry metric tonnes and are dated as at 31 December 2014.

KAZ Minerals

Summary of ore reserves[1]

		Reserves[2] kt		Copper %		Zinc %		Gold g/t		Silver g/t		Lead %		Molybdenum %	
		2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
East Region	Proved	18,087	23,693	2.40	2.47	4.84	4.93	0.78	0.73	62.65	63.60	1.05	1.09	–	–
	Probable	2,357	7,392	2.21	1.93	2.04	2.18	0.32	0.26	34.63	50.19	0.54	0.39	–	–
	Total	20,444	31,085	2.38	2.34	4.52	4.28	0.73	0.62	59.42	60.42	0.99	0.92	–	–
Bozymchak	Proved	10,250	6,639	0.76	0.84	–	–	1.27	1.43	8.08	8.54	–	–	–	–
	Probable	5,882	8,788	0.75	0.84	–	–	1.15	1.36	7.20	8.36	–	–	–	–
	Total	16,132	15,427	0.76	0.84	–	–	1.23	1.39	7.76	8.44	–	–	–	–
Aktogay	Proved	887,100	–	0.35	–	–	–	–	–	–	–	–	–	0.01	–
	Probable	628,900	–	0.34	–	–	–	–	–	–	–	–	–	0.01	–
	Total	1,516,000	–	0.35	–	–	–	–	–	–	–	–	–	0.01	–
Bozshakol	Proved	118,000	–	0.38	–	–	–	0.12	–	1.05	–	–	–	0.01	–
	Probable	455,000	–	0.38	–	–	–	0.19	–	1.15	–	–	–	0.00	–
	Total	573,000	–	0.38	–	–	–	0.18	–	1.13	–	–	–	0.00	–
Total KAZ Minerals	Proved	1,033,437	30,332	0.39	2.12	0.08	3.85	0.04	0.88	1.30	51.55	0.02	0.85	0.01	–
	Probable	1,092,139	16,180	0.36	1.34	0.00	1.00	0.09	0.86	0.59	27.47	0.00	0.18	0.01	–
	Total	2,125,576	46,512	0.38	1.85	0.04	2.86	0.06	0.88	0.93	43.18	0.01	0.62	0.01	–
Analysed as: Operating mines[3]	Proved	28,337	30,332	1.81	2.12	3.09	3.85	0.96	0.88	42.91	51.55	0.67	0.85	–	–
	Probable	8,239	16,180	1.17	1.34	0.58	1.00	0.91	0.86	15.05	27.47	0.16	0.18	–	–
	Total	36,576	46,512	1.66	1.85	2.53	2.86	0.95	0.88	36.64	43.18	0.56	0.62	–	–
Development projects	Proved	1,005,100	–	0.35	–	–	–	0.01	–	0.12	–	–	–	0.01	–
	Probable	1,083,900	–	0.36	–	–	–	0.08	–	0.48	–	–	–	0.01	–
	Total	2,089,000	–	0.36	–	–	–	0.05	–	0.31	–	–	–	0.01	–

1 The 2013 disclosure has been restated to exclude the Disposal Assets.

2 Includes discounts for ore loss and dilution. Reserves = Resources – Ore Loss + Dilution.

3 Mine extensions are included within the original ore body as part of operating mines.

Summary of mineral resources[1]

