This document comprises a prospectus relating to Kazakhmys PLC (''the Company'') prepared in accordance with the Prospectus Rules made under Section 73A of the Financial Services and Markets Act 2000.

Application has been made to the Financial Services Authority and to the London Stock Exchange plc (the ''London Stock Exchange'') for the Ordinary Shares of the Company, issued and to be issued in connection with the Global Offer, to be admitted to the Official List of the Financial Services Authority and for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. Admission to the Official List together with admission to trading on the London Stock Exchange's main market for listed securities (''Admission'') will constitute admission to official listing on a stock exchange. Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 7 October 2005. It is expected that Admission will become effective and that unconditional dealings will commence in the Ordinary Shares at 8.00 a.m. (London time) on 12 October 2005. All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.

For a discussion of certain risks and other factors that should be considered in connection with an investment in the Ordinary Shares, see ''Risk factors''.

Kazakhmys PLC

(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 05180783)

Global Offer of 122,477,716 Ordinary Shares of 20p each at an Offer Price expected to be between 460p and 545p
and admission to the Official List of the Financial Services Authority and
admission to trading on the London Stock Exchange

Sponsor and Financial Adviser

JPMorgan Cazenove

Joint Global Co-ordinators and Joint Bookrunners

Credit Suisse First Boston **JPMorgan Cazenove**

Co-Lead Managers

Deutsche Bank **HSBC** **JPMorgan**

Expected ordinary share capital immediately following the Global Offer

Authorised		Issued	
Number	Amount	Number	Amount
750,000,005	£150,000,001	467,472,200	£93,494,440

In connection with the Global Offer, the Stabilising Manager, whose identity is to be determined on or prior to publication of the Offer Price, may over-allot or effect other transactions which stabilise or maintain the market price of the Ordinary Shares or any options, warrants or rights with respect to, or interests in, the Ordinary Shares, in each case at a higher level than might otherwise prevail in the open market. Such transactions may commence on or after the date of publication of the Offer Price and will end no later than 30 days thereafter. Such transactions may be effected on the London Stock Exchange, the over-the-counter market or otherwise. There is no assurance that such transactions will be undertaken and, if commenced, they may be discontinued at any time. Save as required by law, it is not intended that the Stabilising Manager will disclose the extent of any over-allotments and/or stabilisation transactions under the Global Offer.

In connection with the Global Offer, the Option Shareholder will agree with the Stabilising Manager that Ordinary Shares may be over-allotted for stabilisation purposes up to the maximum percentage permitted by the Stabilisation Regulation of Ordinary Shares to be issued and sold under the Global Offer (assuming no exercise of the Managers' Option) and will grant the Joint Global Co-ordinators the Managers' Option, pursuant to which they may purchase, or procure purchasers for, a maximum number (to be determined) of Option Shares for the purposes of allowing the Stabilising Manager to cover short positions resulting from such over-allotments. The Managers' Option will be exercisable in whole or in part at any time during the period commencing on the date of publication of the Offer Price and ending 30 days thereafter.

JPMorgan Cazenove as Sponsor and Financial Adviser and as Joint Global Co-ordinator and Joint Bookrunner and Credit Suisse First Boston as Joint Global Co-ordinator and Joint Bookrunner are advising the Company and no one else in connection with the Global Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for providing any advice in relation to the Global Offer.

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The Ordinary Shares offered by this Prospectus have not been and will not be registered under the Securities Act or under the applicable securities laws of any state of the United States. In the United States, the offering of the Ordinary Shares is only being made to qualified institutional buyers in reliance on Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act. Prospective investors that are qualified institutional buyers are hereby notifed that the sellers of the Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Certain restrictions on transfers of the Ordinary Shares are described in ''The Global Offer and related matters—Securities laws and restrictions on transfer—United States'' in Part V. Outside the United States, the offering is being made in accordance with Regulation S under the Securities Act.

The Global Offer being made by means of this Prospectus is being made in the United Kingdom by means of an institutional offer. This Prospectus does not constitute an offer, or the solicitation of an offer, to subscribe for or buy any Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful and, in particular, is not for distribution in Australia, Canada, Japan or the Republic of Ireland. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in Australia, Canada, Japan or the Republic of Ireland or to any national, resident or citizen of Australia, Canada, Japan or the Republic of Ireland.

The distribution of this Prospectus in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The offer and sale of Ordinary Shares and the distribution of this Prospectus are subject to the restrictions described in ''The Global Offer and related matters—Securities laws and restrictions on transfer'' in Part V.

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been so authorised. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date hereof or that the information in this Prospectus is correct as of any time subsequent to the date of this Prospectus, save for such statements as are required by law or regulation to refer to one or more future dates.

The content of this Prospectus is not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

None of the US Securities and Exchange Commission, any other US federal or state securities commission or any US regulatory authority has approved or disapproved of the Ordinary Shares nor have such authorities reviewed or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (''RSA 421-B'') WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Prospectus, including (but not limited to) those in ''Risk factors'', ''Information on the Group'' in Part II, ''Industry and mining regulatory overview'' in Part IV, ''Operating and financial review'' in Part VII and ''Technical Report'' in Part XII, constitute ''forward-looking statements''. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, among others, general economic and business conditions, industry trends, competition, commodity prices, changes in government regulation, currency fluctuations (including the US Dollar, the Tenge and Euro exchange rates), the Group's ability to recover its reserves or develop new reserves, implement its expansion plans and achieve cost reductions and efficiency measures, changes in business strategy or development, political and economic uncertainty and other risks described in ''Risk factors''. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this Prospectus will, in fact, occur. These forward-looking statements speak only as at the date of this Prospectus. The Company will not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Prospectus except as required by law or by any appropriate regulatory authority.

ENFORCEABILITY OF JUDGMENTS IN THE UNITED STATES

All of the Directors and executive officers of the Company are residents of countries other than the United States. The Company is a public limited company incorporated under the laws of England and Wales. Furthermore, a substantial portion of the Directors' assets and all of the assets of the Group are located outside the United States. As a result, it may not be possible for investors in the United States to:

- effect service of process within the United States upon any of the Directors and executive officers of the Company; or
- enforce in the US courts or outside the United States judgments obtained against any of the Directors and executive officers of the Company in the US courts in any action, including actions under the civil liability provisions of US securities laws; or
- enforce in the US courts judgments obtained against any of Directors and executive officers of the Company in courts in jurisdictions outside the United States in any action, including actions under the civil liability provisions of US securities laws.

Investors may also have difficulties enforcing, in original actions brought in courts in jurisdictions outside the United States, liabilities under the US securities laws.

The Directors have been advised by Norton Rose, the Company's legal advisers as to English law, that there is doubt as to the enforceability of liabilities against these persons in the United Kingdom in original actions or in actions for the enforcement of judgments of US courts predicated upon the federal securities laws of the United States.

AVAILABLE INFORMATION

For so long as any of the Ordinary Shares remain outstanding and are ''restricted securities'' within the meaning of Rule 144(a)(3) promulgated under the Securities Act, the Company will, during any period in which it is not subject to Section 13 or 15(d) under the Exchange Act, nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner, or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act upon the request of such holder, beneficial holder or prospective purchaser.

Contents

Summary

This summary should be read as an introduction to the Prospectus. The following summary information has been prepared in accordance with the Prospectus Rules and provides summary information on the Group and the Ordinary Shares and on the risks of investment therein. It does not purport to be complete and is taken from, and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus. Certain of the terms used in this Prospectus are defined in ''Definitions and glossary of technical terms'' in Part XIII. Investors should read the whole of this Prospectus and not just rely upon summarised information. Any decision to invest in the Company should be based on the consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for the summary including any translations of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus.

Overview

The Group's principal business is the mining, processing, smelting, refining and sale of copper and copper products, including copper cathode and copper rod, and is carried on by the Company's main subsidiary, Kazakhmys. The Group is the tenth largest copper cathode producer and the tenth largest mined copper producer in the world based on 2004 production, according to Brook Hunt. As by-products of its Kazakh copper operations, the Group also processes, refines and sells zinc, gold and silver.

Kazakhmys is the largest producer of copper in Kazakhstan according to Brook Hunt. Its operations are vertically integrated; it mines all the ore it processes, produces substantially all the copper concentrate it processes and generates sufficient electricity to meet its own requirements. Kazakhmys operates 16 open pit and underground mines and two smelting and refining complexes in various parts of Kazakhstan. It also owns significant rail infrastructure in Kazakhstan.

In December 2004, the Group acquired MKM, a copper products fabrication company in Germany that produces and sells copper and copper alloy semi-finished products worldwide.

The Group's revenues increased from $836.9 million in 2003 to $1,259.5 million in 2004. Its profit increased from $137.7 million in 2003 to $441.3 million in 2004. For the five months ended 31 May 2005, the Group had revenues of $978.5 million and profit of $197.2 million.

As at 31 May 2005, the Group had approximately 66,000 employees worldwide.

Summary description of the business and primary facilities

Kazakh copper business

Kazakhmys operates in distinct units. The main units are the Zhezkazgan Complex, Balkhash and Karaganda. The Zhezkazgan Complex operations include mines and facilities producing copper and a slime containing silver which is sent to Balkhash. Balkhash comprises the mines and concentrators of the Balkhash Complex and the East Region and the facilities at the Balkhash Complex that produce copper, zinc, gold and silver. Karaganda comprises Kazakhmys' two coal mines at Borly and a power generating plant.

Kazakhmys operates 11 underground and five open pit mines at the Zhezkazgan Complex and Balkhash. Kazakhmys' mineral reserves and resources are sufficient to support projected production for at least 20 years. In addition to the copper reserves and resources, the mines in the Zhezkazgan area contain silver, those in the Balkhash area contain small amounts of gold and silver, and those in the East Region contain substantial quantities of zinc in addition to small amounts of gold and silver.

The Group's operations are vertically integrated, incorporating all aspects of production from mining to refining at both the Zhezkazgan Complex and Balkhash. It operates nine concentrators and two copper smelter/refineries, as well as a zinc plant, a precious metals refinery and a copper rod plant. It also has its own captive power—the power plants at Karaganda and the Zhezkazgan and Balkhash Complexes, utilising coal from the Group's Borly coal mines, currently provide more electricity than that consumed by the Group.

In 2004, the Group produced 428 kilotonnes of copper cathode, including 20 kilotonnes produced from tolling operations. In 2004, the Group's total copper cathode production at the Zhezkazgan Complex was 236 kilotonnes, excluding tolling. The Group also produced 49 kilotonnes of copper rod from its own cathode at the Zhezkazgan Complex. For the same period, the Group's total copper cathode production at Balkhash was 172 kilotonnes, excluding tolling.

In the five months ended 31 May 2005, the Group produced 167 kilotonnes of copper cathode, including 4 kilotonnes produced from tolling operations. The Group's total refined copper production at the Zhezkazgan Complex was 99 kilotonnes, excluding tolling. The Group produced 4 kilotonnes of copper rod from its own cathode at the Zhezkazgan Complex. For the same period, the Group's total copper cathode production at Balkhash was 64 kilotonnes, excluding tolling.

In 2004, the Group's total zinc in concentrate production was 66 kilotonnes, from which refined zinc production was 18.2 kilotonnes. The zinc plant is expected to reach full capacity of approximately 100 kilotonnes per annum in 2006. Total gold production was 86.3 thousand troy ounces, and total silver production was 17.7 million troy ounces. Some of the gold and silver produced is treated on a tolling basis.

In the five months ended 31 May 2005, the Group's total zinc in concentrate production was 38.6 kilotonnes, from which refined zinc production was 24.4 kilotonnes. Total gold production was 46.6 thousand troy ounces, and total silver production was 8.6 million troy ounces.

MKM

MKM produces and sells copper and copper alloy semi-finished products for various applications, including electrical distribution, electronics, data transmission and air conditioning in, among others, the construction, automotive, aviation and general engineering industries. Based on the Group's unaudited pro forma consolidated income statement for the year ended 31 December 2004, MKM would have accounted for 27.9% of the Group's revenue in 2004. MKM accounted for 34.3% of the Group's revenue in the five months ended 31 May 2005.

Key strengths

The Directors believe that the key strengths of the Group's business are:

- its size, vertical integration, low costs and long-life asset base;
- its ability to tap Kazakh and regional natural resources wealth;
- its proximity to China; and
- its proven management team.

Group strategy

The Group's strategy is to achieve growth as a natural resources group and to enhance overall value for its shareholders. The Group intends to pursue this strategy by:

- continuing to optimise the performance of existing assets through improved efficiency, appropriate output expansion and focus on maintaining low costs;
- completing existing growth and expansion projects, which include the new Aktogay and Zhaman-Aybat mines, extensions to existing mines, a new acid plant at Balkhash and several other long-term growth projects within Kazakhstan;
- leveraging its competitive position to seek further growth opportunities in natural resources within Kazakhstan and elsewhere in the region;
- applying its critical mass, strong cash flows and financial flexibility to enable the Group to make opportunistic acquisitions; and
- improving the Group's international visibility and broadening its access to international capital markets as a public company.

The Company also recognises that the health and safety of its employees and the maintenance of high environmental performance standards are major priorities. To this end, a detailed health and safety and environmental (''HSE'') audit has been commissioned from independent consultants. The Company, along with the HSE committee of the Board, will review its recommendations in order to develop an appropriate implementation strategy and allocate the necessary financial and managerial resources.

Selected financial and operating information

The table below provides selected financial and operating information in relation to the Group. Other than copper cathode produced, which has been extracted without material adjustment from the ''Technical report'' in Part XII, this information has been extracted without material adjustment from ''Financial information—Historical financial information on the Group'' in Part VIII and has been prepared on the basis described in the footnotes to the Group's consolidated financial statements in Part VIII, except for the Adjusted EBITDA and Adjusted EBIT information, which has been calculated as set out in Part VI. Investors should read the whole of this Prospectus and not rely solely on summarised information.

	Years ended 31 December			Five months ended 31 May
	2002	2003	2004	2005
	($ million, except as noted)			
Income statement data:				
Revenues	819.9	836.9	1,259.5	978.5
Cost of sales	(440.9)	(436.8)	(505.4)	(574.5)
Gross profit	379.0	400.1	754.1	404.1
Distribution expenses	(23.1)	(21.2)	(18.0)	(24.1)
Administrative expenses	(85.9)	(107.8)	(109.4)	(68.1)
Write offs and impairment losses	(9.7)	(7.8)	(41.9)	(3.6)
Other income/(expenses)	(4.6)	6.3	(6.3)	(2.4)
Profit from continuing operations before tax and finance costs	255.8	269.6	578.5	305.8
Net financing income / (expenses)	(0.6)	(2.1)	4.5	0.7
Foreign exchange gain/(loss)	4.5	(27.4)	(29.4)	(0.1)
Recognition of negative goodwill	—	—	111.3	—
Profit before tax	259.6	240.1	665.0	306.4
Income tax expense	(98.8)	(102.4)	(223.7)	(109.1)
Profit for the period	160.8	137.7	441.3	197.2
Attributable to equity shareholders of the Company	156.5	134.1	429.8	192.2
Cash flow data:				
Net cash flows from operating activities	303.9	139.4	536.0	231.7
Net cash flows (used in) investing activities	(89.3)	(273.5)	(135.7)	(152.6)
Net cash flows from/(used in) financing activities	(88.0)	41.6	(368.0)	(30.1)
Net increase/(decrease) in cash and cash equivalents	126.7	(92.5)	32.3	49.0
Other financial and operating data:				
Adjusted EBITDA[1]	379.5	373.1	761.6	376.2
Adjusted EBITDA margin %[1]	46.3	44.6	60.5	38.4
Adjusted EBIT[1]	256.0	239.2	562.7	305.8
Adjusted EBIT margin (%)[1]	31.2	28.6	44.7	31.3
Copper cathode produced (kt)[2]	432	418	428	167
Capital expenditure[3]	157.9	124.7	162.2	129.7
Average exchange rate (KZT/$)[4]	153.50	149.35	135.95	130.68
Period end exchange rate (KZT/$)[5]	155.85	143.25	129.96	132.49

	As at 31 December			As at 31 May
	2002	2003	2004	2005
	($ million)			
Balance sheet data:				
Cash and cash equivalents	95.4	7.7	43.4	89.2
Investments in securities	102.2	260.6	259.9	281.1
Non-current assets	1,331.8	1,423.4	1,727.1	1,727.9
Total assets	1,742.8	2,069.1	2,577.8	2,638.0
Borrowings (short- and long-term)	204.8	169.7	102.1	125.6
Other current liabilities	108.2	124.1	294.3	251.3
Other non-current liabilities	318.8	340.6	367.5	356.8
Total equity	1,111.0	1,434.7	1,813.8	1,904.3

(1) Adjusted EBIT is calculated as earnings before interest and taxation and, in 2004, recognition of negative goodwill, and non-operating foreign exchange gain/(loss). Adjusted EBITDA is calculated as Adjusted EBIT plus depreciation and amortisation, write-off adjustments and one-time fixed asset disposals. Neither Adjusted EBIT nor Adjusted EBITDA is a measure of financial performance under IFRS or US GAAP. References to Adjusted EBITDA margin and Adjusted EBIT margin are to Adjusted EBITDA and Adjusted EBIT as a percentage of revenue. See ''Selected financial and operating information'' in Part VI for a reconciliation of profit for the period to Adjusted EBITDA and Adjusted EBIT.

(2) Includes cathode production from tolling activities.

(3) Capital expenditure means expenditure on acquiring or upgrading property, plant or equipment, including intangibles such as licenses, and includes mine stripping costs.

(4) On consolidation, income statements of subsidiaries are translated into the presentation currency for the Group, which is the US Dollar, at average rates of exchange for the relevant periods.

(5) Balance sheet items are translated into US Dollars at period end exchange rates.

The table below provides selected financial information in relation to the Group to illustrate the effect on the consolidated results for the year ended 31 December 2004 of the Company as if the acquisition of MKM had taken place prior to 1 January 2004, and has been extracted without material adjustment from ''Unaudited pro forma financial information'' in Part IX.

	Year ended 31 December 2004					
	Unaudited pro forma revenue		Unaudited pro forma Adjusted EBITDA[(1)]		Unaudited pro forma EBIT[(1)]	
	$ million	As % of the Group	$ million	As % of the Group	$ million	As % of the Group
Company[(2)]	—	—	12.2	1.6%	12.2	2.2%
Kazakhmys	1,259.5	72.1%	749.7	97.4%	566.4	102.9%
MKM[(3)]	486.9	27.9%	7.5	1.0%	(28.3)	(5.1%)
Group	1,746.4	100.0%	769.3	100.0%	550.2	100.0%

(1) Adjusted EBITDA is calculated as Adjusted EBIT plus depreciation and amortisation, write-off adjustments and one-time fixed asset disposals. EBIT is calculated as profit from continuing operations before tax and finance costs, which is extracted without adjustment from the Group's historical financial information. Adjusted EBITDA is not a measure of financial performance under IFRS or US GAAP. See ''Unaudited pro forma financial information'' in Part IX for a reconciliation of unaudited pro forma EBIT to unaudited pro forma Adjusted EBITDA.

(2) Amounts for the Company in 2004 are for the period since incorporation on 15 July 2004 to 31 December 2004.

(3) MKM became part of the Group in December 2004.

Basis of preparation: The unaudited pro forma information for the year ended 31 December 2004 included in the above table is for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not present the Group's actual financial position or results. The information has been prepared to illustrate the revenue, Adjusted EBITDA and EBIT of the Group as if the acquisition of MKM had taken place prior to 1 January 2004. It includes the revenue, Adjusted EBITDA and EBIT of MKM for the year ended 31 December 2004.

Dividend policy

The Directors intend to adopt a dividend policy which will take into account the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cash flows, while maintaining an appropriate level of dividend cover.

Following Admission, in the absence of unforeseen circumstances and assuming the Group's performance continues in line with the Board's expectations, subject to there being available reserves for the purpose, the Directors intend to declare a full year dividend of between $150 million and $225 million in respect of the financial year ending 31 December 2005.

Thereafter, the Directors intend that interim and final dividends will be paid in the approximate proportions of one-third and two-thirds of the total annual dividend, respectively.

Dividends will be declared by the Company in US Dollars. Unless a Shareholder elects to receive dividends in US Dollars, they will be paid in pounds sterling with the US Dollar dividend being converted into pounds sterling at exchange rates prevailing at the time of payment. The Company may only pay dividends if distributable reserves are available for this purpose. As a holding company the ability of the Company to pay dividends will principally depend upon dividends or interest paid by its subsidiaries.

The Global Offer

The Global Offer comprises an issue of 58,434,025 New Ordinary Shares and the sale of 64,043,691 Sale Shares.

All Shares issued or sold pursuant to the Global Offer will be issued or sold at the Offer Price. It is currently expected that the Offer Price will be within the price range, but this range is indicative only and the Offer Price may be set within, above or below it. The Offer Price will be determined following a bookbuilding process as described in Part V and details will be contained in a pricing supplement expected to be published on or around 7 October 2005.

Admission is expected to take place, and unconditional dealings in the Ordinary Shares are expected to commence, on the London Stock Exchange at 8.00 a.m. (London time) on 12 October 2005. When Admission occurs, the Underwriters will be subject to an unconditional obligation to underwrite the Global Offer (other than any Sale Shares being sold pursuant to the exercise of the Managers' Option).

The Global Offer comprises an offer to institutional investors in the United Kingdom, the United States (in reliance upon Rule 144A under the Securities Act or another exemption from, or a transaction not subject to, the registration requirements of the Securities Act) and elsewhere.

In connection with the Global Offer, the Stabilising Manager may over-allot or effect other transactions which stabilise or maintain the market price of the Ordinary Shares or any options, warrants or rights with respect to, or interests in, the Ordinary Shares, in each case at a higher level than might otherwise prevail in the open market. Such transactions may commence on or after the date of publication of the Offer Price and will end no later than 30 days thereafter. Such transactions may be effected on the London Stock Exchange, the over-the-counter market or otherwise. There is no assurance that such transactions will be undertaken and, if commenced, they may be discontinued at any time. Save as required by law, it is not intended that the Stabilising Manager will disclose the extent of any over-allotments and/or stabilisation transactions under the Global Offer.

In connection with the Global Offer, the Option Shareholder will agree with the Stabilising Manager that Ordinary Shares may be over-allotted for stabilisation purposes up to the maximum percentage permitted by the Stabilisation Regulation of Ordinary Shares to be issued and sold under the Global Offer (assuming no exercise of the Managers' Option) and will grant the Joint Global Co-ordinators the Managers' Option, pursuant to which they may purchase, or procure purchasers for, a maximum number (to be determined) of Option Shares for the purposes of allowing the Stabilising Manager to cover short positions resulting from such over-allotments. The Managers' Option will be exercisable in whole or in part at any time during the period commencing on the date of publication of the Offer Price and ending 30 days thereafter.

Use of proceeds

Based on an Offer Price expected to be between 460p and 545p, the Group's net proceeds from the Global Offer are estimated to be between £240.8 million (approximately $428.4 million) and £288.8 million (approximately $513.7 million), after deduction of maximum offer costs and estimated expenses payable by the Group. The Group will not receive any portion of the proceeds from the sale of Sale Shares by the Selling Shareholders.

The principal use of the proceeds of the Global Offer, supplemented by the Group's existing cash resources and (if appropriate) external or project or other financing, is to grow the Group both organically as well as through opportunistic acquisitions.

The Company intends to use the net proceeds of the Global Offer primarily to provide funding as follows and in the priority as set out below:

Item	Estimated Total Expenditure	Proceeds from the Global Offer	Anticipated Source of Balance
Sulphuric acid plant at Balkhash.	$52 million	$25 million	Existing resources
Existing growth projects, including primarily the Aktogay mine and concentrator.	$529 million	$446 million	Cash flow from operations and/or third party funding

The above table assumes an Offer Price in the middle of the price range.

In the event that attractive acquisition opportunities arise within the natural resources sector prior to expenditure of all the net proceeds on the above projects, provided that the Group is satisfied that it will still be able to fund completion of such projects, the Group may use part of the Global Offer proceeds in funding all or part of such acquisitions.

Pending investment, the net proceeds will be placed on deposit.

Risk factors

Prior to investing in the Ordinary Shares, prospective investors should consider, together with other information contained in this Prospectus, certain risks and other factors set out in ''Risk factors''.

Lock-ups

Each of the Company, the Executive Directors and the Selling Shareholders has agreed to enter into certain lock-up arrangements. Each has agreed that it will not offer or sell any Ordinary Shares for a period of 360 days after Admission. Further details of these lock-up arrangements are contained in ''Additional information—Underwriting Agreement'' in paragraph 8 of Part XI.

Risk factors

In addition to the other information contained in this Prospectus, prospective subscribers or purchasers of the Ordinary Shares should consider carefully the specific risks set out below before making a decision to invest in the Ordinary Shares. These risks and uncertainties may not be the only ones facing the Group. Additional risks and uncertainties not presently known to the Group or that the Group currently deems immaterial may also impair the Group's business operations. The business, financial condition or results of the operations of the Group could be materially adversely affected by any of these risks. The trading price of the Ordinary Shares could decline due to any of these risks and investors could lose part or all of their investment.

Risks relating to the Group's operations

The business of mining, smelting and refining metals involves a number of risks and hazards, including the significant risk of disruption.

The business of mining, smelting and refining metals involves a number of risks and hazards, including industrial accidents, labour disputes, unusual or unexpected geological conditions, mine collapses, equipment failure, changes in the regulatory environment, environmental hazards, and weather and other natural phenomena such as earthquakes and floods. The Group may experience material mine or plant shutdowns or periods of reduced production as a result of any of the above factors. Such occurrences could result in material damage to, or the destruction of, mineral properties or production facilities, human exposure to pollution, personal injury or death, environmental and natural resource damage, delays in mining, monetary losses and possible legal liability, any of which could negatively affect the Group's results of operations. As mining and smelting activities have been in progress in areas where Kazakhmys has operations since early in the twentieth century, Kazakhmys may have more exposure to such risk than newer mining and smelting operations.

Additionally, any production disruption, such as occurred in the first five months of 2005, would have a negative effect on the Group's profitability and cash flows, and may require the Group to make large capital expenditures. See ''Operating and financial review—Results of operations—Five months ended 31 May 2005'' in Part VII. In addition to the revenue losses, longer-term business disruption could result in a loss of customers. If this were to occur, the Group's future sales levels, and therefore its future profitability, could be adversely affected.

Kazakhmys has a relatively high accident rate, and the level of the average compensation per claim has been rising.

Kazakhmys has a relatively high accident rate and a similarly relatively high level of fatalities. In 2002, 2003 and 2004, Kazakhmys experienced 49, 39 and 35 worker fatalities, respectively. In the five months ended 31 May 2005, there were 14 worker fatalities. In 2004, approximately half of the fatalities were due to falls of ground. For the five months ended 31 May 2005, five of the 14 fatalities were also due to falls of ground. This fatality rate is believed to be higher than the usual level in similar mining operations elsewhere in the world, although Kazakhmys' safety statistics are not readily comparable to standard industry figures. Over the past few years, the amount of money per individual claim that Kazakhmys has had to pay each year as compensation for accidents and fatalities has increased. If this trend were to continue or if Kazakhmys were not able to reduce its accident rate, then these compensation payments could adversely affect the Group's results of operations.

The Group's financial performance is highly dependent upon the price of copper and, to a lesser extent, silver and zinc.

The Group's financial performance is highly dependent on the market price of copper, which accounted for 83.1% of its revenue in 2004, and, to a lesser extent, silver, which accounted for 9.1% of its revenue in 2004, and zinc, which accounted for 1.2% of its revenue in 2004. Historically, sales of zinc metal have not been a significant source of the Group's revenue, although management anticipates that the Group's revenue from zinc metal will increase as the zinc plant at Balkhash moves towards full capacity. These prices have historically been subject to wide fluctuations and are affected by numerous factors beyond the Group's control, including international economic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels maintained by producers and others, and actions of participants in the commodities markets. To a lesser extent, the market prices of copper and zinc are also subject to the effects of inventory carrying costs and currency exchange rates. In addition, the market prices of copper and zinc have occasionally been subject to rapid short-term changes. See ''Industry and mining regulatory overview—Industry overview'' in Part IV. During 2005, copper and zinc prices have been at relative highs—reaching $3,978 per tonne of copper on 23 September 2005, and $1,415 per tonne of zinc on 23 September 2005. There is no certainty that these prices will remain at or near these levels. Future prolonged reductions or declines in the world copper price could have a material adverse effect on the Group's revenues.

Fluctuations in currencies may adversely affect the Group's financial condition and results of operations.

The results of the Group's operating subsidiaries are reported in the relevant local currencies such as the Tenge and the Euro while the Group's consolidated results are reported in US Dollars. The results of the Group's operations are translated into US Dollars at the applicable currency exchange rate for inclusion in the Group's consolidated financial statements. The exchange rates between such local currencies and the US Dollar have historically fluctuated, and the translation effect of such fluctuations may have a material adverse effect on both Group members' individual, and the Group's consolidated, results of operations or financial condition.

The Group principally produces copper along with by-products such as zinc, gold and silver, which are commodities that typically are priced by reference to prices in US Dollars, while a substantial portion of the Group's costs are incurred in Tenge and, to a lesser extent, Euros. Between 2002 and 2004, both the Tenge and the Euro have strengthened against the US Dollar, which increased the Group's costs in US Dollar terms. Recently, the Tenge and the Euro have weakened against the US Dollar but if they were to strengthen against the US Dollar, this could have an adverse effect on the Group's financial condition and results of operations.

The Group's focus on the Chinese market may negatively impact the Group's results in the event of a slowdown in Chinese demand.

The Chinese market has become a significant source of global growth for basic commodities. According to Brook Hunt, the percentage of global copper demand attributable to China approximately tripled, from 6% of global demand in 1990 to over 21% in 2004.

The Group's exposure to the Chinese economy and economic policies has also increased. In 2004, the Group sold 87.3% of its copper production to Chinese customers, compared to 69.6% in 2003. The Group expects to sell approximately 60-70% of its 2005 copper production to Chinese customers. There can be no assurance that the current growth in the Chinese economy will continue. The Chinese government has expressed concern about the economy expanding too rapidly, and has taken measures (such as lending restrictions) to cool economic growth. An overall slowdown in the Chinese market, as a result of either political or economic forces, could bring about a decrease in Chinese demand for the Group's products. Furthermore, China has increased the level of its domestic production of copper cathode both from its own ores and from imported copper concentrate. This could also bring about a decrease in Chinese demand for the Group's products.

The Group has a small number of customers who purchase the majority of its copper cathode.

In 2003, two Chinese customers, Haicheng and Suntime, purchased 291 kilotonnes of copper cathode, or 69.6% of the Group's total copper production. In 2004, two customers, Suntime and Glencore, based in Switzerland, purchased 387 kilotonnes of copper cathode, or 94.9% of the Group's total production. On the basis of contracts already in place for sales in 2005, the Group plans to sell 349 kilotonnes of copper cathode to Suntime and Glencore. Based on 2004 production levels, in 2005 these customers would purchase 85.5% of the Group's copper cathode. If, in the future, these customers fail to meet their contractual obligations, decide not to purchase the Group's products or decide to purchase fewer products, the Group's business and operating results could be materially adversely affected. The Group's copper production is not currently registered for sale on the London Metals Exchange. There can be no assurance that, even if the Group could find alternative customers, the Group would receive the same price for its copper products.

The Group's operations are located in remote areas, and the Group's product delivery relies on the Kazakh, Russian and Chinese national rail systems.

The Group operates several separate facilities in central, eastern and northeastern Kazakhstan. These regions are sparsely populated and difficult to reach from outside Kazakhstan. Accordingly, to reach customers, the Group's products must be transported over long distances, both within Kazakhstan and through Russia or China. Additionally, raw materials from some mines must be transported by rail to processing facilities. The Group depends on the Kazakh, Russian and Chinese national rail systems and on its own track, which the Group constructed and maintains. While the Group has generally had access to sufficient railway capacity to transport its products in the past, no assurance can be given that this access will continue in the future. Delay in transporting the Group's products as a result of insufficient railway capacity could have a material adverse effect on its results of operations.

Additionally, both Kazakhstan's and Russia's physical infrastructure have in some cases suffered from a lack of funding and maintenance. Deterioration of Kazakhstan's or Russia's physical infrastructure could disrupt the transportation of goods and supplies, add costs to doing business in Kazakhstan and Russia and interrupt business operations, which could have a material adverse effect on the Group's business. If an accident or other event disrupted these transportation services, it could temporarily impair the Group's ability to supply its products to its customers and thus adversely affect its business and operating results.

Furthermore, each of these countries exercises significant control over its rail system and rail tariffs. The Kazakh national rail system is a monopoly, and the rail tariffs it sets must be approved by the Natural Monopolies Regulation Agency. The Russian and Kazakh national rail systems are undergoing fundamental reorganisations, and the long-term effect this will have on rail tariffs and services is uncertain. Similarly, the Chinese rail system is a state-owned monopoly responsible for setting prices. Rail tariff increases in recent years generally have outpaced inflation, and there can be no assurance that such tariffs will remain stable in the future. Increases in the Group's transportation costs could have an adverse effect on the Group's business and operating results.

An increase in the Group's production costs could reduce its profitability.

Changes in the Group's production costs have a major impact on its profitability. Its main production expenses are raw materials, which include fuel costs, salaries and overheads. Changes in costs of the Group's mining and processing operations can occur as a result of unforeseen events, and could result in changes in profitability or reserve estimates. Many of these changes may be beyond the Group's control. In addition, although Kazakhmys currently generates all of its electricity in its own facilities, if fuel oil prices or costs associated with mining the coal required to generate its power supply increase, its production costs may be adversely affected.

The Kazakh Government has increased the minimum national wage levels substantially in recent years. In addition, President Nazarbayev has in the past made recommendations, which although not legally binding, suggest that salaries in Kazakhstan should be increased. Although the average wage the Group pays to workers is above the minimum, further increases in the Kazakh minimum wage or other pressure for salary increases could result in higher labour costs for the Group.

Most of the Group's revenues are derived from copper production at only two facilities.

Most of the Group's revenues are derived from copper produced by the Zhezkazgan and Balkhash Complexes. For example, in 2004 approximately 55% of the Group's copper cathode and all of the Group's copper rod were produced at the Zhezkazgan Complex. The remaining 45% of copper cathode, as well as all of the Group's zinc, gold and silver output, are produced at the Balkhash Complex. If processing or smelting/refining operations in either of these two complexes were materially reduced, interrupted or curtailed, the Group's financial condition could be materially adversely affected.

The Group faces competition from other copper companies in all areas of its operations.

The Group faces competition from other copper mining companies and producers or fabricators of copper and copper products around the world. Although the Group is currently among the lowest cost copper producers in the mining industry and continues to focus on reducing costs, there can be no assurance that competition from low-cost or other producers will not have a material adverse effect on its business, financial condition, results of operations or prospects. Additionally, the world mining industry has experienced significant consolidation in recent years, including consolidation among some of the Group's main competitors. As a result, an increased percentage of copper production is produced by companies that also produce other products and are, consequently, more diversified. There can be no assurance that current or further consolidation in the industry will not have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The volume and grade of the ore the Group recovers may not conform to current expectations.

The Group's mineral reserves and resources described in this Prospectus constitute estimates that comply with standard evaluation methods generally used in the international mining industry and are restated in conformity with the JORC Code. In respect of these estimates, no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realised or that mineral reserves can be mined or processed profitably. Actual reserves may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may be below the estimated levels. In addition, there can be no assurance that mineral recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions or during production.

Lower market prices, increased production costs, reduced recovery rates and other factors may render the Group's reserves uneconomic to exploit and may result in revision of its reserve estimates from time to time. Reserve data are not indicative of future results of operations. If the Group's actual mineral reserves and resources are less than current estimates, the Group's results of operations and financial condition may be materially impaired.

The Group's future performance depends on the results of current and future innovation, resource development and, to a lesser degree, exploration.

As the Group's existing reserves are depleted over time, converting resources into reserves and the acquisition of new interests will be important both to replace such depleted reserves and to expand the Group's reserves base. There can be no guarantee that its acquisition and development activities will continue to meet with success.

Minerals exploration is highly speculative in nature, involves many risks and frequently is unsuccessful. Once mineralisation is discovered, it may take a number of years to complete the geological surveys to assess whether production is possible, and even if production is possible, the economic feasibility of production may change during that time. Substantial expenditures are required to identify and delineate ore reserves through geological surveying and trenching and drilling, to determine metallurgical processes to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. As a result of the foregoing uncertainties, no assurance can be given that the Group's development activities will result in the expansion or replacement of current production with new proved and probable ore reserves.

The Group periodically purchases copper concentrate from third parties, and unavailability of concentrate could adversely affect the Group's results of operations.

The Group currently purchases some copper concentrate from third parties to maximise the throughput and efficiency of Kazakhmys' smelting and refining operations. In the three years ended 31 December 2002, 2003 and 2004, the Group has purchased 100, 61 and 15 kilotonnes of copper concentrate per annum, respectively, from outside suppliers. In the first five months of 2005, the Group purchased 104 kilotonnes of copper concentrate from outside suppliers. If the Group were unable to purchase this copper concentrate from third parties, or if it could only purchase concentrate at a higher cost, the overall productivity of the Group's smelting and refining operations, and therefore its financial results, could be negatively affected.

Title to the Group's mineral properties or production facilities may be challenged, which may prevent or severely curtail the Group's use of the affected properties.

Some of the properties the Group has acquired may be subject to prior claims or unregistered agreements, and title may be affected by undetected defects. There can be no assurance that title to some of the Group's properties will not be challenged or impugned.

Certain of the Group's assets were acquired through privatisation. Privatisations in some former Soviet republics have been subject to political controversy and legal challenge. If privatisations in Kazakhstan were successfully challenged, the Group could be at risk of losing its ownership interest in its mineral properties or production facilities. See also ''Additional Information—Property, plant and equipment'' in paragraph 11.2 of Part XI.

The Group's subsoil use rights are subject to termination if the Group does not comply with its contractual obligations.

In Kazakhstan, all subsoil reserves belong to the State. The Competent Body (currently, the Ministry of Energy and Mineral Resources) grants exploration and production rights. Subsoil use rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or licence. They may be terminated by the Competent Body if the Group does not satisfy its licensing or contractual obligations, which include periodic payment of royalties to the government and the satisfaction of mining, environmental, safety and health requirements. Furthermore, a breach of tax payment obligations arising under a subsoil use licence (or contract) can result in suspension or termination of such subsoil use rights. There can be no assurance that the Group will be able to achieve compliance with all applicable regulations at all times.

Because many of Kazakhstan's subsoil use laws have been adopted recently, the legal consequences of a given breach may not be predictable. The statutes do not distinguish penalties according to the severity of the breach, and there are few precedents in this area of the law. Despite minor technical breaches of work programmes and certain other obligations under its subsoil contracts and failure to timely conclude the necessary subsoil use contracts, Kazakhmys has obtained the required authorisations for 2005 (and all prior years). The loss of any of the Group's subsoil use rights could have a material adverse effect on its mining operations.

The Group depends on its key personnel. If the Group is unable to attract and retain key personnel, its business may be harmed.

The Group's business depends in significant part upon the contributions of a number of the Group's key senior management and personnel. There can be no certainty that the services of its key personnel will continue to be available to the Group. Factors critical to retaining the Group's present staff and attracting additional highly qualified personnel include the Group's ability to provide these individuals with competitive compensation arrangements. If the Group is not successful in retaining or attracting highly qualified individuals in key management positions its business may be harmed. The Group does not currently maintain ''key person'' insurance.

The Group does not insure against certain risks, and its insurance coverage may be insufficient to cover losses.

Kazakh law requires mining companies to insure only against certain limited risks, and Kazakhmys maintains only limited freight insurance, the statutory minimum level of accidental death insurance, collective employee health insurance and automobile liability insurance. Because Kazakh law currently prohibits foreign insurance companies from operating directly in Kazakhstan, the under-developed insurance market in Kazakhstan offers only limited opportunities for insuring risks associated with the Group's business, and reinsurance with an international insurance house would substantially increase costs. The Group has funds on deposit of approximately $100 million specifically to cover potential insurance contingencies; however, there are no legal restrictions on the use of these funds. Given the size of its operations and the extent of its facilities and equipment, there can be no assurance that these funds on deposit would be available or adequate should one or more events for which the Group is not insured occur.

The Group's business may be affected by labour disruptions.

Nearly all of Kazakhmys' approximately 65,000 employees are members of its labour union. MKM has approximately 1,000 workers, approximately 85% of which are represented by the IG Metall union. Although management believes its present labour relations, both in Kazakhstan and Germany, are good, there can be no assurance that a work slowdown, a work stoppage or strike will not occur prior to or upon the expiration of the current labour agreements and management is unable to estimate the effect of any such work slowdown, stoppage or strike on the Group's production levels. In several of the towns where it operates, Kazakhmys is the only significant employer, and reducing employment levels would be unpopular. In the past, there have been minor incidents of labour unrest in response to the closing of one of Kazakhmys' facilities. Work slowdowns, stoppages or other labour-related developments could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

If the Group fails to consummate or integrate acquisitions successfully, the Group's rate of expansion could slow and the Group's results of operations or financial condition could suffer.

The Group has expanded operations in Kazakhstan significantly through both development and acquisition of new facilities, and the Group expects to continue to do so in the future. The Group intends to pursue a strategy of identifying and acquiring businesses with a view to expanding its operating businesses. There can be no assurance that the Group will continue to identify suitable acquisitions and strategic investment opportunities or that any business acquired will prove to be profitable at all, or as profitable as the copper mining business. In addition, acquisitions and investments involve a number of risks, including possible adverse effects on the Group's operating results, diversion of management's attention, failure to retain key personnel, risks associated with unanticipated events or liabilities and difficulties in the assimilation of the operations.

The Group's business requires substantial capital expenditures.