		Resources[2] kt		Copper %		Zinc %		Gold g/t		Silver g/t		Lead %		Molybdenum %	
		2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
East Region	Measured	22,872	26,570	2.90	2.93	4.71	5.02	0.83	0.79	61.93	64.40	1.03	1.10	–	–
	Indicated	20,924	25,023	2.08	2.08	5.05	4.70	0.80	0.73	91.63	89.52	1.54	1.36	–	–
	Total	43,796	51,593	2.50	2.52	4.87	4.87	0.82	0.76	76.12	76.58	1.27	1.23	–	–
	Inferred	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Bozymchak	Measured	11,331	6,240	0.87	0.96	–	–	1.45	1.63	9.26	9.77	–	–	–	–
	Indicated	6,387	13,714	0.86	0.80	–	–	1.31	1.52	8.18	7.45	–	–	–	–
	Total	17,718	19,954	0.87	0.85	–	–	1.40	1.56	8.87	8.18	–	–	–	–
	Inferred	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Aktogay	Measured	933,600	933,600	0.35	0.35	–	–	–	0.04	–	1.39	–	–	0.01	0.01
	Indicated	785,250	785,250	0.32	0.32	–	–	–	0.04	–	1.39	–	–	0.01	0.01
	Total	1,718,850	1,718,850	0.34	0.34	–	–	–	0.04	–	1.39	–	–	0.01	0.01
	Inferred	487,550	487,550	0.30	0.30	–	–	–	0.04	–	1.39	–	–	0.01	0.01
Bozshakol	Measured	116,000	115,700	0.40	0.40	–	–	0.13	0.10	1.10	1.10	–	–	0.01	0.00
	Indicated	713,000	716,100	0.37	0.37	–	–	0.16	0.10	0.90	0.70	–	–	0.01	0.01
	Total	829,000	831,800	0.37	0.37	–	–	0.16	0.10	0.93	0.70	–	–	0.01	0.01
	Inferred	341,000	341,400	0.31	0.31	–	–	0.16	0.14	0.74	0.90	–	–	0.00	0.01
Koksay	Measured	282,062	–	0.46	–	–	–	–	–	–	–	–	–	0.01	–
	Indicated	419,355	–	0.43	–	–	–	–	–	–	–	–	–	0.00	–
	Total	701,417	–	0.44	–	–	–	–	–	–	–	–	–	0.00	–
	Inferred	436,779	–	0.36	–	–	–	–	–	–	–	–	–	0.00	–
Total KAZ Minerals	Measured	1,365,865	1,082,110	0.42	0.42	0.08	0.12	0.04	0.07	1.21	2.95	0.02	0.03	0.01	0.01
	Indicated	1,944,916	1,540,087	0.38	0.38	0.05	0.08	0.07	0.09	1.34	2.56	0.02	0.02	0.01	0.01
	Total	3,310,781	2,622,197	0.40	0.40	0.06	0.10	0.06	0.08	1.29	2.70	0.02	0.02	0.01	0.01
	Inferred	1,265,329	828,950	0.32	0.30	–	–	0.04	0.08	0.20	1.19	–	–	0.00	0.01
Analysed as: Operating mines[3]	Measured	34,203	32,810	2.22	2.55	3.15	4.07	1.04	0.95	44.48	54.01	0.69	0.89	–	–
	Indicated	27,311	38,737	1.79	1.63	3.87	3.04	0.92	1.01	72.11	60.47	1.18	0.88	–	–
	Total	61,514	71,547	2.03	2.05	3.47	3.51	0.99	0.98	56.75	57.50	0.91	0.88	–	–
	Inferred	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Development projects	Measured	1,331,662	1,049,300	0.38	0.36	–	–	0.01	0.05	0.10	1.36	–	–	0.01	0.01
	Indicated	1,917,605	1,501,350	0.36	0.34	–	–	0.06	0.07	0.33	1.06	–	–	0.01	0.01
	Total	3,249,267	2,550,650	0.37	0.35	–	–	0.04	0.06	0.24	1.16	–	–	0.01	0.01
	Inferred	1,265,329	828,950	0.32	0.30	–	–	0.04	0.08	0.20	1.19	–	–	0.00	0.01

1 The 2013 disclosure has been restated to exclude the Disposal Assets.

2 Resources include undiscounted reserves. No ore loss or dilution has been included.

3 Mine extensions are included within the original ore body as part of operating mines.

Revision of ore reserves and mineral resources statement to 31 December 2014

DMT Consulting Ltd ('DMT' or the 'Consultant') has undertaken a review of the Mineral Resource and Ore Reserve estimates prepared by KAZ Minerals PLC (the 'Company') as the basis for the preparation of a statement of Mineral Resources and Ore Reserves as at 31 December 2014. Tabulations of Mineral Resources and Ore Reserves, comparisons with the previous annual statement and short technical descriptions are provided for the Company's copper assets.

DMT was known as IMC Group Consulting Limited ('IMC'), prior to renaming in September 2014. DMT's technical understanding of the mines and projects held by KAZ Minerals is largely based on the Competent Person's Reports that IMC prepared for the Company in 2005, for the London listing, and again in 2010, for the Hong Kong listing. Additional technical site visits have been made since 2010 when IMC/DMT considered them necessary, either to look at new assets or where significant changes have taken place e.g. new exploration drilling. 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 "Australasian Code for Reporting Mineral Resources and Ore Reserves" (2012), 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 "Mineral Resource" and "Ore Reserve".

DMT is satisfied, from the audit undertaken, that the recently revised estimates of resources and reserves prepared by the Company for the operating mines, are in accordance with the classification system required by law in the Republic of Kazakhstan and that, correspondingly, the estimates have a consistent basis for expressing the degree of confidence for stating quantities of exploitable minerals at specific grades of metal content. On the basis of the estimates supplied by the Company, DMT has applied the same technical criteria as used in the 2010 audit, for preparation of the restatement of Mineral Resources and Ore Reserves as at 31 December 2014, 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 operating mines. This is considered appropriate as all the mineral deposits currently being mined by KAZ Minerals were explored during the Soviet era and reserves approved during that era are still referenced. The aim of the guidelines is to provide a standard reporting terminology for use in disclosure of the assets of mining companies to stock markets.

Tim Horner
C.Geol C.Eng P.Geo (Ont)
Principal Geologist, DMT Consulting Ltd
10 February 2015

DMT Consulting Ltd
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United Kingdom

Annual General Meeting

The Annual General Meeting of the Company will be held at 12.15pm on Thursday 7 May 2015 at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED, United Kingdom. The Notice of Annual General Meeting and Form of Proxy are enclosed with this Annual Report and Accounts. The Notice of Annual General Meeting can also be found in the Investors & Media section on the KAZ Minerals website (www.kazminerals.com).

In previous years, the Company sought approval of a waiver by the Panel on Takeovers and Mergers (the 'Panel') of the obligations which would otherwise arise under Rule 9 of the Code on Takeovers and Mergers (the 'Code') requiring those shareholders comprising the 'concert party' to make an offer for the issued share capital of the Company in connection with the vesting of ordinary shares under the Long Term Incentive Plan (LTIP) awards granted to Eduard Ogay and Oleg Novachuk, each of whom were considered to be acting in concert with Vladimir Kim for the purposes of the Code.

The Panel has confirmed the independent Directors' view that Oleg Novachuk is no longer considered to be acting in concert with Vladimir Kim and Eduard Ogay, who are deemed to continue to be acting in concert with each other for the purposes of the Code.

Accordingly, at the Annual General Meeting, the Company is not proposing any resolution relating to any waiver of Rule 9 obligations by the Panel in connection with the vesting of ordinary shares under the LTIP award granted to Oleg Novachuk, who is no longer considered to be acting in concert with Vladimir Kim and Eduard Ogay.

As at 25 February 2015, the previous concert party (Vladimir Kim, Eduard Ogay and Oleg Novachuk) were interested in 188,064,645 ordinary shares, representing approximately 42.10% of the voting share capital of the Company, and the current concert party (Vladimir Kim and Eduard Ogay) were interested in 153,141,222 ordinary shares, representing approximately 34.28% of the voting share capital of the Company.

Electronic shareholder communications

KAZ Minerals uses its website (www.kazminerals.com) as its primary means of communication with its shareholders provided that the shareholder has agreed or is deemed to have agreed that communications may be sent or supplied in that manner. Electronic communications allow shareholders to access information instantly as well as helping KAZ Minerals reduce its costs and its impact on the environment. Shareholders can sign up for electronic communications via Computershare's Investor Centre website at www.investorcentre.co.uk. Shareholders that have consented or are deemed to have consented to electronic communications can revoke their consent at any time by contacting the Company's UK or Hong Kong registrar. In addition to enabling shareholders to register to receive communications by email, Computershare's Investor Centre website provides a facility for shareholders to manage their shareholding online by allowing them to:

- view their share balance;
- change their address;
- view payment and tax information; and
- update payment instructions.

Computershare's Investor Centre website also offers a share dealing service for shareholders on the UK register.

Trading account

Shareholders on the Company's UK register who are domiciled in the EU can open a trading account by contacting the Company's UK registrar. This service allows shareholders to hold their shares electronically rather than in certificated form. There are no set up or administration fees and certificates can be deposited free of charge (£25 per line of stock fee applies to transfers out). Additional highlights include:

- ability to trade online or over the telephone;
- £20 fee per transaction (telephone commission 1%, minimum £20);
- access to international markets;
- trade in or hold up to seven currencies; and
- limit orders, allowing shareholders to place trade instructions outside London Stock Exchange opening hours.