The mining business is capital intensive and the development and exploitation of copper reserves and the acquisition of machinery and equipment require substantial capital expenditures. The Group has a number of short- to medium-term mining projects (including bringing the Aktogay mine into operation), as well as plans for its existing operations, which involve significant capital expenditure. The Group must continue to invest capital to maintain or to increase the amount of reserves that it exploits and the amount of metal that it produces. Some of the Group's projects may require greater investment than currently planned. There is no assurance that the Group will be able to maintain its production levels and generate sufficient cash flow, or that the Group will have access to sufficient investments, loans or other financing alternatives, to continue its exploration, exploitation, development and refining activities at or above present levels.

Compliance with environmental laws requires ongoing expenditure and considerable capital commitments from the Group, and non-compliance may subject the Group to significant penalties, including the suspension or revocation of its subsoil use rights.

The Republic of Kazakhstan has adopted environmental regulations requiring industrial companies to undertake programmes to reduce, control or eliminate various types of pollution and to protect natural resources. The Group must actively monitor specific air emission levels, ambient air quality, quality of nearby surface water, level of contaminants in soil and creation of solid waste. The Group must also submit an annual report on pollution levels to the State environmental authorities. In addition, the environmental authorities conduct additional testing to validate the Group's results.

If the Group exceeds certain emissions levels in Kazakhstan, additional payment obligations arise. Furthermore, as a condition of its subsoil use contracts and licences, the Group must set aside not less than 0.1% of annual operations expenses for the eventual rehabilitation of its mines (other than coal mines), and 1% of annual sales revenue in relation to its coal mines, which sums may be insufficient to meet the ultimate rehabilitation expenses. Additionally, the Group is working with an external consultant to design an environmental action plan as part of the objective of bringing its Kazakh operations into conformity with international standards. The cost of implementing this plan is estimated to be between $26.1 million and $37.8 million (excluding the Balkhash sulphuric acid plant).

In light of evolving laws and regulations and the uncertainty inherent in this area, the Group is unable to estimate its total environmental expenditure over the longer term, but these expenditures may be material. The Group may have to incur additional capital and other expenditures for continued compliance with such laws and regulations. Furthermore, the environmental impact of historical operations has not been fully quantified. Under Kazakh law and certain privatisation contracts, responsibility for pre-privatisation environmental liabilities lies with the State, but there can be no assurance that the law will not change or that any pre- and post-privatisation liability can be clearly delineated. If the Group were to be found liable for the environmental impact of operations in the pre-privatisation period, it could be required to expend significant amounts for remediation and its results of operations and financial condition could be materially adversely affected.

Much of the Group's equipment was put into operation when lower environmental standards were in effect. Dust and sulphur dioxide emissions from the smelting and converting furnaces present an environmental problem, particularly at the Balkhash Complex, and the Group is currently implementing a plan to reduce dust and sulphur dioxide emissions to comply with international standards. This includes the construction of a sulphuric acid plant at the Balkhash Complex to recover sulphur dioxide emissions at an estimated cost of approximately $52 million. The Group has made significant capital investments in the past ten years, but some of its sites still require costly modernisation. If the Group is unable to make these modifications, its output or results of operations could be impaired.

Implementation of the Kyoto Protocol may subject the Group to additional environmental compliance costs.

Kazakhstan is a signatory to the Kyoto Protocol, which entered into force in February 2005. The Kyoto Protocol is intended to limit or capture emissions of greenhouse gases such as carbon dioxide and methane. Compliance with new environmental health and safety requirements that may be enacted to ensure compliance with the Kyoto Protocol may require the Group to incur capital expenditures, and new implementing legislation in Kazakhstan may present additional regulatory burdens to the Group. The Parliament of Kazakhstan has not ratified the country's accession to the Kyoto Protocol, and it is unclear when any new obligations will take effect. Failure to comply with any new legislation could result in fines and other penalties.

The Group's compliance with health and safety laws may require increased capital expenditures, and non-compliance may subject the Group to significant penalties.

A violation of health and safety laws relating to a mine, concentrator, smelter, refinery or other plant or failure to comply with the instructions of the relevant health and safety authorities could lead to, among other things, a temporary shut down of all or a portion of the mine, concentrator, smelter, refinery or other plant; a loss of the right to mine or operate a concentrator, smelter, refinery or other plant or the imposition of costly compliance procedures. If health and safety authorities require the Group to shut down all or a portion of a mine, concentrator, smelter, refinery or other plant or to implement costly compliance measures, whether pursuant to existing or new health and safety laws and regulations, such measures could have a material adverse effect on the Group's results and operations or financial condition.

Transfer pricing rules may potentially affect the Group's results of operations.

Since January 2001, Kazakh transfer pricing rules have required tax authorities to make transfer pricing adjustments in a wide range of situations involving cross border transactions, most typically among related parties. The Group's historical trading relationships could fall within these transfer pricing rules. Even among parties that are not related, prices may still be subject to adjustment if, for example, they deviate by more than 10% from market prices. Due to the ambiguities in the drafting of the legislation and the uncertainties in its interpretation, the relevent tax and customs authorities may challenge the Group's prices and propose adjustments. For information on these trading relationships, see ''Information on the Group—Sales and marketing'' in Part II.

If substantial transfer pricing adjustments were upheld by the relevant Kazakh authorities or courts and implemented, the Group's financial results could be adversely affected.

Members of the Group may engage in hedging activities from time to time that would expose the Group to losses should markets move against the Group's hedged position.

The Group is exposed to the effect of changes in commodity prices (in particular, to the price of copper), changes in exchange rates (in particular, to the Tenge and the Euro against the US Dollar) and to changes in interest rates. Currently, members of the Group, apart from MKM, do not engage in hedging activities to protect against changes in commodity prices, foreign exchange rates or interest rates. MKM uses short-term commodity futures to minimise its exposure to changes in the price of copper. In the future, from time to time, members of the Group may engage in hedging activities in order to moderate the effects of changes in commodity prices, foreign exchange rates or interest rates. If the Group does engage in such hedging activities, they may expose the Group to risks, including the risk that markets move against the Group's hedged positions and the risk of default by its counterparty. There can be no assurance that, if the Group engages in hedging activity, it will be adequately protected by hedging arrangements from future changes in commodity prices, exchange rates or interest rates. Additionally, any hedging activity that the Group may engage in could limit the Group's opportunity to profit from higher market prices, thus reducing the Group's potential revenue and profit.

Risks relating to operating in Kazakhstan

Kazakhstan has a relatively short history as an independent state and there remains potential for instability that could have a material adverse effect on the business, financial condition and results of operations of the Group.

Kazakhstan's existence as an independent state resulted from the break-up of the Soviet Union. As such, it has a relatively short history as an independent nation and there remains potential for social, political, economic, legal and fiscal instability. These risks include, among other things, local currency devaluation, civil disturbances, changes in exchange controls or lack of availability of hard currency, changes in energy prices, changes to tariffs applicable to the Group and its products, changes with respect to taxes, royalty rates, or withholding taxes on distributions to foreign investors; changes in anti-monopoly legislation, nationalisation or expropriation of property; and interruption or blockage of hydrocarbons or other strategic materials exports. The occurrence of any of these factors could have a material adverse effect on the business, financial condition and results of operations of the Group.

Most of the Group's assets are located in Kazakhstan, which is in the process of moving from a command to a market-driven economy. Kazakhstan has actively pursued a programme of economic reform and inward foreign investment designed to establish a free market economy, but there can be no assurance that in the future such reforms and other reforms will continue.

Kazakhstan's president, Nursultan Nazarbayev, has been in office since Kazakhstan became an independent sovereign state in 1991. Under President Nazarbayev's leadership, the foundations of a market economy have taken hold, including privatisation of state assets, liberalisation of capital controls, tax reforms and pension system development.

President Nazarbayev is due to stand for re-election in December 2005. While it is anticipated that he will run again successfully, there can be no assurance that this will be the case. Should a new president be elected, the pro-business atmosphere in Kazakhstan could change. For example, a new government could adopt taxation or subsoil use regimes that would be less favourable to mining companies. Changes to Kazakhstan's property, tax or mining regulatory regimes or other changes that affect the pro-business atmosphere in Kazakhstan, could negatively affect the Group's business, financial condition and results of operations.

Regional instability could have a material adverse effect on the Group's operations in Kazakhstan.

Since the breakup of the Soviet Union, a number of former Soviet republics have experienced periods of political instability, civil unrest, military action or incidents of violence. Kazakhstan has not experienced any such unrest and, to date, this regional instability has not affected Kazakhstan or the Group's operations in Kazakhstan. However, future political instability, civil unrest or continued violence in the region could affect the political or economic stability of Kazakhstan, and could have an adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group must invest in extensive social programmes for the benefit of local communities.

As a condition of certain of its subsoil use licences and contracts, the Group is obliged to maintain certain social programmes for the benefit of local communities. The Group paid approximately

$19.7 million in 2003 and $16.4 million in 2004 to fund medical, cultural, recupeational and rehabilitation facilities, nursery schools, community centres, athletic facilities, housing and infrastructure in the areas in which it has operations. Furthermore, the Group has an obligation under its subsoil use licences and contracts to invest in training the local workforce. These obligations may increase or become more burdensome in the future and may have a negative impact on the Group's profitability.

The laws and regulations of Kazakhstan relating to foreign investment, subsoil use, licensing, companies, tax, customs, currency, banking and competition are still developing, and uncertainties in the law could have a material adverse effect on the Group's operations.

The laws and regulations of Kazakhstan relating to foreign investment, subsoil use, licensing, companies, tax, customs, currency, capital markets, pensions, insurance, banking and competition are still developing. Many such laws provide regulators and officials with substantial discretion in their application, interpretation and enforcement. Furthermore, the judicial system in Kazakhstan may not be fully independent of social, economic and political forces. Court decisions can be difficult to predict and enforce, and the Group's best efforts to comply with applicable law may not always result in compliance. Furthermore, because the statutes on subsoil use do not define the course of action available to the government by reference to the gravity of a breach, a minor breach could conceivably lead to harsh consequences, such as suspension or termination of the subsoil user rights. Because of the relative newness of the subsoil use legislation, there are few precedents that would make the consequences of a breach more predictable.

The Kazakhstan government has stated that it believes in continued reform of the corporate governance processes and will ensure discipline and transparency in the corporate sector. However, there can be no assurance that the Kazakhstan government will continue such policy.

Given Kazakhstan's short legislative, judicial and administrative history, it is not possible to predict the effect of current and future legislation on the Group's business. The ongoing rights of the Group under its subsoil use contracts and licences (if applicable) and other agreements may be susceptible to revision or cancellation, and legal redress in relation to such revocation or cancellation may be uncertain.

The taxation system in Kazakhstan is at an early stage of development and experience. The interpretation and application of tax laws and regulations are evolving, which significantly increases the risks with respect to the Group's operations and investment in Kazakhstan.

As tax legislation in Kazakhstan has been in force for only a relatively short time, tax risks in Kazakhstan are substantially greater than typically found in countries with more developed tax systems. Tax legislation is evolving and is subject to different and changing interpretations, as well as inconsistent enforcement. The Group pays subsoil users' and other taxes, including excess profit tax and royalties, and has been making, and expects to continue to make, contributions to various social and governmental funds. Tax regulation and compliance is subject to review and investigation by the authorities who may impose extremely severe fines, penalties and interest charges.

Kazakhstan's tax laws are not always clearly determinable and have not always been applied in a consistent manner. In addition, the tax laws continue to evolve. The uncertainty of application and the evolution of tax laws create a risk of additional and substantial payments of tax by the Group, which could have a material adverse effect on the Group's financial position and results of operations. The tax authorities are able to raise additional tax assessments for taxes for five years after the end of the relevant tax period, and the calendar years 2000 to 2004 remain open. For all taxes, the fact that the tax authorities have conducted an audit of a particular period does not prevent them from revisiting that period and raising an additional assessment. In addition, Kazakhstan's tax system does not have the concept of the tax authorities giving legally binding rulings on tax issues that are put to them.

Risks relating to the Group's structure

Certain major shareholders will exercise significant control over the Group after the Global Offer, and as a result investors may not be able to influence the outcome of important decisions in the future.

Immediately following the Global Offer and Admission, Perry Partners S.A., Harper Finance Limited and Cuprum Holding B.V. (the ''Major Shareholders'') in which certain of the Directors have interests as described in ''Additional information—Directors' and other interests'' in paragraph 5 of Part XI, will beneficially own 328,733,864 of the issued Ordinary Shares in the Company (assuming the Managers' Option is not exercised). As a result, these Major Shareholders will be able to exercise significant influence over all matters requiring shareholder approval, including the election of Directors and significant corporate transactions. The Company has entered into a Relationship Agreement with the Major Shareholders and their principal beneficial owners, who are Directors, to ensure that the Group is capable of carrying on its business independently, and to ensure that transactions and relationships between the Group and the Major Shareholders are at arm's length and on normal commercial terms. See ''Major Shareholders and the Relationship Agreement'' in Part X for further information about the Relationship Agreement.

However, the concentration of ownership may have the effect of delaying or deterring a change in control of the Group, could deprive shareholders of an opportunity to receive a premium for their Ordinary Shares as part of a sale of the Group and might affect the market price and liquidity of the Ordinary Shares. Furthermore, although the Major Shareholders have each agreed, not without consent and subject to normal exceptions, to dispose of any of their holding of Ordinary Shares following Admission for a period of 360 days from the date of this Prospectus, the Major Shareholders may subsequently sell all or part of their holdings of Ordinary Shares. See ''Additional Information—Underwriting Agreement'' in paragraph 8 of Part XI.

As set out in ''Major Shareholders and the Relationship Agreement'' in Part X, following the Global Offer the Major Shareholders will hold 66.4% of the issued share capital of the Company if the Managers' Option is fully exercised, and 70.3% if it is not exercised. The Major Shareholders have agreed not to dispose of any of their Ordinary Shares for 360 days following Admission, save in certain limited circumstances. This will restrict the size of the ''free float'' and potentially the liquidity of the Ordinary Shares.

Because the Company is primarily a holding company, its ability to pay dividends depends upon the ability of its subsidiaries to pay dividends and to advance funds.

Because the Company conducts business primarily through Kazakhmys, and other subsidiaries, its ability to pay dividends to shareholders depends on the earnings and cash flow of Kazakhmys and the Company's other subsidiaries and their ability to pay the Company dividends and to advance funds to it. Other contractual and legal restrictions applicable to the Company's subsidiaries could also limit its ability to obtain cash from them. Its rights to participate in any distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of the subsidiaries' creditors, including any trade creditors and preferred shareholders.

Risks relating to the Ordinary Shares

There has been no prior public trading market for the Ordinary Shares, and an active trading market may not develop or be sustained in the future.

Prior to the Global Offer, there has been no public trading market for the Ordinary Shares. Although the Company has applied to the Financial Services Authority for admission to the Official List and has applied to the London Stock Exchange for admission to trading on its market for listed securities, the Company can give no assurance that an active trading market for the Ordinary Shares will develop or, if developed, can be sustained following the closing of the Global Offer. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Ordinary Shares may prove to be highly volatile. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are beyond the Group's control, including: variations in operating results in the Group's reporting periods; changes in financial estimates by securities analysts; changes in market valuation of similar companies; announcements by the Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; loss of a major customer; additions or departures of key personnel; any shortfall in revenues or net income or any increase in losses from levels expected by securities analysts; future issues or sales of Ordinary Shares; and stock market price and volume fluctuations. Any of these events could result in a material decline in the price of the Ordinary Shares.

Pre-emptive rights may not be available to US holders of the Company's Ordinary Shares.

Under UK law and in accordance with the existing shareholder authorities, subject to certain exceptions, prior to the issuance of any New Ordinary Shares for cash, the Company must offer holders of Existing Ordinary Shares pre-emptive rights to subscribe and pay for a sufficient number of Ordinary Shares to maintain their existing ownership percentages. These pre-emptive rights may, depending on the specific offer terms, be transferable during the subscription period for the related offering and may be quoted on the London Stock Exchange.

US holders of Ordinary Shares may not be able to receive, trade or exercise pre-emptive rights for New Ordinary Shares unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. The Group does not currently plan to register the Ordinary Shares or any future rights under US securities laws. If US holders of Ordinary Shares are not able to receive, trade, or exercise pre-emptive rights granted in respect of their Ordinary Shares in any rights offering by the Company, then they may not receive the economic benefit of those rights. In addition, their proportional ownership interests in the Company will be diluted.

Part I

Administration, advisers and presentation of information

Expected timetable of principal events

Latest time and date for receipt of indications of interest in the Global Offer	4.30 p.m. on 6 October 2005
Publication of pricing supplement and announcement of the Offer Price and allocations	7.00 a.m. on 7 October 2005
Conditional dealings in Ordinary Shares expected to commence on the London Stock Exchange	8.00 a.m. on 7 October 2005
Admission and expected commencement of unconditional dealings in Ordinary Shares on the London Stock Exchange	8.00 a.m. on 12 October 2005
Crediting of Ordinary Shares to CREST accounts	12 October 2005
Despatch of definitive share certificates (where applicable)	19 October 2005

Each of the times and dates in the above timetable is subject to change. All times are London times.

If Admission does not occur, all conditional dealings will be of no effect, and any such dealings will be at the sole risk of the parties concerned.

Global Offer statistics

The Offer Price and the number of Ordinary Shares being offered and related statistics will be determined following a bookbuilding process as further described under ''The Global Offer and related matters'' in Part V, and details will be contained in the pricing supplement expected to be published on or around 7 October 2005.

The Offer Price will be agreed among the Joint Global Co-ordinators, the Company and the Selling Shareholder, having regard to the outcome of the bookbuilding process as described in Part V. All shares issued or sold pursuant to the Global Offer will be issued or sold at the Offer Price. It is currently expected that the Offer Price will be between 460p and 545p per Ordinary Share, which will enable the Company to raise gross proceeds of between £268.8 million (approximately $478.1 million) and £318.5 million (approximately $566.5 million). This price range is indicative only and the Offer Price may be set within, above or below it. Details of the Offer Price will be contained in a pricing supplement expected to be published on or around 7 October 2005.

Persons responsible and advisers

Persons responsible

The Directors of the Company, whose names appear below, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors of the Company and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omissions likely to affect its import.

Ernst & Young LLP are responsible for their opinions contained in ''Financial information'' in Part VIII and ''Unaudited pro forma financial information'' in Part IX of this Prospectus. RSM Haarmann Hemmelrath GmbH are responsible for their report contained in ''Financial Information'' in Part VIII. IMC Group Consulting Ltd are responsible for their report contained in the section ''Technical Report'' in Part XII of this Prospectus. To the best of the knowledge of Ernst & Young LLP, IMC Group Consulting Ltd and RSM Haarmann Hemmelrath GmbH (who have taken all reasonable care to ensure that such is the case), the information in their respective reports is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Directors, secretary, registered office and head office

Directors	Vladimir Kim	Chairman
	Yong Keu Cha	Chief Executive Officer
	Oleg Novachuk	Finance Director
	Vladimir Ni	Non-executive Director
	Lord Renwick*	Non-executive Director
	David Munro	Non-executive Director
	James Rutland	Non-executive Director

* Lord Renwick has agreed to join the Board as a non-executive Director later in 2005 after retiring from the boards of BHP Billiton Plc and BHP Billiton Limited.

Company secretary	Matthew Hird
Registered office and head office	4 New Square Bedfont Lakes Feltham Middlesex TW14 8HA United Kingdom
Kazakhstan Representative office	69a Samal-2 Almaty 050059 Republic of Kazakhstan
Group head office in Kazakhstan	1 Metallurgov Avenue Zhezkazgan 477000 Republic of Kazakhstan
Chinese Representative office	15 F Heng Chang Building No. 1 Huang He Road Urumqi Xinjiang 830002 China
MKM Mansfelder Kupfer und Messing GmbH	Lichtlöcherberg 40 D-06333 Hettstedt Germany

Advisers

Sponsor and Financial Adviser	JPMorgan Cazenove Limited 20 Moorgate London EC2R 6DA United Kingdom
Joint Global Co-ordinators and Joint Bookrunners	Credit Suisse First Boston (Europe) Limited One Cabot Square London E14 4QJ United Kingdom
	JPMorgan Cazenove Limited 20 Moorgate London EC2R 6DA United Kingdom
Legal advisers to the Company as to English and US law	Norton Rose Kempson House Camomile Street London EC3A 7AN United Kingdom
Legal advisers to the Company and to the Sponsor and Joint Global Co-ordinators and Joint Bookrunners as to Kazakh law	Aequitas 47/49 Abai Avenue, Ap 2 Almaty 050000 Republic of Kazakhstan
Legal advisers to the Sponsor and Joint Global Co-ordinators and Joint Bookrunners as to English and US law	Linklaters One Silk Street London EC2Y 8HQ United Kingdom
Auditors to the Company and reporting accountants	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom
	Registered to carry out audit work by the Institute of Chartered Accountants in England and Wales
Auditors to Kazakhmys for the three years ended 31 December 2004	KPMG Janat LLC Abylai Khan Avenue 105 480091 Almaty Republic of Kazakhstan
	Licensed for the provision of audit services by the Ministry of Finance of the Republic of Kazakhstan
Registrar and Paying Agent	Computershare Investor Services PLC P.O. Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH United Kingdom
Technical consultant	IMC Group Consulting Ltd Mill Lane Huthwaite NG17 2NS Nottinghamshire United Kingdom

Presentation of information

Presentation of financial information

Unless otherwise indicated, financial information in this Prospectus has been prepared in accordance with International Financial Reporting Standards (''IFRS'') and in US Dollars. IFRS differ in certain significant respects from US GAAP. The underlying financial information stated in Kazakh Tenge and Euro have been translated into US Dollars on the basis set out in ''—Currencies'' below. For a discussion of the most significant differences between IFRS and US GAAP as they relate to the Group, see ''Additional information—Summary of differences between IFRS and US GAAP'' in paragraph 10 of Part XI.

The Company was incorporated on 15 July 2004 and acquired its current shareholding in Kazakhmys pursuant to a share exchange offer that commenced in November 2004. The Historical Financial Information on the Group included in ''Financial information—Reporting Accountants Report on Historical Financial Information on the Group'' in Part VIII reflects the results of the Group under the current Group structure.

The audited financial statements of MKM included in ''Financial information—Audited financial statements for MKM'' in Part VIII are presented in Euros on an unadjusted basis.

Adjusted EBIT represents earnings before interest and taxation and, in 2004, recognition of negative goodwill, plus operating foreign exchange (gain)/loss. Adjusted EBITDA is calculated as Adjusted EBIT plus depreciation and amortisation, impairment losses and write-off adjustments. Adjusted EBIT and Adjusted EBITDA are presented because the Company believes they are useful measures for evaluating its ability to generate cash and its operating performance. Neither Adjusted EBIT nor Adjusted EBITDA is a measure of financial performance under IFRS or US GAAP. Adjusted EBITDA and Adjusted EBIT should not be considered in isolation or as substitutes for profit from operations before tax and finance costs, cash flows from operating activities or any other measure for determining the Group's operating performance or liquidity that is calculated in accordance with IFRS or US GAAP. Adjusted EBITDA and Adjusted EBIT may not be comparable to similarly titled measures employed by other companies.

Pro forma financial information

In this Prospectus, references to ''pro forma'' financial information are to information which has been extracted without material adjustment from the unaudited pro forma financial information contained in ''Unaudited pro forma financial information'' in Part IX. Potential investors should read the whole Prospectus and not just rely on the information contained in Part IX. The unaudited pro forma financial information contained in Part IX is based on, and is extracted without material adjustment from, the ''Financial information—Historical financial information on the Group'' section in Part VIII. The unaudited pro forma income statement is compiled having made adjustments that relate to the results of MKM, which the Group did not control throughout the year ended 31 December 2004. The unaudited pro forma income statement and balance sheet both include certain adjustments in respect of the proposed Global Offer. However, the unaudited pro forma financial information is not necessarily indicative of the operating results that the Group would have achieved had the acquisition of MKM and the Global Offer occurred prior to 1 January 2004, or of what the financial position of the Group would have been had the Global Offer occurred on 31 May 2005 or of what the results of operations may be for any future period. In the compilation of such unaudited pro forma financial information, income statement information has been translated using an average exchange rate set out below for the relevant period and balance sheet information translated at the year end rate as set out below.

The unaudited pro forma financial information is for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

Currencies

In this Prospectus, references to ''Tenge'' or ''KZT'' are to the lawful currency of Kazakhstan; references to ''Euro'' or ''€'' are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended; references to ''pounds sterling'', ''£'', ''pence'' or ''p'' are to the lawful currency of the United Kingdom; and references to ''US Dollars'', ''$'', ''cents'' or ''¢'' are to the lawful currency of the United States of America.

The Offer Price will be stated in pounds sterling. On 23 September 2005 (being the latest practicable date prior to the publication of this Prospectus), £1.00 = $1.7788, based on the Noon Buying Rate in New York City, as certified by the New York Federal Reserve Bank.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in US Dollars. In addition, solely for convenience, this Prospectus contains translations of relevant currencies to US Dollars at specified rates. The functional currency of the Company is the US Dollar as the majority of its operating and financing activities are conducted in US Dollars. The functional currencies of Kazakhmys and MKM are the Tenge and the Euro, respectively. On consolidation, income statements of subsidiaries are translated into US Dollars, the presentation currency for the Group, at average rates of exchange. Balance sheet items are translated into US Dollars at period end exchange rates. These translations should not be construed as representations that the relevant currency could be converted into US Dollars at the rate indicated or at any other rate.

Indicative exchange rates of the US Dollar against the Tenge and Euro comprising the average rate used for income statements and the specific date used for balance sheet information are shown below:

Tenge

Period	Average rate	Period end rate
Year ended 31 December 2002	153.50	155.85
Year ended 31 December 2003	149.35	143.25
Year ended 31 December 2004	135.95	129.96
Five months ended 31 May 2005	130.68	132.49

Euros

Period	Average rate	Period end rate
Year ended 31 December 2004	0.805	0.737
Five months ended 31 May 2005	0.770	0.812

In addition to the convenience translations, for which the basis is described above, the basis of translation of foreign currency transactions and amounts in the financial information set out in ''Financial information'' in Part VIII is described in that Part.

Ore reserve and mineral resource reporting—basis of preparation

IMC Group Consulting Ltd has reviewed the reserves and resources statements compiled by the Company and has restated the reserves and resources as in Table 2.4 of the ''Technical Report'' in Part XII, in compliance with the Prospectus Rules and the CESR recommendations and in accordance with the criteria for internationally recognised reserve and resource categories as included in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). In this Prospectus, all reserve and resource estimates, initially prepared by the Company in accordance with the FSU Classification, have been substantiated by evidence obtained from IMC's site visits and observation and are supported by details of drilling results, analyses and other evidence and take account of all relevant information supplied by the Company management and the Directors of the Company.

Mineral resources are based on mineral occurrences quantified on the basis of geological data and an assumed cut-off grade, and are divided into measured, indicated and inferred categories reflecting decreasing confidence in geological and/or grade continuity. No allowances are included for dilution and losses during mining, but the reporting of resource estimates carries the implication that there are reasonable prospects for eventual economic exploitation. Resources may therefore be viewed as the estimation stage prior to the application of more stringent economic criteria for reserve definition, such as a rigorously defined cut-off grade and mine design outlines, along with allowances for dilution and losses during mining. It is common practice, for example, for companies to include in the resources category material with a reasonable expectation of being converted to reserves, but for which either the detailed mine planning work has not been undertaken or for which an improvement in economic conditions or exploitation efficiencies would be required to enable the company to exploit the resources economically. Ore reserves as defined by the JORC Code are designated as proved and probable, and are derived from the corresponding measured and indicated resource estimates by including allowances for dilution and losses during mining. It is an explicitly stated further requirement that other modifying economic, mining, metallurgical, marketing, legal, environmental, social and governmental factors also be taken into account. The measured and indicated mineral resources can be reported as either being inclusive of those mineral resources modified to produce the ore reserves or additional to the ore reserves.

The reserve and resource estimates provided in this Prospectus comply with the reserve and resource definitions of the JORC Code. The relevant definitions from the 2004 edition of the JORC Code can be found in ''Definitions and glossary of technical terms'' in Part XIII.

In this Prospectus, reserve and resource estimates are reported as at 1 January 2005, unless otherwise stated. In this Prospectus, copper and zinc resources are inclusive of reserves. In some cases, the maturity of the operations and the extent of the exploration activities has resulted in the reserves figure being similar to or exceeding the resources figure, as more fully described in paragraph 2.4.2. of Part XII.

Reserves and resources

In most cases, the reserves and resources of the Group are, excluding the discounts included in the reserves for losses and dilution, identical. This is a result of the maturity of the Group's mining operations and the exploration programmes in a finite lease area. The FSU exploration programmes for these operations, many of which were carried out in the 1950s, were generally more comprehensive both in the density of drilling and sample analysis than would be considered commercially viable in the west and more comprehensive than that required by most internationally recognised methods of classification. Most of the deposit would then have been stated as a reserve at establishment of the operation as opposed to commercially driven mining companies in the west who will confirm the minimum reserves to develop a project into an operation and subsequently, when a cashflow is established, convert resources to reserves and confirm additional resources. Subsequent operation during and since FSU times has resulted in further confirmation of probable reserves, which have not, in the current Kazakhmys plans, been upgraded to proved reserves.

Inferred resources

The reserves and resources tables in ''Information on the Group'' in Part II and the ''Technical Report'' in Part XII make reference to ''inferred resources''. An inferred resource is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. This categorisation is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Cost curves

This Prospectus contains references to ''cost curves''. A cost curve is a graphic representation in which the production volume of a given commodity across the relevant industry is arranged on the basis of average unit costs of production from lowest to highest to permit comparisons of the relative cost positions of particular production sites, individual producers or groups of producers within a given country or region. Generally, a producer's position on a cost curve is described in terms of the particular quartile or tercile, the first quartile or tercile being the lowest cost and the fourth quartile or the third tercile being the highest, in which the production of a given plant or producer or group of producers appears.

The cost curves referred to in this Prospectus have been obtained by the Company from an independent industry analyst, Brook Hunt, with recognised experience in constructing cost curves for the relevant commodities. To construct cost curves, the analyst compiles information from a variety of sources, including reports made available by producers, site visits, personal contacts, trade publications and other analysts' reports. Although producers may thus participate to some extent in the process through which cost curves are constructed, they are typically unwilling to validate cost analyses directly because of commercial sensitivities. Inevitably, assumptions must be made by the analyst with respect to data that such analyst is unable to obtain and judgment must be brought to bear in the case of virtually all data, however obtained. In addition, the time required to produce cost curves means that even the most recent available examples will be unable to take account of recent developments; in some cases, the most recent available cost curve may be based on data that is several years old. Costs data for specific producers may be based on costs incurred by the producers over their respective accounting years; to the extent these differ, the direct comparability of their costs may be limited. The cost curves referred to in this Prospectus reflect direct cash costs of production only, and exclude non-cash or indirect costs (such as depreciation, interest and unrelated overhead expenses) and costs relating specifically to marketing and export. Delivery costs reflect estimates for each producer to accepted selling points, based on actual sales. They include estimates for all costs involved in delivery, including freight, insurance, warehousing and financing costs as well as sales commissions. Moreover, all cost curves embody a number of significant assumptions with respect to exchange rates and other variables. In summary, the manner in which cost curves are constructed means that they have a number of significant inherent limitations.

In certain cases, cost curves produced by more than one reputable industry analyst may exist with regard to a specific commodity. The methodologies employed and conclusions reached by such analysts may differ. Moreover, the reliability of any given cost curve may be difficult to assess, as the accuracy of the data, and the reasonableness of the assumptions on which it has been based, usually cannot be tested directly. Particular producers are, however, in a position to validate the accuracy of the presentation with respect to their own costs subject to adjustments to bring their methodology in line with the methods of the others. This can provide a useful indication of the reliability of a cost curve overall and, notwithstanding their shortcomings, independently produced cost curves are widely used in the industries in which the Group operates.

The cost curves to which this Prospectus refers are the most recent cost curves that have been obtained by the Company from Brook Hunt. All such cost curves are based on 2004 data. The cost curves have been prepared using cost data for the Group's and other producers' operations. The Directors have satisfied themselves that the Group's own production costs which were used in the preparation of the cost curves are reasonably represented.

Part II

Information on the Group

Investors should read the whole of this Prospectus and not just rely upon summarised information including the tables in this Part II. Where stated, information in this section has been extracted without material adjustment from ''Financial information—Historical Financial Information on the Group'' in Part VIII and from the ''Technical Report'' in Part XII.

Overview

The Group's principal business is the mining, processing, smelting, refining and sale of copper and copper products, including copper cathode and copper rod, and is carried on by the Company's main subsidiary, Kazakhmys. The Group is the tenth largest copper cathode producer and the tenth largest mined copper producer in the world based on 2004 production according to Brook Hunt. As by-products of its Kazakh copper operations, the Group also processes, refines and sells zinc, gold and silver.

Kazakhmys is the largest producer of copper in Kazakhstan, according to Brook Hunt. Its operations are vertically integrated; it mines all the ore it processes, produces substantially all the copper concentrate it processes and generates sufficient electricity to meet its own requirements. Kazakhmys operates 16 open pit and underground mines and two copper smelting and refining complexes in various parts of Kazakhstan. It also owns significant rail infrastructure in Kazakhstan.

In December 2004, the Group acquired MKM, a copper products fabrication company in Germany that produces and sells copper and copper alloy semi-finished products for various applications and industries. The total consideration paid was €4.00 for the shares, certain shareholder loans, certain intellectual property and the three MKM trading companies, and €61.0 million for debt with a principal amount of €138.1 million.

The Group's revenues increased from $836.9 million in 2003 to $1,259.5 million in 2004. Its profit increased from $137.7 million in 2003 to $441.3 million in 2004. For the five months ended 31 May 2005, the Group had revenues of $978.5 million and profit of $197.2 million.

The table below provides selected production and financial information that has been extracted without material adjustment from the ''Technical Report'' in Part XII and ''Financial Information—Historical financial information on the Group'' in Part VIII, respectively.

	Year ended 31 December						Five months ended 31 May	
	2002		2003		2004		2005	
	Production (in kilotonnes, except silver and gold)	Revenue ($ million)	Production (in kilotonnes, except silver and gold)	Revenue ($ million)	Production (in kilotonnes, except silver and gold)	Revenue ($ million)	Production (in kilotonnes, except silver and gold)	Revenue ($ million)
Copper cathode(1)	432	644.4	418	662.1	428(2)	1,046.2	167(2)	496.8
of which, copper rod	60	98.3	55	96.9	49	134.7	4	16.5
Zinc(3)	—	18.2	—	18.0	18.2	15.0	24.4	45.8
Gold(4)	125.4	13.2	93.5	13.9	86.3	14.4	46.6	9.0
Silver(4)	21,666	96.3	19,509	92.8	17,718	115.2	8,640	60.0
Other by-products and Other	—	47.8	—	50.1	—	68.7	—	31.4
MKM revenue(5)	—	N/A	—	N/A	—	—	—	335.4

(1) Includes cathode used for copper rod production.

(2) Includes 20 kilotonnes from tolling operations in 2004 and 4 kilotonnes from tolling operations in the five months ended 31 May 2005.

(3) Zinc production shows production of zinc metal only; zinc revenues include sales of zinc concentrate and zinc metal.

(4) Reported in thousands of troy ounces.

(5) MKM was acquired on 15 December 2004. MKM was consolidated from the date of the acquisition; however, trading results for the period from 15 December 2004 to 31 December 2004 were not consolidated as they were immaterial. Revenue for MKM for the year ended 31 December 2004 based on the Group's pro forma consolidated income statement for the year ended 31 December 2004 is $486.9 million, which has been calculated as though the acquisition of MKM had occurred prior to 1 January 2004.

The table below provides selected financial information in relation to the Group.

	Year ended 31 December			Five months ended 31 May
	2002	2003	2004	2005
			($ million)	
Revenue	819.9	836.9	1,259.5	978.5
Adjusted EBITDA [(1)]	379.5	373.1	761.6	376.2
Adjusted EBIT[(1)]	256.0	239.2	562.7	305.8
EBIT [(1)]	255.8	269.6	578.5	305.8
Profit for the period	160.8	137.7	441.3	197.2
Attributable to equity shareholders of the Company	156.5	134.1	429.8	192.2

(1) EBIT is calculated as profit from continuing operations before tax and finance costs, which is extracted without adjustment from the Group's historical financial information. Adjusted EBIT is calculated as earnings before interest and taxation and, in 2004, recognition of negative goodwill (i.e., EBIT), and non-operating foreign exchange gain/(loss). Adjusted EBITDA is calculated as Adjusted EBIT plus depreciation and amortisation, write-off adjustments and one-time fixed asset disposals. Neither Adjusted EBIT nor Adjusted EBITDA is a measure of financial performance under IFRS or US GAAP. See ''Selected financial and operating information'' in Part VI for a reconciliation of profit for the period to Adjusted EBITDA and Adjusted EBIT.

The table below provides selected financial information in relation to the Group to illustrate the effect on the consolidated results for the year ended 31 December 2004 of the Company as if the acquisition of MKM had taken place prior to 1 January 2004, and has been extracted without material adjustment from ''Unaudited pro forma financial information'' in Part IX.

	Year ended 31 December 2004					
	Unaudited pro forma revenue		Unaudited pro forma Adjusted EBITDA[(1)]		Unaudited pro forma EBIT[(1)]	
	$ million	As % of the Group	$ million	As % of the Group	$ million	As % of the Group
Company[(2)]	—	—	12.2	1.6%	12.2	2.2%
Kazakhmys	1,259.5	72.1%	749.7	97.4%	566.4	102.9%
MKM[(3)]	486.9	27.9%	7.5	1.0%	(28.3)	(5.1%)
Group	1,746.4	100.0%	769.3	100.0%	550.2	100.0%

(1) Adjusted EBITDA is calculated as Adjusted EBIT plus depreciation and amortisation, write-off adjustments and one-time fixed asset disposals. EBIT is calculated as profit from continuing operations before tax and finance costs, which is extracted without adjustment from the Group's historical financial information. Adjusted EBITDA is not a measure of financial performance under IFRS or US GAAP. See ''Unaudited pro forma financial information'' in Part IX for a reconciliation of unaudited pro forma EBIT to unaudited pro forma Adjusted EBITDA.

(2) Amounts for the Company in 2004 are for the period since incorporation on 15 July 2004 to 31 December 2004.

(3) MKM became part of the Group in December 2004.

Basis of preparation: The unaudited pro forma information for the year ended 31 December 2004 included in the above table is for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not present the Group's actual financial position or results. The information has been prepared to illustrate the revenue, Adjusted EBITDA and EBIT of the Group as if the acquisition of MKM had occurred prior to 1 January 2004. It includes the revenue, Adjusted EBITDA and EBIT of MKM for the year ended 31 December 2004.

Key strengths

The Directors believe that the key strengths of the Group's business are:

- its size, vertical integration, low costs and long-life asset base

The Group is the world's tenth largest producer of copper cathode (428 kilotonnes copper cathode production in 2004) and is in the first quartile of the cash cost curve ($655 per tonne in 2004). It is a vertically integrated business from mining to refining, which produces copper cathode and value-added fabricated copper products as well as zinc, gold and silver. The Group has a long-life asset base with reserves able to support projected production for at least 20 years, low cash costs, captive power and a considerable growth projects pipeline.

- its ability to tap Kazakh and regional natural resources wealth

The Group is well positioned to participate in the development of the still largely untapped natural resources of Kazakhstan and the region. The Group has a competitive advantage in developing these resources as it is the largest Kazakh mining and metals company, is well-established in the Central Asian market and understands the political and economic operating environment in the region.

- its proximity to China

Kazakhstan borders China and is therefore well-positioned to supply copper and other metals to key Chinese industrial centres. The Group has long-standing relationships with customers in China and in 2004 sold over 85% of its copper products into China. China is a growing economy whose real GDP has grown consistently over the past 10 years by, on average, 8.6%. In 2004, China represented approximately 21% of global copper consumption (3.6Mt). In the same year, Chinese copper demand growth was 18%. Given the shorter transport distance, this proximity to China enables the Group to access a natural, growing market cost-effectively.

- its proven management team

Kazakhmys has a stable management team that has significant experience in the industry. Management has a compelling track-record of expansion while maintaining low operational costs. Since 1996 management has acquired and integrated eight asset complexes into the Group's Kazakh operations, providing additional vertical integration and economies of scale, and increased copper cathode production from 130 kilotonnes in 1995 to over 400 kilotonnes in 2004.

Group Strategy

The Group's strategy is to achieve growth as a natural resources group and to enhance overall value for its shareholders. The Group intends to pursue this strategy by:

- continuing to optimise the performance of existing assets through improved efficiency, appropriate output expansion and focus on maintaining low costs;
- completing existing growth and expansion projects, which include the new Aktogay and Zhaman-Aybat mines, extensions to existing mines, a new acid plant at Balkhash and several other long-term growth projects within Kazakhstan;
- leveraging its competitive position to seek further growth opportunities in natural resources within Kazakhstan and elsewhere in the region;
- applying its critical mass, strong cash flows and financial flexibility to enable the Group to make opportunistic acquisitions; and
- improving the Group's international visibility to broaden its access to international capital markets as a public company.

The Company also recognises that the health and safety of its employees and the maintenance of high environmental performance standards are major priorities. To this end, a detailed HSE audit has been commissioned from independent consultants. The Company, along with the HSE committee of the Board, will review its recommendations in order to develop an appropriate implementation strategy and allocate the necessary financial and managerial resources.

History and development of the Group

Ownership

Mining activities have been in progress in the areas where Kazakhmys has operations for many years. Smelting activities began in the 1930's at the Balkhash Complex and in 1971 at the Zhezkazgan Complex. Kazakhmys itself was formed in 1992 when the State-owned Zhezkazgantsvetmet Research and Production Association was reorganised into the Open Joint Stock Company Zhezkazgantsvetmet ("OJSC Zhezkazgantsvetmet"). This entity subsequently underwent a number of changes in legal form and name and took its current form and name of LLC Kazakhmys Corporation in early 2005.

In 1992, Kazakhmys issued shares for the first time. The Government of Kazakhstan reduced its stake in Kazakhmys to 0% between 1992 and 2002 in a number of stages. Between 1992 and 1995, 20% of its share capital was transferred to employees and pensioners of Kazakhmys and to other investors. Over this period the Government of Kazakhstan retained the remaining 80% of the share capital. The Government sold its remaining holdings in a series of privatisation auctions and tenders between January 1996 and December 2002, whereby a 5% holding was sold by auction in January 1996, 40% was sold to the Samsung Group in May 1996 (as described in the following paragraph), 10.35% was sold by auction in November 2001, and the remaining 24.65% was sold by auction in December 2002. The majority of the shares sold pursuant to the November 2001 and December 2002 auctions were ultimately acquired by Kazakhmys and cancelled at the time of its conversion to a limited liability company.

In June 1995, Samsung signed a Trust Management Agreement with the Kazakh State Property Committee for the management of OJSC Zhezkazgantsvetmet, including its constituent mining companies. While that agreement provided Samsung with various rights in respect of the State's shares (including pre-emptive rights on the State-owned shares at the time of privatisation), it did not transfer beneficial ownership of the shares to Samsung. Samsung acquired a 40% equity stake in Kazakhmys in a privatisation auction in May 1996. Samsung subsequently sold substantially all of its shareholding in Kazakhmys to two of the current Major Shareholders in the Company.

In November 2004, the Company, an English public limited company established to act as a new holding company, made an exchange offer for the entire issued share capital of Kazakhmys. Pursuant to the offer, the Company acquired approximately 97% of the share capital of Kazakhmys. In August 2004, Kazakhmys' shareholders resolved to convert Kazakhmys into a limited liability company and to de-list from the Kazakhstan Stock Exchange, on which the Kazakhmys shares had been admitted to listing in December 1998. This conversion and de-listing were completed by early 2005.

The current Major Shareholders of the Company are Perry Partners S.A., Harper Finance Limited and Cuprum Holding B.V. They acquired their interests in Kazakhmys through a combination of market purchases, participation in the 2003 issue by Kazakhmys (through pre-emptive participation and underwriting) and acquisition from Samsung and other shareholders in Kazakhmys. They acquired their shares in the Company through exchanging their Kazakhmys holdings or by purchase of such shares from other existing shareholders.

Acquisitions

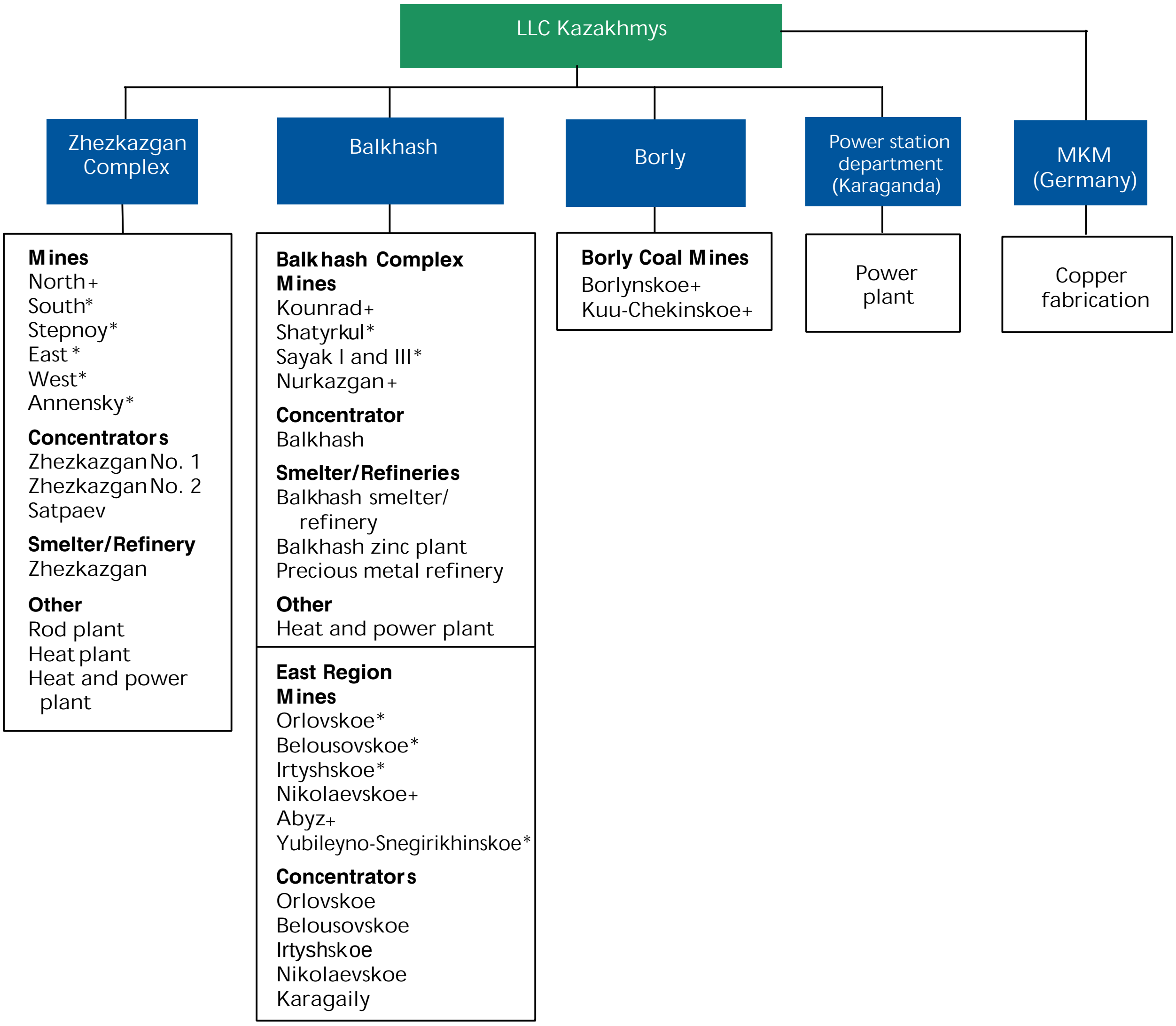
The Group, as it currently stands, is the result of a series of acquisitions made over the last decade. The key acquisitions completed by Group entities since Kazakhmys was founded in 1992 are listed in the table below:

Acquisition	Date	Business
MKM	December 2004	Copper products fabrication
Zhezkent Complex	October 2001	Copper mines, concentrator
Borly	December 1999	Coal mines
East Kazakhstan Copper & Chemical Combine	October 1999	Copper mines, concentrators
Irtyshskoe Complex	November 1999	Copper mines, concentrators, smelter (now closed)
Belousovskoe Complex	July 1999	Copper mines, concentrators
Karaganda Power Plant	February 1998	Power plant
Balkhash Complex	March 1997	Copper mines, concentrator, smelter/refinery, power plant
Zhezkazgan Power Plant	September 1996	Power plant

Principal Group facilities

Kazakhmys is a vertically integrated copper producer. It mines all the copper ore it processes, produces substantially all the copper concentrate it processes and generates sufficient electricity to meet its own requirements. Kazakhmys has two principal production facilities: the Zhezkazgan Complex and Balkhash, which includes several mines and concentrators at various locations in the vicinity of Ust-Kamenogorsk in the eastern region of Kazakhstan (the ''East Region''). The East Region feeds the smelter and refinery at the Balkhash Complex. In addition, it has other operations that are primarily involved in the supply of raw materials and energy to the two principal production complexes. These operations include the power generation unit at Karaganda and the coal mining and transport unit at Borly.

MKM operates a facility in Hettstedt, Germany, where it manufactures copper and copper alloy semi-finished products for various applications and industries. The following chart shows the Group's main production facilities and operations:



+ Open pit mines
* Underground mines

The following map shows the location of Kazakhmys' main operations:

Kazakh copper business

Introduction

Kazakhmys operates in distinct units. The main units are the Zhezkazgan Complex, Balkhash and Karaganda. The Zhezkazgan Complex operations include mines and facilities producing copper and a slime containing silver which is sent to Balkhash. Balkhash comprises the mines and concentrators of the Balkhash Complex and the East Region and the facilities at the Balkhash Complex that produce copper, zinc, gold and silver. Karaganda comprises Kazakhmys' two coal mines at Borly and a power generating plant.

Kazakhmys operates 11 underground and five open pit mines at the Zhezkazgan Complex and Balkhash. The mineral reserves and resources of these mines are sufficient to support projected production for at least 20 years. The table below sets out the Group's copper reserves and resources as at 1 January 2005. The reserves and resources figures have been extracted without material adjustment from the ''Technical Report'' in Part XII.

	Reserves		Resources			
	Proved and probable (in kilotonnes)	Copper grade (%)	Measured and indicated (in kilotonnes)	Copper grade (%)	Inferred (in kilotonnes)	Copper grade (%)
Zhezkazgan Complex	537,324	1.00	597,415	1.02	—	—
Balkhash Complex and East Region	2,253,086	0.57	2,192,378	0.63	33,585	0.73
Total	2,790,411	0.65	2,789,793	0.72	33,585	0.73

Note: Resources are inclusive of reserves. Reserves equal resources less ore loss plus dilution.

In addition to the copper reserves and resources, the mines in the Zhezkazgan area contain silver, those in the Balkhash area contain small amounts of gold and silver, and those in the East Region contain substantial quantities of zinc in addition to small amounts of gold and silver.

The Group's operations are vertically integrated, incorporating all aspects of production from mining to refining at both the Zhezkazgan Complex and Balkhash. It operates nine concentrators and two copper smelter/refineries, as well as a zinc plant, a precious metals refinery and a copper rod plant. It also has its own captive power—the power plants at Karaganda and the Zhezkazgan and Balkhash Complexes, utilising coal from the Group's Borly coal mines, currently provide more electricity than that consumed by the Group.

In addition to its captive power capability, the Group also manufactures in-house many other raw materials used in its production processes, including chemical reagents used in the smelting and refining process. The Group also maintains an in-house construction team that historically has been utilised on various projects, including construction of the zinc plant and Group-owned railways.

Production

In 2004, the Group produced 428 kilotonnes of copper cathode, including 20 kilotonnes produced from tolling operations. In 2004, the Group's total copper cathode production at the Zhezkazgan Complex was 236 kilotonnes, excluding tolling. The Group also produced 49 kilotonnes of copper rod from its own cathode at the Zhezkazgan Complex. For the same period, the Group's total copper cathode production at Balkhash was 172 kilotonnes, excluding tolling.

Both the Zhezkazgan and Balkhash Complexes treat concentrate from third parties. This concentrate is either purchased or treated on a tolling basis. For the three years ended 31 December 2002, 2003 and 2004 the Group's copper concentrate production was 1,562 kilotonnes, 1,691 kilotonnes and 1,593 kilotonnes respectively. During the five months ended 31 May 2005 the Group's copper concentrate production was 558 kilotonnes. The Group's purchases of copper concentrate were 100 kilotonnes in 2002, 61 kilotonnes in 2003, 15 kilotonnes in 2004 and 104 kilotonnes in the five months ended 31 May 2005. In 2004, the Group produced 20 kilotonnes of copper cathode on a tolling basis.

In the five months ended 31 May 2005, the Group produced 167 kilotonnes of copper cathode, including 4 kilotonnes produced from tolling operations. The Group's total refined copper production at the Zhezkazgan Complex was 99 kilotonnes, excluding tolling. The Group produced 4 kilotonnes of copper rod from its own cathode at the Zhezkazgan Complex. For the same period, the Group's total copper cathode production at Balkhash was 64 kilotonnes, excluding tolling.

In 2004, the Group's total zinc in concentrate production was 66 kilotonnes, from which refined zinc production was 18.2 kilotonnes. The zinc plant is expected to reach full capacity of approximately 100 kilotonnes of zinc metal per annum in 2006. Total gold production was 86.3 thousand troy ounces, and total silver production was 17.7 million troy ounces. Some of the gold and silver produced is treated on a tolling basis.

In the five months ended 31 May 2005, the Group's total zinc in concentrate production was 38.6 kilotonnes, from which refined zinc production was 24.4 kilotonnes. Total gold production was 46.6 thousand troy ounces, and total silver production was 8.6 million troy ounces.

Cost curve

A cost curve produced by Brook Hunt in June 2005 ranked Kazakhmys' 2004 copper operations in the first quartile of world production of copper cathode. See ''Administration, advisors and presentation of information—Cost curves'' in Part I.

Projects

The Group has a number of mining projects in Kazakhstan that are intended to provide for organic production growth and replacement. The majority of these projects are anticipated to come on line in the short to medium term and include both new sites and continuations of existing mines. New site projects include Aktogay, the Group's primary project, Zhaman-Aybat and Artemyevskoe. Continuation projects include East Saryoba, Taskura, Kosmurun and Akbastau. A sulphuric acid plant is also under construction at the Balkhash Complex.

Zhezkazgan Complex

Reserves and resources

The table below sets out the Group's copper reserves and resources as at 1 January 2005 at the Zhezkazgan Complex. The reserves and resources figures have been extracted without material adjustment from the ''Technical Report'' in Part XII.

	Reserves		Resources(1)			
	Proved and probable (in kilotonnes)	Copper grade (%)	Measured and indicated (in kilotonnes)	Copper grade (%)	Inferred (in kilotonnes)	Copper grade (%)
North	45,817	0.65	75,878	0.71	—	—
South	152,428	0.96	146,862	1.02	—	—
Stepnoy	88,308	0.78	122,906	0.78	—	—
East	73,594	1.05	81,062	1.06	—	—
West	21,357	0.82	20,577	0.88	—	—
Annensky	80,571	1.13	77,629	1.21	—	—
Zhaman-Aybat(2)	75,250	1.42	72,502	1.52	—	—
Total	537,324	1.00	597,415	1.02	—	—

Notes:

(1) Resources are inclusive of reserves. Reserves equal resources less ore loss plus dilution.

(2) Not yet operational.

Production

The following table sets out the Group's copper production levels at the Zhezkazgan Complex for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005. The production figures have been extracted without material adjustment from the ''Technical Report'' in Part XII.

	Year ended 31 December			Five months ended 31 May
Product	**2002**	**2003**	**2004**	**2005**
		(in kilotonnes, except %)		
Ore production	27,253	25,335	24,647	11,408
Copper concentrate (produced)	751	720	668	253
Copper in concentrate (%)	35.2	34.4	35.1	35.9
Total copper cathode(1)(2)	254	243	236	99
of which, copper rod	60	55	49	4

(1) Includes cathode production from mined copper concentrate and bought-in concentrate.

(2) Excludes cathode production from tolling activities.

Operations

The Zhezkazgan Complex is an integrated copper cathode production facility incorporating mining, mineral processing, smelting and refining operations. The principal products produced at the Zhezkazgan Complex are copper cathode and copper rod.

The Zhezkazgan Complex includes the following principal operations:

- open pit ore mining operations (collectively called the North mine);
- underground ore mining operations (the South, Stepnoy, East, West and Annensky mines);
- mineral processing facilities (the Zhezkazgan No. 1 and No. 2 and Satpaev concentrators, which produce copper concentrate from the mined ore); and
- a smelting/refining operation that produces copper cathode, and silver in solution that is sent to Balkhash for recovery.

The Zhezkazgan Complex also includes a continuous-casting copper rod plant. The Complex's energy requirements are provided by the Group's power plants located in Zhezkazgan and Karaganda.

Mines

The following table shows general information on the mines that belong to the Zhezkazgan Complex. Some of the Zhezkazgan mines are comprised of multiple pits or shafts.

Mine	Type	Annual ore production capacity (in millions of tonnes)	Estimated life of mine (years)
North[(1)]	Open Pit	4.4	11
South[(2)]	Underground	6.7	20
Stepnoy	Underground	4.0	21
East	Underground	5.5	13
West	Underground	3.6	6
Annensky	Underground	5.0	16
Zhaman-Aybat[(3)]	Underground	4.0	19

(1) Includes Taskura mine.

(2) Includes East Saryoba mine.

(3) Not yet operational.

The following table shows ore production from the operational mines that belong to the Zhezkazgan Complex for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005. The production figures have been extracted without material adjustments from the ''Technical Report'' in Part XII.

	Year ended 31 December						Five months ended	
	2002		2003		2004		31 May 2005	
	(in kilotonnes)	Copper grade (%)	(in kilotonnes)	Copper grade (%)	(in kilotonnes)	Copper grade (%)	(in kilotonnes	Copper grade (%)
North	4,209	0.81	4,205	0.81	3,916	0.76	1,377	0.72
South	8,343	1.10	7,858	1.08	8,706	1.03	2,922	0.88
Stepnoy[(1)]	—	—	—	—	—	—	1,493	0.74
East	5,804	1.05	5,229	1.12	4,415	1.16	2,348	1.02
West	3,622	1.01	3,078	0.91	3,157	0.95	1,290	0.69
Annensky	5,275	1.35	4,965	1.43	4,453	1.35	1,978	1.12
Total	27,253	1.08	25,335	1.09	24,647	1.06	11,408	0.89

(1) The Stepnoy mine commenced production in 2005.

The Group operates all of these mines. All of the Zhezkazgan Complex's underground mines are accessed by vertical shafts with the exception of the South Mine's East Saryoba project, which is expected to be accessed by adits. In addition, mobile equipment enters the complex by means of the redundant Umit operation's adits. All of the mines employ room-and-pillar or secondary pillar extraction methods. Ore is transported a maximum distance of 45 km from the mines on the Group's own railway lines to the concentrators at Zhezkazgan and Satpaev.

Concentrators

Concentrating consists of crushing and grinding the ore and separating copper ores from waste material by floatation, resulting in a copper concentrate. Kazakhmys operates three concentrators at the Zhezkazgan Complex: two in Zhezkazgan and one in Satpaev.

The two concentrators in Zhezkazgan have a combined capacity of 25 million tonnes per annum. Zhezkazgan No. 1 concentrator was built in 1954 and has been expanded twice to increase its through-put. It processes ore from the South and East mines. Zhezkazgan No. 2 concentrator was commissioned in 1963. It processes ore from the North, South, West and Stepnoy mines. The copper concentrate from Zhezkazgan No. 1 and No. 2 concentrators is pumped to the smelter for processing.

The Satpaev concentrator is located 25 km by road from the main metallurgical complex at Zhezkazgan. It commenced operations in 1985 and has a design production capacity of 4.5 million tonnes per annum. It processes ore from the Annensky mine. The copper concentrate produced by the Satpaev concentrator is sent by rail to the smelter for processing.

The following table sets out the Group's copper concentrate production from each concentrator at the Zhezkazgan Complex for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005. The production figures have been extracted without material adjustments from the ''Technical Report'' in Part XII.

	Ore milled (in kilotonnes)				Copper concentrate (in kilotonnes)				Copper in concentrate (%)			
	Year ended 31 December			Five months ended 31 May	Year ended 31 December			Five months ended 31 May	Year ended 31 December			Five months ended 31 May
	2002	2003	2004	2005	2002	2003	2004	2005	2002	2003	2004	2005
Zhezkazgan No. 1.	8,381	7,658	7,832	3,519	246	238	219	82	39.8	37.8	39.9	40.3
Zhezkazgan No. 2.	14,868(1)	13,619(1)	12,960(1)	6,204(1)	271	246	238	97	39.3	38.8	38.6	39.4
Satpaev	4,524	4,506	4,301	1,841	234	236	211	74	25.7	26.4	26.1	26.5
Total	27,773	25,783	25,093	11,564	751	720	668	253	35.2	34.4	35.1	35.9

(1) Includes slag and reverts.

Smelting/refining facilities

The Zhezkazgan Complex has its own smelting facility. The Zhezkazgan smelter, which commenced operations in 1973, uses Outokumpu Oy technology and consists of two identical 27 MVA electric smelting furnaces, converters, anode furnaces and a sulphuric acid plant. Sulphur dioxide off-gases collected from the furnaces and converters are processed into sulphuric acid at the sulphuric acid facility and sold to third parties.

The Zhezkazgan Complex also has an electro-refinery where anodes are suspended in solution in the tankhouse to produce copper cathode by electrolysis. The Zhezkazgan smelter/refinery was expanded in 2004 and currently has a design production capacity of 280 kilotonnes per annum of copper cathode. In 2004, copper cathode production was 236 kilotonnes and the copper content of the copper cathodes was 99.99%. The residual slimes resulting from the electrowinning process contain silver in solution, and are sent to the Balkhash precious metals refinery for extraction.

The Zhezkazgan smelter and copper refinery treat all the copper concentrate produced in the Zhezkazgan Complex and also treat concentrate from third parties. This concentrate is either purchased or treated on a tolling basis.

Another by-product of the copper refining process at the Zhezkazgan Complex is flush acid that contains small amounts of osmium, which is a naturally occurring member of the platinum group of metals. In 2002 there were press reports, following allegations in the Russian Duma, that Kazakhmys was engaged in the unauthorised production of osmium-187, that this could be used to make nuclear weapons and that samples had been found in the possession of couriers apprehended in Russia. These reports have been thoroughly investigated by the Group and the Directors consider them to be unfounded. Osmium-187 is not radioactive and is not subject to either international or domestic nuclear proliferation controls. Nuclear activity in Kazakhstan is under the control of the Government.

All flush acid containing osmium produced by Kazakhmys is supplied, and title therein passes, to Zhezkazganredmet, a State-owned company located within the Zhezkazgan Complex. Kazakhmys does not separate osmium from the flush acid and does not handle or supply osmium except in this flush acid state.

Copper rod plant

There is a Southwire SCR 2000 continuous copper rod plant at the Zhezkazgan Complex, which produces 8mm copper rods from copper cathode. This plant also has the capacity to produce, but is not currently producing, 16mm and 18mm copper rods, should there be demand for such products. The copper rod plant has an annual capacity of 65 kilotonnes. The copper rod plant recently received ISO 9001 accreditation.

Balkhash

Reserves and resources

Copper reserves and resources

The table below sets out the Group's copper reserves and resources as at 1 January 2005 at the Balkhash Complex and the East Region. The reserves and resources figures have been extracted without material adjustment from the ''Technical Report'' in Part XII.

	Reserves		Resources[1]			
	Proved and probable (in kilotonnes)	Copper grade (%)	Measured and indicated (in kilotonnes)	Copper grade (%)	Inferred (in kilotonnes)	Copper grade (%)
Balkhash Complex:						
Kounrad	183,581	0.30	176,877	0.32	—	—
Shatyrkul	28,177	3.00	26,866	3.42	—	—
Sayak I & III	18,453	1.07	19,639	1.16	—	—
Nurkazgan	107,332	0.76	145,067	0.83	19,219	0.48
Aktogay[2]	1,594,009	0.36	1,509,478	0.39	—	—
Boschekul[2]	187,972	0.65	178,004	0.71	—	—
East Region:						
Orlovskoe	30,846	4.34	30,631	4.16	—	—
Belousovskoe	5,888	0.79	5,101	0.94	8,027	0.41
Irtyshskoe	12,167	1.71	10,541	2.03	4,343	2.06
Nikolaevskoe	8,694	3.15	8,536	3.31	—	—
Abyz	3,700	1.43	6,616	1.67	1,652	1.06
Yubileyno-Snegirikhinskoe	3,483	3.93	3,919	3.77	344	3.43
Artemyevskoe[2]	33,112	1.92	33,725	1.94	—	—
Kosmurun[2]	22,365	3.00	23,617	2.96	—	—
Akbastau[2]	13,308	1.58	13,760	1.63	—	—
Total	2,253,086	0.57	2,192,378	0.63	33,585	0.73

Notes:

(1) Resources are inclusive of reserves. Reserves equal resources less ore loss plus dilution.

(2) Not yet operational.

Zinc reserves and resources

The table below sets out the Group's zinc reserves and resources as at 1 January 2005 in the East Region (the Zhezkazgan and Balkhash Complex mines do not contain meaningful quantities of zinc). The reserves and resources figures have been extracted without material adjustment from the ''Technical Report'' in Part XII:

	Reserves		Resources[1]			
	Proved and probable (in kilotonnes)	Zinc grade (%)	Measured and indicated (in kilotonnes)	Zinc grade (%)	Inferred (in kilotonnes)	Zinc grade (%)
Orlovskoe	30,846	3.33	30,631	3.53	—	—
Belousovskoe	5,888	3.82	5,101	4.55	8,027	3.59
Irtyshskoe	12,167	4.62	10,541	5.49	4,343	4.00
Nikolaevskoe	8,694	5.52	8,536	5.80	—	—
Abyz	3,700	3.85	6,616	3.36	1,652	3.33
Yubileyno-Snegirikhinskoe	3,483	5.20	3,919	5.00	344	2.24
Artemyevskoe[2]	33,112	5.82	33,725	5.89	—	—
Kosmurun[2]	22,365	0.87	23,617	0.86	—	—
Akbastau[2]	13,308	0.89	13,760	0.92	—	—
Total	133,562	3.64	136,446	3.75	14,366	3.65

Notes:

(1) Resources are inclusive of reserves. Reserves equal resources less ore loss plus dilution.

(2) Not yet operational.

Production

Copper production

The following table shows the Group's copper production levels at the Balkhash Complex and the East Region for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005. The production figures have been extracted without material adjustment from the "Technical Report" in Part XII.

Product	Year Ended 31 December 2002	2003	2004	Five months ended 31 May 2005
	(in kilotonnes, except %)			
Balkhash Complex ore production	9,234	9,526	5,675	2,571
Balkhash Complex copper concentrate (produced)	236	200	175	75
Balkhash Complex copper in concentrate (%)	17.0	16.6	17.2	18.0
East Region ore production	4,657	5,279	5,054	2,189
East Region copper concentrate (produced)	575	771	750	230
East Region copper in concentrate (%)	18.6	18.0	18.2	16.5
Total copper concentrate (produced)	811	971	925	305
Total copper in concentrate (%)	18.1	17.7	18.0	16.9
Total copper cathode(1)(2)	178	175	172	64

(1) Includes mined copper concentrate and bought-in concentrate.

(2) Excludes cathode production from tolling activities.

Zinc and precious metals production

The following table sets out the Group's zinc and precious metals production levels, including production from tolling, for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005. The production figures have been extracted without adjustment from the "Technical Report" in Part XII.

Product	Year Ended 31 December 2002	2003	2004	Five months ended 31 May 2005
	(in kilotonnes, except %, gold and silver)			
Total zinc concentrate	161	178	150	89
Zinc in concentrate (%)	44.9	43.9	43.8	39.1
Total zinc metal(1)	—	—	18.2	24.4
Total gold(2)(3)	125.4	93.5	86.3	46.6
Total silver(2)(3)	21,666.4	19,508.7	17,717.7	8,640

(1) The zinc hydrometallurgical plant began production in December 2003. The plant is expected to reach full capacity in 2006.

(2) Reported in thousands of troy ounces.

(3) Includes production from tolling activities.

Operations

The Group's second production facility is near Balkhash. The concentrate processed at the Balkhash Complex comes from two principal mining areas: the mines in the vicinity of Balkhash and those in the East Region, in the vicinity of Ust-Kamenogorsk.

The Balkhash Complex and East Region include the following principal operations:

- the Balkhash open pit ore mining operations (Kounrad and Nurkazgan);
- the Balkhash underground ore mining operations (Shatyrkul and Sayak I & III mines);
- the East Region open pit ore mining operations (Nikolaevskoe and Abyz);
- the East Region underground ore mining operations (Orlovskoe, Belousovskoe, Irtyshskoe and Yubileyno-Snegirikhinskoe mines);

- the mineral processing facilities (the concentrators at Balkhash, Orlovskoe, Belousovskoe, Irtyshskoe, Nikolaevskoe and Karagaily);
- the copper smelting/refining operation at the Balkhash Complex;
- the zinc hydrometallurgical plant at the Balkhash Complex; and
- the precious metals refinery at the Balkhash Complex.

Balkhash Complex operations

The Balkhash Complex is a fully integrated copper production facility comprising mining, mineral processing, smelting and refining operations. In addition, the Balkhash Complex operates a zinc hydrometallurgical plant and a precious metals refinery.

Mines

The following table shows general information on the mines at the Balkhash Complex.

Mine	Type	Annual ore production capacity (in millions of tonnes)	Estimated life of mine (years)
Kounrad	Open Pit	3.5	52
Shatyrkul	Underground	0.5	56
Sayak I & III	Underground	0.5	9
Nurkazgan	Open Pit	4.5	22

Kounrad Mine. The Kounrad mine began production in 1934, although operations were suspended during 1999 in order to allow the existing pit wall to be moved back to gain access to deeper ore. The mine is an open pit copper mine located 20 km north of the town of Balkhash. Mining is carried out using a conventional shovel and truck method. The mine is linked to Balkhash by a rail line owned by the Group. Production from the mine is scheduled to cease at the end of 2005 to allow for a scheduled push-back to access the ore. Ore production is scheduled to restart in 2009.

Shatyrkul Mine. The Shatyrkul mine began operations in 1999 as an open pit mine and continued until 2002, when operations were moved underground. The Shatyrkul mine is located approximately 510 km north of Almaty and 350 km southwest of Balkhash, near the town of Shu. Mining is carried out by trackless equipment using the continuous retreat sub-level caving method. Ore is transported by rail to the Balkhash concentrator.

Sayak I & III Mines. The original Sayak I & III mines were open pit mines that began operations in the 1970s. The mines are approximately 10 km apart and located approximately 200 km east of Balkhash. The current Sayak I & III mines are underground mines accessed by adits from the old open pit mines. Mining is carried out by trackless equipment using multi-lift room-and-pillar operations. Ore is transported by rail to the Balkhash concentrator.

Nurkazgan Mine. The Group commenced development of the Nurkazgan copper field, which contains ore with copper and gold content, in 2003. The Nurkazgan mine is an open pit mine located approximately 35 km north of Karaganda. Mining is carried out using hydraulic excavators and trucks. Ore is transported by rail to the Balkhash concentrator.

The following table shows ore production from the operational mines that belong to the Balkhash Complex for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005. The production figures have been extracted without material adjustment from the ''Technical Report'' in Part XII.

	Year ended 31 December						Five months ended 31 May 2005	
	2002		2003		2004			
	(in kilotonnes)	Copper grade (%)	(in kilotonnes)	Copper grade (%)	(in kilotonnes)	Copper grade (%)	(in kilotonnes)	Copper grade (%)
Kounrad	7,984	0.37	7,798	0.28	3,626	0.28	1,534	0.29
Shatyrkul	49	0.91	161	2.03	227	1.67	174	2.28
Sayak I & III	1,201	1.24	1,275	1.13	1,213	1.07	641	1.20
Nurkazgan	—	—	292	1.65	609	1.85	222	0.35
Total	9,234	0.49	9,526	0.47	5,675	0.67	2,571	0.66

Concentrator

The Balkhash concentrator was commissioned in 1937. It has an ore processing capacity of 13 million tonnes per annum based on the Kounrad ore hardness. The other ores treated are harder, and the effective output is therefore reduced. The Balkhash concentrator processes ore from the Kounrad, Shatyrkul, Sayak I & III and Nurkazgan mines.

The following table sets out the Group's copper concentrate production from the Balkhash concentrator for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005.

	Ore milled (in kilotonnes)				Copper concentrate (in kilotonnes)				Copper in concentrate (%)			
	Year ended 31 December			Five months ended 31 May	Year ended 31 December			Five months ended 31 May	Year ended 31 December			Five months ended 31 May
	2002	2003	2004	2005	2002	2003	2004	2005	2002	2003	2004	2005
Total	11,332	10,910	5,776	2,428	236	200	175	75	17.0	16.6	17.2	18.0

Smelter/refinery

The Balkhash Complex has its own smelting facility. The smelter was built in the late 1930s. It has been refurbished over the years, including the installation of Vanyukov bath smelting technology in the 1980s and the installation of a second Vanyukov unit in 2004. The smelter uses autogenous technology and consists of two smelting furnaces, converters and anode furnaces. A new sulphuric acid plant, which will process sulphur dioxide off-gasses collected from the furnaces and the converters, is expected to be in operation at the end of 2006.

The Balkhash Complex also has an electro-refinery where the anodes are suspended in solution in the tankhouse to produce copper cathode by electrolysis. The smelter/refinery has a design production capacity of 250 kilotonnes per annum of copper cathode after the expansion in 2004. In 2004, copper cathode production was 172 kilotonnes, excluding tolling, and the copper content in the copper cathodes was 99.97%. The residual slimes resulting from the electrowinning process contain gold and silver. These are sent to the Balkhash precious metals refinery for extraction.

The Balkhash smelter and copper refinery treat all the copper concentrate from Balkhash and also treat concentrate from third parties to maximise throughput of the smelter and improve efficiency. This concentrate is either purchased or treated on a tolling basis.

Balkhash zinc hydrometallurgical plant

The Group's zinc plant is the most recent addition to the Balkhash site. Production started in late December 2003 and by October 2004 the plant was operating at 50% capacity. It has a design capacity of 100 kilotonnes of refined zinc per annum. The zinc plant is expected to reach full capacity in 2006.

Zinc concentrate is received by rail from the East Region concentrators of Belousovskoe, Irtyshskoe, Nikolaevskoe, Orlovskoe and Karagaily, which in 2004 produced an aggregate of 150 kilotonnes of zinc concentrate.

The process stages to recover zinc are blending, milling, high temperature and pressure dissolution in autoclaves, three-stage solution clean up, electrolysis and metal casting. Final metal is produced with 99.992% to 99.995% zinc. Recovery from the autoclaves was 85 to 87% in 2004 compared with the design figure of 98.5%. This discrepancy was due to start-up difficulties, the zinc concentrate feed being at the lower end of the design spectrum and the plant operating with a single stage dissolution rather than the designed double stage. The change to double stage took place during the first half of 2005. The zinc plant is expected to reach full capacity in 2006.

In the past, the Group has had arrangements with third parties to exchange zinc concentrate for copper concentrate. These zinc concentrate sales have decreased as the Group stockpiled concentrate and it now uses its zinc concentrate in the production of its own zinc metal.

Balkhash precious metals refinery

The Balkhash precious metals refinery was commissioned in 1997 to recover gold and silver from the slimes from all the Group's operations. The Group also treats slimes from third parties on a tolling basis. The refinery employs technology from Boliden of Sweden. De-copperised anode slimes are sent to the precious metals refinery from the Balkhash and Zhezkazgan copper refineries. These are pressure-leached with sulphuric acid in an autoclave and processed by a Kaldo rotary converter to produce anodes. The anodes are refined by electrolysis producing fine, 99.99% pure, silver crystals which are melted and sold in granular form. The anode slimes are leached of residual silver by nitric acid to recover the gold. The gold is melted, cast into anodes and electro-refined, and then melted and cast into 99.99% pure bars.

The refinery produced 86.3 thousand troy ounces of gold and 17.7 million troy ounces of silver in 2004. Of the 2004 production, 31.8 thousand troy ounces of gold and 3.1 thousand troy ounces of silver were treated on a tolling basis.

East Region operations

The Group's East Region operations comprise a number of mines and concentrators, with all concentrate being transported by rail to the Balkhash Complex for smelting and refining.

Mines

The following table shows general information on the mines that belong to the East Region.

Mine	Type	Annual production capacity (in millions of tonnes)	Estimated Life of mine (years)
Orlovskoe	Underground	1.5	21
Belousovskoe	Underground	0.5	14
Irtyshskoe	Underground	0.7	21
Nikolaevskoe	Open Pit	0.6	10
Abyz	Open Pit	0.5	8
Yubileyno-Snegirikhinskoe	Underground	0.4	8
Shemonaikhinskoe[(1)]	Open Pit	—	—
Artemyevskoe[(2)]	Underground	1.5	22
Kosmurun[(2)]	Open Pit	0.5	44 (6 years open pit)
Akbastau[(2)]	Open Pit	0.5	26 (9 years open pit)

(1) Production ceased in 2004.

(2) Not yet operational.

Orlovskoe Mine. The Orlovskoe mine has been in operation since 1977. The mine is an underground copper and zinc mine located approximately 100 km northeast of Semey. A top slicing mining method with mechanised drift with a cemented rock fill is used. The ore is processed on-site at the Orlovskoe concentrator and the copper and zinc concentrates are then transported by rail to the Balkhash Complex for smelting and refining.

Belousovskoe Mine. The Belousovskoe mine began production in 1939 and was acquired by the Group in 1999. The mine is an underground copper and zinc mine located approximately 25 km northwest of Ust-Kamenogorsk. The mine uses the shrinkage stoping mining method in the upper levels and trackless equipment with the room-and-pillar method in the lower levels. The ore is processed on-site at the Belousovskoe concentrator and the copper and zinc concentrates are then transported by rail to the Balkhash Complex for smelting and refining.

Irtyshskoe Mine. The Irtyshskoe mine was recommissioned in 2001, following its acquisition by the Group in 1999 in a derelict condition. The mine is an underground copper and zinc mine located approximately 55 km northwest of Ust-Kamenogorsk. The mine uses the shrinkage stoping mining and pillar reclamation methods. The ore is transported by rail for processing at the Irtyshskoe concentrator and the copper and zinc concentrates are then transported by rail to the Balkhash Complex for smelting and refining.

Nikolaevskoe Mine. The Nikolaevskoe mine was commissioned in 1964 and acquired by the Group in 1997. The mine is a shovel and truck open pit copper and zinc mine located approximately 100 km northwest of Ust-Kamenogorsk. The ore is processed on-site at the Nikolaevskoe concentrator and the copper and zinc concentrates are then transported by rail to the Balkhash Complex for smelting and refining.

Abyz Mine. The Abyz mine commenced production in 2005. The mine is a shovel and truck open pit copper and zinc mine located 100 km east of the town of Karkaralinsk. The ore is transported by rail to the recently refurbished Karagaily concentrator and the copper and zinc concentrates are then transported by rail to the Balkhash Complex for smelting and refining.

Yubileyno-Snegirikhinskoe Mine. The Yubileyno-Snegirikhinskoe mine has been in operation since 2003. It is an underground copper and zinc mine located approximately 125 km north of Ust-Kamenogorsk. The sub-level caving production areas are accessed by adits with a spiral ramp connecting the levels. The ore is processed at the Irtyshskoe and Nikolaevskoe concentrators and the copper and zinc concentrates are then transported by rail to Balkhash for smelting and refining.

Shemonaikhinskoe Mine. The Shemonaikhinskoe mine began full production in 1988, and production ceased in April 2004. Rehabilitation of the mine is now in progress with a view to full closure.

The following table shows ore production from the operational mines that belong to the East Region for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005. The production figures have been extracted without adjustment from the ''Technical Report'' in Part XII.

	Year ended 31 December						Five months ended 31 May 2005	
	2002		2003		2004			
	(in kilotonnes)	Copper grade (%)	(in kilotonnes)	Copper grade (%)	(in kilotonnes)	Copper grade (%)	(in kilotonnes)	Copper grade (%)
Orlovskoe	1,707	4.09	1,671	4.36	1,666	4.47	694	4.35
Belousovskoe	368	1.15	237	1.03	293	0.90	97	0.76
Irtyshskoe	579	1.05	580	1.04	455	1.21	183	0.99
Nikolaevskoe	1,813	2.07	2,235	2.92	2,002	2.94	915	1.01
Abyz(1)	—	—	—	—	74	0.15	176	0.70
Yubileyno-Snegirikhinskoe	—	—	406	4.43	358	3.82	124	3.59
Shemonaikhinskoe(2)	190	2.60	150	2.21	206	3.08	—	—
Total	4,657	2.63	5,279	3.18	5,054	3.20	2,189	2.18

(1) 2004 production was from pre-production work.

(2) Production ceased in 2004.

Concentrators

The Group operates five concentrators in the East Region. All are of conventional design with crushing, grinding and floatation facilities.

Orlovskoe Concentrator. The Orlovskoe concentrator has been in operation since 1988 and has an ore processing capacity of 1.6 to 1.7 million tonnes per annum. It processes ore from the Orlovskoe mine. The copper and zinc concentrates produced by the Orlovskoe concentrator are sent by rail to the Balkhash Complex for processing.

Belousovskoe Concentrator. The Belousovskoe concentrator was commissioned in 1939 and has a current ore processing capacity of 0.3 to 0.4 million tonnes per annum. It processes ore from the Belousovskoe mine. The copper and zinc concentrates produced by the Belousovskoe concentrator are sent by rail to the Balkhash Complex for processing.

Irtyshskoe Concentrator. The Irtyshskoe concentrator was commissioned in 1952 and has an ore processing capacity of 0.5 to 0.7 million tonnes per annum. It processes ore from the Irtyshskoe mine. The copper and zinc concentrates produced by the Irtyshskoe concentrator are sent by rail to the Balkhash Complex for processing.

Nikolaevskoe Concentrator. The Nikolaevskoe concentrator was commissioned in 1980 and has an ore processing capacity of 2.5 million tonnes per annum. It processes ore from the Nikolaevskoe and Yubileyno-Snegirikhinskoe mines. The copper and zinc concentrates produced by the Nikolaevskoe concentrator are sent by rail to the Balkhash Complex for processing.

Karagaily Concentrator. The Karagaily concentrator was mothballed in 1993 and was re-commissioned in February 2005. It has a current ore processing capacity of 0.5 million tonnes per annum. It processes ore from the Abyz mine. The copper and zinc concentrates produced by the Karagaily concentrator are sent by rail to the Balkhash Complex for processing.

The following table sets out the Group's copper concentrate production from the East Region concentrators for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005. The production figures have been extracted without material adjustment from the ''Technical Report'' in Part XII.