The value of your investments may go down as well as up. You may not get back all the funds that you invest. The potential for profit or loss from transactions on international markets or in foreign denominated currencies will be affected by fluctuations in exchange rates.

Electronic voting

Shareholders can submit proxies for the 2015 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 5 May 2015 (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 information – annual and half-yearly reports as well as production reports;
- share price information – current trading details and historical charts;
- shareholder information – dividend information, Annual General Meeting results and details of the Company's UK and Hong Kong registrars; and
- press releases – current and historical.

Registrars

For information about proxy voting, dividends and to report changes in personal details, shareholders should contact:

For shareholders holding their shares on the UK register:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom
Tel: +44 (0)870 707 1100
Fax: +44 (0)870 703 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
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183 Queen's Road East
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Fax: +852 2865 0990
Email: hkinfo@computershare.com.hk

For shareholders holding their shares on the Kazakhstan Stock Exchange:

Shareholder Queries
KAZ Minerals PLC
6th Floor, Cardinal Place
100 Victoria Street
London SW1E 5JL
United Kingdom
Tel: +44 (0)20 7901 7898
Email: shareholder@kazminerals.com

Unsolicited telephone calls and correspondence

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. These are typically from overseas based 'brokers' who target US or UK shareholders, offering to sell them what often turn out to be worthless or high risk shares. These operations are commonly known as 'boiler rooms' and the 'brokers' can be very persistent and extremely persuasive. If shareholders receive any unsolicited investment advice, they can check if the person or organisation is properly authorised by the Financial Conduct Authority (FCA) at www.fca.org.uk/scams and the matter may be reported to the FCA by emailing consumer.queries@fca.org.uk or by calling 0800 111 6768 (UK) or +44 20 7066 1000 (international). Details of any share dealing facilities that the Company endorses will be included in Company mailings or on our website.

Currency option and dividend mandate

The Company declares dividends in US dollars. For those shareholders who hold their shares on the UK register the default currency for receipt of their dividends is US dollars, although they can elect to receive their dividends in UK pounds sterling. For those shareholders who wish to receive their dividend in UK pounds sterling, they should contact the Company's UK registrar to request a currency election form. For those shareholders who hold their shares on the Hong Kong register the default currency for receipt of their dividends is Hong Kong dollars, although they can elect to receive their dividends in US dollars. Shareholders on the Hong Kong register of members can contact the Company's Hong Kong registrar to request a currency election form.

Shareholders on the UK register of members can arrange for dividends to be paid directly into a UK bank or building society account. To take advantage of this facility, you should contact the Company's UK registrar to request a dividend mandate form or register online at www.investorcentre.co.uk. The arrangement is only available in respect of dividends paid in UK pounds sterling.

Half-yearly results

The half-yearly results, to be announced on the London Stock Exchange, Hong Kong Stock Exchange and Kazakhstan Stock Exchange in August 2015, will continue to be available on the Company's website in the form of a press release and not issued to shareholders in hard copy. Shareholders that have signed up for electronic shareholder communication will be sent a notification when these are available on the website.

Shareholder interests at 31 December 2014

Number of shareholders: 1,865

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	1,026	55.01	0.08
1,001 to 5,000	371	19.90	0.20
5,001 to 10,000	119	6.38	0.19
10,001 to 100,000	197	10.56	1.58
Over 100,000	152	8.15	97.95
Total	**1,865**	**100.00**	**100.00**

By category of shareholder	No. of accounts	% of total accounts	% of ordinary share capital
Private shareholders	845	45.31	0.43
Banks/nominees	975	52.28	96.19
Pension funds	1	0.05	0.00
Investment/unit trusts	2	0.11	0.00
Insurance companies	1	0.05	0.00
Corporate holders	36	1.94	0.76
Hong Kong Share Register	1	0.05	0.07
Share Plan Control Account	2	0.11	0.00
Treasury Account	1	0.05	2.55
Vested Share Account	1	0.05	0.00
Total	**1,865**	**100.00**	**100.00**

Events calendar	
Q1 Interim Management Statement	April 2015
Annual General Meeting	7 May 2015
Half-yearly results announced	August 2015
Q3 Interim Management Statement	October 2015

Cautionary comment concerning forward-looking statements

This Annual Report and Accounts includes forward-looking statements with respect to the business, strategy and plans of KAZ Minerals and its current goals, assumptions and expectations relating to its future financial condition, performance and results.