	Ore milled (in kilotonnes)				Copper concentrate (in kilotonnes)				Copper in concentrate (%)			
	Year ended 31 December			Five months ended 31 May	Year ended 31 December			Five months ended 31 May	Year ended 31 December			Five months ended 31 May
	2002	2003	2004	2005	2002	2003	2004	2005	2002	2003	2004	2005
Orlovskoe	1,725	1,671	1,666	694	343	380	345	133	18.5	17.3	19.5	20.4
Belousovskoe	375	292	296	103	20	22	14	4	15.7	14.8	14.6	15.3
Irtyshskoe	574	531	445	168	29	26	28	8	18.3	17.6	15.7	13.8
Nikolaevskoe	2,362	2,610	2,459	978	183	343	363	59	19.0	19.1	17.4	14.5
Karagaily(1)	—	—	25	157	—	—	0.2	26	—	—	3.1	1.9
Total	5,036	5,104	4,891	2,100	575	771	750	230	18.6	18.0	18.2	16.5

(1) 2004 production was from pre-production work.

Transport

Most of Kazakhmys' raw materials and production are moved by rail, using a combination of Group-owned and national rail lines. Kazakhmys owns and maintains approximately 950 km of its own railways, which connect its operations with the main national rail trunk lines. Kazakhmys owns approximately 120 locomotives and approximately 1,450 wagons, which only operate on its own rail system, and a number of specialist wagons. Most of the freight wagons Kazakhmys uses are chartered from the national rail company.

Copper and zinc products are loaded onto trains at the Zhezkazgan and Balkhash Complexes. They are transported using the national rail system, currently principally to Alashankou, just beyond the Chinese border, or across the Russian border to the Black Sea port of Novorossiysk or the Baltic Port of St. Petersburg for onward shipment to European and other customers. Trains carrying Kazakhmys' copper and zinc products are accompanied by security personnel. Gold and silver are transported by armoured vehicles and exported by air.

Kazakhmys generally concludes yearly contracts with rail shipping agents. The shipping rates are set to reflect the national rail tariffs, with a commission for the shipping agent. Because the rates are linked to US Dollars, or, in the case of Russian rail tariffs, Swiss francs, the contracts also contain a mechanism for exchange rate fluctuations. Charges on each shipment are calculated by reference to the weight of the cargo and the destination. Weight established by the railway is final and determines the price payable by the buyer. Wagons carrying accompanying personnel are charged separately.

Kazakhmys has a large fleet of trucks and other road vehicles. Of the aircraft Kazakhmys owns, three are used to provide a limited regular commercial service between Almaty and Zhezkazgan. Over 5,000 employees are engaged in Kazakhmys' rail and other transportation divisions.

Karaganda

Borly coal mines

The Group's Borly operations include two coal mines (Borlynskoe and Kuu-Chekinskoe); a rail transport division based in Nurinsk; and a road haulage division based in Prishakhtinsk. The mines produce coal to supply the Group's Karaganda power plant and its heat and power plants at the Zhezkazgan and Balkhash Complexes as well as other customers. In 2004, the two coal mines produced approximately 7.3 million tonnes of coal. Approximately 90% was used by the Group's heat and power plants and the remainder was sold externally. Coal is transported to the plants by rail, using a 130 km spur owned by the Group which runs from the Borly mines to the national rail system.

The Borlynskoe coal mine is a surface strip mine that commenced operations in 1980. It is located approximately 130 km northeast of Karaganda. The coal is mined and loaded onto the trains on site. In 2004, 5,924 kilotonnes of coal were mined from the Borlynskoe mine.

The Kuu-Chekinskoe open pit mine commenced operations in 1956. It is more difficult and costly to mine Kuu-Chekinskoe as a result of its geology and the earlier removal of more easily mined coal. Coal is dispatched by rail principally to the Group's power stations, although there are small internal uses and sales to local customers. In 2004, 1,376 kilotonnes of coal were mined from the Kuu-Chekinskoe mine.

The following table sets out the reserves of the Borlynskoe and Kuu-Chekinskoe coal mines, inclusive of losses and dilution, as well as the ash and sulphur content and net calorific value. The reserve figures have been extracted without material adjustment from the "Technical Report" in Part XII.

	Proved and probable reserves (million tonnes)	Ash and sulphur content (air dried) (%)	Net calorific value (as received) kcal/kg	Sulphur (%)
Borlynskoe	395.9	47.0	3,762.0	0.5
Kuu-Chekinskoe	23.5	41.0	4,158.0	0.6
Total	419.4	46.6	3,786.0	0.5

Karaganda power plant

The Karaganda power plant is located approximately 50 kilometres to the southwest of Karaganda. The power plant is a coal-fired facility of standard Soviet design and its principal equipment dates from 1962 to 1967. Coal is delivered to the site by rail from the Borly mines. Karaganda supplies electricity to the Zhezkazgan and Balkhash Complexes through the national grid on a credit system, enabling Kazakhmys to effectively use its own power without purchasing electricity at the commercial rate and only bearing the cost of transmission.

In 2004, the plant produced 415 MW of electricity, the majority of which was used by the Group. The balance was sold to outside customers. The Balkhash Complex is expected to require some additional power from the Karaganda plant as the zinc hydrometallurgical plant becomes fully operational.

The coal-fired power and heating plants at the Zhezkazgan and Balkhash Complexes supplement the electricity provided to the respective complexes through the national grid from Karaganda and provide hot water for local heating.

Sales and marketing

Overview

As described in more detail below, between 2002 and 2004, most of the Group's export products were sold by Apro, a company in which one of the Directors, Mr Cha, had an interest. Following the termination of the arrangements with Apro, the Group now sells almost all of its copper, zinc and silver output through the Company. In 2005, the Company has contracted to buy from Kazakhmys (for onward sale) 390 kilotonnes of copper cathode, 50 kilotonnes of refined zinc and 9.6 million troy ounces of silver. Based on 2004 production figures, this would represent approximately 95.6% of the copper cathode, 100% of the zinc and 60% of the silver produced by Kazakhmys. Kazakhmys sells substantially all of its gold production directly.

The Group has prioritised sales of copper and zinc to the Chinese market, which has allowed the Group to take advantage of the lower rail transport cost associated with such sales as compared to transport costs to Europe. The percentage of copper products sold to Chinese customers increased in each of the past three years, from 58.5% in 2002, to 68.8% in 2003 and 85.5% in 2004. The Group expects to sell approximately 60-70% of its 2005 copper cathode production to Chinese customers. Revenues from Chinese customers were approximately $295 million in 2002, $419 million in 2003, and $856 million in 2004. Revenues from Chinese customers for the first five months of 2005 were approximately $471.3 million. In the same years, the remainder of the Group's copper products were sold primarily into Western Europe. Since 2004, Glencore has been the Group's primary European customer. Revenues from Western Europe were approximately $296 million in 2002, $235 million in 2003, and $143 million for 2004. Revenues from Western Europe for the first five months of 2005 were approximately $253.2 million.

The Group intends in due course to register its copper production for sale on both the London Metals Exchange and the Shanghai Futures Exchange.

Apro and the Consortium

Prior to 2002, the Group sold its copper in the international market via Samsung, which acted as a marketing agent for the Group between 1995 and 2001. Following the expiry of the Samsung contract at the end of 2001, Kazakhmys entered into an exclusive purchasing right agreement with Samsung and Harper Finance Limited, both major shareholders in Kazakhmys at the time and referred to collectively as the Consortium. Under this agreement, the Consortium had the right to buy all of Kazakhmys' products on an exclusive basis. In order to exercise the Consortium's rights under this agreement, it appointed Apro to sell Kazakhmys' export products. Apro purchased the products from Kazakhmys as principal and sold them on to customers. Under these agreements, Apro purchased copper, zinc and silver products from Kazakhmys at a discount to the prevailing London Metal Exchange price and below the price at which Apro sold the products on to its customers. The discount, which was largely passed on to the Consortium, reflected the fact that certain commercial and credit risks were borne by the Consortium. Out of the difference between the purchase and sale prices, Apro retained a fee based on a percentage of sales revenue. The balance was paid to the Consortium.

The exclusive purchasing agreement with the Consortium (then comprising Cuprum Holding B.V., another major shareholder in Kazakhmys, which replaced Samsung, and Harper Finance Limited) terminated in December 2004. With effect from 1 January 2005, the Company took over the sales business of Apro and its key personnel, giving it the expertise to market the Group's products. The 2004 sales contracts with customers to which Apro had been a party have expired, except for some contracts that have been assumed by the Company. Sales contracts for 2005 have been entered into between the Company and its customers and the Company has in turn contracted with Kazakhmys for supply of the products being sold at a price based on the prevailing LME price. The margin previously received by the Consortium as a result of its exclusive purchasing agreement with Kazakhmys is now retained by the Group.

Sales strategy

The Group has developed a sales strategy that focuses on reducing credit risk while targeting optimum pricing. Although the Group believes it has good relations with end customers, the

Group's sales are currently principally to international trading companies rather than to the end customers. Additionally, with a view to avoiding fluctuations in the premium applicable to the spot market, the Group seeks to conclude annual contracts by the end of the fourth quarter for the sale of at least 90% of its expected copper production for the upcoming year.

For its sales into China, the Group requires its customers to provide two levels of payment protection. The Group receives standby letters of credit issued by banks at the request of its Chinese principal customers to act as performance guarantees. If the letter of credit is issued by a Chinese bank it is confirmed by one or more Western banks. The Group also receives letters of credit to cover monthly sales under its annual contracts, which are also confirmed by one or more Western banks where necessary, and which are used for the initial settlement of consideration for the monthly sales. This two-tier payment arrangement reduces the potential credit risks that could arise from dealing directly with end customers, who might not be in a position to procure adequate security for payment. For sales into the European market, the Group requires payment prior to release of title.

Customers

As a result of its policy of concluding annual contracts for a significant portion of its production, the Group generally makes its sales to a small number of customers each year. In 2002, Suntime was the Group's biggest customer. In 2003, Haicheng was the Group's biggest customer. In 2004, its most significant customer was Suntime. Both Haicheng and Suntime are Chinese trading entities. 86.0% of the Group's 2004 copper production was exported to Suntime and 8.8% was exported to Glencore. Glencore, based in Switzerland, supplies raw materials to industrial customers worldwide. On the basis of contracts already in place for sales in 2005, Suntime is expected to purchase approximately 240 kilotonnes of copper cathode and 50 kilotonnes of zinc, and Glencore is expected to purchase 109 kilotonnes of copper cathode.

Expansion plans and projects

The Group has a number of mining projects in Kazakhstan that are intended to provide for organic production growth and, in the longer term, production replacement. The majority of these projects are anticipated to come on line in the short to medium term, and include both new sites and continuations of existing mines. Aktogay, the Group's primary growth project, is planned to commence production in 2009 and has a planned annual ore production capacity of 50 million tonnes once full production is achieved. A sulphuric acid plant is also under construction at the Balkhash Complex. These projects will be funded through a combination of the net proceeds of the Global Offer (as described in ''—Use of Proceeds'' below), cash flow from operations and/or third party funding.

New sites

Aktogay

The Aktogay mine, located in the Balkhash area, is the Group's primary project, and is intended to provide significant production growth for the Group. Aktogay has reserves of 1,594 million tonnes with a grade of 0.36% copper on average and planned annual ore production is 50 million tonnes containing 180 kilotonnes of copper. It is anticipated that ore will be mined using shovels and trucks feeding mobile crushers and ex-pit conveyors.

The project plans also include a dedicated concentrator on site to process the ore. Based on existing test work, the anticipated recovery rate is 88%, with a concentrate grade of 16% copper. Concentrate will be shipped by rail to the Balkhash Complex for smelting and refining. Construction is currently scheduled to begin in 2006 and production is expected to commence in 2009. Aktogay has an expected life of mine of 32 years and an estimated project capital cost of approximately $529 million.

Zhaman-Aybat

The Zhaman-Aybat mine is the Group's main project at the Zhezkazgan Complex, and is intended to provide further production growth for the Group. It is an underground mine that is expected to use trackless room-and-pillar mining with secondary pillar extraction. Production is expected to commence in 2006. The shaft systems are commissioned and underground development is almost complete. The 120 km of rail line to the Zhezkazgan Complex is not yet complete. Zhaman-Aybat has an expected life of mine of 19 years and an estimated project capital cost of approximately $29 million.

Artyemyevskoe

The Artyemyevskoe mine is in the East Region and is intended to replace reduced production at the Nikolaevskoe mine. Mining is expected to use the cemented rock fill method with drift operation. Ore will be railed to the Nikolaevskoe concentrator. Production is expected to commence in 2006. Artyemyevskoe has an expected life of mine of 22 years and an estimated project capital cost of approximately $8 million.

Continuations of existing mines

East Saryoba

The East Saryoba mine will be part of the Zhezkazgan Complex and is intended to provide both production growth and replacement. An underground adit will access the ore from the base of an open pit mine, and mining is expected to be a room-and-pillar operation. Production is expected to commence in 2007. The South mine, including East Saryoba, has an expected life of mine of 20 years. The estimated project capital cost for East Saryoba is approximately $8 million.

Taskura

The Taskura mine will be part of the North mine at the Zhezkazgan Complex and is intended to replace production. It will be an open pit shovel and truck mine. Production at Taskura is expected to commence in 2008 and finish in 2011. The North mine has an overall expected life of mine of 11 years. The estimated project capital cost for Taskura is expected to be minimal.

Kosmurun and Akbastau

Kosmurun and Akbastau mines are continuation projects in the East Region. Kosmurun is intended to replace production at Abyz, and Akbastau is then intended to replace production at Kosmurun. Both mines are expected to be open pit shovel and truck mines. Ore will be railed to the Karagaily concentrator. Production is expected to commence in 2012 at Kosmurun and in 2017 at Akbastau. Kosmurun and Akbastau have expected lives of mine of 44 years (6 years open pit, and then going underground) and 26 years (9 years open pit, and then going underground), respectively, and the estimated project capital cost for both mines is approximately $12 million.

Other projects

The Boschekul mine is a longer term project north of Balkhash. Production from Boschekul is intended to provide production replacement. It is anticipated that ore will be mined using shovels and trucks. Project plans also include a concentrator on site to process the ore before shipping concentrate by rail to the Balkhash Complex for smelting and refining. Production is expected to commence late in the next decade. Boschekul has an expected life of mine of 10 years.

The Group is also constructing a sulphuric acid plant at the Balkhash Complex. The plant will process sulphur dioxide off-gasses collected from the furnaces and the converter at the Balkhash smelter/refinery and is expected to be in operation by the end of 2006. The plant has a design capacity of 260 kilotonnes per annum and an estimated project capital cost of approximately $52 million. Once the Balkhash acid plant commences production, the Group expects to sell the sulphuric acid to third parties.

MKM

Introduction

Prior to German reunification, MKM was a state-owned company. It was part of the ''VEB Mansfeld Kombinat'', which also operated copper mines in the Mansfeld region. The copper mines were closed in 1991 because of their high operating costs. The privatisation of MKM was concluded in 1997.

MKM implemented an investment programme of over €300 million between 1997 and 2001, modernising its production plant to incorporate new technologies such as the ContiM® process for continuous casting of copper strip. During a period of financial difficulties, MKM was acquired by the Group on 15 December 2004. The total consideration paid was €4.00 for all the shares of MKM, certain shareholder loans, certain intellectual property and the three MKM trading companies, and €61.0 million for debt with a principal amount of €138.1 million.

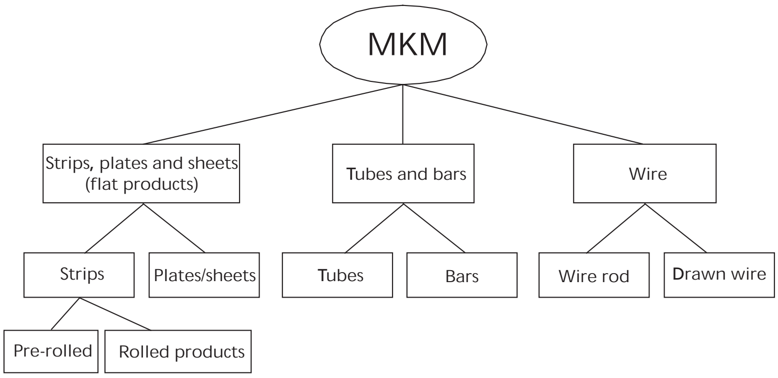
MKM produces and sells copper and copper alloy semi-finished products for various applications, including electrical distribution, electronics, data transmission and air conditioning in, among others, the construction, automotive, aviation and general engineering industries.

MKM's copper requirements, mainly copper cathode, are purchased from copper producers outside the Group and from traders, such as Glencore, who have trading arrangements with the Group.

Based on the Group's unaudited pro forma consolidated income statement for the year ended 31 December 2004, MKM would have accounted for 27.9% of the Group's revenue in 2004. MKM accounted for 34.3% of the Group's revenue for the five months ended 31 May 2005. MKM's improved access to, and financing for, copper, and the basis on which it can purchase copper, in part attributable to its acquisition by the Group, together with unused capacity in its plants and its proprietory technology, should enable it to build on the improvements in its business which have been achieved since its acquisition by the Group.

Production

MKM is organised into three business units: wire products, flat products and tubes and bars. The following chart shows the activities of these three business units:



The table below sets out the production figures for each business unit of MKM for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005. Production figures for 2002, 2003 and 2004 and the five months ended 31 May 2005 have been extracted without material adjustment from the ''Technical Report'' in Part XII.

	Year ended 31 December			
Product	**2002**	**2003**	**2004**	**Five months ended 31 May 2005**
			(in kilotonnes)	
Wire	130	104	39	47
Flat products	48	46	51	25
Tubes and bars	34	37	38	17
MKM Total	212	188	128	89

Operations

MKM operates a plant in Hettstedt, in former East Germany, approximately 115 km northwest of Leipzig.

Wire

Wire products are produced on an order-by-order basis.

Wire rod is produced from cathode in a continuous cast process using the Contirod® manufacturing process. The MKM Contirod® plant has a distinct layout and the Directors believe it to be one of the more modern Contirod® plants currently operating. Production is focused on high quality and flexibility. The plant produces a broad range of wire rod, including copper-silver alloy wire rod for railway electrification. The plant has a capacity of 185 kilotonnes per annum. Wire rod is sold mainly to the cable industry and the automotive industry.

Part of the wire rod is further processed to drawn wire in a modern wire mill with a capacity of 45 kilotonnes per annum. The wire is drawn on single or multi-wire drawing machines in different steps to gauges from 4mm down to 50 microns. Part of the wire is further processed into bunches for flexible connections and into flexible strands. The main customers for drawn wire are the cable industry, the automotive industry and the packaging industry, including welding wire for steel cans.

Flat products

The flat products business unit is divided into two departments: strips and plates and sheets.

Strips

Copper strips are produced from cathode in the ContiM® plant, which is a distinct continuous cast plant developed by MKM. The process is protected by various patents. MKM has been granted rights to utilise the ContiM® process pursuant to a licence from the caster supplier which gives it rights of utilisation and also gives it rights to restrict, co-operate with and/or obtain licence fees from other potential users. Utilisation of this process of copper casting also requires a licence from another party. MKM was granted this licence, for production in Europe and sales of the product worldwide, by Hof te Fiennes N.V., a company in which Leo Cloostermans (the former managing director of MKM, and now a consultant) is a major shareholder. Kazakhmys has the right to purchase this patent from Hof te Fiennes N.V. in consideration for an ongoing payment obligation.

The ContiM® plant became operational in 2003. Further development is required to enable the casting of different copper qualities, including low oxygen strip, for which it was designed. The ContiM® plant and the modern, tandem six-high quality cold rolling mill have a design capacity of over 200 kilotonnes per annum for pre-rolled strip. These pre-rolled strips are sold to re-rollers for further processing as well as to copper producers for usage as starter sheet for the production of cathodes.

Pre-rolled strip is also delivered to the finished strip department and further processed into various semi-finished products, including industrial strip, roofing strip, transformer strip and cable strip. Finished strip is produced on an order-by-order basis. The principal customers for finished strip are in the electrical distribution, automotive, solar energy, construction and general engineering industries. The strip department also produces speciality alloys by continuous cast process.

Plates and sheets

Plates and sheets are produced in various alloys starting from cakes, through continuous and semi-continuous cast processes. These cakes are hot rolled and cold rolled into different sizes. MKM has one of the widest hot rolling mills in the copper industry and is a global leader for plates in copper nickel alloys for desalination plants. Further applications are in the naval, building and general engineering industries. Plates and sheets are produced on an order-by-order basis, and for stock in standard sizes.

The capacity of the plate and sheet plant is 15 kilotonnes per annum.

Tubes and bars

Tubes and bars are produced from cathodes through a continuous cast process for billet production and subsequent extrusion and drawing. MKM produces sanitary tubes and industrial tubes for use in heat exchangers, medical equipment and other industrial applications. The tube department has a capacity of 19 kilotonnes per annum. This capacity is expected to increase to 28 kilotonnes per annum by the end of 2005. Bars are mainly used for electrical distribution and switch cabinets. The bar department has a capacity of 22 kilotonnes per annum.

Tubes and bars are sold both to industrial customers and to wholesalers.

Quality and process control

MKM uses continuous process control systems that in many cases lead to automatic control of the production parameters. MKM obtained a DIN EN ISO 9001-2000 certificate for its overall operation following an audit by Lloyd's Register Quality Assurance. MKM further operates experimental laboratories for basic metallurgical investigations and co-operates on quality control matters with various German universities.

Sales and marketing

MKM sells its products worldwide either directly to industrial customers or through wholesalers. Major electrical engineering groups in the industry are among MKM's industrial customers. MKM has sales offices in Germany, France, Italy and the United Kingdom, the largest European markets for MKM's products. MKM has also recently opened a sales office in the United States. Sales in other markets are direct or through agents.

Employees and employee relations

As at 31 May 2005, MKM had 1,040 employees at its Hettstedt facility. As part of the acquisition agreement, the Group must ensure that at least 1,006 people are employed at the Hettstedt facility during 2006. The employees are represented by a work's council, and approximately 85% of the employees are members of the IG Metall union. During MKM's recent financial difficulties, through agreement with the union, it was decided that certain general labour payment increases would be waived and, in addition, all personnel voluntarily took a 10% pay cut in 2004. It is anticipated that these cuts will be gradually restored as MKM improves its financial position. Incentive programmes to improve productivity are being implemented between management, employees and the union.

Contracts with IG Metall are negotiated on a yearly basis. The last contract was negotiated in February 2005 and covers the remainder of the calendar year. Since privatisation MKM has not experienced any strikes.

The following table sets out the breakdown of employees at MKM by function as at 31 May 2005.

Function	Number of employees
Production (including engineers and technical specialists)	692
Management	8
Clerical/Administrative	55
Marketing and sales	60
Maintenance, utilities and general services	188
Other	37
Total	1,040

Environmental matters

So far as the Group is aware, MKM is in compliance in all material respects with German and European environmental legislation. Pollution from the plant site arising from acts prior to unification in 1990, and which affects other areas, is covered by a covenant with the German government, whereby 90% of eventual clean up costs are to be repaid by the government. Additionally, there is another covenant with the relevant environmental authorities covering half of the clean-up costs associated with pollution caused in the period from 1 July 1990 until 18 December 1995, when the privatisation took place. Total clean-up costs since privatisation have amounted to €2.1 million, of which MKM has paid €800,000. MKM anticipates that there will be further clean up costs of €260,000 for 2005 and 2006, of which MKM expects to pay half.

Use of proceeds

Based on an Offer Price expected to be between 460p and 545p, the Group's net proceeds from the Global Offer are estimated to be between £240.8 million (approximately $428.4 million) and £288.8 million (approximately $513.7 million), after deduction of maximum offer costs and estimated expenses payable by the Group. The Group will not receive any portion of the proceeds from the sale of Sale Shares by the Selling Shareholders.

The principal use of the proceeds of the Global Offer, supplemented by the Group's existing cash resources and (if appropriate) external or project or other financing, is to grow the Group both organically and through opportunistic acquisitions.

The Company intends to use its net proceeds of the Global Offer primarily to provide funding as follows and in the priority as set out below:

Item	Estimated Total Expenditure	Proceeds from the Global Offer	Anticipated Source of Balance
Sulphuric acid plant at Balkhash	$52 million	$25 million	Existing resources
Existing growth projects, including primarily the Aktogay mine and concentrator	$529 million	$446 million	Cash flow from operations and/or third party funding

The above table assumes an Offer Price in the middle of the price range.

In the event that attractive acquisition opportunities arise within the natural resources sector prior to expenditure of all the net proceeds on the above projects, provided that the Group is satisfied that it will still be able to fund completion of such projects, the Group may use part of the Global Offer proceeds in funding all or part of such acquisitions.

Pending investment, the net proceeds will be placed on deposit.

Directors and senior management

Directors

The Company's Board of Directors is chaired by Vladimir Kim. The other members are Mr Cha, Mr Novachuk, Mr Ni, Mr Munro and Mr Rutland. In addition, Lord Renwick of Clifton has agreed to join the Board as a non-executive Director later in 2005 after retiring from the boards of BHP Billiton Plc and BHP Billiton Limited.

Executive Directors

Vladimir Kim, aged 44. (Executive Chairman of the Company and Chairman of the Board of Directors). Mr Kim joined the Group in 1995, when he was appointed Managing Director and CEO of JSC Zhezkazgantsvetmet. He was elected Chairman of the Board of Directors in December 2000. Mr Kim graduated from the Alma-Ata Architectural Institute in 1982 and holds both a Ph.D. and an MBA.

Yong Keu Cha, aged 49. (Chief Executive Officer of the Company and a member of the Board of Kazakhmys). Mr Cha has served on the Board of Directors of Kazakhmys since 2000. He was formerly an executive managing director of Samsung Corporation, as well as president of Samsung Kazakhstan and General Manager of Samsung Deutschland. He holds a bachelors degree in business management from Seo Kang University in Korea.

Oleg Novachuk, aged 34. (Finance Director of the Company). Mr Novachuk joined the Group in 2001 and was appointed Finance Director in 2005. Mr Novachuk was formerly Vice President of Financial Projects for Kazakhmys and the Financial Advisor to the President of Kazakhmys. Mr Novachuk was formerly chairman of the board of directors of JSC Kazprombank. He graduated with honors from Kazakh State University with a masters degree in applied mathematics.

Non-executive Directors

Vladimir Ni, aged 72. Mr Ni has been Vice-Chairman of the Board of Directors of Kazakhmys Corporation since 1999. He is also a director of TOO HOZU Corporation. He graduated from the Kazakh Mining Metallurgical Institute. Mr Ni is a mining engineer by profession.

David Munro, aged 50. Mr Munro was formerly responsible for Billiton's global aluminium and base metals businesses prior to its 2001 merger with BHP. He then became Chief Development

Officer in the new BHP Billiton, responsible for strategy and acquisitions. In January 2004 he became Chief Executive Officer of RMC Group PLC, a construction materials and waste management company. He held this position until RMC's acquisition by Mexico's Cemex in 2005. Mr Munro is a mining engineer by profession. Mr Munro acts as chairman of the Health, Safety and Environment committee of the Company.

James Rutland, aged 60. Mr Rutland has held a number of positions in Investors in Industry plc and represented the company on the board of several small oil companies. In 1985 he joined James Capel's corporate finance group and moved to head up Hongkong Bank's resource lending group in London. From 1993 to 2001 he served as finance director of Energy Africa Limited. He now acts as a consultant and is finance director of Osprey Oil & Gas Limited. He attended the College of Law, London, and was admitted as a solicitor in 1967. Mr Rutland acts as chairman of the audit committee of the Company.

Proposed non-executive Director

Lord Renwick of Clifton, aged 67. Lord Renwick served as British Ambassador to the United States and is currently a Vice Chairman of Investment Banking at JPMorgan Cazenove. He sits on the boards of several major corporations, including BHP Billiton. Until 2004, he served as a director of Harmony Gold Mining Co. Ltd. He holds degrees from Cambridge and the Sorbonne. Lord Renwick will join the Board later in 2005. It is proposed that, on his appointment, Lord Renwick will act as chairman of the remuneration committee of the Company.

Senior management

Kazakhmys operational management

Ruslan Yun, aged 52. (Chief Executive Officer of Kazakhmys). Mr Yun started his career at Kazakhmys in 1975 as a miner and served in various technical, managerial and executive roles until he became Chief Executive Officer in 2003. Mr Yun holds a Doctorate of Technical Sciences from the Karaganda Polytechnic Institute.

Alexandr Yun, aged 49. (Chief Operating Officer of Kazakhmys). Mr Yun was appointed Chief Engineer of the South Zhezkazgan Mine in 1997 and served as Managing Director of Kazakhmys between 2000 and 2004. He became Chief Operating Officer in 2004. Mr Yun graduated from the Karaganda Polytechnic Institute in 1977 as a mining engineer and from the Irtysh Institute of National Economy in 1992 as a mining engineer/economist.

Gafura Ibraeva, aged 46. (Chief Financial Officer of Kazakhmys). Mrs Ibraeva became head of the Planning Economic Department of Kazakhmys in 1994 and served in various managerial roles until she was appointed Chief Financial Officer in 2003. She graduated from the Almaty Institute of National Economy in 1981 with a specialisation in economic planning.

MKM executive management

Friedrich Flemming, aged 64. (Managing Director of MKM). Mr Flemming became Managing Director of MKM in July 2005. He served as a managing director at Boart Longyear from 1974 to 2000, and oversaw Boart Longyear's European operations starting in 1994. He served on the board of directors of Boart Longyear from 1995 until 2000. Mr Flemming was also managing director of Ebner GmbH & Co. from 1995 to 2000. Mr Flemming graduated from the School of Applied Mining and Metallurgy in Clausthal Zellerfeld.

Employees and employee relations

The number of Group employees at the end of 2002, 2003 and 2004 were approximately 64,800, 64,600 and 66,000, respectively (the figures for 2002 and 2003 do not include MKM, which was not then a member of the Group). As at 31 May 2005, the Group had approximately 66,000 employees. These employees are divided between the Group's businesses and operations approximately as follows:

Location	Number of employees
Zhezkazgan Complex (including head office)	32,338
Balkhash Complex	12,740
East Region	11,977
Karaganda	7,673
Company (Kazakhmys PLC)	22
MKM	1,040
Total	65,790

The following table sets out the breakdown of employees by function at Kazakhmys as at 31 May 2005:

Function	Number of employees
Mining and production	52,052
Engineers and technical specialists	6,071
Management	5,925
Clerical / Administrative	680
Total	64,728

Kazakhmys employees have individual employment agreements that cover, among other matters, base remuneration. Kazakhmys also negotiates collective employment agreements, which primarily cover social benefits, with representatives of its union. The union represents substantially all of Kazakhmys' employees. The most recent collective employment agreement, which has a three-year term and covers substantially all of Kazakhmys' employees, was concluded in January 2005.

The Group contributes to a defined-contribution scheme in Germany. The Group's pension scheme in Kazakhstan is utilised by its employees to contribute the required amounts under Kazakh law. There are no employee benefits provided in the United Kingdom. See ''Additional information—Pensions'' in paragraph 7 of Part XI.

During the last three years, the Group has not experienced any strike that significantly influenced its business activities. In 2003, Kazakhmys experienced a period of labour unrest following the closure of the Irtyshskoe smelter in the town of Glubokoe, but the incident was resolved satisfactorily. The action did not have a material affect on the operating results of the Group.

The Company believes that all of the Group's operations have, in general, good relations with their employees and unions.

Environmental and health and safety matters

The Company recognises that the health and safety of its employees and the maintenance of high environmental performance standards are major priorities.

Environmental standards

In common with other natural resources and mineral processing companies, the Group's operations generate hazardous and non-hazardous waste, effluent and emissions into the atmosphere, water and soil. There are four principal environmental laws in Kazakhstan that apply to the Group's operations. These laws address such matters as protection of the natural environment, air and water quality and emissions standards and disposal of waste.

Kazakhstan has adopted environmental regulations requiring industrial companies to undertake programmes to reduce, control or eliminate various types of pollution. These regulations are primarily enforced through a mechanism of payment obligations on levels of emissions and waste storage. Kazakhmys pays an annual fee (payable on a quarterly basis) for emissions and storage within permitted levels. Emissions and storage above permitted levels give rise to additional payment obligations. In both 2003 and 2004, the Group's total additional payment obligations were under $2 million. Historically, permits have been issued annually to each of Kazakhmys' operational units, specifying the permissible levels of emissions and waste storage. For 2005, the Group has been issued one permit covering all of its operations in Kazakhstan. The Group is in compliance in all material respects with applicable environmental legislation in Kazakhstan.

The Group actively monitors specific air emissions levels, ambient air quality, quality of nearby surface water, level of contaminates in soil and the creation of solid waste. Renewal of environmental permits is subject to the submission of an annual report on pollution levels to the State environmental authorities, compliance with the permits' provisions and the payment of any additional payment obligations. The State environmental authorities also conduct tests to validate the Group's results.

Kazakh legislation also requires the rehabilitation of site operations that have been closed down. As a condition of its subsoil use contracts and licenses, the Group must provide an annual amount toward the cost of closure and other rehabilitation for each mine or group of mines. This amount is generally not less than 0.1% of operational expenses for mines (other than coal mines) and 1% of sales revenue for coal mines. From 1997 until November 2004, Kazakhmys had provided KZT 478.8 million (approximately $3.7 million) for rehabilitation costs, which is the amount required to complete the rehabilitation programme agreed with the relevant Kazakh authorities. Kazakhmys continues to set aside funds for eventual rehabilitation costs of its mines.

Much of the Group's plant and equipment was put in operation when lower environmental standards were in effect. The Group is currently working with an external consultant to design an environmental action plan as part of the objective of bringing its Kazakh operations into conformity with international standards. The cost of implementing this plan is estimated to be between $26.1 and $37.8 million (excluding the sulphuric acid plant mentioned below). In addition, the Group is implementing a programme to reduce dust and sulphur dioxide emissions from the smelting and converting furnaces at the Balkhash Complex. Improvements that have been made to date include installing Vanyukov furnaces to replace outdated reverbatory furnaces, installing electrostatic precipitators to clean gas from furnaces and converters and refurbishing gas collection systems. The Group is also installing a sulphuric acid plant at the Balkhash Complex to recover sulphur dioxide emissions at an estimated cost of approximately $52 million. The Group invested $26.8 million in 2003 and $26.6 million in 2004 to fund environmental improvements.

Health and safety standards

The Group is required to comply with a range of health and safety laws and regulations, and it recognises that the health and safety of its employees is a major priority. The Group's health and safety standards are reviewed on an ongoing basis and safety training is an ongoing process. In accordance with Kazakh law, the Group has developed a health and safety policy applicable to Kazakhmys' operations and categories of activity. The Group is in compliance in all material respects with applicable health and safety legislation in Kazakhstan.

Each complex or regional operation of Kazakhmys (including Karaganda) has a health and safety department that is independent of operational management and that reports to the director of the complex or operation. Each complex and regional operation has a health and safety programme that is updated yearly. Additionally, each operating unit has a safety representative that monitors compliance with the health and safety programme. Related internal reports and any government inspection reports are reviewed on an ongoing basis. In the event of an accident, Kazakhmys' safety representatives, together with relevant governmental representatives, conduct an investigation and report back to the operational unit and relevant management personnel. Any additional preventative or safety compliance measures that are recommended in the accident report are reviewed, and implementation of actioned recommendations is monitored by the relevant health and safety department.

Lost time injury frequency rate (LTIFR) is one measure used to monitor safety performance in the mining industry and is usually measured per 100,000 manshifts or one million manhours. Kazakhmys uses a rate that is not comparable to other standard industry figures, but IMC believes Kazakhmys' LTIFR is higher than other comparable mature mining operations. Kazakhmys had 49, 39, 35 and 14 fatalities in 2002, 2003, 2004 and the five months ended 31 May 2005, respectively, a fatality rate that is higher than that of more mature, western mining operations. The Group has engaged a consultant to develop a health and safety management system intended to ensure that its operations in Kazakhstan conform to international standards. In addition, Kazakhmys is developing accident and risk analysis programmes and introducing new technology and equipment with a view to further improving employee safety and, consequently, reducing the number of accidents.

HSE Committee

Additionally, the Company has established a Health, Safety and Environment committee of its Board of Directors. The HSE committee is chaired by David Munro, and Yong Keu Cha and James Rutland are also members. The Group also intends to engage specialists with appropriate technical expertise to be members of or advise this committee. The HSE committee will meet not less than twice a year and be responsible for formulating and recommending to the Board the Group's policy for HSE issues as they affect the Group's operations. The committee will focus particularly on compliance with national and international standards to ensure that an effective system of HSE standards, procedures and practices is in place at each of the Group's operations. The committee will also be responsible for reviewing management's investigation of incidents or accidents that occur in order to assess whether policy improvements are required. The ultimate responsibility for establishing HSE policy will remain with the Board. Additionally, a detailed HSE audit has been commissioned from independent consultants. The Company, along with the HSE committee, is reviewing its recommendations in order to develop an appropriate implementation strategy and allocate the necessary financial and managerial resources.

Operational hazards and insurance

The Group's operations are subject to numerous operating risks, including geological conditions, seismic activity, climatic conditions, interruptions to power supplies, environmental hazards, technical failures, fires, explosions and other accidents at a mine, processing plant or related facility. These risks and hazards could result in damage to production facilities, personal injury, fatalities, environmental damage, business interruption and possible legal liability.

Kazakh law requires mining companies to insure against certain limited risks. The Group maintains mandatory insurance policies that cover employer's liability for death or injury to workers, and liability insurance for operators of its vehicles. Kazakhmys also maintains voluntary policies covering certain contamination risks, medical care for certain employees, radiation hazards and its aircraft. The Group's insurance does not cover other potential risks associated with its operations. In particular, the Group does not carry insurance for business interruptions or certain types of environmental hazards, such as pollution or other hazards as a result of the disposal of waste products.

The Group's management periodically evaluate the procurement of additional insurance cover. Because Kazakh law currently prohibits foreign insurance companies from operating directly in Kazakhstan, the underdeveloped insurance market in Kazakhstan offers only limited opportunities for insuring risks associated with the Group's business, and reinsurance with an international insurance house would substantially increase costs. The Group has funds on deposit of approximately $100 million to cover potential insurance contingencies. There are no legal restrictions on the use of these funds. Given the size of its operations and the extent of its facilities and equipment, there can be no assurance that this fund would be available or adequate should one or more events for which the Group is not insured occur.

The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on the Group's financial condition or results of operations. Moreover, no assurance can be given that the Group will be able to maintain existing levels of insurance in the future at rates it considers reasonable. The Group's operating entities in Kazakhstan can only seek insurance from domestic insurance companies. See ''Risk factors—Risks relating to the Group's operations—The Group does not insure against certain risks, and its insurance coverage may be insufficient to cover losses''.

Social and community programmes

The Group owns and maintains a number of recreational, recuperational, cultural and medical facilities both in various parts of Kazakhstan, such as the hospital in Zhezkazgan, and outside the country. The costs associated with investment in, and maintenance of, such facilities amounted to $19.7 million in 2003 and $16.4 million in 2004. The medical facilities are available at no cost or at subsidised rates to Group employees and their dependants. Maintaining the health and welfare of its employees is an important objective of the Group's management.

In Zhezkazgan and Balkhash, Kazakhmys has handed over ownership of the heating distribution system to the local communities but provides the hot water from its heating plants at favourable rates and continues to maintain the systems. Kazakhmys also performs much of the road maintenance function in both towns. The Group operates, but does not own, the airport at Zhezkazgan. Of the five aircraft Kazakhmys owns, three are used to provide a limited regular commercial service between Almaty and Zhezkazgan.

In support of the local communities where it operates, Kazakhmys supports a number of cultural and religious activities. It has constructed both churches and mosques in Zhezkazgan and Satpaev. In addition, Kazakhmys owns and operates a number of hotels in various regions in which it conducts its operations. Its employees enjoy subsidised rates for use of such hotels' services.

Furthermore, the Group has an obligation under its subsoil use contracts and licences to invest in training the local workforce. These obligations may increase or become more burdensome in the future and may have a negative impact on the Group's profitability.

Corporate governance

The Combined Code recommends that at least half the board (excluding the chairman) should be non-executive directors who are independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. In the opinion of the Board, the four Non-executive Directors, Vladimir Ni, Lord Renwick, David Munro, and James Rutland, are independent in character and judgement.

The Board has recently established an audit committee, a remuneration committee, a nomination committee and an HSE committee. See ''—Health and safety standards'' above.

It is intended that a senior independent director will be appointed in due course. The senior independent director will evaluate the performance of the chairman and address shareholders' concerns that are not resolved through the normal channels of communication with the chairman, chief executive or finance director, or in cases when such communications would be inappropriate.

The role of the audit committee is to monitor the integrity of the financial reporting of the Company, to review the Company's internal control and risk management systems, to monitor the effectiveness of the Group's internal audit function and to oversee the relationship with the Group's external auditors. The audit committee focuses particularly on compliance with legal requirements, accounting standards and the rules of the Financial Services Authority. The Combined Code recommends that all members of the audit committee should be non-executive directors, all of whom are independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement and that at least one member should have recent and relevant financial experience. The audit committee is chaired by James Rutland. The other member is David Munro. The ultimate responsibility for the appointment, re-appointment and removal of the external auditors remains with the Board. The Company complies with the current Combined Code recommendations regarding audit committee membership save for the fact that it currently has only two members, being those Directors considered to be the best qualified for this role.

The role of the remuneration committee is to determine and agree with the Board the broad policy for the remuneration of executives and senior management as designated, as well as specific remuneration packages, including pension rights and any compensation payments. The Combined Code recommends that all members of the remuneration committee should be non-executive directors, all of whom are independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement. The remuneration committee will be chaired by Lord Renwick upon his appointment, and its other members are Vladimir Ni and James Rutland. The Company complies with the current Combined Code recommendations regarding remuneration committee membership.

The role of the nomination committee is to identify and nominate candidates for the approval of the Board to fill Board vacancies and makes recommendations to the Board on Board composition and balance. The Combined Code recommends that a majority of the members of the nomination committee should be non-executive directors, all of whom are independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement. The nomination committee is chaired by Vladimir Kim and its other member is David Munro. Lord Renwick will be a member of the nomination committee following his appointment to the Board. The Company will comply with the Combined Code recommendations regarding nomination committee membership once Lord Renwick joins.

The Directors intend to continue to comply with the recommendations of the current Combined Code in relation to the constitution of the Board and Board committees, save that the Chairman is not independent within the terms of the Combined Code, that the audit committee only has two members and that until Lord Renwick's appointment, there will be only one executive and one non-executive director on the nomination committee. The other Directors consider that Mr Kim's long-term relationship with the Group and his importance to it mean that his presence as Chairman is in the best interests of Shareholders, notwithstanding that he is not independent under the Combined Code.

In addition, the Company will, upon Admission, comply with a code of securities dealings in relation to the Ordinary Shares, which is based on, and is no less exacting than, the Model Code published in the Listing Rules. The code will apply to the Directors and relevant employees of the Company.

Dividend policy

The Directors intend to adopt a dividend policy which will take into account the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cash flows, while maintaining an appropriate level of dividend cover.

Following Admission, in the absence of unforeseen circumstances and assuming the Group's performance continues in line with the Board's expectations, subject to there being available reserves for the purpose, the Directors intend to declare a full year dividend of between $150 million and $225 millon in respect of the financial year ending 31 December 2005.

Thereafter, the Directors intend that interim and final dividends will be paid in the approximate proportions of one-third and two-thirds of the total annual dividend, respectively.

Dividends will be declared by the Company in US Dollars. Unless a Shareholder elects to receive dividends in US Dollars, they will be paid in pounds sterling with the US Dollar dividend being converted into pounds sterling at exchange rates prevailing at the time of payment. The Company may only pay dividends if distributable reserves are available for this purpose. As a holding company the ability of the Company to pay dividends will principally depend upon dividends or interest paid by its subsidiaries.

Share option scheme

The Group does not currently operate any share incentive schemes for employees. In due course, the Directors may implement a scheme in line with market practice for a company of the Company's size and type.

Part III

Information on Kazakhstan

The following information relating to Kazakhstan is provided for background purposes only. The information contained in this Part III has been extracted from documents and other publications released by various officials and other public and private sources, including participants in the capital markets and financial sector in Kazakhstan. There is not necessarily any uniformity of views among such sources as to the information provided therein.

Introduction

The Republic of Kazakhstan is, after Russia, the largest country in terms of landmass of the states formed upon the dissolution of the Soviet Union in 1991. Kazakhstan's economy is highly dependent on the production and export of oil, but it is also a leading producer of copper, zinc, tungsten, manganese, coal, uranium, lead and, to a lesser extent, gold and silver. The country also exports grain, wool and meat.

Economic and structural reforms undertaken since 1991 have helped to create the foundations of a market economy in Kazakhstan following several years of a shrinking economy after the fall and break-up of the Soviet Union. Real GDP in Kazakhstan grew by 13.2% in 2001, by 9.5% in 2002, by 9.2% in 2003 and by 10.1% in 2004. Furthermore, the period year-on-year consumer price inflation in Kazakhstan decreased from 1,258% in 1994 to 6.9% in 2004.

Geography and population

Kazakhstan is the ninth largest country in the world. It is located in Central Asia and is bordered by Russia to the north and west, China's Xinjiang-Uigur Autonomous Region to the east, Kyrgyzstan, Uzbekistan and Turkmenistan to the south and the Caspian Sea to the west. In December 1997, the capital moved from Almaty to Astana, which is located in central Kazakhstan, and most of the State bodies have relocated to Astana. Almaty remains, however, the financial capital of the country and is by far the largest city. The country covers an area of approximately 2.7 million square kilometres (approximately the same size as western Europe) and spans two time zones from the Caspian Sea in the west to the Altai Mountains in the east.

The population of Kazakhstan is approximately 15.2 million people, which makes Kazakhstan a relatively sparsely populated country with an average population density of 5.7 people per square kilometre. The population of Kazakhstan is ethnically diverse. Kazakhs form the largest of the country's many different ethnic groups, accounting for approximately 53.4% of the population, followed by Russians (30.0%), Ukrainians (3.7%), Uzbeks (2.5%), Germans (2.4%) and Uigurs (1.4%). Kazakh, the official state language, is spoken by approximately 64.4% of the population. About 95% of the population speaks Russian, and Russian is also officially recognised for use in state matters and local government. Approximately 98.4% of the population is literate.

Government of Kazakhstan

Kazakhstan is a constitutional republic with a presidential form of governance. The president is both the head of state and commander-in-chief of the armed forces. President Nursultan Nazarbayev, who has been in office since Kazakhstan became independent, won a new seven-year term in the 1999 election. The Kazakh constitution provides for separation of powers, but the president wields considerable control over all three branches of government and determines national policy priorities. He may also veto legislation that has been passed by the Parliament. The prime minister, Daniyal K. Akhmetov, is appointed by and may be removed by the president and is Kazakhstan's head of government. There are three deputy prime ministers and 16 ministers in the government.

Kazakhstan has had four different parliamentary structures since the end of the Soviet era. The current structure has a bicameral Parliament, with the Mazhilis (the lower house) comprised of 77 members elected on a regional constituency basis and the Senate comprised of 32 members indirectly elected by the regions and 7 members appointed by the president. Elections to the Mazhilis in September 2004 yielded a body dominated by the pro-government Otan party, which supports President Nazarbayev's political goals. Two other parties considered sympathetic to the president, including the agrarian-industrial bloc AIST and the Asar party, founded by President Nazarbayev's daughter, won most of the remaining seats. Opposition parties, which were officially registered and competed in the elections, won only a single seat during elections.

Reforms aimed at moving Kazakhstan further toward a full market economy continues. Kazakhstan has undertaken one of the more successful pension reform programmes amongst its peer ''transition economies''. The Financial Services Administration, which regulates the Kazakh financial markets, is preparing to implement EU-harmonised regulations. Privatisation, liberalisation of capital controls and tax reforms have also made headway. The government is also moving ahead with the introduction of ''e-government'' (initially in the customs service), which is aimed at stimulating greater public sector transparency.

The Organisation for Security and Cooperation in Europe has criticised both of Kazakhstan's past two elections as falling below international standards. Additionally, the Kazakh government has generally taken a fairly aggressive stance towards political opposition. In January 2005, a court in Almaty ordered the closure of the Democratic Choice of Kazakhstan, an opposition party. The decision was widely criticised by international human rights organisations. However, international observers, including, for example, Standard & Poor's, Moody's and the Economist Intelligence Unit, regard the president as having strong explicit and implicit internal support.

Kazakhstan's position in the international community

Kazakhstan has established diplomatic relations with over 120 countries. Kazakhstan is a full member of the United Nations, the International Monetary Fund, the World Bank, the United Nations Educational, Scientific and Cultural Organisation, the International Atomic Energy Agency, the European Bank for Reconstruction and Development, the Asian Development Bank, the International Development Association, the Multilateral Investment Guarantee Agency, the International Finance Corporation, the International Organisation of Securities Commissions and the Islamic Development Bank. Currently, Kazakhstan has observer status with the World Trade Organisation. Kazakhstan agreed an economic stabilisation programme with the International Monetary Fund and has in the past been granted both standby and extended fund facilities.

Kazakhstan's government has pursued its interests by balancing its relations with its large neighbours (Russia and China) and the United States, although due to geographic proximity and its large Russian minority, Kazakhstan's main external ally is Russia. Kazakhstan is working to minimise its geopolitical risk and maximise its access to global commodity markets through a series of arrangements that affect oil pipelines and tariff rates. Kazakhstan has ratified all the international and bilateral agreements that define the current stakes in the Caspian Sea, and Russia and Kazakhstan have reached an agreement to allow Kazakh oil exports through the Altyrau-Samara and Makhachkala-Tikhoretsk-Novorossiysk pipelines. A joint venture between a Russian and Kazakh firm to develop an offshore oil field has been agreed. The Caspian Pipeline Consortium (the ''CPC''), the first independently operated, privately owned and commercially operated pipeline in Kazakhstan and Russia, has cut transport costs in half from the Tengiz field and enhanced Kazakhstan's negotiation position with Russia's state-owned Transneft pipeline system. A joint venture between a Kazakh gas firm and RAO Gazprom has given Kazakh gas exporters access to western European markets at Russian domestic tariff rates. Chinese national firms have acquired interests in Kazakh oil fields and are showing increasing interest in constructing an oil pipeline from western Kazakhstan to the Chinese border. The Baku-Tbilisi-Ceyhan pipeline from Azerbaijan to the Turkish Mediterranean coast was inaugurated in May 2005, affording Kazakhstan increased oil export routes and greater geopolitical flexibility.

Kazakhstan is also involved in two, so far ineffective, efforts to consolidate customs and other economic policies in the region. Kazakhstan, Russia, and Belarus, and more recently Kyrgyzstan and Tajikistan, have entered into a treaty establishing a new Eurasian Economic Community, a customs union that provides for the removal of trade restrictions between the signatory countries and establishes a common external tariff. In September 2003, Kazakhstan, Ukraine, Russia and Belarus signed an agreement for the creation of a single economic zone, the ''Common Economic Space'', which is expected to result in common economic policies, harmonisation of legislation implementing such policies and the creation of a single commission on trade and tariffs.

The Kazakh economy

Kazakhstan's economy is highly dependent on the successful development of the oil sector. For each of the past five years, GDP growth in Kazakhstan has been over 9%, fuelled by increased world demand for oil and high oil prices. Over this period, the general economic situation in Kazakhstan has improved, leading to a strong growth in imports into Kazakhstan. High oil prices have boosted the current account and balance of payments which moved into surplus and increased foreign exchange reserves. Between 1993 and 2005, Kazakhstan has attracted more than $34 billion in foreign direct investment, the highest per capita rate of all of the republics of the former Soviet Union.

Although it has not kept pace with the over 20% annual growth rate characterising the oil sectors in recent years, the non-oil economy in Kazakhstan has grown at a rate of over 5% per annum over the past 5 years. Those sectors most closely associated with oil have grown fastest: construction and services related to oil extraction, transportation, and investment projects, including real estate and related services and, on a lesser scale, financial services and trade, have shown strong growth.

The table below lists Kazakhstan's GDP, GDP growth and inflation for the years from 2000 to 2004.

	2000	2001	2002	2003	2004
GDP (US$ bn)	18.4	21.5	24.2	30.0	38.6
Real GDP Growth (% change)	9.8	13.2	9.5	9.2	10.1
Inflation (CPI% change)	13.4	8.4	6.6	6.8	6.9

Source: Moody's

Rapid economic growth has helped stimulate employment and raise living standards. Unemployment fell from 13.5% in 1999 to 8.4% in 2004. Currently, the annual per capita GDP and monthly wages in Kazakhstan are among the highest of the republics of the former Soviet Union.

Government policy

Kazakhstan's government has maintained a relatively tight fiscal policy, as the government's budget deficit has been, between 2001 and 2004, less than or equal to 1% of GDP, although the deficit is expected to widen to 1.9% of GDP in 2005 following the government's decision to raise public-sector wages by an average of 32% as of July. The National Bank of Kazakhstan has raised its benchmark interest rates in 2005 and has allowed the Tenge to appreciate against foreign currencies in order to combat inflation resulting from large-scale currency inflows due in large part to oil and gas revenues. Tight fiscal and monetary policies have lead to relatively subdued core inflation rates, although with increased oil and gas revenues and foreign direct investment anticipated in the short term, inflation could increase.

The Kazakh economy also benefits from a significant cushion, the National Fund for the Republic of Kazakhstan (the ''NFRK''), a professionally-managed fund that aggregates above-target tax receipts and a share of revenues from the energy sector with an eye to a time when oil revenue slows or stops. Established in 2000, the NFRK is intended to support future state budgets. As at the end of 2004, the NFRK held funds equivalent to 12.3% of GDP, working toward a goal of 25% of GDP. These funds are intended to be available in the future, should they be needed, to meet budgetary operational expenditures, including debt servicing.

Reflecting its relatively tight fiscal policies, in 2000 Kazakhstan was the first former Soviet republic to repay all of its debt to the International Monetary Fund, seven years ahead of schedule. In March 2002, the US Department of Commerce recognised Kazakhstan as a market economy under relevant US trade law. This was due to substantive market economy reforms in the areas of currency convertibility, wage rate determination, openness to foreign investment and government control over the means of production and allocation of resources.

In September 2002, Kazakhstan became one of the first countries in the former Soviet Union to receive an investment-grade credit rating from a major international credit rating agency, when Moody's rated Kazakhstan's foreign currency bonds and notes at Baa3. As of late December 2004, Kazakhstan's gross foreign debt was about $26.6 billion, approximately 65.4% of GDP.

Taxation

The basic corporate tax rate in Kazakhstan is 30%. In addition, payroll taxes are low, at 20%.

In general, business activity in Kazakhstan is subject to a flat rate VAT of 15%, with zero rating of exports. The tax is generally calculated in the same way as VAT in the European Union. Corporations are subject to property tax at the rate of 1% of the value of basic production and non-production assets. There are also a number of less significant taxes.

In addition to the generally applicable taxes described above there are a range of special taxes paid by mineral extraction companies (''subsoil users''), which are described further in ''Industry and mining regulatory overview—Mining regulatory regime in Kazakhstan'' in Part IV.

Currency

The Tenge is considered a relatively stable currency. It is fully convertible for current-account transactions and, since 1999, it floats freely. Sustained foreign-currency inflows (due primarily to increased oil revenues) and the general weakening of the US Dollar have caused modest appreciations in the Tenge on world markets in recent years. For historical exchange rates of the Tenge for the relevant periods, see ''Administration, advisors, and presentation of information—Currencies'' in Part I.

Natural resources

Introduction

Kazakhstan's economy is highly dependent on the production and export of oil and gas, the most important economic sector in Kazakhstan. Kazakhstan also has a significant mining sector and is a leading producer of copper, zinc, chrome, tungsten, manganese, coal, uranium and, to a lesser extent, gold and silver. Foreign direct investment, which reached 7.7% of GDP in 2004, remains overwhelmingly concentrated in the oil and gas sectors.

Mineral resources

The following table sets out resources information on Kazakhstan's natural resources for the year 2003:

	Resources (millions of tonnes)	Resources as % of global
Zinc	35	7.6%
Copper	20	2.1%
Iron Ore(1)	7	4.1%
Manganese	357	7.0%
Chrome	470	26.1%
Bauxite	660	2.0%
Gold(2)	18	20.0%
Coal(1)	34	3.5%
Uranium	1	16.8%

Sources: USGS, BP, NWA, World Bank, Broker's estimates, www.securities.com website.

(1) in billions of tonnes.

(2) in thousands of tonnes.

Kazakhstan accounted for over half of the former Soviet Union's copper, lead, tungsten, and zinc reserves, as well as one-fifth of its coal and 90% of its chrome reserves. According to the BP Statistical Review of World Energy of June 2005, Kazakhstan extracted 44.4 million tonnes of coal in 2004, or 1.6% of world production, as compared to 43.3 million tonnes of coal in 2003 and 37.8 million tonnes of coal in 2002.

Kazakhstan also produces precious metals. According to the US Geological Survey, the country produced approximately 30 kilotonnes of gold in 2003 and 27 kilotonnes in 2002.

Kazakhstan has significant non-ferrous mineral reserves, including chrome iron ore, zinc, copper and manganese. According to the US Geological Survey Mineral Commodity Summaries dated

January 2005, Kazakhstan has copper resources of 20 million tonnes, or 2.1% of global resources, and zinc resources of 35 million tonnes, or 7.6% of global resources. In 2003, Kazakhstan produced 485 kilotonnes of copper cathode and 395 kilotonnes of refined zinc.

Oil and gas sector

Kazakhstan has about 5.4 billion tonnes of proved recoverable oil reserves and 3 trillion cubic metres of gas. Industry analysts believe that planned expansion of oil production, coupled with the development of new fields, will enable the country to produce as much as 3 million barrels per day by 2015, lifting Kazakhstan into the ranks of the world's top ten oil-producing nations. Kazakhstan's 2003 oil exports were valued at more than $7 billion, representing 65% of overall exports and 24% of GDP. Major oil and gas fields and their recoverable oil reserves are Tengiz (7 billion barrels); Karachaganak (8 billion barrels and 1,350 billion cubic metres of natural gas); and Kashagan (7-9 billion barrels).

About 85% of oil and gas production is by foreign investors, with the balance from the State-owned oil company, Kazmunaigaz. Kazmunaigaz was formed by decree in 2002 by merging two State-owned assets. It participates as well in all of the joint ventures formed by foreign investors. Since 2002, the Kazakh government has sought to alter long-term contracts signed in the 1990s intended to attract investors in the oil and gas sectors to provide more funds to the State. It has been successful so far in altering the investment programme with Tengizchevroil, which accounted for some 25% of Kazakhstan's production in 2003.

The BP Statistical Review of World Energy of June 2005 quoted Kazakhstan's proved oil reserves at the end of 2004 as 5.4 thousand million tonnes, or 3.3% of world reserves, with a reserves/production ratio of 83.6%. Kazakhstan produced 1.3 million barrels of oil daily in 2004, a 15.5% increase over 2003 production, and produced 1.1 million barrels of oil daily in 2003, an 8.4% increase over 2002 production.

The BP Statistical Review of World Energy of June 2005 estimated Kazakhstan's proved natural gas reserves at the end of 2004 at 3 trillion cubic metres, or 1.7% of world reserves. In 2004, Kazakhstan produced 18.5 billion cubic metres of gas, compared to 12.9 billion cubic metres of gas in 2003 and 10.6 billion cubic metres in 2002.

Part IV

Industry and mining regulatory overview

Industry overview

Copper industry overview

Background

As a consequence of its high electrical conductivity, ductility, corrosion resistance and strength, copper is widely used in electrical and electronic applications and in piping.

Globally, 16.9 million tonnes of refined copper was consumed in 2004. Copper products can be divided into three main groups; copper wire rod, copper products and copper alloy products. Wire rod is copper's principal first-use, accounting for an estimated 57% of total western world consumption (including scrap) in 2004. In terms of primary consumption the share was 72%.

Wire rod is consumed in five main wire and cable markets: general and industrial cable, utility power cable, telecommunication cable, other insulated wire and winding wire. Brook Hunt estimates that western world wire rod production increased by 6.4% to just below 8.9 million tonnes in 2004.

Copper and copper alloy products mainly comprise tube, plate, sheet and strip, rods, bars and sections. Brook Hunt estimates that demand for these products increased by 3.6% to 6.8 million tonnes in 2004. The main copper alloys are brass (copper and zinc) and bronze (copper and tin).

In general, copper products are consumed in the following five broad sectors:

- construction;
- electric and electronic products;
- industrial machinery and equipment;
- transportation equipment; and
- consumer and general products.

Construction, which accounted for 37% of total copper consumption in 2004, is the largest consuming sector. The main copper products utilised in the construction industry include building wire, power cable, copper plumbing and air conditioning tube, copper sheet and alloy products.

Copper supply

In 2004 global copper mine production amounted to 14.6 million tonnes, of which 11.9 million tonnes was sourced from those mines that process ore to produce a copper concentrate that typically contains 25 to 30% copper. This concentrate is processed by smelters, which produce an impure copper, copper blister or anode, which is in turn refined to produce saleable-quality copper cathode.

The remaining 2.7 million tonnes of 2004 copper mine production was produced by mines using the solvent extraction/electrowinning ''SxEw'' process route, whereby copper is leached from suitable ores with sulphuric acid, then recovered as saleable copper cathode, by-passing the concentration and smelting processes.

In 2004, 56% of mined copper production came from integrated producers, or companies that mine and process ore through to refined metal, either by concentrate smelting and refining or SxEw processing. The remainder was produced by non-integrated smelting and refining companies, which purchase copper concentrate from mines.

Chile is by far the largest producer of mined copper, with a market share of over 35% in 2004, followed by the United States (9%), Indonesia (7%) and Australia (6%). The five largest copper mining companies account for 36% of global mine production. Brook Hunt expects that global copper mine production will increase to 15.9 million tonnes in 2005 and 17.9 million tonnes in 2008. It also expects significant increases in production in Zambia, Iran, Brazil, Chile, Mexico and China.

Refined copper is derived from three sources: blister/anode from concentrates consumed at smelters, SxEw cathode from mines, and scrap (which is recovered at the smelting stage as blister/anode and at the refining stage as cathode). In 2004 global refined production amounted to 15.9 million tonnes, including 12.1 million tonnes from concentrates, 1.1 million tonnes from scrap and 2.7 million tonnes from SxEw copper. Chile is the world's largest producer of refined copper with a global market share of 18% in 2004, followed by China (14%), Japan (9%) and the United States (8%). Countries comprising the former Eastern Bloc accounted for 27% of the overall market. The top five refined copper-producing companies account for 26% of refined copper output.

Copper demand

In 2004 global refined copper consumption grew by an estimated 8.9% to 16.9 million tonnes, while in 2005 demand is expected to rise by a further 3% to 17.5 million tonnes. Chinese demand continues to be one of the main medium-term factors driving global consumption growth. In 2004, Chinese consumption rose by an estimated 18%, to 3.6 million tonnes. This is equal to approximately 21% of global demand, a significant increase compared to 1990, when Chinese consumption accounted for approximately 6% of global demand. In 2005, Chinese consumption is expected to increase by 8%.

In 2004, former Eastern Bloc consumption reached an estimated 4.6 million tonnes (an increase of 17.9% over 2003) while for 2005 demand is expected to increase by 8.6% to just over 5 million tonnes. By comparison, western world consumption rose by an estimated 5.9% in 2004 to 12.3 million tonnes, and is anticipated to increase by a further 1.5% this year to 12.5 million tonnes.

Pricing and costs

Refined copper is traded on the London Metal Exchange and other commodity exchanges around the world. It is also sold directly to consumers.

Brook Hunt estimates that in 2004 the global average C1 cash cost for copper mine production was $1010/tonne copper. Of this total C1 cash cost, costs incurred at mine sites, i.e. the costs of mining and processing ore, plus mine site general and administrative costs, averaged $1010/tonne. Concentrate freight, smelting and refining charges accounted for costs of $330/tonne. These costs are offset by by-product credits, mainly for gold, silver and zinc, of $330/tonne.

Market outlook

Copper prices were depressed for much of the period between 1997-2003, with average 2002 prices at their lowest level, measured in real terms, for over a century. The initial catalyst for the downturn in prices was the 1997 Asian crisis, which was followed by a US economic slowdown toward the end of 2000. The effects of the US slowdown were experienced across the globe with only one country, China, seemingly insulated from the slowdown.

A contraction in global copper demand, most notably in 2001 and 2002, combined with insufficient producer discipline in terms of reducing copper production, led to the accumulation of excessive metal inventories in exchange warehouses. This was exacerbated by the relative strength of the US Dollar against many other currencies, including those of major copper-producing regions, such as Chile, Australia and Europe. For mines in these regions, even poor dollar-denominated copper prices translated into reasonable revenues when converted into local currency. Another factor supporting high cost mine production was extremely low treatment and refining charges, which were depressed by significant growth in custom smelting capacity in India and China.

In response to rising metal exchange inventories, increased mine production cuts and other supply constraining initiatives were put in place by producers during 2002. Subsequently, with the exception of China, overall growth in consumption stagnated during 2003. Chinese copper consumption remained robust in 2003, however, recording a 24% year on year increase. The latter part of 2003 saw the rate of decline in exchange stocks accelerating in response to earlier supply cut initiatives, leading to a sharp rise in copper prices. Average cash LME prices rose by 14% in 2003 relative to 2002, to $1779/tonne.

During 2004 global refined copper production increased by an estimated 4.3%, year on year, to just under 16 million tonnes. At the same time, refined copper consumption significantly outperformed the rise in supply with year-on-year growth of 8.9% to 16.9 million tonnes, resulting in a global market deficit of around 1 million tonnes. The price response during 2004 clearly reflected the shortfall in copper supply relative to demand, with prices averaging $2865/tonne ($1.30/lb) for the full twelve month period.

During the current price cycle, which is expected to run from 2002 to 2009, Brook Hunt expects global consumption to grow at an annual average rate of 4.3% compared with an annual average growth rate of 3.3% in the previous price cycle from 1993 to 2002. The development of the eastern bloc economies, including China, in this period is largely responsible for the stronger expected growth rate.

Zinc industry overview

Background

Galvanising is the predominant first use for zinc, accounting for 47% of global zinc usage in all forms in 2004. The next largest use of zinc is in brass, accounting for 16% of total demand, followed by die-casting at 12%. Zinc is also converted into rolled and extruded products (9% of total demand), and used in making oxides and chemicals (10%). In both absolute and percentage terms, galvanising was the fastest growing end use in 2004 with the principal applications being in the construction and auto industries.

Brook Hunt estimates that the construction sector accounted for 45% of all zinc usage in 2004, followed by the transport sector at 25%. The balance of zinc demand was evenly split between industrial machinery, consumer products and various other markets.

Zinc supply

Zinc mines extract ore and produce a concentrate that is sold to smelters. The concentrate typically contains 53% zinc. Mines receive payment based on the LME cash price for 85% of the contained zinc in concentrate, minus a treatment charge for processing the concentrate. Zinc mines typically obtain over 70% of gross revenue from zinc in concentrate sales, with the balance derived from by-product metals.

Custom zinc smelters buy concentrate for processing to refined metal, which is sold to consumers or onto the LME. Zinc smelters typically obtain over 65% of gross revenues from the treatment charge and around 25% from metal price-related income.

32% of refined zinc production comes from integrated producers, or companies that mine and process ore through to refined metal. These operations derive no income from treatment charges, and are therefore wholly metal-price sensitive. Kazakhmys' zinc mining and smelting operations fall into this category. The remainder is produced by non-integrated smelting companies, which purchase zinc concentrate from mines in the custom market.

The five largest zinc mining companies accounted for 27% of global mined output in 2004. The top five zinc smelting companies produced 32% of the 10.1 million tonnes of refined zinc produced in 2004.

In 2004 global zinc mine production totalled 9.6 million tonnes. China is the largest producer of mined zinc, with a market share of 24% in 2004, followed by Australia (14%), Peru (12%) and Canada (8%). Brook Hunt expects that global zinc mine production will increase to 10.0 million tonnes in 2005 and 10.4 million tonnes in 2006. Significant increases in production are expected in India, Peru, Bolivia, Australia and Ireland. From 2006 Brook Hunt expects market demand for zinc concentrate to exceed the production capacity of existing producers. It believes that this requirement can be met by advanced stage projects, expansions and mine life extensions at existing mines.

Brook Hunt expects the production capability of currently-producing zinc smelters and committed projects to rise from 10.0 million tonnes in 2004 to 11.6 million tonnes per annum in 2007. Over this period Brook Hunt expects both smelter production capacity and capability to exceed by a significant amount, available concentrate feed. Some smelters purchasing concentrate feed in the custom market will, of necessity, operate at less than full utilisation.

Zinc demand

Global zinc consumption totalled 10.3 million tonnes in 2004, a year-on-year rise of 6.9%. There was good demand experienced in most regions. However, the bulk of the increase can be attributed to

China where demand grew by 20% year-on-year. Brook Hunt expects growth to soften over the next four years, falling to 4.3% in 2005 and then close to the long-term average forecast trend of 2.7% per annum.

On a regional basis, and despite a forecast slowdown in economic growth, China is likely to continue to be the major driver of zinc consumption. In 2004 China accounted for 2.4 million tonnes of refined zinc consumption, equivalent to approximately 23% of global demand. Brook Hunt expects short-term Chinese demand will continue to be supported by private and government-backed infrastructure projects, allied to the country's power, transport and urbanisation objectives.

United States demand recovered in 2004, growing by 8% per annum to 1.25 million tonnes, the same level as in 2002. The recovery of the industrial and manufacturing sectors and the strong construction sector aided this growth. These factors, coupled with the weakness of the US Dollar and continued Chinese demand for steel products, caused prices of galvanised steel to rise and encouraged the United States steel industry to increase output. Brook Hunt expects lower demand growth of 3% in 2005 in the United States as activity slows in the automobile and construction sectors.

At just 1.6% year-on-year, European demand growth in 2004 was slow, and western European consumption totalled 2.36 million tonnes. Growth prospects in Europe could be dampened due to a number of factors, including the fact that, in general, European economies continue to be burdened by the need for structural reforms, high unemployment and uncompetitive exchange rates. As a consequence, annual growth in zinc demand over the next few years is forecast by Brook Hunt to be in the region of 2%.

Prices and costs

Refined zinc is traded on the terminal market provided by the LME. It is also sold directly to consumers.

Brook Hunt estimates that in 2004 the global average C1 cash cost for zinc mine production was $666/tonne zinc. Of this total C1 cash cost, costs incurred at mine sites, i.e. the costs of mining and processing ore, plus mine site general and administrative costs, averaged $368/tonne. Concentrate freight, smelting and refining charges accounted for costs of $428/tonne. These costs are offset by by-product credits, mainly for copper, lead and silver, of $130/tonne.

Market outlook

The zinc market balance changed dramatically throughout 2000, moving quickly from a deficit in supply, with high prices and declining stocks, to a much weaker market in the fourth quarter, resulting in falling prices. Weakening zinc demand in the United States and many advanced economies during 2001 was not accompanied by adequate cuts in supply. In consequence there was a global surplus of 360 kilotonnes in 2001 which had repercussions on prices. A further surplus of 374 kilotonnes occurred in 2002 and another surplus of 179 kilotonnes in 2003. By the end of 2003 total implied stocks were 100 days equivalent and LME stocks had climbed to 740 kilotonnes, equivalent to 28 stock days. These three years saw zinc prices at historically low levels touching a record daily low of $732/t on 17 December 2001 and averaging $885/t for that year. Prices averaged $813/t in 2002 and $844/t in 2003. Zinc cash prices only recovered to support ongoing prices at, or above, $1,000/t at the end of 2003.

With a global refined zinc market deficit of 255 kilotonnes per annum in 2004, zinc prices averaged $1048/t, rising strongly from the fourth quarter 2004 into early 2005. Brook Hunt expects demand for zinc to exceed supply over 2005 and 2006, resulting in annual deficits of 470 kilotonnes in 2005 and 422 kilotonnes in 2006. Brook Hunt expects total implied stocks to be drawn down to very low levels in 2006 and to as little as 50 days of equivalent consumption by the end of 2006. Brook Hunt expects this drawdown to result in LME stocks falling to less than five-days equivalent at some point in 2006. The market is expected to return to balance in 2007. Nevertheless, low stock levels should help support high zinc prices in that year.

Mining regulatory regime in Kazakhstan

General

In Kazakhstan, all subsoil reserves belong to the state. The Competent Body (currently the Ministry of Energy and Mineral Resources (''MEMR'')) grants exploration and production rights. Subsoil use rights are granted for a specified period, but they may be extended before the expiration of the contract and licence (if applicable). Subsoil use rights may be terminated by the Competent Body if the Group does not satisfy its contractual obligations, which include periodic payment of royalties and taxes to the government and the satisfaction of mining, environmental, safety and health requirements.

Prior to August 1999, subsoil use rights for both hydrocarbons and mining sector operations were established by granting a licence and, where applicable, by concluding a subsoil use contract. In August 1999, the government of Kazakhstan, in an attempt to simplify the procedure, abolished the two-tier process. Subsoil use rights are now established by means of a subsoil use contract only; no licence is required. Generally, the Group holds contracts and licences (if applicable) for its material mining operations for periods of between 10-25 years.

Many of the requirements that were applicable to the licensing procedure are now applicable to subsoil use contracts. The previous regime still applies to subsoil use licences granted before the abolition of the licensing regime. Under the current contractual regime, subsoil use contract terms are agreed by the parties during a negotiation process. The government of Kazakhstan has developed a contract for use as a sample for subsoil use contracts. The terms and conditions of a model contract not already governed by a licence or regulated by legislation may be amended by agreement of the parties.

Kazakh law recognises the concept of stabilisation and guarantees stability of the terms and conditions of subsoil use rights, even if subsequent legislation provides for less favourable terms and conditions. Likewise, if a contract contains provisions establishing that the contract's terms and conditions cannot be changed without the parties' consent, any changes introduced by subsequent legislation are not automatically applicable unless the parties expressly agree. The application of stabilisation provisions is usually stipulated in the subsoil use contract. Stabilisation protection is not available for certain matters, including environmental protection and national security.

Relevant legislation

There have been three main phases of subsoil use regulation in Kazakhstan:

- from Kazakhstan's independence in 1991 to August 1994;
- the licensing regime from August 1994 to August 1999, which has two sub-phases: (i) August 1994 to January 1996 and (ii) January 1996 to August 1999; and
- the contractual regime, which commenced in August 1999.

Kazakhmys acquired subsoil use rights during each of these time periods, so the regime in place at the time the rights were acquired is the relevant one.

Pre-August 1994 regime

After the collapse of the Soviet Union, matters concerning subsoil use rights were, for some time, regulated by legislation passed during the Soviet period, which was gradually replaced by new legislation. The requirement to obtain a licence was first introduced in August 1994.

Licensing regime

Under the licensing regime, a licence from the Licensing Agency was the basis for a subsequent contract with the Competent Body. The licence defined permitted subsoil use operations. Currently the role of both the Licensing Agency and of the Competent Body is carried out by MEMR. Any contract had to be consistent with the provisions of the corresponding licence.

Licences for exploration or production were normally granted on the basis of an investment programme tender or direct negotiations.

Pre-January 1996 (the "Licensing Regulation")

Under the Licensing Regulation, exploration rights were granted under a licence, and a contract was required to engage in production activities. No contract was required for exploration operations, although the parties could agree to execute one to address matters not covered by the licence.

Under the Licensing Regulation, both exploration and production licences had to contain information concerning the licensee; the purpose of subsoil use; a description of the licence area; the term of the licence and a minimum work programme. In addition, the Licensing Agency could elect to require such additional terms as subsoil use payments; production volume; production sharing mechanisms; rights to information gained during the course of subsoil use operations; health and safety, environmental and best practice provisions; monitoring procedures; local content requirements; and utilisation of equipment and infrastructure. These additional terms and conditions were documented as appendices to the licence.

The term of an exploration licence was up to five years, plus up to two extensions. The term of a production licence was up to 20 years, plus extensions. The term of a combined licence for exploration and production was up to 25 years, plus extensions. The time period for which such extensions could be granted was not limited.

The Licensing Regulation did not provide for suspension or revocation of licences; however, any breach of the licence provisions triggered a right of termination exercisable by the relevant governmental authority (currently the MEMR). A licence had to be terminated if it was issued based on false information provided by the licensee, or if the officials involved had an undisclosed agreement. Termination also resulted if the licensee conducted subsoil use operations not permitted under the licence, failed to make required payments, regularly violated environmental or safety rules, or entered into liquidation or bankruptcy. Finally, the licence would be terminated if the licensee failed to commence subsoil operations within the deadlines established by the licence or voluntarily relinquished its subsoil use rights.

Post-January 1996 ("Subsoil Law")

The Subsoil Law, which replaced the Licensing Regulation, recognised licences and contracts in existence prior to its introduction. The Subsoil Law introduced the concept of suspension, whereby the subsoil user would be informed of a breach of its licence or contract and would have a period of time in which to rectify the breach and avoid complete termination of its subsoil use rights. The details of suspension are generally defined in the contracts. Even for licences issued prior to the Subsoil Law, the corresponding contracts now contain suspension provisions.

Terms and conditions

Under the licensing regime both a licence and a contract were required for exploration, production and combined exploration and production. Both exploration licences and production licences were required to contain information concerning the licensee; the borders of the contract area; the term of the licence and the date of commencement of works; the type of contract (exploration or production); the period during which the contract had to be signed; the minimum work programme; environmental and safety obligations; and conditions for extending the licence term.

In addition, an exploration licence had to contain conditions and the procedure for relinquishment of parts of the contract area. A production licence also had to contain preliminary investment commitments by the licensee to develop the industrial and social infrastructure of the contract area. Social infrastructure could include roads, schools, cultural and recreational facilities, and hospitals.

Term of the licence

Licences for exploration activities were granted for a period of up to six years. Provided that the agreed work programme and other obligations are fulfilled under the licence and related contract, the licence term may generally be extended twice, with each extension of up to two years.

A licence for production was granted for a period of up to 25 years with no limitation on the term of extension. A combined licence was granted for a period that includes the periods for both the exploration and production licences, taking into account any extension periods. The term of the licence for exploration or production may be extended if the licencee has applied for an extension at least 12 months prior to expiration.

Suspension, termination or revocation of a licence

MEMR has the right to suspend a licence for a period of up to 6 months if a licencee conducts activities not contemplated by the licence or that violate the conditions of the licence; carries out activities not in accordance with the works programme stipulated by the contract; or systematically or materially breaches applicable environmental protection and safety legislation.

If a licencee fails to rectify the circumstances that resulted in suspension, MEMR has the right to revoke the licence. Revocation may also result if the licencee does not conclude a contract within the required timeframe or sets production levels below the geological potential of the relevant deposit.

The licence will be terminated upon expiration of the licence term, liquidation of the licencee or revocation of the licence by MEMR. MEMR may also terminate the licence if the conditions of the licence are not fulfilled or if it is determined that the contract is invalid. Furthermore, if a particular combination of shareholders was a requirement of the licence, a change in the shareholding structure without the consent of MEMR might give grounds to terminate the licence.

Contractual regime

As a result of amendments to the legislation on subsoil use in August 1999, the rights to exploration and production are now granted solely on the basis of a contract executed by the subsoil user and the relevant governmental body. The model contract includes terms for the applicable taxation regime, royalties and bonuses; termination and suspension provisions; criteria for measuring production and environmental provisions.

Additionally, the legislation requires an open tender in order to obtain subsoil use rights, although an entity that makes a commercial discovery and seeks related production rights may engage in direct negotiations.

Other subsoil use terms

Rehabilitation

All subsoil users carrying out subsoil use operations are required to rehabilitate land affected by subsoil use operations. There are no requirements established at a statutory level, and the details of such rehabilitation obligations are usually established under the relevant subsoil use contract. For those mines related to metal ore production, Kazakhmys must set aside 0.1% of annual operating expenditures for rehabilitation of its sites. For coal mining, Kazakhmys must set aside 1% of annual sales revenue.

Assignment, transfer and amendments of subsoil use rights

Assignments, transfers and amendments of subsoil use rights may be made only with the prior consent of MEMR (except when such assignment or transfer is to a subsidiary of the subsoil user in question or is a result of a reorganisation of the subsoil user whereby its legal successor assumes all its rights and obligations).

The State has pre-emption rights in respect of a transfer of any part of the subsoil use rights and of a participation share (shares) in the legal entity holding such subsoil use rights, provided that the terms and conditions (upon which such pre-emption rights may be exercised) are not less favourable than those on which the proposed transferee is prepared to assume such subsoil use rights.

Relinquishment

Relinquishment obligations concerning the relevant contract area are determined in the contract and licence (if applicable). During the term of the licence for exploration (and prior to its extension, if any), a certain percentage of the contract area as stipulated by the related contract must be relinquished, excluding the territory on which the commercial discovery has been made.

Balance reserves

If subsoil use rights are determined in reference to reserves, and the actual reserves prove to be lower than anticipated, the subsoil user is not automatically entitled to an adjustment of the terms and conditions of the subsoil use contract, or reimbursement for expenses incurred.

If the reserves prove to be higher than anticipated, the contract usually provides for additional obligations on the subsoil user. By statute, it is possible to amend the contract if reserves are greater than anticipated.

Taxation of subsoil use rights

Taxation of subsoil users

Subsoil users operate under special tax provisions set out in the subsoil use contracts. Generally, subsoil use contracts establish procedures for the calculation and payment of the following taxes: Excess Profit Tax; special subsoil use payments (bonuses, royalties, and occasionally payments relating to production sharing); and generally applicable business taxes such as corporate income tax and value-added tax (''VAT''). Prior to their conclusion, all subsoil use contracts are subject to compulsory tax reviews. The purpose of the review is to confirm that the contractual tax regime is consistent with the tax law in force when the contract is signed. Tax reviews are usually conducted on a contract-by-contract basis, taking into account the specific conditions of the subsoil user. Tax regimes confirmed as a result of tax reviews become part of subsoil use contracts.

Kazakhmys' subsoil use contracts date from the years 1996 to 2005. The tax regimes of those contracts that were entered into prior to 1 January 2004 are stabilised as of the date the contracts were signed, except for aspects that were subsequently renegotiated. In the event of a renegotiation, the points renegotiated would be stabilised as of the date of such renegotiation. While numerous technical changes were made to the tax legislation in the years 1996 to 2005, the substance of the tax regimes applicable to subsoil use contracts signed during those years did not materially change.

The following is a description of the substantive provisions of the tax regime that apply to the most significant of Kazakhmys' currently producing contracts and licences (where applicable). The regime for contracts signed after 1 January 2004 is significantly different.

Tax regimes

Since 1995, subsoil users have been taxed under one of two tax regimes:

- The first regime envisages the payment by the subsoil user of all generally established taxes and other payments provisioned in the Tax Code, including Excess Profit Tax. These contracts are referred to as ''EPT'' contracts.
- The second regime envisages the payment by the subsoil user of a share of the production to the government of Kazakhstan, and all generally established taxes and payments, with certain exemptions. This second regime does not apply to any of the Group's existing contracts.

''Ring fencing'' provisions

Subsoil users operating under more than one subsoil use contract or licence (if applicable) or having activities outside of the scope of their subsoil use contracts or licences (if applicable) are required to maintain separate records of their tax liabilities with respect to each of the tax regimes established in each subsoil use contract as well as for activities outside the scope of any contract. Consolidation of the results of operations between subsoil use contracts or licences (if applicable) is not permitted for subsoil use taxation purposes.