By their nature, forward-looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause actual results, performance or achievements of KAZ Minerals to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Shareholders are cautioned not to place undue reliance on the forward-looking statements. Except as required by the UK Listing Rules and applicable law, KAZ Minerals does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this Annual Report and Accounts.

bcm:t – bank cubic metres excavated to recover one metric tonne of coal

Board or Board of Directors – the Board of Directors of the Company

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/(loss) before finance items and taxation, net of other operating income, excluding mineral extraction tax, depreciation, depletion, amortisation, the non-cash component of the disability benefits obligation and special items

CDB or China Development Bank – the China Development Bank Corporation

CIT – corporate income tax

CNY – Chinese yuan, basic unit of the renminbi

CO_2 – carbon dioxide

CO_2e – carbon dioxide equivalent

Committee or Committees – any or all of the Audit; Group Health, Safety and Environment; Remuneration; or Nomination Committees depending on the context in which the reference is used

Company or KAZ Minerals – KAZ Minerals PLC

continuing operations – the Group following completion of the Restructuring

CREST – an electronic means of settling share transactions and registering investors on a company's register of members

Cuprum Holding – Cuprum Netherlands Holding B.V. (now named Kazakhmys Holding Group B.V.), the entity to which the Disposal Assets were transferred

Directors – the directors of the Company

Disposal Assets – the Disposal Assets comprised the mining, processing, auxiliary, transportation and heat and power assets of the Group in the Zhezkazgan and Central Regions. The Disposal Assets include 12 copper mines, mine development opportunities, four concentrators, two smelters, two coal mines and three captive heat and power stations, all of which were disposed of as a result of the Restructuring

dollar or $ or USD – United States dollars, the currency of the United States of America

EBITDA – earnings before interest, taxation, the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation and mineral extraction tax

Ekibastuz GRES-1 – Ekibastuz GRES-1 LLP

ENRC or ENRC PLC – Eurasian Natural Resources Corporation PLC

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

EPT – excess profits tax

Eurasian Resources – Eurasian Resources Group B.V.

Euro or € – Euro, the currency of certain member states of the European Union

Free Cash Flow – net cash flow from operating activities before capital expenditure and non-current VAT associated with expansionary and new projects less sustaining capital expenditure

GHG – greenhouse gas

g/t – grammes per metric tonne

Government or State – the Government of the Republic of Kazakhstan

gross cash cost – mining cash operating costs divided by the volume of copper cathode equivalent sales

the Group – KAZ Minerals PLC and its subsidiary companies

Group EBITDA – earnings before interest, taxation, the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation and mineral extraction tax adjusted for special items and including the share of EBITDA of the joint venture and associate

GWh – gigawatt-hour, one gigawatt-hour represents one hour of electricity consumed at a constant rate of one gigawatt

IAS – International Accounting Standards

IASB – International Accounting Standards Board

IFRS or IFRSs – International Financial Reporting Standard

JORC – Joint Ore Reserves Committee

Kazakhmys Corporation LLC or Kazakhmys LLC – Kazakhmys Corporation LLC, the Group's principal operating subsidiary in Kazakhstan prior to the Restructuring

Kazakhmys Mining – a former operating segment of the Group which comprised all entities and functions within the Group responsible for the exploration, evaluation, development, mining and processing of the Group's mineral resources and sale of the Group's metal products until completion of the Restructuring. The operating segment excluded the Group's captive power stations, which were included within the Kazakhmys Power operating segment

Kazakhmys Power – a former operating segment of the Group, until completion of the Restructuring, which included the Group's captive power stations and the Ekibastuz GRES-1 power plant joint venture, whose principal activity was the sale of electricity to external customers and internally to Kazakhmys Mining

Kazakhstan – the Republic of Kazakhstan

kbcm – thousand bank cubic metres

KGcal – thousand gigacalories, units of heat energy

koz – thousand ounces

KPI – key performance indicator

kt – thousand metric tonnes

kWh – kilowatt hour, one kilowatt hour represents one hour of electricity consumed at a constant rate of one kilowatt

LBMA – London Bullion Market Association

LIBOR – London Inter Bank Offer Rate

Listing – the listing of the Company's ordinary shares on the London Stock Exchange on 12 October 2005