Tax payments of subsoil users

The taxes and other special payments levied on Kazakhmys are as follows:

Bonuses

Subscription bonuses are fixed lump-sum payments made by subsoil users for the right to use the subsoil in question. Subscription bonuses are determined in subsoil use contracts or licences (if applicable) and are based on the volume of mineral resources and the estimated economic value of the areas covered by the contract. Commercial discovery bonuses are amounts paid to the government in respect of the commercial discovery of mineral resources in Kazakhstan. Bonuses are based on the estimated value of the mineral resources identified.

Royalties

Royalties are calculated and paid separately for each type of mineral resource extracted. Royalties may be paid either in monetary form or in kind. Royalty payments are determined as a percentage of the volume of the extracted resources and may be based on either a flat rate or a sliding scale.

Excess Profit Tax

For contracts entered into prior to 1 January 2004, Excess Profit Tax is payable by Kazakhmys in respect of individual contracts or licences (if applicable) that have an internal rate of return in excess of 20%. For contracts signed after this date, the rates are determined by the ratio of income to expenditure. Excess Profit Tax is assessed on profit, after taking a deduction for corporate income tax, and is paid separately with respect to each subsoil use contract or licence (if applicable).

Export duties

All goods, with a few exceptions, are exempt from customs duties when exported from Kazakhstan. Certain restrictions and licensing requirements may apply to the export of goods from Kazakhstan.

Other taxes

In addition to the above payments, subsoil users are subject to other taxes and obligatory payments envisaged by Kazakh tax legislation, such as corporate income tax, VAT, property tax and social tax.

Tax rates

The general corporate income tax rate is 30%. For contracts signed before 1 January 2004, the Excess Profit Tax rate is dependent on the internal rate of return. The rate of tax rises progressively from 0% to 30% once the internal rate of return exceeds 20%. For contracts signed after that date, the rate of Excess Profit Tax is determined by the ratio of income to deductions. If this ratio exceeds 20% the rate of tax rises progressively from 10% to 60%.

Dividends and interest payable to resident and non-resident legal entities are also subject to withholding tax at a rate of 15%, except where the rate is modified by a double-taxation treaty between Kazakhstan and the country of residence of the non-resident in question.

Part V

The Global Offer and related matters

The Global Offer

Pursuant to the Global Offer, which will be fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement (further details of which are set out below and in ''Additional information—Underwriting Agreement'' in paragraph 8 of Part XI), the Company expects to raise between approximately £240.8 million (approximately $428.4 million) and £288.8 million (approximately $513.7 million), net of underwriting commissions and other fees and expenses of between approximately £28.0 million (approximately $49.7 million) and approximately £29.7 million ($52.8 million) by the issue of 58,434,025 New Ordinary Shares.

An amount of between approximately £284.3 million (approximately $505.7 million) and approximately £336.8 million (approximately $599.1 million), net of underwriting commissions and other fees and expenses of between approximately £10.3 million (approximately $18.3 million) and approximately £12.2 million ($21.7 million), is expected to be raised by the sale of 64,043,691 Sale Shares on behalf of the Selling Shareholders (assuming that the Managers' Option is not exercised). The Company will not receive any portion of the proceeds from the sale of the 64,043,691 Sale Shares. The earliest closing date, which will be the last date for subscription, for the Global Offer is 6 October 2005.

The Global Offer comprises an issue of 58,434,025 New Ordinary Shares and the sale of 64,043,691 Sale Shares (representing approximately 12.5% and 13.7%, respectively, of the expected issued ordinary share capital of the Company immediately following Admission assuming that the Managers' Option is not exercised).

The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

Following Admission, it is expected that the Company will be considered for inclusion in the FTSE UK Index Series.

Bookbuilding

Indications of interest in acquiring Ordinary Shares will be solicited by the Underwriters from institutional and certain other investors in the UK, the United States (in reliance upon Rule 144A or another exemption from, or a transaction not subject to, the registration requirements of the Securities Act) and elsewhere. Based on indications received, the Joint Global Co-ordinators will conduct a bookbuilding process pursuant to which they will endeavour to establish the price or prices at which there is demand for the Ordinary Shares be issued and sold in the Global Offer.

The latest time and date for receipt of indications of interest in the Offer is 4.30 p.m. (London time) on 6 October 2005, but that time may be altered at the discretion of the Joint Global Co-ordinators (with the agreement of the Company and the Selling Shareholders).

The Offer Price will be agreed among the Joint Global Co-ordinators, the Company and the Selling Shareholders, having regard to the outcome of the bookbuilding process. All shares issued or sold pursuant to the Global Offer will be issued or sold at the Offer Price. It is currently expected that the Offer Price will be between 460p and 545p per Ordinary Share, which will enable the Company to raise gross proceeds of between £268.8 million (approximately $478.1 million) and £318.5 million (approximately $566.5 million). This price range is indicative only and the Offer Price may be set within, above or below it. Details of the Offer Price will be contained in a pricing supplement expected to be published on or around 7 October 2005.

Amongst the facts that will be considered in determining the Offer Price will be prevailing market conditions and the demand for Ordinary Shares in the bookbuilding.

Completion of the Global Offer will be subject, *inter alia*, to agreement on the Offer Price among the Joint Global Co-ordinators, the Company and the Selling Shareholders and each of their decisions to proceed with the Global Offer. It will also be subject to the satisfaction of the conditions in the Underwriting Agreement including the representations and warranties given at the time of entry into the agreement being correct, there having been no material adverse change, the Company and the Selling Shareholders having performed all their obligations under the agreement, Admission occurring and becoming effective by 8.00 a.m. on 12 October 2005 or such later time or date as may be determined in accordance with the Underwriting Agreement and the Underwriting Agreement not having been terminated. Further details of the Underwriting Agreement are set out in ''Additional information—Underwriting Agreement'' in paragraph 8 of Part XI.

Allocation and pricing

All Ordinary Shares issued or sold pursuant to the Global Offer will be issued or sold at the Offer Price. Allocation of Ordinary Shares under the Global Offer will be determined by the Joint Global Co-ordinators following consultation with the Company and the Selling Shareholders after indications of interest from prospective investors have been received.

Ordinary Shares allocated under the Global Offer will be underwritten by the Underwriters as described in ''Additional information—Underwriting Agreement'' in paragraph 8 of Part XI.

Stabilisation and the Managers' Option

In connection with the Global Offer, the Stabilising Manager may over-allot or effect other transactions which stabilise or maintain the market price of the Ordinary Shares or any options, warrants or rights with respect to, or interests in, the Ordinary Shares, in each case at a higher level than might otherwise prevail in the open market. Such transactions may commence on or after the date of publication of the Offer Price and will end no later than 30 days thereafter. Such transactions may be effected on the London Stock Exchange, the over-the-counter market or otherwise. There is no assurance that such transactions will be undertaken and, if commenced, they may be discontinued at any time. Save as required by law, it is not intended that the Stabilising Manager will disclose the extent of any over-allotments and/or stabilisation transactions under the Global Offer.

In connection with the Global Offer, the Option Shareholder will agree with the Stabilising Manager that Ordinary Shares may be over-allotted for stabilisation purposes up to the maximum percentage permitted by the Stabilisation Regulation of Ordinary Shares to be issued and sold under the Global Offer (assuming no exercise of the Managers' Option) and will grant the Joint Global Co-ordinators the Managers' Option, pursuant to which they may purchase, or procure purchasers for, a maximum number (to be determined) of Option Shares for the purposes of allowing the Stabilising Manager to cover short positions resulting from such over-allotments. The Managers' Option will be exercisable in whole or in part at any time during the period commencing on the date of publication of the Offer Price and ending 30 days thereafter. Any exercise of the Managers' Option and the number of Ordinary Shares to be purchased pursuant to such exercise shall promptly be announced.

Dealing arrangements

The Global Offer is subject to the satisfaction of conditions contained in the Underwriting Agreement including Admission, expected to occur by 8.00 a.m. (London time) on 12 October 2005 or such later date as may be determined in accordance with such agreement. Certain conditions are not capable of waiver. Further details of the Underwriting Agreement are set out in ''Additional information—Underwriting Agreement'' in paragraph 8 of Part XI.

Admission is expected to take place, and unconditional dealings in the Ordinary Shares are expected to commence, on the London Stock Exchange at 8.00 a.m. (London time) on 12 October 2005. Settlements of dealings from that date will be on a three-day rolling basis. It is expected that Ordinary Shares allotted to investors in the Global Offer will be delivered in uncertificated form and settlement will take place through CREST on Admission. Investors in the Global Offer will pay the Offer Price in respect of the Ordinary Shares to be received by them in such manner as shall be directed to them by the Underwriters.

It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 7 October 2005. The earliest date for settlement of such dealings will be 12 October 2005. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a ''when issued'' basis.

If the Global Offer does not become unconditional all such dealings will be of no effect. Any such dealings will be at the sole risk of the parties concerned.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced without a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Shares under the CREST system. The Company has applied for the Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so. Investors applying for Shares under the Global Offer may, however, elect to receive Shares in uncertificated form if they are a system-member (as defined in the CREST Regulations) in relation to CREST.

Underwriting arrangements

The Company, the Executive Directors, the Selling Shareholders, the Sponsor, the Joint Global Co-ordinators and the Underwriters have entered into the Underwriting Agreement, pursuant to which the Underwriters expect, subject to determination of the Offer Price and entry into a pricing supplement and certain further conditions, to procure subscribers or purchasers for, or failing which themselves to subscribe for or purchase, the Ordinary Shares made available in the Global Offer. All such subscriptions and purchases will be at the Offer Price.

Further details of the terms of the Underwriting Agreement are set out in ''Additional information—Underwriting Agreement'' in paragraph 8 of Part XI.

Lock-up arrangements

Each of the Company, the Directors and the Selling Shareholders have agreed to enter into certain lock-up arrangements.

Approximately 70.5% of the Ordinary Shares in issue after the Global Offer (assuming no exercise of the Managers' Option) will be subject to lock-up arrangements.

Further details of these lock-up arrangements are contained in ''Additional information—Underwriting Agreement'' in paragraph 8 of Part XI.

Securities laws and restrictions on transfer

General

The distribution of this Prospectus and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes are required by the Underwriters, the Company and the Selling Shareholders to inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction. Persons receiving this Prospectus should not distribute or send it into any jurisdiction where to do so would or might contravene local securities laws or regulations.

No action has been taken by the Company, the Selling Shareholders or the Underwriters that would permit, otherwise than under the Global Offer, an offer of Ordinary Shares or possession or distribution of this Prospectus or any other offering material relating to Ordinary Shares in any jurisdiction where action for that purpose is required. No offer is being made, or being permitted to be made, to the public in any jurisdiction.

None of the Ordinary Shares may be offered for subscription, sale or purchase or be subscribed, sold or delivered, and this Prospectus and any other material in relation to the Ordinary Shares may not be circulated in any jurisdiction where to do so would break any securities laws or regulation of any such jurisdiction or, other than in the UK, give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

United States

Because of the following restrictions, investors are advised to consult legal counsel prior to making any resale, pledge or transfer of Ordinary Shares.

The Ordinary Shares offered by this Prospectus have not been and will not be registered under the Securities Act or under the applicable securities laws of any state of the United States. The Ordinary Shares may not be offered or sold in the United States except in certain transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Each Underwriter has represented and agreed that it will solicit purchases of Ordinary Shares in the United States only through qualified affiliates or agents to Qualified Institutional Buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act or outside the United States in compliance with Regulation S under the Securities Act.

In addition, until 40 days after the later of the commencement of the Global Offer and the completion of the distribution of the Ordinary Shares, an offer or sale of Ordinary Shares within the United States by any dealer may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

Each purchaser of the Ordinary Shares offered in reliance on Rule 144A or in the United States in reliance on another exemption from, or transaction not subject to, the requirements of the Securities Act, will be deemed to have represented and agreed that it has received a copy of this document and such other information as it deems necessary to make an investment decision and that (terms used herein that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(a) The purchaser is: (A)(i) a Qualified Institutional Buyer; (ii) acquiring such Ordinary Shares for its own account or for the account of a QIB with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein; (iii) not acquiring the Ordinary Shares with a view to further distribution of such Ordinary Shares; and (iv) if purchasing pursuant to Rule 144A or another exemption from registration, aware that the sale of Ordinary Shares to it is being made in reliance on Rule 144A or another exemption from registration, as the case may be, or (B)(i) acquiring the Ordinary Shares in an offshore transaction outside the United States in a transaction which is in compliance with Regulation S and (ii) not an affiliate of the Company or a person acting on behalf of such an affiliate.

(b) The purchaser understands that the Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States.

(c) In the case of a purchaser in the United States:

(i) the purchaser agrees that the Ordinary Shares may not be reoffered, resold, pledged or otherwise transferred except: (A)(i) to a person whom the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A; (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S; or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (B) in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Such purchaser acknowledges that the Ordinary Shares (whether in physical, certificated form or in uncertificated form held in CREST) offered and sold in accordance with Rule 144A or another exemption from registration under the Securities Act are ''restricted securities'' within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of Ordinary Shares. The purchaser understands that the Ordinary Shares may not be deposited into any unrestricted depositary receipt facility in respect of Ordinary Shares established or maintained by a depositary bank unless and until such time as such Ordinary Shares are no longer restricted securities within the meaning of Rule 144(a)(3) under the Securities Act;

(ii) the purchaser understands that any offer, sale, pledge or other transfer of the Ordinary Shares made other than in compliance with the above-stated restrictions may not be recognized by the Company; and

(iii) the Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE ''SECURITIES ACT''), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(I) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) AND (B) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR THE RESALE OF THIS SECURITY.

(d) The Company, the Registrar, the Underwriters and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(e) Prospective purchasers are hereby notified that sellers of the Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or another exemption from the registration requirements of the Securities Act.

United Kingdom

Each Underwriter has represented and agreed that: (i) it has not offered or sold and will not offer or sell any Ordinary Shares to persons in the United Kingdom prior to Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Prospectus Rules or the FSMA, (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Ordinary Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company, and (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Ordinary Shares in, from or otherwise involving the United Kingdom.

European Economic Area

No Ordinary Shares have been offered or sold, or will be offered or sold, to the public in any Member State of the European Economic Area which has implemented Directive 2003/71/EC (the ''Prospectus Directive'') prior to Admission except: (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

France

This prospectus has not been prepared in the context of a public offering of securities in France within the meaning of Article L. 411-1 of the French Code Monétaire et Financier and has therefore not been and shall not be submitted to the Autorité des Marchés Financiers (''AMF'') in order to obtain a prior approval or passported in France following approval by the competent European stock exchange authority under the Prospectus Directive, or otherwise. Any delivery of this prospectus and/or of any other document relating to this offering shall not under any circumstances be deemed to constitute an offer to sell or a solicitation to buy securities within the meaning of the foregoing provisions of the French Code Monétaire et Financier.

The securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France otherwise than (i) to qualified investors or to members of a restricted circle of investors (cercle restreint d'investisseurs) as defined in Articles L.411-2-II-4° and D.411-1 of the French Code Monétaire et Financier, provided they act for their own account, and/or (ii) portfolio management services providers provided they act on behalf of third parties, and/or (iii) in other circumstances defined in Article L.411-2 of French Code Monétaire et Financier and in Article 211-2 of the General Regulation of the AMF.

If the offer of securities is realised pursuant to Article L.411-2-II-4° of the French Code Monétaire et Financier, qualified investors and members of a restricted circle of investors are notified that they must act in that connection for their own account in accordance with the terms set out by Articles L.411-2-II-4°, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code Monétaire et Financier and may not re-transfer, directly or indirectly, the securities, other than in compliance with applicable laws and regulations in particular those relating to public offers (which are in particular embodied in Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Code Monétaire et Financier).

Germany

The Ordinary Shares shall not be registered, offered or sold other than pursuant to the exemptions under § 3 and § 4 German Prospectus Act including offers to ''qualified investors'' (§ 2 No. 6 GPA), offers to less than 100 non-qualified investors per EEA country and offers to investors with a minimum total consideration of €50,000 per investor and separate offer.

Japan

The Ordinary Shares offered by this Prospectus have not been and will not be registered under the Securities and Exchange Law of Japan (the ''Securities and Exchange Law''). Accordingly, each Underwriter has represented and agreed that the Ordinary Shares which it purchases will be purchased by it as principal and that it has not offered or sold, and will not offer or sell any Ordinary Shares, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (including Japanese corporations), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (including Japanese corporations) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and relevant regulations of Japan.

Hong Kong

In Hong Kong this Prospectus may only be issued, circulated or distributed and the Ordinary Shares are only being offered for subscription or purchase: (1) to persons who are ''professional investors'' within the meaning of section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and/or (2) otherwise in accordance with the provisions of Part 1 of the Seventeenth Schedule of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as read with the other parts of that Schedule; and/or (3) in any other circumstances that would not result in (a) this Prospectus constituting a prospectus as defined in section 2(1) of the Companies Ordinance and (b) the issue or possession of this Prospectus constituting an offence under section 103(1) Securities and Futures Ordinance; (all such persons in (1), (2) and (3) together being referred to as ''relevant persons'').

This Prospectus has not been and will not be registered with any regulatory authority in Hong Kong. The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Global Offer. If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

The copying, forwarding, reproduction, publication, disclosure or distribution, directly or indirectly, of this Prospectus by recipients is strictly prohibited and may result in a breach of the securities laws of Hong Kong.

Persons in Hong Kong who are not relevant persons and who receive a copy of this Prospectus should not act on it and should immediately return this Prospectus to the Company.

Singapore

The following selling restriction applies prior to the coming into force of the amendments to Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the ''SFA'') (to be amended by the Securities and Futures (Amendment) Act 2005).

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Ordinary Shares may not be circulated or distributed, nor may Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor specified in Section 274 of the SFA, (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

The following selling restriction applies subsequent to the coming into force of the amendments to Part XIII of the SFA (as amended by the Securities and Futures (Amendment) Act 2005)

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Ordinary Shares may not be circulated or distributed, nor may Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Ordinary Shares are subscribed or purchased under Section 275 by a relevant person which is:

(a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Ordinary Shares under Section 275 except:

(1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA;

(2) where no consideration is given for the transfer; or

(3) by operation of law.

Part VI

Selected financial and operating information

The tables below set out selected financial and operating information of the Group for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005, in each case prepared in accordance with IFRS. The Company was incorporated on 15 July 2004 and acquired its current interest in Kazakhmys pursuant to an exchange offer made in November 2004. A pooling of interests method of accounting has been applied in the presentation of the consolidated historical financial information for the three years ended 31 December 2004, which presents the results of the Group as if the Company had always been the parent company of Kazakhmys.

Other than copper cathode produced, which has been extracted without material adjustment from the ''Technical Report'' in Part XII, this information has been extracted without material adjustment from ''Financial information—Historical financial information on the Group'' in Part VIII and has been prepared on the basis described in the footnotes to the Group's consolidated financial statements in Part VIII, except for the Adjusted EBITDA and Adjusted EBIT information, which has been calculated as set forth in this Part VI. Investors should read the whole of this Prospectus and not rely solely on summarised information.

	Years ended 31 December			Five months ended 31 May
	2002	2003	2004	2005
	($ million, except as noted)			
Income statement data:				
Revenues	819.9	836.9	1,259.5	978.5
Cost of sales	(440.9)	(436.8)	(505.4)	(574.5)
Gross profit	379.0	400.1	754.1	404.1
Distribution expenses	(23.1)	(21.2)	(18.0)	(24.1)
Administrative expenses	(85.9)	(107.8)	(109.4)	(68.1)
Write offs and impairment losses	(9.7)	(7.8)	(41.9)	(3.6)
Other income/(expenses)	(4.6)	6.3	(6.3)	(2.4)
Profit from continuing operations before tax and finance costs	255.8	269.6	578.5	305.8
Net financing income / (expenses)	(0.6)	(2.1)	4.5	0.7
Foreign exchange gain/(loss)	4.5	(27.4)	(29.4)	(0.1)
Recognition of negative goodwill	—	—	111.3	—
Profit before tax	259.6	240.1	665.0	306.4
Income tax expense	(98.8)	(102.4)	(223.7)	(109.2)
Profit for the period	160.8	137.7	441.3	197.2
Attributable to equity shareholders of the Company	156.5	134.1	429.8	192.2
Cash flow data:				
Net cash flows from operating activities	303.9	139.4	536.0	231.7
Net cash flows (used in) investing activities	(89.3)	(273.5)	(135.7)	(152.6)
Net cash flows from/(used in) financing activities	(88.0)	41.6	(368.0)	(30.1)
Net increase/(decrease) in cash and cash equivalents	126.7	(92.5)	32.3	49.0
Other financial and operating data:				
Adjusted EBITDA(1)	379.5	373.1	761.6	376.2
Adjusted EBITDA margin (%)(1)	46.3	44.6	60.5	38.4
Adjusted EBIT(1)	256.0	239.2	562.7	305.8
Adjusted EBIT margin (%)(1)	31.2	28.6	44.7	31.3
Copper cathode produced (kt)(2)	432	418	428	167
Capital expenditure(3)	157.9	124.7	162.2	129.7
Average exchange rate (KZT/$)(4)	153.50	149.35	135.95	130.68
Period end exchange rate (KZT/$)(5)	155.85	143.25	129.96	132.49

	As at 31 December			As at 31 May
	2002	2003	2004	2005
	($ million)			
Balance sheet data:				
Cash and cash equivalents	95.4	7.7	43.4	89.2
Investments in securities	102.2	260.6	259.9	281.1
Non-current assets	1,331.8	1,423.4	1,727.1	1,727.9
Total assets	1,742.8	2,069.1	2,577.8	2,638.0
Borrowings (short- and long-term)	204.8	169.7	102.1	125.6
Other current liabilities	108.2	124.1	294.3	251.3
Other non-current liabilities	318.8	340.6	367.5	356.8
Total equity	1,111.0	1,434.7	1,813.8	1,904.3

(1) Adjusted EBIT is calculated as earnings before interest and taxation and, in 2004, recognition of negative goodwill, and non-operating foreign exchange gain/(loss). Adjusted EBITDA is calculated as Adjusted EBIT, plus depreciation and amortisation, write-off adjustments and one-time fixed asset disposals. Neither Adjusted EBIT nor Adjusted EBITDA is a measure of financial performance under IFRS or US GAAP. References to Adjusted EBITDA margin and Adjusted EBIT margin are to Adjusted EBITDA and Adjusted EBIT as a percentage of revenue.

(2) Includes cathode production from tolling activities.

(3) Capital expenditure means expenditure on acquiring or upgrading property, plant or equipment, including intangibles such as licences, and includes mine stripping costs.

(4) On consolidation, income statements of subsidiaries are translated into the presentation currency for the Group, which is the US Dollar, at average rates of exchange for the relevant periods.

(5) Balance sheet items are translated into US Dollars at period end exchange rates.

EBIT, Adjusted EBIT and Adjusted EBITDA

Adjusted EBIT is calculated as earnings before interest and taxation and, in 2004, recognition of negative goodwill, and non-operating foreign exchange gain/(loss). Adjusted EBITDA is calculated as Adjusted EBIT plus depreciation and amortisation, write-off adjustments and one-time fixed asset disposals. EBIT is calculated as profit from continuing operations before tax and finance costs, which is extracted without adjustment from the Group's historical financial information. Adjusted EBITDA and Adjusted EBIT are presented because the Company believes they are a useful measure for evaluating its ability to generate cash and its operating performance. Neither Adjusted EBIT nor Adjusted EBITDA is a measure of financial performance under IFRS or US GAAP. Investors should not consider Adjusted EBIT or Adjusted EBITDA in isolation, as an alternative to operating profit, as an indicator of operating performance, as an alternative to cash flows from operating activities or profit or as a measure of its profitability or liquidity. Adjusted EBIT and Adjusted EBITDA as presented in this Prospectus may not be comparable to other similarly titled measures of performance of other companies.

The following table reconciles the Group's profit for the period to EBIT, Adjusted EBIT and Adjusted EBITDA.

	Year ended 31 December			Five months ended 31 May
	2002	2003	2004	2005
	($ million)			
Reconciliation of profit for the period to EBIT, Adjusted EBIT and Adjusted EBITDA:				
Profit for the period	160.8	137.7	441.3	197.2
Add:				
Net financing (income)/expenses	0.6	2.1	(4.5)	(0.7)
Income tax expense	98.8	102.4	223.7	109.2
Foreign exchange (gain)/loss	(4.5)	27.4	29.4	0.1
Less:				
Negative goodwill	—	—	(111.3)	—
EBIT	255.8	269.6	578.5	305.8
Add:				
Operating foreign exchange gain/(loss)	0.2	(30.4)	(15.8)	0.0
Adjusted EBIT	256.0	239.2	562.7	305.8
Add:				
Depreciation and amortisation	123.3	128.0	152.1	69.7
Write-off of property, plant and equipment(1)	0.2	5.9	30.3	0.3
Write-off of goodwill	—	—	—	0.4
One-time fixed asset disposals (1)	—	—	16.5	—
Adjusted EBITDA	379.5	373.1	761.6	376.2
Net cash flows from operating activities	303.9	139.4	536.0	231.7

(1) Represents write-offs and one-time fixed asset disposals associated with the one-off physical verification process undertaken by the Group in connection with the preparation of its financial statements under IFRS.

Part VII

Operating and financial review

The following discussion of the financial condition and results of operations of the Group should be read in conjunction with ''Financial Information—Historical Financial Information on the Group'' in Part VIII and with the information relating to the business of the Group included elsewhere in this Prospectus. The discussion includes forward-looking statements that reflect the current view of the Group's management and involve risks and uncertainties. The actual results of the Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this Prospectus, particularly in ''Risk factors''. Investors should read the whole of this Prospectus and not just rely upon summarised information.

Overview

The Group's principal business is the mining, processing, smelting, refining and sale of copper and copper products, including copper cathode and copper rod, and is carried on by its main subsidiary, Kazakhmys. As by-products of its Kazakh copper operations, the Group also processes or refines and sells zinc, gold and silver. Kazakhmys' operations are vertically integrated; it mines all the ore it processes, produces substantially all the copper concentrate it processes and generates sufficient electricity to meet its own requirements. Kazakhmys operates 16 open-pit and underground mines and two smelting and refining complexes in various parts of Kazakhstan.

In December 2004, the Group acquired MKM, a copper products fabrication company in Germany that produces and sells worldwide copper and copper alloy semi-finished products for various industries.

The Group's Kazakh operations are managed as one business segment. Following the acquisition of MKM, the Group operates two business segments.

Factors affecting results of operations

Key factors affecting the Group's results of operations are discussed below.

Commodity prices

Prices of the mineral commodities that the Group produces have a material impact on the Group's results of operations. Commodity prices are significantly affected by changes in global economic conditions and related industry cycles. Prices of copper, zinc, gold and silver can vary significantly. Generally, producers of commodities are unable to influence market commodity prices directly; however, events such as changes in production capacity, temporary price reductions or other attempts to capture market share by significant producers may have an effect on market prices. Additionally, the prices realised by producers on sales of their products can, to some extent, be affected by contractual arrangements, production levels, product quality and hedging strategies. Price variations and market cycles have historically influenced the financial results of the Group and are expected to continue to do so.

The Group seeks to conclude annual contracts by the end of the fourth quarter for the sale of at least a substantial percentage of Kazakhmys' expected copper cathode production for the upcoming year, generally for delivery in monthly batches. In line with industry practice, the contracts do not fix the sale price; rather, goods are priced by reference to the LME-quoted price for the relevant period; however, the contracts do fix the premium or discount payable, which enables the Group to avoid fluctuations in the premium or discount applicable to sales in the spot market. MKM sells fabricated products which are priced either by reference to the LME quoted prices for such products or to the market price for such products.

Kazakhmys does not generally hedge its exposure to the risk of fluctuations in the price of copper or other mineral commodities. However, MKM uses short-term commodity futures to minimise its exposure to changes in the price of copper. See ''—Disclosures about market risk—Commodity prices''.

Generally, the Group does not alter its production levels or the ore grade it produces in response to short-term fluctuations in commodity prices. The Group generally aims to produce a consistent average grade of ore, as management believes this helps the Group maintain targeted production costs. However, the Group retains the flexibility to produce at different ore grade levels when it believes it is advantageous to do so. The Group's mining techniques generally allow it to achieve production of a consistent average ore grade.

The following table sets out the average market cash settlement prices in US Dollars for copper, zinc, gold and silver for the periods indicated:

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Five months ended 31 May 2005
Copper(1) ($/tonne)	2936.1	2,289.4	2,275.1	1,652.5	1,573.3	1,813.9	1,577.3	1,557.0	1,779.3	2,867.9	3,290.5
Zinc(2) ($/tonne)	1,030.8	1,024.0	1,316.7	1,023.3	1,076.9	1,127.7	886.3	778.1	827.9	1,047.6	1,299.2
Gold(3) ($/ounce)	384.1	387.9	331.3	294.1	278.5	279.1	271.0	309.7	363.3	409.2	426.8
Silver(4) ($/ounce)	5.15	5.19	4.89	5.54	5.25	5.00	4.39	4.62	4.91	6.69	7.05

Source: Brook Hunt

(1) LME Grade A

(2) LME Special High Grade

(3) London Afternoon Fix

(4) Handy & Harman

For a discussion of recent market conditions for the copper and zinc market see ''Industry and mining regulatory overview—Industry overview'' in Part IV.

Production costs and efficiency

As the Group, in common with its competitors, is unable to influence market commodity prices directly, its competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to maintain low-cost and efficient operations. Costs associated with mining and metal production can be broadly categorised into costs attributable to raw materials, depreciation and amortisation, salaries, overheads and utilities.

Management believes that the Group is among the lowest cost producers of copper. As noted below, a substantial portion of the Group's production costs are incurred in Tenge and, although Tenge costs have remained relatively stable over the past three years, as the US Dollar has weakened against the Tenge in recent years, production costs have increased in US Dollar terms. The scale of the Group's operations and its vertical integration contribute to the efficiency and profitability of the business. Power plants at Karaganda and at the Zhezkazgan and Balkhash Complexes, utilising coal from the Group's Borly coal mines, provide captive power. Power is supplied to the sites or into the national grid on a credit system, enabling Kazakhmys to effectively use its own power without purchasing electricity at the commercial rate and only bearing the cost of distribution from Karaganda to the Zhezkazgan Complex and Balkhash. Excess power is fed into the national grid and sold to third parties. A number of other production-related functions are undertaken in-house, which also helps the Group to control costs, because the market for such services in Kazakhstan is not competitive. These include manufacturing raw materials, such as chemical reagents, and maintaining a construction team that has been utilised on various projects, including construction of the zinc plant.

The Group also benefits from low-cost labour (compared to western world operations) and the proximity of its principal operations to China, its largest export market. Production costs and costs per unit are significantly affected by changes in production volumes, and, therefore, the Group's production levels are a key factor in determining its overall cost competitiveness.

Exchange rates

The Group principally produces copper, as well as certain by-products, such as zinc, gold and silver, which are commodities typically priced by reference to US Dollars. A substantial portion of the Group's costs are incurred in Tenge. MKM's revenues are earned in Euro and US Dollars and its costs are primarily incurred in Euro. Accordingly, the Group may be materially affected by exchange rate fluctuations between the US Dollar and the Tenge and, to a lesser extent, the Euro.

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. The functional currency of the Company is the US Dollar as the majority of its operating and financing activities are conducted in US Dollars. The functional currency of Kazakhmys is the Tenge and of MKM is the Euro. On consolidation, income statements of subsidiaries are translated into the presentation currency for the Group, which is the US Dollar, at average rates of exchange for the relevant periods. Balance sheet items are translated into US Dollars at period end exchange rates.

In recent years, the US Dollar has weakened against the Tenge. This has increased the Group's production costs in US Dollar terms. The tables below set forth the average and period end exchange rates used for the translation of Tenge amounts into US Dollars for the purpose of inclusion in the financial information set out in Part VIII as at 31 December 2002, 2003 and 2004 and 31 May 2005 and the rates used to translate Euro amounts into US Dollars for 31 December 2004 and 31 May 2005.

	Average						
Currency	2002	% change from 2002	2003	% change from 2003	2004	% change from 2004	31 May 2005
Tenge	153.50	(2.7)%	149.35	(9.0)%	135.95	(3.9)%	130.68
Euro	N/A	—	N/A	—	0.805	(4.4)%	0.770

	Period end						
Currency	2002	% change from 2002	2003	% change from 2003	2004	% change from 2004	31 May 2005
Tenge	155.85	(8.1)%	143.25	(9.3)%	129.96	1.9%	132.49
Euro	N/A	—	N/A	—	0.737	10.2%	0.812

Recently, the US Dollar has strengthened against the Tenge and the Euro. If the US Dollar were to weaken against the Tenge or the Euro, the US Dollar equivalent of the Group's production costs would increase.

Social Responsibility Obligations

As a condition of certain of its subsoil use licences and contracts, the Group is obliged to maintain social programmes for the benefit of local communities. The Group paid approximately $16.4 million in 2004 to fund medical, cultural, recuperational and rehabilitation facilities, nursery schools, community centres, athletic facilities, housing and infrastructure in the areas in which it has operations. Furthermore, the Group has an obligation under its subsoil use licences and contracts to invest in training the local workforce. These expenses are principally recorded as administrative expenses for social responsibility costs and medical and social support costs and as other expenses for sanatorium, medical and canteen costs. The Group is permitted to charge for the use of some of its social responsibility facilities; these charges are reflected in other income and partially offset the expenses incurred by the Group. These obligations constitute a significant expense for the Group and may increase or become more burdensome in the future.

Factors affecting comparability

Key factors affecting comparability of the results of operations of the Group include:

Sales

Between 2002 and 2004, the Consortium had the right to buy all of Kazakhmys' products on an exclusive basis. In order to exercise the Consortium's rights, it appointed Apro to sell Kazakhmys' export products. Apro purchased copper, zinc and silver products from Kazakhmys at a discount to the prevailing LME price and below the price at which Apro sold the products on to its customers. Out of the difference between the purchase and sale prices, Apro retained a fee based on a percentage of sales revenue. The balance was paid to the Consortium.

The exclusive purchasing agreement with the Consortium terminated in December 2004, and the Company took over the sales business of Apro and its key personnel. Sales contracts for 2005 have been entered into directly by the Company and its customers. The Company has in turn contracted with Kazakhmys for supply of the products being sold at a price based on the prevailing LME price. The margin previously received by the Consortium as a result of its exclusive purchasing agreement with Kazakhmys is now retained by the Group.

Under the contracts with its principal customers in China, the Group receives standby letters-of-credit issued by banks at the request of such customers, which act as performance guarantees. The Group thus has very few trade receivables from such customers, and those receivables are typically settled within five business days. In relation to sales to European customers, payment is typically made without performance guarantees and with longer payment terms.

This change in sales operations will affect the comparability of the financial information of the Group on a period-to-period basis. For a discussion of the Consortium, Apro and the Group's sales and marketing operations, see ''Information on the Group—Sales and marketing'' in Part II.

MKM

The Group acquired MKM on 15 December 2004. The total consideration was €4.00 for the shares of MKM, certain shareholder loans, certain intellectual property and the three MKM trading companies and €61.0 million for debt with a principal amount of €138.1 million. MKM was consolidated from the effective date of the acquisition; however, trading results for the period 15 December 2004 to 31 December 2004 were not consolidated as they were immaterial. As of 31 May 2005, KAZ Kupfer owed Kazakhmys €146.9 million. As of that date, MKM had repaid its debts to Kazakhmys. For a discussion of the operations of MKM, see ''Information on the Group—MKM'' in Part II.

On the basis of the Group's pro forma consolidated income statement for the year ended 31 December 2004, MKM would have accounted for 27.9% of the Group's unaudited pro forma revenue and 1.0% of the Group's unaudited Adjusted EBITDA in 2004. See ''Unaudited pro forma financial information'' in Part IX. MKM accounted for 34.3% of the Group's revenues for the five months ended 31 May 2005.

MKM's production generally slows down during the December holiday period and this can impact its revenues and receivables at the beginning of the year. Kazakhmys does not experience seasonality in its business and generally MKM's seasonality does not have a material effect on the Group.

Consolidated income statement

The following describes certain line items in the Group's consolidated income statement.

Revenues

The Group derives its revenues principally from the sale of copper products. In 2004, 83.1% of the Group's revenues came from the sale of copper cathode and copper rod, compared to 79.1% in 2003. The Group seeks to conclude annual contracts by the end of the fourth quarter of each year for the sale of at least 90% of its expected copper cathode production during the following year. Cathode production not subject to such annual contracts is available either to be sold on the spot market or for use in manufacturing copper rod. Rod production and sales therefore vary from year-to-year depending on the contractual requirements for cathode and customer demand for rod.

The Group also derives a portion of its revenues from the sale of zinc (concentrate and metal), gold and silver. In 2004, 11.5% of the Group's revenues came from the sale of zinc, gold and silver compared to 14.9% in 2003. Zinc concentrate sales have decreased as the Balkhash zinc plant has come on line; however, sales of zinc metal have increased as the zinc plant increases its output. Gold and silver are by-products of the Group's copper mining operations and the amount of gold and silver produced, and thus available for sale, is a function of the volume of ore mined and the gold and silver grade contained in the mined ore.

In addition, the Group receives revenues from the sale of certain other by-products, including lead and rhenium, as well as from other sources, such as the sale of electricity, coal and heat and water to third parties and tolling contracts.

Cost of sales

Cost of sales is principally comprised of raw materials, depreciation of tangible assets associated with production, amortisation of subsoil contract and licence acquisition costs, salaries and overheads. Cost of sales also includes utilities, non-income taxes and changes in inventories. A significant portion of costs of sales are incurred in Tenge and, accordingly, the Group's cost of sales can be affected by exchange rate fluctuations between the US Dollar and the Tenge. Raw materials, which amounted to 41.1% of the total cost of sales in 2004 compared to 40.1% in 2003, are the key variable cost items. Raw materials include such items as purchased copper concentrate, fuel, dynamite used in the mining of ore and chemical reagents.

Salaries and overheads are primarily fixed costs. Depreciation is both a fixed and a variable cost, and amortisation is a variable cost. Each item of property, plant and equipment is depreciated over its useful life, while mine development costs are depreciated on a unit of production basis. Subsoil contract and licence acquisition costs are amortised on a unit of production basis.

The Group has historically purchased a limited amount of copper concentrate from third parties to maximise the throughput and efficiency of its smelting and refining operations. The Group's purchases of copper concentrate were 100 kilotonnes in 2002, 61 kilotonnes in 2003, 15 kilotonnes in 2004 and 104 kilotonnes in the five months ended 31 May 2005. The grade of copper concentrate purchased by the Group can vary from period to period. Fluctuations in the quantity and price of this bought-in concentrate can affect cost of sales.

Expenses

Distribution expenses

Transportation costs, which include rail transport and freight costs associated with product sales, are the primary component of distribution expenses. Expenses such as packaging materials, expedition and shipping fees, salaries and customs clearance are also included as distribution expenses. Although rail tariffs have generally increased between 2002 and 2004, the Group's transportation costs have declined due to the increase of the proportion of its sales going to China during the same period. Products sold to Chinese customers are delivered at the Kazakh-Chinese border, which reduces the transport distance and therefore the transport cost associated with those sales. For the five months ended 31 May 2005, distribution expenses increased as a percentage of revenues principally reflecting an increased proportion of Kazakhmys' sales being made to Europe rather than China.

Administrative expenses

Administrative expenses include salaries of engineers and management (including production facility managers) and related staff, medical and social expenses for employees, depreciation on non-production facilities and other administrative expenses, including various non-income taxes, social responsibility costs (including community and recreational infrastructure) and bank fees. Administrative expenses also include any payments made to the Group's Kazakh pension fund.

Kazakhmys has a pension fund into which its Kazakh employees contribute the required amounts under Kazakh law. On retirement, beneficiaries are generally entitled to an amount comprising the indexed value of their individual mandatory contributions. Under Kazakh law, the value of the accrued payment obligation of the fund must be calculated on an annual basis. If the calculation reveals an aggregate shortfall in the payment obligation to fund beneficiaries, then the shortfall of the nominal value of contributions (indexed in accordance with an inflation-linked formula set out under Kazakh law) must be provided for. If the assets of the pension fund are insufficient the shortfall is made up by the Group. Kazakhmys paid approximately $2 million to the pension fund in 2003 to cover a reduction in value of Kazakhmys shares held by the pension fund.

MKM operated an early retirement scheme until the end of 2004 but it is now closed to new participants. The Company does not currently have any pension plans in place. See ''Additional information—Pensions'' in paragraph 7 of Part XI.

Write offs and impairment losses

Write offs and impairment losses represent adjustments made against the carrying value of assets, including property, plant and equipment, inventories and receivables, where the carrying value is higher than the recoverable amount.

Other income/(expenses)

The Group records other income and other expenses on a net basis.

Other Income. Other income principally consists of revenues derived from non-core aspects of the Group's business, including facilities it maintains as part of its social responsibilities. It also includes income received on the disposal of fixed assets. In 2003, other income included a fee for the management of a mine not owned by the Group. In 2004, it included a fee payable by Apro in relation to purchasing rights to the Company's commodities.

Other expenses. Other expenses include costs associated with the disposal of fixed assets, employee transport expenses and other non-production expenses, such as heat, electricity and certain social responsibility services provided to employees and local communities.

Net financing income/(expenses)

Financing income and expenses includes interest receivable from funds on deposit with banks, income from investments and interest expense on borrowings.

Foreign exchange gain/(loss)

Foreign exchange gain/(loss) includes actual foreign exchange gains and losses incurred as a result of foreign currency transactions entered into by the Group, as well as gains and losses arising on the translation of foreign currency monetary assets and liabilities.

Recognition of negative goodwill

Negative goodwill reflects the fact that the Group purchased MKM for consideration with a fair value that was less than the fair value of the identifiable assets and liabilities acquired. All negative goodwill associated with the acquisition of MKM was recognised in 2004.

Results of operations

The following table sets out, for the periods indicated, the Group's consolidated profit and loss data expressed as a percentage of revenues.

	Year ended 31 December			Five months ended 31 May 2005
	2002	2003	2004	
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of sales	(53.8)	(52.2)	(40.1)	(58.7)
Gross profit	46.2	47.8	59.9	41.3
Distribution expenses	(2.8)	(2.5)	(1.4)	(2.5)
Administrative expenses	(10.5)	(12.9)	(8.7)	(7.0)
Write offs and impairment losses	(1.2)	(0.9)	(3.3)	(0.4)
Other income/(expenses)	(0.6)	0.8	(0.5)	(0.2)
Profit from continuing operations before tax and finance costs	31.2	32.2	45.9	31.3
Net financing income/(expenses)	(0.1)	(0.3)	0.4	0.1
Foreign exchange gain/(loss)	0.6	(3.3)	(2.3)	0.0
Recognition of negative goodwill	0.0	0.0	8.8	0.0
Profit before tax	31.7	28.7	52.8	31.3
Income tax expense	(12.1)	(12.2)	(17.8)	(11.2)
Profit for the period	19.6	16.5	35.0	20.2

Business and geographic segments

The Group's Kazakh mining operations, which involve the processing and sale of copper and other minerals, are managed as one business segment. The products are subject to the same risks and returns, exhibit similar long-term financial performance and are sold through the same distribution channels. The Group has a number of activities that exist solely to support the mining operations, including power generation, coal mining and transportation. These other activities generate less than 10 per cent of total revenues (both external and internal) and the related assets are less than 10 per cent of total assets. For the purposes of the consolidated financial information, one business segment, Kazakh mining, has therefore been identified as a reportable segment in respect of the three years ended 31 December 2004.

At the end of 2004, the Group acquired MKM, which operates in Germany and manufactures copper and copper alloy semi-finished products. MKM faces different risks to the Group's Kazakh mining operations and, therefore, starting in 2005 the Group operates two distinct business segments.

The table below sets out the Group's revenues for the periods indicated, broken down by business segment and, within the Kazakh mining segment, by product.

	Year ended 31 December						Five months ended 31 May 2005	
	2002		2003		2004			
	Revenue ($ million)	% of total revenue	Revenue ($ million)	% of total revenue	Revenue ($ million)	% of total revenue	Revenue ($ million)	% of total revenue
Kazakh mining								
Copper cathode	546.1	66.6	565.2	67.5	911.5	72.4	480.3	49.1
Copper rod	98.3	12.0	96.9	11.6	134.7	10.7	16.5	1.7
Silver	96.3	11.8	92.8	11.1	115.2	9.1	60.0	6.1
Zinc (metal and concentrate)	18.2	2.2	18.0	2.2	15.0	1.2	45.8	4.7
Gold	13.2	1.6	13.9	1.7	14.4	1.1	9.0	0.9
Other by-products	10.1	1.2	8.5	1.0	13.5	1.1	8.5	0.9
Other	37.8	4.6	41.6	5.0	55.3	4.4	22.9	2.3
MKM								
MKM	—	—	—	—	—	—	335.4	34.3
Total	819.9	100	836.9	100	1,259.5	100	978.5	100

The Group's principal operations have historically been wholly in Kazakhstan and have therefore been presented as only one geographical segment for the years ended 31 December 2002 and 2003. In the year ended 31 December 2004, the Group's operations expanded into three distinct geographical segments following the incorporation of the Company on 15 July 2004, which operates from the United Kingdom, and the acquisition of its German subsidiary, MKM, on 15 December 2004. There were no segment sales for Germany or the United Kingdom in 2004.

The table below shows segment sales, the segment result and segment assets for the three geographic segments for the five months ended 31 May 2005.

	Kazakhstan	Germany	UK	Total
		($ million)		
Sales to external customers	632.6	335.4	536.7	1,504.6
Inter-segment sales	(526.1)	—	—	(526.1)
Segment sales	106.4	335.4	536.7	978.5
Segment result[(1)]	293.7	7.1	5.0	305.8
Segment assets	2,085.5	573.6	394.8	3,053.9

(1) Calculated on a basis substantially similar to consolidated profit from continuing operations before tax and finance costs.

Five months ended 31 May 2005

The five month period ended 31 May 2005 was the first in which the Group included the trading results of MKM in its financial statements. MKM's results had the most significant impact on the Group's revenues, cost of sales, distribution expenses and administrative expenses. Due to the low margin nature of MKM's business, the Group's gross margin was particularly affected. In addition, the Group's cost of sales and administrative expenses were impacted partly as a result of the relatively higher employment costs in Germany, as compared to Kazakhstan.

Given the high copper prices prevailing since 2004, the Group decided to mine at materially lower grades in 2005 than had been the case in 2002 to 2004. This means that, although ore tonnages mined to date in 2005 are running at levels similar to or above those in 2004, the contained metal is lower. Production setbacks, including unusually cold weather (which causes the concentrators to operate at a lower efficiency) and a slope failure at the Nikolaevskoe mine that necessitated removal and processing of extremely low-grade ore in order to regain access to the target orebody, further reduced the amount of in-house concentrate available to the Group's smelters. The average grade of copper in mined ore for 2002, 2003 and 2004 was 1.12%, 1.22% and 1.30%, respectively, while the average copper grade was 1.03% in the five month period. The planned reduction in copper concentrate production that resulted from the decision to mine lower grade ore was offset in part by additional copper concentrate purchases, which yield significantly lower margins than copper cathode produced from own concentrate. As a result of the lower copper cathode production in the first five months of 2005, copper rod production was curtailed to enable the Group to meet its copper cathode delivery requirements to contract customers. The impact of the higher cost of purchased concentrate was offset in part by high copper prices being achieved.

Revenues

Revenues of the Group in the five months ended 31 May 2005 were $978.5 million. $643.1 million, or 65.7%, of the Group's revenues were attributable to the Group's Kazakh mining operations and $335.4 million, or 34.3%, were attributable to MKM.

Revenues from the sale of copper cathode and rod were $496.8 million, or 77.3% of the total revenues generated by Kazakhmys. Increased copper prices during the period helped to offset the impact of the Group's lower copper cathode production, and financial performance in the first five months of 2005 was in line with the previous year. The average cash settlement price of copper for the five month period was $3290 per tonne.

As commissioning of the Balkhash zinc plant continued, zinc metal production increased significantly during the period. As a result of this increased production and the higher zinc prices during the period, zinc revenues were $45.8 million in the five months ended 31 May 2005 and accounted for 7.1% of the total revenues generated by Kazakhmys. Gold revenues were $9.0 million and silver revenues were $60.0 million for the five month period. Production of gold and silver increased over the five month period, as compared to the same period in the prior year, as a result of the commencement of operations at the Abyz mine, which has a relatively high grade of gold and silver in the ore as compared to the Group's other mines.

MKM derived substantially all of its revenues from the sale of wire, flat products (sheet steel and steel strips) and tubes and bars in the five months ended 31 May 2005. MKM's production levels were substantially higher in the five month period as compared to the same period in 2004. Wire revenues were $141.4 million, or 42.1% of the total revenues generated by MKM, flat products revenues were $104.0 million, or 31.0% of MKM's total revenues, and tubes and bars revenues were $64.9 million, or 19.4% of MKM's total revenues.

Cost of sales

The Group's cost of sales for the five months ended 31 May 2005 were $574.5 million. As mentioned above, the inclusion of the trading results of MKM for the period disproportionately increased the Group's cost of sales, particularly its raw materials and employee remuneration costs. MKM has a higher cost of sales, principally due to its purchases of copper cathode. In addition, Kazakhmys purchased more copper concentrate during the period, as compared to the same period in 2004, which further increased Kazakhmys' cost of sales.

Gross profit

Reflecting the above factors, the Group's gross profit for the five months ended 31 May 2005 was $404.1 million and its gross margin was 41.3%.

Expenses

Distribution expenses

The Group's distribution expenses for the five month period were $24.1 million. At Kazakhmys, distribution expenses increased, principally reflecting an increased proportion of Kazakhmys' sales being made to European rather than Chinese customers. As part of its trading relationship with Glencore, Kazakhmys agreed to deliver part of its copper cathode production to Europe during the year. While Kazakhmys' European sales involve higher transportation costs, the Group made these additional European sales in the five month period as part of a strategy to optimise revenues. The inclusion of the trading results of MKM for the period also affected distribution costs, as the nature of MKM's products means that they require more handling and packaging than do Kazakhmys' products and the transport of its products within Europe and to the United States, where the majority of its customers are located, is more expensive.

Administrative expenses

Administrative expenses were $68.1 million for the five months ended 31 May 2005. As noted above, the consolidation of the full results of MKM impacted employee remuneration costs, due to the relatively higher employment costs in Germany. Additionally, legal and professional fees increased in the lead up to the Global Offer.

Write offs and impairment losses

Write offs and impairment losses for the five month period were $3.6 million and related principally to the impairment of advances paid and other current assets.

Other income/(expenses)

The Group had other expenses of $2.4 million for the five month period. As a percentage of revenue, the Group's other expenses for the five month period were lower than in 2004, when the Group had losses on the disposal of fixed assets associated with the one-off physical verification process undertaken by the Group in connection with the preparation of its financial statements under IFRS.

Profit from continuing operations before tax and finance costs

Profit from continuing operations before tax and finance costs was $305.8 million for the five months ended 31 May 2005.

Net financing income/(expenses)

The Group had net financing income of $0.7 million for the five month period. The Group's finance expenses for the period were $7.4 million. The Group made certain short-term borrowings during the period from banks in Kazakhstan. These loans have higher interest rates than long-term borrowings and as compared to borrowings from lenders outside Kazakhstan.

Foreign exchange gain/(loss)

The Group had a foreign exchange loss of $0.1 million for the five months ended 31 May 2005. In that period, the US Dollar strengthened marginally against the Tenge, on a period-to-period basis. However, gains arising from the retranslation of US Dollar-denominated monetary assets were partly offset by losses arising from the retranslation of Euro-denominated liabilities within MKM.

Income tax expense

Income tax expense of the Group was $109.2 million for the five month period. Income tax expense increased during the period, as compared to the same period in 2004 principally due to increased revenues reflecting higher commodities prices. As a result of the Group's higher profitability, it had excess profit tax of $13.8 million for the five month period.

Profit for the period

Reflecting, the above factors, the Group's profit for the five month period ended 31 May 2005 was $197.2 million.

Comparison of the years ended 31 December 2002, 2003 and 2004

Revenues

2004. Revenues of the Group in 2004 increased by 50.5%, from $836.9 million in 2003 to $1,259.5 million in 2004. This increase was driven primarily by the 61.2% increase in copper prices from an average cash settlement price of $1,779 per tonne in 2003 to $2,867 per tonne in 2004, which more than offset a small decrease in sales of copper cathode and rod.

Copper. Revenues from the sale of copper cathode and rod increased by 58.0%, from $662.1 million in 2003 to $1,046.2 million in 2004. This increase reflects the increase in copper prices, which more than offset a small decrease in total sales of copper cathode and rod. Revenue from the sale of copper cathode increased by 61.3%, from $565.2 million in 2003 to $911.5 million in 2004, and revenue from the sale of copper rod increased by 39.0%, from $96.9 million to $134.7 million. Sales of copper cathode increased while sales of copper rod decreased, which primarily reflects increased demand from Group customers for copper cathode as compared to copper rod.

Zinc. Zinc revenues decreased by 16.7% in 2004, from $18.0 million in 2003 to $15.0 million in 2004. This decrease reflects decreased sales of zinc concentrate to third parties as the Group stockpiled the majority of its 2004 zinc concentrate production for use in the new Balkhash zinc plant. This decrease in zinc concentrate sales was partially offset by the sale of zinc metal following the start up of the Balkhash zinc plant in 2004, and by the 26.5% increase in zinc prices.

Gold and Silver. Gold revenues increased by 3.4%, from $13.9 million in 2003 to $14.4 million in 2004, and silver revenues increased by 24.1%, from $92.8 million to $115.2 million. The increase in gold revenues was principally driven by the 12.6% increase in gold prices, but it also reflects an increase in sales volumes. Despite a decrease in ore mined in 2004, gold production increased as a result of the higher grade of gold in the ore. The increase in silver revenues also reflects the increase in silver prices by 36.2%, which more than offset the decrease in sales volumes that resulted from the reduction in mined ore.

Other by-products and other. Revenues from the sale of other by-products increased by 58.2%, from $8.5 million in 2003 to $13.5 million in 2004. This increase principally reflects increases in underlying commodity prices in 2004. Other revenues increased by 32.9%, from $41.6 million to $55.3 million, largely as a result of increased sales of electricity to the national grid and increased sales of sulphuric acid, flush acid and lead.

2003. Revenues of the Group in 2003 increased by 2.1%, from $819.9 million in 2002 to $836.9 million in 2003. This principally reflects the 12.8% increase in copper prices from an average cash settlement price of $1,577 per tonne in 2002 to $1,779 per tonne in 2003, partially offset by lower sales of copper cathode and rod.

Copper. Revenues from the sale of copper cathode and rod increased by 2.7%, from $644.4 million in 2002 to $662.1 million in 2003. As in 2004, higher copper prices more than offset a decrease in total sales of copper cathode and rod. Copper cathode revenues increased by 3.5%, from $546.1 million in 2002 to $565.2 million in 2003, while copper rod revenues decreased by 1.4%, from $98.3 million to $96.9 million. Sales of copper cathode and copper rod decreased. These decreases reflect the decrease in copper production in 2003, which in turn reflected a decrease in copper concentrate purchases in 2003 as compared to 2002.

Zinc. Zinc revenues decreased by 1.1%, from $18.2 million in 2002 to $18.0 million in 2003. Sales of zinc concentrate to third parties decreased in 2003 as the Group began stockpiling concentrate in the second half of the year in anticipation of the start-up of the Balkhash zinc plant, although this decrease in sales was offset to some extent by the 6.2% increase in zinc prices.

Gold and Silver. Revenues from the sale of gold increased by 5.5%, from $13.2 million in 2002 to $13.9 million in 2003, while silver revenues decreased by 3.6%, from $96.3 million to $92.8 million. The increase in gold revenues reflects the 17.3% increase in gold prices, which more than offset the decrease in sales volumes that resulted from the reduction in ore mined. The decrease in silver revenues was due to the decrease in sales volumes, which offset the 6.2% increase in silver prices.

Other by-products and other. Revenues from the sale of other by-products decreased by 15.7%, from $10.1 million in 2002 to $8.5 million in 2003. The decrease in other by-products revenue reflects a year of increased underlying commodity prices that was more than offset by lower sales volumes. Other revenues increased by 10.3%, from $37.7 million in 2002 to $41.6 million in 2003, largely as a result of the commencement of limited jewellery sales.

Cost of sales

The following table sets out the Group's cost of sales in US Dollars and Tenge for the years ended 31 December 2002, 2003 and 2004. Cost of sales have been extracted from the historical financial information included in Part VIII of this Prospectus and have been translated from US Dollars into Tenge using the average exchange rate in the period to which they relate. The average rate for 2002, 2003 and 2004 was 153.50, 149.35 and 135.95, respectively. See ''—Factors affecting results of operations—Exchange rates''.

	Year ended 31 December					
	2002		2003		2004	
	US Dollars	Tenge	US Dollars	Tenge	US Dollars	Tenge
	(in millions)					
Raw materials	194.9	29,921.3	175.4	26,189.0	207.7	28,234.4
Depreciation and amortisation	109.0	16,728.6	113.3	16,924.0	134.6	18,294.7
Salaries	71.4	10,955.8	90.9	13,581.4	110.3	14,997.3
Utilities	9.8	1,498.6	7.6	1,133.1	9.5	1,291.7
Taxes	5.4	830.4	7.6	1,141.8	10.7	1,458.1
Overheads	40.6	6,238.1	39.6	5,912.2	57.7	7,848.7
Changes in inventories	9.8	1,507.2	2.4	357.5	(25.1)	(3,414.8)
Total	440.9	67,680.0	436.8	65,239.1	505.4	68,709.9

Over the three year period, raw material costs have decreased and then increased both in Tenge terms and in US Dollar terms. A reduction in the cost of concentrate at Balkhash, where internally supplied concentrate from the East Region has replaced more expensive third-party supply, has been offset during the period by higher spare parts expenses associated with the development of the Balkhash zinc plant and higher consumables costs due to mining slightly lower grade ore at Balkhash. Over the three year period, the Group's capital expenditures have included the construction of the zinc plant and replacements and upgrades of mining equipment. This has increased the Group's asset base and therefore its depreciation over the three year period.

In 2003, the Group raised its salaries in Kazakhstan. Prior to this raise, the Group had not increased the wages of its Kazakh employees to such a significant degree for several years, during which time the purchasing power of the Tenge decreased. Most salaries were increased during 2003 but some of the increases did not take place until the end of 2003. The effect of this increase on the Group's employee remuneration expenses was thus primarily seen in 2003, although the impact of those increases at the end of the year was reflected in 2004.

2004. The Group's US Dollar cost of sales increased by 15.7%, from $436.8 million in 2003 to $505.4 million in 2004. Its Tenge cost of sales increased by 5.3%, from KZT65,239.1 million in 2003 to KZT68,709.9 million in 2004. This increase was principally driven by increases in raw materials and employee remuneration. The Group's Tenge raw materials cost increased by 7.8%. As noted above, the main reasons for the increase were higher costs for spare parts, consumables and coal. The Group's Tenge employee remuneration cost increased by 10.4%, which, as noted above, reflects the effect of those salary increases that took place at the end of 2003.

The Group also had increased depreciation and amortisation and production overheads costs in 2004. The increase in depreciation and amortisation reflects the fact that replacements and upgrades of mining equipment increased the Group's asset base and thus its depreciation costs. The increase in production overheads reflects the start-up costs associated with bringing the Balkhash zinc plant on line and the cost of transporting concentrate from the East Region. These increased costs were partially offset by the associated credit from carrying increased inventories at the period end, which was partly due to the stockpiling of zinc concentrate.

2003. The Group's US Dollar cost of sales decreased by 0.9%, from $440.9 million in 2002 to $436.8 million in 2003. Its Tenge cost of sales decreased by 3.6%, from KZT67,680.0 million in 2002 to KZT65,239.1 million in 2003. This decrease was principally driven by decreases in raw materials, as well a decrease in overheads. The Group's Tenge raw materials cost decreased by 12.5% in 2003, principally because the Group purchased less copper concentrate from third parties. Its Tenge overheads cost decreased by 5.2%, which primarily reflects the decrease in copper production in 2003.

The associated credit from carrying increased inventories at the period end also contributed to the decrease. This credit principally reflects the fact that in the second half of 2003, the Group began stockpiling zinc concentrate in anticipation of the start-up of the Balkhash zinc plant. These decreases were partly offset by increased employee remuneration. The Group's Tenge employee remuneration cost increased by 24.0%, which reflects the 2003 salary increase noted above.

Gross profit

As a result of the factors discussed above, gross profit rose by 5.6% from $379.0 million in 2002 to $400.1 million in 2003 and by 88.5% to $754.1 million in 2004. Gross margin increased from 46.2% in 2002 to 47.8% in 2003 and to 59.9% in 2004.

Expenses

Distribution expenses

2004. Distribution expenses decreased by 15.1%, from $21.2 million in 2003 to $18.0 million in 2004. This decrease was due principally to a reduction in transportation costs as the Group increased the proportion of its products sold to the Chinese market in 2004.

2003. Distribution expenses decreased by 8.0%, from $23.1 million in 2002 to $21.2 million in 2003. This decrease also reflects a reduction in transportation costs as the Group sold a larger percentage of its products to the Chinese market in 2003 as compared to 2002.

Administrative expenses

2004. The Group's administrative expenses increased by 1.5%, from $107.8 million in 2003 to $109.4 million in 2004. This increase was largely driven by an increase of $2.9 million in depreciation and of $1.4 million employee remuneration. The increase in depreciation reflects the Group's acquisition of a new sanatorium and the reconstruction of an existing sanatorium in Russia and the corresponding increase in the Group's non-production asset base. The increase in employee remuneration reflects the effects of those salary increases in Kazakhstan that took place toward the end of 2003. The Group undertook certain medical and social support projects in 2004; however, as described below, the Group completed certain social responsibility projects in 2003 and on a net basis such costs therefore decreased in 2004.

2003. The Group's administrative expenses increased by 25.5%, from $85.9 million in 2002 to $107.8 million in 2003. This increase principally reflects an increase of $7.5 million in employee remuneration as a result of the increase in Kazakh salaries in 2003, as well as an increase in social responsibility costs of $9.9 million. These social responsibility costs reflect the cost of the Zhezkazgan hospital renovation and the construction of a church and a mosque. The Group also had increased bank fees of $4.3 million, which reflects the costs associated with putting bank facilities in place. Kazakhmys paid approximately $2 million to the pension fund in 2003 to cover a reduction in value of Kazakhmy shares held by the pension fund.

Write offs and impairment losses

2004. Write offs and impairment losses increased by 435.2%, from $7.8 million in 2003 to $41.9 million in 2004. This principally reflects impairment losses associated with the one-off physical verification process undertaken by the Group in connection with the preparation of its financial statements under IFRS. In addition, the Group had an $11.6 million provision against certain trade and other receivables, primarily against amounts owed by Zhezkazganredmet, a state-owned company to whom Kazakhmys supplies flush acid.

2003. Write offs and impairment losses decreased by 19.4%, from $9.7 million in 2002 to $7.8 million in 2003. Write offs and impairment losses in 2003 primarily reflect a $5.9 million provision against the carrying value of the Karaganda foundry and a provision of $1.0 million against trade and other receivables. In 2002, impairment losses primarily related to provisions of $4.8 million against trade and other receivables and inventory provisions of $3.1 million.

Other income/(expenses)

2004. The Group's other expenses were $6.3 million in 2004, and the Group had other income of $6.3 million in 2003. The change reflected a 72.3% increase in other expenses, from $31.9 million in

2003 to $55.0 million in 2004, which was only partially offset by a 27.4% increase in other income from $38.2 million in 2003 to $48.7 million in 2004. The increase in other expenses relates principally to increased expenses related to the disposal of certain fixed assets and to additional supplies expenses. The increase in other income principally reflects the $13.4 million one-time fee paid by Apro in 2004 to the Company. The exclusive purchasing agreement with the Consortium terminated in November 2004. Accordingly, Apro paid the Company a sales service agreement fee in respect of the period from the date that the purchasing agreement terminated to the date that Apro's sales business was taken over by the Company in 2005.

2003. The Group's other income was $6.3 million in 2003, and the Group had other expenses of $4.6 million in 2002. The change reflected a 63.7% increase in other income, from $23.3 million in 2002 to $38.2 million in 2003, which was partially offset by a 14.3% increase in other expenses from $27.9 million in 2002 to $31.9 million in 2003. The increase in other income was due to the receipt of a fee of $3.8 million for managing a mine not owned by the Group and to increased income from charging for social responsibility facilities. The increase in other expenses principally reflects expenses related to the disposal of certain fixed assets and the increased costs of providing various services to local communities.

Profit from continuing operations before tax and finance costs

As a result of the factors discussed above, profit from continuing operations before tax and finance costs rose by 5.4%, from $255.8 million in 2002 to $269.6 million in 2003 and by 114.6% to $578.5 million in 2004.

Net financing income/(expenses)

2004. Net financing income of the Group was $4.5 million in 2004, while the Group had net financing expenses of $2.1 million in 2003. The Group's finance costs decreased from $11.4 million in 2003 to $9.3 million in 2004, principally reflecting a decrease in expenses related to bank loans and overdrafts. Conversely, its bank interest receivable increased from $9.3 million in 2003 to $13.8 million in 2004. This increase in bank interest receivable primarily reflects the increase in funds on deposit and the corresponding increase in interest received on those funds.

2003. Net financing expenses of the Group were $2.1 million in 2003 and were $0.6 million in 2002. The Group's finance costs increased from $7.1 million in 2002 to $11.4 million in 2003 principally reflecting an increase in expenses related to bank loans and overdrafts. Its bank interest receivable increased from $6.4 million in 2002 to $9.3 million in 2003. This increase in bank interest receivable primarily reflects the increase in funds on deposit and the corresponding increase in interest received on those funds.

Foreign exchange gain/(loss)

The Group had a foreign exchange gain of $4.5 million in 2002 and foreign exchange losses of $27.4 million in 2003 and $29.4 million in 2004. The losses incurred in 2003 and 2004 reflect both the weakening of the US Dollar relative to the Tenge during 2003 and 2004, and losses arising from the retranslation of increasing levels of US Dollar-denominated monetary assets held at 31 December 2003 and 2004.

Recognition of negative goodwill

In 2004, the Group recognised negative goodwill of $111.3 million following the acquisition of MKM. This reflects the fact that the Group purchased MKM for less than the fair value of its identifiable assets and liabilities. There was no recognition of negative goodwill in 2002 or 2003.

Income tax expense

2004. Income tax expense of the Group increased by 118.6%, from $102.4 million in 2003 to $223.7 million in 2004. This increase was due principally to the substantial increase in the Group's profit before tax in 2004. The Group's effective tax rate was 33.6% in 2004 compared to 42.6% in 2003. The recognition of $111.3 million of negative goodwill in 2004 is not subject to income tax and this contributed to the decrease in the effective tax rate. Without that, the group's effective tax rate would have been 40.4%.

The general corporate tax rate in Kazakhstan is 30%. There are two principal factors behind the Group's higher effective tax rates. The first is the expense for transactions with related parties, which reflects transfer pricing adjustments made by the Group pursuant to Kazakh law. These adjustments relate to the Group's historical trading relationships with Samsung and Apro. See ''Risk factors—Risks relating to the Group's operations—Transfer pricing rules may potentially affect the Group's results of operations''. In 2004, this tax expense was $23.9 million, compared to $11.7 million in 2003.

The second factor is excess profit tax. This is payable by the Group under certain of its subsoil contracts and licences. For those entered into prior to 1 January 2004, excess profit tax is payable where the internal rate of return is in excess of 20%. For contracts and licences entered into after this date, excess profit tax is determined by the ratio of income to expenditures related to that contract. See ''Industry and mining regulatory overview—Mining regulatory regime in Kazakhstan—Tax payments of subsoil users'' in Part IV. In 2004, the Group acrued $14.3 million in excess profit tax compared to $6.4 million in 2003.

2003. Income tax expense of the Group increased by 3.6%, from $98.8 million in 2002 to $102.4 million in 2003. This was due principally to the decrease in the Group's profit before tax in 2003. However, its effective tax rate increased to 42.6% in 2003, compared to 38.1% in 2002. This increase in the effective tax rate was driven by the increased expense for transactions with related parties, which increased from $6.7 million in 2002 to $11.7 million in 2003. The Group acrued excess profit tax of $1.9 million in 2002 and $6.4 million in 2003.

Profit for the period

The Group's profit for the period increased by 220.4% in 2004, from $137.7 million in 2003 to $441.3 million in 2004. Profit for the period decreased by 14.4% in 2003, from $160.8 million in 2002 to $137.7 million in 2003.

Liquidity and capital resources

The Group's primary source of liquidity for its operations is cash provided by its operating activities, although the Group also partially funds its operations from third-party debt. It is the Group's treasury policy to use borrowings from time-to-time when it can do so at a cost that is lower than the return on long-term (longer than 3 months) bank deposits.

Liquidity

The table below sets forth the components of the Group's cash flows for the periods indicated.

	Year ended 31 December			Five months ended 31 May
	2002	2003	2004	2005
	($ million)			
Net cash flows from operating activities	303.9	139.4	536.0	231.7
Net cash flows (used in) investing activities	(89.3)	(273.5)	(135.7)	(152.6)
Net cash flows from/(used in) financing activities	(88.0)	41.6	(368.0)	(30.1)
Net increase/(decrease) in cash and cash equivalents	126.7	(92.5)	32.3	49.0
Cash and cash equivalents at the beginning of the period	(29.5)	95.4	7.7	43.4
Currency translation differences	(1.7)	4.7	3.4	(3.2)
Cash and cash equivalents at the end of period	95.4	7.7	43.4	89.2

Net cash flows from operating activities

The Group generated $231.7 million in cash from operating activities for the five months ended 31 May 2005. The level of cash generated reflected higher copper prices during the period. However, this was offset by the payment of $169.9 million in taxes, which related to taxes for the five month period and in respect of payments of the 2004 tax charge.

The Group generated $536.0 million in net cash from operating activities in 2004 compared to $139.4 million in 2003. The higher level of cash generated in 2004 primarily reflected higher copper prices during the period. To a lesser extent, it also reflected a decrease in amounts payable to Apro at year end, following the termination of Kazakhmys' arrangements with it.

The Group generated $139.4 million in net cash from operating activities in 2003 compared to $303.9 million in 2002. The lower level of cash generated in 2003 primarily reflected a significant increase in amounts payable to Apro at the year end.

Net cash flows from investing activities

The Group used $152.6 million in cash from investing activities for the five months ended 31 May 2005. This principally reflects capital expenditures of $129.7 million, primarily to upgrade and replace mining equipment and mine construction for the Zhaman–Aybat and Artemyevskoe mine projects. The Group also placed $27.4 million in long-term (longer than 3 months) bank deposits.

The Group used $135.7 million cash in investing activities in 2004 compared to $273.5 million in 2003. In 2004, cash flows used in investing activities principally reflected capital expenditures of $162.2 million, primarily to replace and upgrade mining equipment. In addition, the Group placed $81.9 million in long-term bank deposits in 2004. These expenditures were partially offset by the receipt of $86.5 million on the sale of investments in a managed portfolio of securities.

The Group used $273.5 million cash in investing activities in 2003. In 2003, cash flows used in investing activities principally reflected $124.7 million in capital expenditures, primarily for the construction of the Balkhash zinc plant and the installation of Vanyukov furnaces at the Balkhash Complex, the acquisition of investments in a managed portfolio of securities for $78.5 million and the movement of $75.7 million into long-term bank deposits.

Cash flows used in investing activities were $89.3 million in 2002. This primarily reflected $157.9 million in capital expenditures, which were principally related to the Zhaman-Aybat mine project. This was partially offset by the fact that the Group moved $59.7 million from long-term bank deposits to shorter-term deposits in 2002.

Net cash flows from financing activities

The Group used $30.1 million in cash from financing activities for the five months ended 31 May 2005. This reflected the payment of a dividend of $53.2 million, which was offset by $23.6 million in net proceeds from borrowings.

In 2002 and 2004, Kazakhmys utilised funds for the indirect purchase of its own shares through capital transactions with certain of its shareholders. The cost of such transactions was $183.9 million in 2002 and $161.1 million in 2004. In 2003, Kazakhmys had proceeds of $78.9 million from the issue of shares.

In 2004, the Group used $368.0 million cash in financing activities. In addition to the capital transaction in 2004, the Group had a net repayment of borrowings of $153.3 million and paid dividends of $53.7 million. In 2003, the Group generated $41.6 million in cash from financing activities. The proceeds of $78.9 million from the issue of shares more than offset the net repayment of borrowings of $37.2 million.

Cash flows used in financing activities were $88.0 million in 2002. This principally reflected the $183.9 million in capital transactions with certain shareholders and the payment of a $27.9 million dividend. These cash outflows were partially offset by $128.8 million in net proceeds from borrowings.

The Group holds its cash principally in US Dollars and, to a lesser extent, in Tenge and Euros. Cash and cash equivalents consist of cash, short-term deposits and highly liquid investments that are readily convertible into known amounts of cash and that are subject to insignificant risk of changes in value. For a discussion on the Group's treasury policies as related to its management of market risk, see ''—Disclosures about market risk''.

As of 31 May 2005, the Group had cash and cash equivalents and long-term bank deposits of $369.6 million. In June and July 2005, the Group paid an aggregate of $110 million in dividends in respect of 2004 profits. In addition, the Group has on-going capital expenditures. See ''—Capital expenditures''. Based on the latest unaudited management information available, the Group had cash and cash equivalents and long-term bank deposits of $381.1 million as of 31 August 2005.

Capital resources

Bank debt

The Group has a number of facility agreements in place with different banks, under which it has a total of approximately $275 million available to it. As of 31 May 2005, the Group's long-term borrowings were $50.1 million and its short-term borrowings, including the current portion of long-term borrowings, were $75.5 million. Based on the latest unaudited management information available, the Group had outstanding borrowings of $184.2 million as of 31 August 2005.

The Group has a $100 million secured term-loan agreement with Citibank N.A. It is repayable in 18 equal monthly installments starting in September 2005. It is denominated in US Dollars and bears interest at a rate based on LIBOR plus 2.0%. This loan is secured by grants of security over certain accounts and pledges on certain sales contracts, and is secured by Kazakhmys future proceeds of the export contract with a customer of the Group. In connection with the agreement, there are also restrictions on the Group's ability, *inter alia*, to dispose of assets, create security interests, make loans, grant any credit or give any guarantees or indemnities.

The Group has a $75 million (which increased in June from $25 million as of 31 May 2005) revolving credit facility with ABN AMRO Bank Kazakhstan that matures in April 2006. Interest on advances in US Dollars and Euros is LIBOR plus 2.5%, while interest on advances in Tenge is 8.0%. The Group also has a $50 million secured credit facility with Citibank Kazakhstan for the provision of short term loans, letters of credit and guarantees, although as a result of its other borrowings with Citibank only $34 million is currently available. Disbursements under the facility may be denominated in US Dollars, Tenge or any other currency and bear interest at a rate that varies by individual disbursement, but typically in 2004 and 2005 has been LIBOR plus 3.0%. Each disbursement is secured by a pledge of assets acceptable to Citibank Kazakhstan.

As at 31 August 2005, the principal amounts outstanding on the Citibank loan, the ABN AMRO facility and the Citibank Kazakhstan facility were $100 million, $55 million and $23.8 million, respectively. Under the terms of these agreements, certain financial criteria must be maintained, including tangible net worth, permitted financial indebtedness, net debt to EBITDA and EBITDA to finance charges.

The Group's current debt (excluding current maturities of long-term loans) consists of short-term credit facilities. These facilities are with both local Kazakh banks and international banking institutions and provide for borrowings in Tenge and US Dollars. Loans from local banks have a fixed interest rate while those from international institutions bear interest at variable rates based on LIBOR.

For additional information about the Group's borrowings, see Note 19 to the historical financial information included in Part VIII and ''Additional information—Material contracts'' in paragraph 15 of Part XI.

MKM finance leases

MKM has entered into leasing arrangements for certain plant and equipment, under which ownership of the assets transfers to MKM at the end of the lease term. The residual term of the leases is an average of 1.5 years and the remaining economic useful life of the assets under lease is eight years. For additional information about the finance leases, see Note 19 to the historical financial information included in Part VII.

Borrowing restrictions

In November 2004, the Company issued a special share of £1.00 to Perry Partners S.A. The special share is currently held by Credit Suisse, London Branch. The special share restricts the borrowing rights of the Group insofar as the consent of the special share holder must be obtained if the Group wishes to incur debt or allow debt to remain outstanding upon its stated maturity. This consent is not required if the total debt of the Group is less than $200 million. On Admission, the limited veto rights attaching to the special share (if it has not already been redeemed) will terminate. See ''Additional Information—Information concerning the Ordinary Shares'' in paragraph 2.6 of Part XI.

Other capital resources

Kazakh law currently prohibits foreign insurance companies from operating directly in Kazakhstan and the underdeveloped insurance market in Kazakhstan offers only limited opportunities for insuring risks associated with the Group's business. As reinsurance with an international insurance house would substantially increase costs, the Group has funds on deposit of approximately $100 million to cover potential insurance contingencies. There are no legal restrictions on the use of these funds.

Contractual obligations

The following table sets out the Group's material contractual obligations and their maturity as at 31 May 2005. See Note 24 to the historical financial information included in Part VIII for additional information about the Group's contractual obligations.

	Less than one year	One to three years	Four to five years	More than five years	Total
			($ million)		
Borrowings	75.5	50.1	—	—	125.6
Training programmes – contracted	0.6	1.2	1.2	5.6	8.6
Capital expenditure – contracted	132.6	172.1	96.8	994.9	1,396.3
Capital expenditures – committed	—	19.2	—	—	19.2
Purchase commitments	72.4	23.6	—	—	96.0

In addition to the contractual obligations set out above, the Group has obligations under its subsoil contracts and licences that are calculated as a function of the revenues or expenses associated with such contract or licence. As a condition of its subsoil contracts and licences, the Group must provide an annual amount toward the cost of closure and other rehabilitation for each mine or group of mines. This amount is generally not less than 0.1% of operational expenses for mines (other than coal mines) and 1% of sales revenue for coal mines. Certain of the contracts require that these amounts be held in a restricted account while others only require that such amounts be accrued.

In addition, abandonment programmes are established by the Group to estimate the future liability of site restoration, and such programmes are agreed with the State. As of 31 May 2005, the Group had a site restoration provision of $24.0 million, reflecting the discounted value of the estimated cost of the abandonment programmes.

The Group is also obligated under all of its subsoil contracts and licences to invest in training the local workforce. In about half of its contracts and licences, minimal obligations have been agreed with the State and are reflected in the table above. In the other contracts and licences, these training obligations are calculated as a function of the revenues or expenses associated with such contract or licence. In such instances, this amount is generally not less than 0.1% of the revenues, operational expenses or extraction expenses associated with the relevant contract or licence.

Capital expenditures

In 2002, 2003 and 2004 the Group's capital expenditures were $157.9 million, $124.7 million and $162.2 million, respectively (including intangibles such as licences, and mine stripping costs). The expenditures in 2002 primarily related to mine construction for the Zhaman-Aybat mine project. Expenditures in 2003 were principally for the construction of the zinc plant and the installation of Vanyukov furnaces at the Balkhash Complex to replace outdated reverbatory furnaces. In 2004, capital expenditures were used primarily to replace and upgrade mining equipment. In the five months to 31 May 2005, the Group's capital expenditures were $129.7 million and related primarily to replace and upgrade mining equipment and mine construction for the Zhaman-Aybat and Artemyevskoe mine projects.

The Group's budgeted capital expenditures for the seven months ended 31 December 2005 and for 2006 are $170.5 million and $340.8 million, respectively. These funds are expected to come from a combination of operating cash flows and proceeds from the Global Offering, and are expected to be used primarily to invest in existing growth projects, principally the Aktogay mine and concentrator and on the construction of the sulphuric acid plant at the Balkhash Complex.

Disclosures about market risk

The following information should be read in conjunction with ''Financial information'' in Part VIII. The Group is exposed to changes in foreign exchange rates, commodity prices and interest rates through its commercial and financial operations. Additionally, members of the Group are engaged in hedging activities.

Commodity price risk

The Group is exposed to the effect of fluctuations in commodity prices. The principal exposure is to the price of copper, which is the primary product produced by the Group and which is quoted in US Dollars on international markets. The Group is also exposed, to a lesser degree, to the prices of other minerals, including zinc, gold and silver, which are also products produced by the Group. Price variations and market cycles have historically influenced the financial results of the Group and are expected to continue to do so. See ''—Factors affecting results of operations—Commodity prices'' above.

Kazakhmys does not generally hedge its exposure to the risk of fluctuations in the prices of copper or other mineral commodities. Depending on market conditions and other considerations, Kazakhmys may engage, from time to time, in certain hedging activities in order to moderate the effects of the volatility of copper prices. Subject to market conditions, Kazakhmys may choose to engage in hedging activities that expose the Group to certain risks, including the risk of default by its counterparty and the risk that markets move against the Group's hedged positions. See ''Risk factors—Risks relating to the Group's operations—Members of the Group may engage in hedging activities from time to time''.

MKM uses short-term commodity futures to minimise its exposure to changes in the price of copper. As MKM's hedging activities are currently limited, the derivative financial instruments are accounted for initially at market value with any subsequent changes in market value being taken to the income statement. See ''—Critical accounting policies and estimates—Financial instruments''.

Foreign currency exchange rate risk

The Group's principal products are commodities that typically are priced by reference to prices in US Dollars and the Group presents its financial information in US Dollars. However, the Group incurs most of its costs in currencies other than the US Dollar, most notably the Tenge and, to a lesser extent, the Euro. The Group also typically borrows in US Dollars and Tenge. For accounting purposes, expenses incurred in currencies other than the US Dollar are converted into US Dollars at the exchange rate prevailing on the date of the transaction. Because most of the Group's expenses are incurred in currencies other than the US Dollar, the Group's expenses may from time-to-time increase or decrease relative to its revenues as a result of the fluctuations of the relevant exchange rates. This could affect the results of operations that the Group reports in future periods. See ''—Factors affecting results of operation—Exchange rates'' above. The Group does not hedge its exposure to foreign currency risk.

Interest rate risk

The Group is exposed to interest rate risk principally in relation to its outstanding bank debt. In particular, it is exposed to changes in the LIBOR interest rate of US Dollar-denominated debt, as substantially all of its debt both (i) is denominated in US Dollars and (ii) has a variable LIBOR rate. The Group does not currently hedge this risk. For information about the Group's instruments that are exposed to interest rate risk and their repayment schedules, see Note 27 to the historical financial information included in Part VIII.

Critical accounting policies and estimates

In preparing the historical financial information, management has made its best estimates of and judgments as to certain amounts included in the financial information, giving due consideration to materiality. The Group's management regularly reviews and updates all of the estimates it makes. These estimates are based on historical experience and other assumptions that management believes are reasonable in the circumstances, the results of which form the basis for making judgments about the values of the Group's assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates under different assumptions and conditions. Management considers the following accounting areas to be those requiring the most subjective and complex judgments. For a summary of all of the Group's significant accounting policies, including the critical accounting policies discussed below, see Note 2 to the historical financial information included in Part VIII of this document.