LME – London Metal Exchange

LTIFR – lost time injury frequency rate

major growth projects – Bozshakol, Aktogay and Koksay

megalitre – thousand cubic metres

MET – mineral extraction tax

MKM – MKM Mansfelder Kupfer und Messing GmbH, the Group's operating subsidiary in the Federal Republic of Germany and an operating segment of the Group (until its disposal on 28 May 2013), which manufactures copper and copper alloy semi-finished products

MT – million metric tonnes

MW – megawatt, a unit of power equivalent to one million watts

net cash cost of copper – mining cash operating costs less by-product revenues, divided by the volume of copper cathode equivalent sales

net dependable capacity – maximum capacity sustained by a unit in a specified period modified for seasonal limitations and reduced by the capacity required for the plan

Non Ferrous China or NFC – China Non Ferrous Metal Industry's Foreign Engineering and Construction Co., Ltd

NO_x – nitrogen oxides

ounce or oz – a troy ounce, which equates to 31.1035 grammes

PXF – pre-export finance debt facility

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 – US dollars per metric tonne

Samruk-Energo – Joint Stock Company "Samruk-Energo", an entity owned and controlled by Samruk-Kazyna and therefore the Government of Kazakhstan

Samruk-Kazyna – Joint Stock Company "National Welfare Fund "Samruk-Kazyna", an entity owned and controlled by the Government of Kazakhstan

silver in copper concentrate sold – the silver granule equivalent of silver in copper concentrate sold

SO_2 – sulphur dioxide

som or KGS – the official currency of Kyrgyzstan

special items – those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business. Special items are set out in notes 5 and 14(h) to the financial statements

SX/EW – solvent extraction and electrowinning, a two-stage metallurgy process used for the extraction of copper

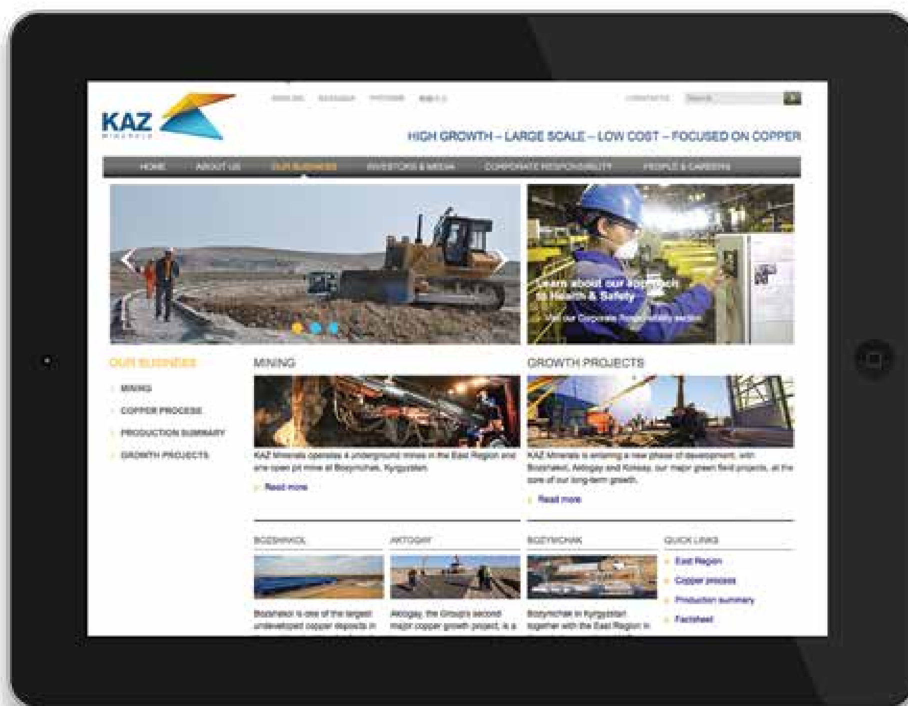
t – metric tonnes

TC/RCs – treatment charges and refining charges paid for smelting and refining services

tenge or KZT – the official currency of the Republic of Kazakhstan

Underlying Loss/Profit – loss/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 15(b) to the financial statements

USc/lb – US cents per pound



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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United Kingdom

Auditors
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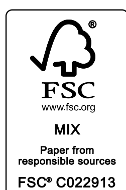

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