Valuation of property, plant and equipment

For the purpose of the transition to IFRS, the directors commissioned Rice Group Central Asia LLP to carry out an independent appraisal of property, plant and equipment as of 1 January 2002 to determine their deemed cost at that date. The deemed cost of property, plant and equipment was determined primarily with reference to depreciated replacement cost. Management believes that the deemed cost reflected the economic condition of the Group's property, plant and equipment at that time. The revaluation process carries a significant element of judgment; however, management believes that the use of an appropriately qualified independent appraiser has resulted in a deemed cost of property, plant and equipment that is suitable for inclusion in the Group's IFRS financial information.

Depreciation

Mine-related assets (including mine development and pre-production stripping costs) are depreciated on a unit of production basis over the estimated economically recoverable reserves to which they relate. The estimation process for recoverable reserves is complex and involves a high degree of judgment. The use of a different reserve estimation methodology or independent mineral reserve specialist may result in changes to the reserve estimates with consequential changes to depreciation.

Impairment of assets

The Group monitors internal and external indicators of impairment, including, among others, a significant decline in market value, technological changes, changes in the legal environment, changes in interest rates or rates of return, market capitalisation, evidence of obsolescence or physical damage, discontinuance plans, disposal plans, restructuring plans and asset performance decline. If there are any indicators of impairment of the Group's tangible or intangible assets, it compares the recoverable amount of the asset to its carrying amount. The recoverable amount of the asset is the greater of its value in use (the present value of estimated future cash flows from continuing use and ultimate disposal) and its net selling price (the amount obtainable in an arm's length transaction less the costs of disposal). If the carrying amount of the fixed assets exceeds the recoverable amount, a provision is recorded to reflect the asset at the lower value. Impairment losses are recognised in the income statement.

The calculation of the recoverable amount of an asset requires significant judgments, estimates and assumptions, including about future demand, technological changes, exchange rates, interest rates and others. The Group carries out reviews of fixed assets and intangible assets on an annual basis to determine whether changes in events or circumstances indicate that the carrying amount of such assets might not be recoverable. Changes in events or circumstances, including economic or market conditions, technological advances and competition, may affect previous assumptions and estimates and could have an impact on the Group's results of operations or financial position through impairment charges.

Inventories

Inventories are stated at the lower of cost and net realisable value. In assessing the ultimate realisation of inventories, the Group is required to make judgments as to future demand requirements and compare that with the current or committed inventory levels.

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 of the obligation. 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 borrowing cost.

Environmental contingencies

As a mining company, the Group is exposed to potential environmental liabilities in the ordinary course of its business. Provisions for liabilities relating to environmental matters, including site restoration, require complex evaluations of applicable environmental regulations, clean-up and site restoration strategies, the environmental technologies available and the costs of each. Moreover, environmental laws and regulations in Kazakhstan are continuing to evolve and the longer-term impact of future legislation cannot be estimated.

The Group records provisions for environmental liabilities in the accounting period in which the related environmental disturbance occurs. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over future production from the mine to which it relates. The provision is discounted where material and the unwinding of the discount is included in interest payable.

The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations.

Taxation

The determination of the Group's obligations and expense for taxes requires an interpretation of tax law. The Group seeks appropriate professional tax advice before making judgments on tax matters. While it believes that its judgments are prudent and appropriate, significant differences in actual experience may materially affect the Group's future tax charges, particularly as the tax system and tax legislation in Kazakhstan have been in force for only a relatively short time, and uncertainties regarding tax liabilities are substantially greater than typically found in countries with more developed tax systems. The Group provides deferred taxes in full on all timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax at a future date, subject to recoverability of the deferred tax assets. Deferred tax assets and liabilities are not discounted.

Deferred excess profits tax is calculated in respect of temporary differences in respect of assets allocated to contracts for subsoil use at the expected rate of excess profits tax to be paid under the contract. See "Risk factors—Risks relating to operating in Kazakhstan—The taxation system in Kazakhstan is at an early stage of development and experience. The interpretation and application of tax laws and regulations are evolving, which significantly increases the risks with respect to the Group's operations and investment in Kazakhstan".

Financial instruments

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the creditworthiness of the counterparties.

MKM uses derivative financial instruments for hedging purposes in order to manage exposure to risks arising from its operations. In so far as the requirements for effective hedging under IAS 39 are met, hedge accounting for fair value hedges is applied.

Employee benefits

The Group's contribution to defined-contribution schemes in Kazakhstan and Germany are charged to the income statement in the period to which the contributions relate. Other long term employee benefits provided to employees are valued in a similar manner to an unfunded defined benefit plan. Actuarial gains and losses falling outside a 'corridor' of the greater of 10% of the benefit obligation or 10% of the assets are recognised and amortised through the income statement over the expected average future working lifetime of employees in the arrangements.

New accounting standards

In preparing the consolidated financial information, the Group has not applied the following accounting standards and interpretations, for which adoption is not currently mandatory:

Amendment to IAS 19 – Employee benefits: Actuarial gains and losses, group plans and disclosures. The amendment is effective for annual periods beginning on or after 1 January 2006. Currently the Group does not have any employee benefit plans that will be affected by the amendment.

IFRIC 4 – Determining whether an arrangement contains a lease. This interpretation is effective for annual periods beginning on or after 1 January 2006. It requires certain arrangements to be accounted for as a lease even if they are not in the legal form of a lease. The Group has not yet completed its analysis of the impact of the new interpretation.

IFRIC 5 – Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds. This interpretation is effective for annual periods beginning on or after 1 January 2006. The Group has not yet completed its analysis of the impact of this interpretation.

Current trading and prospects

As discussed in ''—Results of operations—Five months ended 31 May 2005'', a slope failure at the Nikolaevskoe mine and unusually cold weather during the five month period resulted in lower copper cathode production for the five month period. The effects of these events continued to be felt in June, July and August and copper cathode production for those three months was 97.1 kilotonnes, which was slightly below targeted production levels. Overall copper cathode production from the Group's own mines in 2005 is also expected to be slightly below targeted levels. The Group's targeted production of copper cathode from its own mines for 2005 is lower than that achieved in 2004. The Group anticipates that purchases of copper in concentrate for the full year will be in line with purchases for the five months ended 31 May 2005. Since 31 May 2005, average LME copper prices have increased compared to the average prices during the five months ended 31 May 2005.

The commissioning of the Balkhash zinc plant continues. Zinc metal production for June, July and August was 10.0 kilotonnes. In 2005, the Group expects zinc metal production from the plant to be above 2004 levels, but significantly below full capacity. The zinc plant is expected to reach full capacity in 2006. Gold and silver production continues generally in line with that of the five months ended 31 May 2005 and for the full year is expected to exceed levels achieved in 2004. Construction of the Balkhash sulphuric acid plant, Artemyevskoe mine and Zhaman-Aybat mine continues according to plan.

In general, MKM's production levels since May have been substantially higher as compared to the same period in 2004, but prices achieved have been lower than targeted levels. MKM is continuing the development work on the ContiM® plant to enable the casting of different copper qualities, including low oxygen strip, for which the plant was designed.

In June and July the Group paid an aggregate of $110 million in dividends in respect of 2004 profits.

Notwithstanding the difficulties experienced by the Group in the early part of the year, management currently believes that the Group's financial and trading outlook for the remainder of the year is broadly in line with management's expectations.

Capitalisation and Indebtedness statement

The capitalisation and indebtedness of the Group as at 31 July 2005 extracted from unaudited management accounts is set out below:

	As at 31 July 2005 ($ 000)
Total current debt	
Guaranteed	—
Secured	159,146
Unguaranteed and unsecured	437
	159,583
Total non-current debt (excluding current portion of long–term debt)	
Guaranteed	—
Secured	38,889
Unguaranteed and unsecured	73
	38,962
Shareholders' equity	
Share capital	152,965
Other reserves	218,129
Total capitalisation	569,639

The net financial indebtedness of the Group in the short term and in the medium-long term as at 31 July 2005 extracted from unaudited management accounts is as follows:

	As at 31 July 2005 ($ 000)
Cash and cash equivalents	174,897
Deposits with maturities exceeding three months	238,784
Liquidity	413,681
Current bank debt	98,035
Current portion of long term debt	61,111
Other current financial debt	437
Current financial debt	159,583
Net current financial indebtedness	(254,098)
Non current bank loans	38,889
Other non current loans	73
Non current financial indebtedness	38,962
Net financial indebtedness	(215,136)

The secured debt includes a loan agreement with Citibank N.A. which is secured by grants of security over certain accounts and pledges on certain sales contracts, and is secured by Kazakhmys' future proceeds of the export contract with a customer of the Group.

The Group had no contingent indebtedness as at 31 July 2005.

Part VIII

Financial information

Reporting accountants' report on historical financial information on the Group

ERNST & YOUNG

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26 September 2005
Dear Sirs

Kazakhmys PLC (the ''Company'')

Introduction

We report on the financial information set out in pages 104 to 148. This financial information has been prepared for inclusion in the prospectus dated 26 September 2005 (''the Prospectus'') of the Company on the basis of the accounting policies set out in note 2. This report is required by item 20.1 of Annex I of the Prospectus Regulation and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member practice of Ernst & Young Global. A list of members' names is available for inspection at the above address which is the firm's principal place of business and its registered office.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 26 September 2005, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 and in accordance with International Financial Reporting Standards as described in note 2.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the Prospectus Regulation.

Yours faithfully

Ernst & Young LLP

■ The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member practice of Ernst & Young Global. A list of members' names is available for inspection at the above address which is the firm's principal place of business and its registered office.

Historical financial information on the Group

Consolidated income statement

	Notes	Year ended 31 December 2002	Year ended 31 December 2003	Year ended 31 December 2004	Period ended 31 May 2005
		$000	$000	$000	$000
REVENUES	3	819,915	836,920	1,259,527	978,528
Cost of sales	4	(440,912)	(436,820)	(505,406)	(574,464)
GROSS PROFIT		379,003	400,100	754,121	404,064
Distribution expenses		(23,064)	(21,220)	(18,022)	(24,068)
Administrative expenses	4	(85,881)	(107,756)	(109,360)	(68,112)
Write offs and impairment losses	4	(9,702)	(7,823)	(41,868)	(3,630)
Other income/(expenses)	4	(4,600)	6,291	(6,341)	(2,446)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS/INCOME		255,756	269,592	578,530	305,808
Net financing income/(expenses)	5	(628)	(2,094)	4,497	694
Foreign exchange gain/(loss)		4,518	(27,404)	(29,356)	(121)
Recognition of negative good will	13	—	—	111,327	—
PROFIT BEFORE TAX		259,646	240,094	664,998	306,381
Income tax expense	6	(98,812)	(102,356)	(223,737)	(109,177)
PROFIT FOR THE PERIOD		160,834	137,738	441,261	197,204
Attributable to:					
Equity shareholders of the parent		156,463	134,079	429,806	192,167
Minority interests		4,371	3,659	11,455	5,037
		160,834	137,738	441,261	197,204
Earnings per share					
– basic and diluted	7	$9.69	$8.30	$26.61	$11.90

Consolidated balance sheet

	Notes	At 31 December 2002	2003	2004	At 31 May 2005
		$000	$000	$000	$000
ASSETS					
Non-current assets					
Tangible assets					
Property, plant and equipment	9	1,297,082	1,377,937	1,659,971	1,650,157
Mine stripping costs	10	3,987	10,784	16,895	23,103
Intangible assets	11	13,625	14,119	19,300	21,532
Investments	12	1,616	2,009	5,287	6,061
Deferred income tax assets	6	15,539	18,555	25,683	27,080
		1,331,849	1,423,404	1,727,136	1,727,933
Current assets					
Inventories	14	140,635	158,431	289,118	319,367
Trade and other receivables	15	39,914	155,806	125,418	128,067
Advances paid and other current assets	16	24,733	63,137	102,111	89,498
Investments in securities	12	102,178	260,628	259,918	281,091
Restricted cash	17	8,001	—	30,692	2,915
Cash and cash equivalents	17	95,447	7,711	43,406	89,175
		410,908	645,713	850,663	910,113
TOTAL ASSETS		1,742,757	2,069,117	2,577,799	2,638,046
EQUITY AND LIABILITIES					
Equity attributable to equity shareholders of the parent					
Issued capital	18	152,965	152,965	152,965	152,965
Foreign currency translation reserve	18	(35,883)	68,430	216,449	167,215
Reserve fund	18	2,929	14,760	14,760	9,267
Retained earnings		961,780	1,161,162	1,382,437	1,528,279
		1,081,791	1,397,317	1,766,611	1,857,726
Minority interest		29,193	37,373	47,215	46,620
Total equity		1,110,984	1,434,690	1,813,826	1,904,346
Non-current liabilities					
Borrowings	19	—	—	78,558	50,135
Employee benefits	20	16,715	19,309	28,316	27,832
Provisions and accrued liabilities	21	27,701	32,150	44,022	41,817
Income tax payable		27,215	48,168	—	—
Deferred income tax	6	247,136	240,933	295,198	287,166
		318,767	340,560	446,094	406,950
Current liabilities					
Trade and other payables	22	91,863	113,427	137,980	145,547
Borrowings	19	204,848	169,738	23,547	75,455
Provisions and accrued liabilities	21	3,698	10,255	6,952	11,662
Dividends declared	8	—	—	—	2,929
Income tax payable		12,597	447	149,400	91,157
		313,006	293,867	317,879	326,750
TOTAL LIABILITIES		631,773	634,427	763,973	733,700
TOTAL EQUITY AND LIABILITIES		1,742,757	2,069,117	2,577,799	2,638,046

Consolidated cash flow statement

	Notes	Year ended 31 December 2002	2003	2004	5 month period ended 31 May 2005
		$000	$000	$000	$000
Net cash flows from operating activities	23	303,947	139,381	535,986	231,708
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		6,438	2,337	13,476	4,445
Proceeds from sale of property, plant and equipment		858	3,118	4,108	—
Proceeds from disposal of available for sale securities		1,678	—	86,465	—
Purchase of property, plant and equipment		(155,688)	(118,083)	(152,808)	(119,320)
(Increase) in mine development costs		(1,071)	(6,179)	(4,787)	(6,663)
Payment for geological information		(373)	(383)	(420)	—
Purchase of intangible assets		(801)	(73)	(4,196)	(3,676)
Purchase of available for sale and held to maturity securities		(29)	(78,507)	(197)	—
Investment in long term bank deposits		59,722	(75,683)	(81,877)	(27,383)
Acquisition of subsidiaries, net of cash acquired	13	—	—	4,557	—
Net cash flows used in investing activities		(89,266)	(273,453)	(135,679)	(152,597)
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital transactions between subsidiary and shareholders		(183,854)	78,874	(161,073)	—
Proceeds from borrowings		533,412	583,052	508,107	246,829
Repayment of long-term borrowings		(404,594)	(620,300)	(661,403)	(223,244)
Repayment of related party borrowings		(5,058)	—	—	—
Repayment of obligations under finance leases		—	—	—	(449)
Dividends paid		(27,869)	(34)	(53,664)	(53,242)
Net cash flows from/(used in) financing activities		(87,963)	41,592	(368,033)	(30,106)
Net increase/(decrease) in cash and cash equivalents		126,718	(92,480)	32,274	49,005
Cash and cash equivalents at the beginning of the period		(29,547)	95,447	7,711	43,406
Currency translation differences		(1,724)	4,744	3,421	(3,236)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	23	95,447	7,711	43,406	89,175

Consolidated statement of changes in equity

	Notes	Issued capital	Reserve fund	Retained earnings	Foreign currency translation reserve	Total	Minority interest	Total equity
		Attributable to equity shareholders of the parent						
		$000	$000	$000	$000	$000	$000	$000
At 1 January 2002		152,965	2,929	984,399	—	1,140,293	30,552	1,170,845
Profit for the period		—	—	156,463	—	156,463	4,371	160,834
Capital transactions between subsidiary and shareholders		—	—	(179,082)		(179,082)	(4,773)	(183,855)
Currency translation differences		—	—	—	(35,883)	(35,883)	(957)	(36,840)
At 31 December 2002		152,965	2,929	961,780	(35,883)	1,081,791	29,193	1,110,984
Profit for the period		—	—	134,079	—	134,079	3,659	137,738
Capital transactions between subsidiary and shareholders		—	—	76,827	—	76,827	2,048	78,875
Transfer to reserve fund		—	11,831	(11,524)	—	307	(307)	—
Currency translation differences		—	—	—	104,313	104,313	2,780	107,093
At 31 December 2003		152,965	14,760	1,161,162	68,430	1,397,317	37,373	1,434,690
Profit for the period		—	—	429,806	—	429,806	11,455	441,261
Capital transactions between subsidiary and shareholders		—	—	(156,891)	—	(156,891)	(4,182)	(161,073)
Equity dividends paid by subsidiary prior to share exchange transaction		—	—	(51,640)	—	(51,640)	(1,377)	(53,017)
Currency translation differences		—	—	—	148,019	148,019	3,946	151,965
At 31 December 2004		152,965	14,760	1,382,437	216,449	1,766,611	47,215	1,813,826
Profit for the period		—	—	192,167	—	192,167	5,037	197,204
Equity dividends		—	—	(51,818)	—	(51,818)	(4,353)	(56,171)
Transfer from reserve fund		—	(5,493)	5,493	—	—	—	—
Currency translation differences		—	—	—	(49,234)	(49,234)	(1,279)	(50,513)
At 31 May 2005		152,965	9,267	1,528,279	167,215	1,857,726	46,620	1,904,346

Notes to the consolidated financial information

Note 1: Corporate information

(a) Organisation and operation

The Company (formerly KCC International Plc) is a public limited company incorporated in the United Kingdom of Great Britain and Northern Ireland. The Company's registered address is 4 New Square, Bedfont Lakes, Feltham, Middlesex, TW14 8HA, United Kingdom. The Group comprises the Company and its consolidated subsidiaries as set out below.

The Group's operations are conducted through the Company's principal subsidiary, TOO Kazakhmys Corporation (''Kazakhmys''), in which the Company acquired a 97.4% interest as a result of a share exchange representing a combination of businesses under common control on 23 November 2004. The share exchange is described in note 2a.

The ultimate controlling party of the Company is Mr Vladimir Kim whose beneficial interest in the Group is held through controlling shareholdings in Cuprum Holdings BV (Netherlands) and Harper Finance Limited, both of which were significant shareholders in the Group before and following the share exchange.

The Group operates in the mining industry. Its major business is the mining and processing of copper ore into cathode copper and copper wire, and the refining and sale of precious metals and other by-products of its copper mining process. It also provides other services to various external customers.

The principal activities of the Group and the significant entities as at 31 May 2005 are as follows:

Operating entity	Principal activity	Country of incorporation
Kazakhmys PLC	Holding company and sales	United Kingdom
Too Kazakhmys Corporation	Mining and processing copper	Republic of Kazakhstan
MKM Mansfelder Kupfer und Messing GmbH, Hettstedt	Copper and brass processing	Federal Republic of Germany

The Group operates copper mine sites near Zhezkazgan and Balkhash including East Region in the Republic of Kazakhstan. There is one open pit mine and six underground mines near Zhezkazgan, two open pit mines and two underground mines near Balkhash, and five open pit mines and five underground mines near East Region. In addition, the Group operates concentration plants and smelting plants in Zhezkazgan and Balkhash. These facilities produce finished copper cathode for sale on world markets. The Company primarily purchase products from the Kazakh mining business and sells these products to third parties. In December 2004, the Group acquired a copper and brass processing plant in Germany, Mansfelder Kupfer und Messing GmbH (''MKM'').

(b) Kazakhstan business environment and country risk

The economic environment of Kazakhstan has been assessed in 2004 by international rating agencies. Standard & Poor's increased the long-term currency rating to BBB- (2003: BB+) and the long-term rating of borrowings in the national currency was rated at BBB (2003: BBB-). Moody's Investors Service maintained the rating of long-term debentures of Kazakhstan in foreign currency at Baa3 and the promissory notes of Kazakhstan in the national currency at Ba1. Fitch increased the rating of long-term borrowings in foreign currency to BBB- (2003: BB+) and increased the rating of long-term borrowings in the national currency to BBB (2003: BBB-).

The Group's operations are subject to country risk being the economic, political, and social risks inherent in doing business in Kazakhstan. These risks include matters arising out of the policies of the government, economic conditions, imposition of or changes to taxes and regulations, foreign exchange rate fluctuations and the enforceability of contract rights.

The consolidated financial information reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(c) Ore reserves and recoverability of fixed assets

The Group's operations are dependent upon the mining and processing of copper ore from deposits in the vicinity of the Group's processing facilities near Zhezkazgan, Balkhash and East Region. The long-term economic viability of the Group is dependent upon the continuing availability of sufficient, economically recoverable ore reserves.

Note 2: Summary of significant accounting policies

(a) Basis of preparation

The consolidated financial information set out on pages 104 to 148 is prepared under IFRS. The Company was incorporated on 14 July 2004 and acquired TOO Kazakhmys Corporation (''Kazakhmys'') on 23 November 2004 through a share exchange agreement. The Company issued 15,580,212 ordinary shares on 29 November 2004 and a further 570,376 ordinary shares have or are expected to be issued pursuant to the share exchange agreement. A pooling of interests method of accounting has been applied in the presentation of the consolidated historical financial information for the three years ended 31 December 2004 which present the results of the Group as if the Company had always been the parent company of Kazakhmys. The historical financial information relating to the Group for the five months ended 31 May 2005 has been extracted without material adjustment from the audited non-statutory consolidated financial statements of the Group for that period.

The consolidated financial information has been prepared on a historical cost basis, except for certain classes of tangible assets which have been revalued at 1 January 2002 to determine deemed cost as part of the first-time adoption of IFRS, derivative financial instruments that have been measured at fair value. The consolidated financial information is presented in US dollars (''$'') and all monetary amounts are rounded to the nearest thousand ($'000) except when otherwise indicated.

The Company is not required, by the Prospectus Rules of the Financial Services Authority to prepare, for inclusion in its prospectus, comparative financial information prepared in accordance with accounting standards as adopted for use in the EU for the period ended 31 May 2005. Accordingly, the Directors have elected not to prepare comparative amounts to accompany the underlying financial statements for the period ended 31 May 2005. As a result, the financial information does not include comparative financial information for the period ended 31 May 2005 and is therefore not a complete set of financial statements in accordance with accounting standards as adopted for use in the EU.

(b) Statement of compliance

The consolidated financial information of the Company and all its subsidiaries has been prepared in accordance with IFRS for all periods.

(c) Early adoption of Standards and Interpretations

IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been applied. Kazakhmys, which previously prepared its financial statements under Kazakhstan Accounting Standards, had a transition date to IFRS of 1 January 2002.

The Group has decided to early adopt IFRS 6 'Exploration for and Evaluation of Mineral Resources' for all reporting periods since 1 January 2002, its date of transition to IFRS.

(d) New Standards and Interpretations not yet adopted

In preparing the financial information, the Group has not applied the following Standards and Interpretations for which adoption is not currently mandatory:

- Amendment to IAS 19 'Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures', which is effective for annual periods beginning on or after 1 January 2006.
- IFRIC 4 'Determining whether an Arrangement contains a Lease', which is effective for annual periods beginning on or after 1 January 2006. The Interpretation requires certain arrangements to be accounted for as a lease even if they are not in the legal form of a lease.

- IFRIC 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds', which is effective for annual periods beginning on or after 1 January 2006.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group.

(e) Use of estimates

The preparation of the financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial information and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

In particular, information about significant areas of estimation uncertainty and critical judgements made by management in preparing the consolidated financial information are described in the following notes:

- Note 6 – income tax;
- Note 9 – property, plant and equipment;
- Note 10 – mine stripping costs;
- Note 20 – employee benefit obligations;
- Note 21 – provisions and accrued liabilities; and
- Note 24 – commitments and contingencies.

(f) Basis of consolidation

The consolidated financial information comprise the financial statements of the Company and its subsidiaries as at 31 December 2002, 2003 and 2004 and for the three years then ended and as at 31 May 2005 and for the five month period then ended.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. 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. On acquisition of a subsidiary, the purchase consideration is allocated to the assets and liabilities on the basis of their fair value at the date of acquisition.

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 intra-group 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.

Minority interests primarily represent the interests in Kazakhmys not held by the Company.

(g) 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 foreign currencies other than the local functional currency are initially recorded in the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rate ruling at the dates the fair values were determined.

The functional currency of the Company is US dollars as the majority of its operating activities are conducted in US dollars. The functional currency of Kazakhmys is the Kazakhstani Tenge (KZT) and of MKM is the Euro (€). 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 re-translation are taken to a separate component of equity. Exchange differences on foreign currency borrowings financing those net investments are also dealt with in reserves. All other exchange differences are charged or credited to the income statement in the year in which they arise.

The following exchange rates have been applied:

Currency rates (US$1)	1 Jan 2002	31 Dec 2002	Average 2002	31 Dec 2003	Average 2003	31 Dec 2004	Average 2004	31 May 2005	Average 2005
Kazakhstan Tenge (KZT)	150.90	155.85	153.50	143.25	149.35	129.96	135.95	132.49	130.68
Euro (€)	N/a	N/a	N/a	N/a	N/a	0.7374	0.8046	0.8124	0.7703
UK Sterling (£)	N/a	N/a	N/a	N/a	N/a	0.5387	0.5387	0.5502	0.5309

(h) Tangible assets

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost of property, plant and equipment at 1 January 2002, the date of Kazakhmys' transition to IFRS, was determined by reference to its depreciated replacement cost at that date (''deemed cost'').

The deemed 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, machinery 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. Changes in estimates, which affect unit of production calculations, are accounted for prospectively. Depreciation commences on the date of acquisition. Freehold land is not depreciated.

The expected useful lives are as follows:

- Buildings: 15 – 25 years
- Plant and Equipment: 4 – 25 years
- Fixtures and Fittings: 3 – 15 years

Borrowing costs are not capitalised and are expensed as incurred.

Mineral properties and mine development costs

Costs of acquiring mineral 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 (development expenditure) where the asset is available for use but incapable of operating at normal levels without a commissioning period.

Mine development costs are, upon commencement of production, depreciated using a unit of production method based on the estimated economically recoverable reserves to which they relate.

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.

The cost of a tangible fixed asset comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use.

Construction in progress is not depreciated.

Subsequent expenditure

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 component being written off. Other subsequent expenditure is capitalised if future economic benefits will arise from the expenditure. All other expenditure, including repairs and maintenance expenditure, is recognised in the income statement as incurred.

Capital grants

Government grants are recognised at their value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to the cost of the asset and is released to the income statement over the expected useful life in a consistent manner with the depreciation method of the relevant asset.

Leasing and hire purchase commitments

Finance leases, which transfer to the Group all the risks and rewards of ownership of the leased items are capitalised at the inception of the lease. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. Lease payments are apportioned between the finance charge and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(i) 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 life of the mine on a unit of production basis.

The cost of removal of the waste material during a mine's production phase is deferred, where appropriate. The deferral of these costs, and subsequent charges in the income statement are determined in order to evenly match the stripping costs against the quantities of ore mined in each period. Where the extraction of the ore is expected to be evenly distributed, or where the impact of deferral is not material, waste material is expensed as incurred.

(j) Impairment

The carrying amounts of fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, when the review is undertaken at the cash generating unit level.

If the carrying amount of an asset or its cash generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset at the lower amount. Impairment losses are recognised in the income statement.

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. For an asset that does not generate cash inflows largely independent of those from other assets, 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.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the 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.

(k) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(l) Exploration and evaluation expenditure

Exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another mining company, is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration expenditure which fails to meet at least one of the conditions outlined above is written off. Administrative and general expenses relating to exploration and evaluation activities are expensed as incurred. The significant portion of exploration and evaluation expenditure relates to mineral licences, which are classified and accounted for as intangible assets.

Identifiable exploration and evaluation assets acquired are recognised as assets at their cost of acquisition from another mining company. 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.

(m) Intangible assets

Goodwill

On the acquisition of a subsidiary, or of an interest in a joint venture, associate, or joint arrangement, the purchase consideration is allocated to the assets and liabilities on the basis of fair value at the date of acquisition. Those 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. 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. Goodwill is stated at cost less impairment losses. Goodwill is not amortised, rather it is tested annually for impairment. Goodwill is allocated to the cash generating unit or group of cash generating units expected to benefit from the related business combination for the purpose of the impairment testing. An impairment loss in respect of goodwill is not reversed.

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of acquisition. Negative goodwill is recognised immediately in the income statement.

Other intangible assets

Other intangible assets, including mineral licences, which are acquired by the Group and which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition.

Amortisation

Intangible assets, other than goodwill, primarily comprise mineral licence acquisition costs, which are amortised on a unit of production basis. Amortisation for other intangibles assets, which have expected useful lives of 3-10 years, is computed under the straight-line method over the estimated useful lives of the assets.

(n) Inventories

Raw materials are stated at the lower of cost and net realisable value on a first-in first-out (''FIFO'') basis. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. Cost for raw materials is purchase price and for work in progress and finished goods is the cost of production, including the appropriate proportion of depreciation and overheads. The cost of work in progress and finished goods is based on the weighted average cost method. In the case of work in progress and finished goods, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is based on estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

(o) Trade and other receivables

Trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. The amount of the provision is recognised in the statement of operations.

(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.

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. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over future production from the mine to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or been announced publicly. Future operating costs are not provided for.

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 for which the amount can be reliably estimated.

(q) Employee benefits

Other employee benefits

The Group provides long term employee benefits to employees before, on and after retirement, in accordance with a labour union agreement. Such benefits are valued consistent with an unfunded defined benefit plan accordance with IAS 19, 'Employee Benefits'. The agreement provides for one-time retirement grants, financial aid, dental care, medical benefits, sanatorium visits, annual financial support to pensioners, free train passenger tickets and funeral aid. The agreement in Germany provides for part time work for older employees. There are no employee benefits provided in the United Kingdom.

The future benefit that employees have earned is discounted to determine the present value. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the Group's benefit obligations. The calculation is performed by a qualified actuary.

The Group recognises actuarial gains and losses falling outside a 'corridor' of the greater of 10% of the benefit obligation or 10% of the assets, amortised over the expected average future working lifetime of employees in the arrangements. The expense in relation to these 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.

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 information.

Social programmes

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 statements as incurred.

(r) Revenue

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 has passed to the customer.

Revenue excludes any applicable sales taxes. Mining royalties are included within cost of sales.

(s) Financial income and expenses

Financial income and expenses comprise interest expense on borrowings, the accumulation of interest on provisions, interest income on funds invested, dividend income, foreign exchange gains and losses, gains and losses on the revaluation and disposal of investments held for trading or designated at fair value through the income statement and gains and losses on the disposal of available-for-sale investments.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financial expenses.

Interest income is recognised as it accrues, taking into account the effective yield on the asset.

(t) 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 profit tax is treated as an 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, using tax rates enacted or substantively enacted at the balance sheet date, 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:

- goodwill amortisation or 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 or loss; 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.

Deferred excess profits tax is calculated with respect to temporary differences in respect of assets allocated to contracts for subsoil use at the expected rate of excess profits tax to be paid under the contract.

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.

(u) Financial instruments

Recognition

The Group recognises financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument.

Finanical assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Measurement

Financial assets and liabilities are initially recognised at cost, which is the fair value of consideration given or received, respectively, including or net of any transaction costs incurred. Any gain or loss at initial recognition is recognised in the current period's income statement.

In determining estimated fair value, investments are valued at quoted bid prices. When quoted prices on an active market are not available, fair value is determined by reference to price quotations for similar instruments traded.

The Group classifies investments depending upon the intent of management at the time of the purchase. Investments with fixed maturities and fixed or determinable payments that management has both the positive intent and the ability to hold to maturity are classified as held-to-maturity.

Loans and receivables are loans and receivables created by the Group providing money to a debtor. Loans and receivables comprise loans and advances other than purchased loans.

Held to maturity investments and originated loans and receivables are initially recognised in accordance with the policy stated above and subsequently re-measured at amortised cost using the effective interest method. Allowance for impairment is estimated on a case-by-case basis.

Derecognition

Held-to-maturity instruments and originated loans and receivables are derecognised on the day they are transferred by the Group.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short term deposits held on call with banks 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.

(w) Dividends

Dividends are recognised as a liability in the period in which they are approved by the shareholders.

Note 3: Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. From 1 January 2005, the primary format, business segments, is based on the Group's management and internal reporting structure following the acquisition by the Group of MKM. In previous periods, the Group had determined the primary and secondary formats to be geographic segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and related revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business segments

The Group's principal operations are based in Kazakhstan, with MKM, a subsidiary of Kazakhmys, being based in Germany.

The Group's activities principally relate to:

- Kazakh mining operations which involve the production and sale of:
  - copper cathodes and copper rod;
  - gold and silver;
  - zinc and zinc concentrate; and
  - other by-product metals (lead, rhenium and selenium).
- German copper processing operation.

The Kazakh mining operations, which involve the processing and sale of copper and other metals, is managed as one business segment. The products are subject to the same risks and returns, exhibit similar long-term financial performance and are sold through the same distribution channels. The Group mines all the copper ore it processes and produces substantially all the copper concentrate it processes. The Group has a number of activities that exist solely to support the mining operations including power generation, coal mining and transportation. These other activities generate less than 10 per cent of total revenues (both external and internal) and the related assets are less than 10 per cent of total assets. For the purposes of the consolidated financial information one business segment is therefore identified as a reportable segment in respect of the three years ended 31 December 2004. From 1 January 2005, the UK operation has primarily purchased its products from the Kazakh mining business and applies an appropriate mark-up prior to onward sale to third party customers. It is therefore regarded as a sales function on behalf of the Kazakh mining business and is not considered a distinct business segment. The price at which sales are made to the Company by Kazakhmys is the prevailing price of commodities as determined by the London Metal Exchange.

At the end of 2004, the Group acquired MKM, which operates from Germany, where it manufactures copper and copper alloy semi-finished products. MKM faces different risks to the Group's Kazakh mining operations and, therefore, from 2005 the Group operated two distinct business segments. Segmental information in respect of these two segments for the five month period ended 31 May 2005 is presented below:

	Kazakh mining	MKM	Total
	$000	$000	$000
Revenue			
Sales to external customers	643,091	335,437	978,528
Gross profit	377,028	27,036	404,064
Segment results	298,698	7,110	305,808
Common costs			—
Net finance cost and foreign exchange gains and losses			573
Profit before income tax and minority interest			306,381
Income tax expense			(109,177)
Net profit for the period			197,204
Segment assets			
Segment assets	2,122,613	573,589	2,696,202
Elimination			(372,385)
Unallocated assets			314,229
Total assets			2,638,046
Segment liabilities			
Segment liabilities	209,485	411,270	620,755
Elimination			(369,068)
Unallocated liabilities			482,013
Total liabilities			733,700
Capital expenditure:			
Tangible fixed assets	112,759	6,561	119,320
Mine stripping costs	6,663	—	6,663
Intangible fixed assets	3,676	—	3,676
Depreciation and amortisation	60,884	8,974	69,858

An analysis of revenues by the Group's key products is as follows:

	Year ended 31 December			5 month period ended 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Revenue				
Kazakh mining				
Copper cathodes	546,135	565,199	911,523	480,305
Copper rods	98,253	96,863	134,658	16,524
Silver in granules	96,348	92,846	115,225	60,015
Zinc (metal and concentrate)	18,207	18,006	14,986	45,846
Gold bullion	13,189	13,915	14,393	8,979
Other by-products	10,112	8,525	13,485	8,482
Other	37,671	41,566	55,257	22,940
	819,915	836,920	1,259,527	643,091
MKM				
Sheet steel and steel strips	—	—	—	104,021
Wire	—	—	—	141,375
Metal trade	—	—	—	24,247
Tubes and bars	—	—	—	64,934
Other	—	—	—	860
	—	—	—	335,437
	819,915	836,920	1,259,527	978,528

Geographical segments

The Group's principal operations have historically been wholly in Kazakhstan and have therefore been presented as only one geographical segment for the years ended 31 December 2002 and 2003. In the year ended 31 December 2004, the Group's operations expanded into three distinct geographical segments following the incorporation of the Company on 15 July 2004, which operates from the United Kingdom, and the acquisition of its German based subsidiary, MKM, on 15 December 2004 (see note 13).

	5 month period ended 31 May 2005			
	Kazakhstan	Germany	UK	Total
	$000	$000	$000	$000
Revenue				
Segment sales	632,554	335,437	536,657	1,504,648
Inter-segment sales	(526,120)	—	—	(526,120)
Sales to external customers	106,434	335,437	536,657	978,528
Result				
Gross profit	368,140	27,036	8,888	404,064
Segment result	293,701	7,110	4,997	305,808
Common costs				—
Profit before tax and finance costs				305,808
Net finance cost and foreign exchange gains and losses				573
Profit before income tax and minority interest				306,381
Income tax expense				(109,177)
Net profit for the period				197,204
Assets and liabilities				
Segment assets	2,085,509	573,589	394,803	3,053,901
Elimination				(730,084)
Unallocated assets				314,229
Total assets				2,638,046

	5 month period ended 31 May 2005			
	Kazakhstan	Germany	UK	Total
	$000	$000	$000	$000
Segment liabilities	278,228	411,270	137,425	826,923
Elimination				(575,236)
Unallocated liabilities				482,013
Total liabilities				733,700
Capital expenditure:				
Tangible fixed assets	112,662	6,561	97	119,320
Mine stripping costs	6,663	—	—	6,663
Intangible fixed assets	3,676	—	—	3,676
Depreciation and amortisation	60,844	8,974	40	69,858

	Year ended 31 December 2004			
	Kazakhstan	Germany	UK	Total
	$000	$000	$000	$000
Revenue				
Segment sales	1,259,527			1,259,527
Inter-segment sales	—	—	—	—
Segment sales to external customers	1,259,527			1,259,527
Result				
Gross profit	754,121	—	—	754,121
Segment result	566,360	—	12,170	578,530
Common costs				—
Profit before tax and finance costs				578,530
Negative goodwill				111,327
Net finance cost and foreign exchange gains and losses				(24,859)
Profit before income tax and minority interest				664,998
Income tax expense				(223,737)
Net profit for the period				441,261
Assets and liabilities				
Segment assets	1,870,198	403,032	14,269	2,287,499
Elimination				
Unallocated assets				290,300
Total assets				2,577,799
Segment liabilities	164,209	50,904	11,537	226,650
Elimination				—
Unallocated liabilities				537,323
Total liabilities				763,973
Capital expenditure:				
Tangible fixed assets	152,809	—	503	153,312
Mine stripping costs	9,692	—	—	9,692
Intangible fixed assets	4,196	—	425	4,621
Depreciation and amortisation	152,112	—	—	152,112

Note 4: Other revenues and expenses

Cost of sales

	Year ended 31 December			5 month period ended 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Raw materials	194,927	175,353	207,682	431,275
Depreciation and amortisation	108,981	113,318	134,569	62,609
Employee remuneration	71,373	90,937	110,315	69,386
Utilities	9,763	7,587	9,501	11,017
Royalties and other taxes	5,410	7,645	10,725	5,242
Production overheads	40,639	39,586	57,732	29,768
Change in work in progress and finished goods	9,819	2,394	(25,118)	(34,833)
	440,912	436,820	505,406	574,464

Administrative expenses

Major components of administrative expense for the periods presented are:

	Year ended 31 December			5 month period ended 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Included in administrative expenses are:				
Levies and charges	3,940	4,798	6,693	3,948
Depreciation	14,302	14,640	17,543	7,101
Employee remuneration	27,450	34,917	36,361	20,322
Medical and social support	7,773	3,970	8,686	3,447
Legal and professional	7,194	8,058	6,742	6,643
Social responsibility costs	1,670	11,553	3,830	1,585
Bank fees	2,624	6,966	1,136	1,617

Employee benefits expense

	Year ended 31 December			5 month period ended 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Wages and salaries	85,612	111,445	133,376	87,131
Social security costs	21,544	25,199	25,186	10,922
Post-employment benefits	4,430	6,209	10,635	907
Non-monetary assets	—	—	—	7,234
	111,586	142,853	169,197	106,194
Average number of employees	66,015	64,190	62,751	65,022

Other non-monetary employee benefits (including sanatorium visits, medical services, nourishment and treatment expenses) are provided by the Company. These expenses are disclosed in non-monetary benefits above. Non-monetary benefits are included in the income statement in the expense line relating to the nature of the cost.

Write offs and impairment losses

Impairment losses relate to adjustments made against the carrying value of assets where this is higher than the recoverable amount.

	Year ended 31 December			5 month period ended 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Write off of plant, property and equipment	196	5,854	30,307	262
Write off of goodwill	—	—	—	425
Inventories	3,067	920	—	—
Advances paid and other current assets	1,608	—	—	2,761
Trade and other receivables	4,831	1,049	11,561	182
	9,702	7,823	41,868	3,630

Other income / (expenses)

	Year ended 31 December			5 month period ended 31 May
	2002	2003	2004	2005
Other income	$000	$000	$000	$000
Write back of payables	230	1,658	148	1,238
Management fees	—	3,771	—	—
Sales service agreement fee	—	—	13,352	1,220
Sanatorium, medical and canteen	4,240	3,220	9,910	2,620
Railway services	4,728	6,443	4,756	687
Utilities	2,747	4,258	5,253	1,841
Supplies	2,929	4,162	3,880	—
Inventory sale	—	—	—	7,748
Others	8,472	14,712	11,395	4,002
	23,346	38,224	48,694	19,356
Other expenses				
Fixed asset disposals	(7,902)	(8,915)	(25,881)	(6,914)
Sanatorium, medical and canteen	(4,192)	(4,136)	(3,881)	(2,258)
Railway services	(5,709)	(6,454)	(4,651)	(2,126)
Utilities	(2,531)	(4,085)	(5,253)	(1,208)
Supplies	(2,874)	(4,290)	(9,641)	—
Inventory sale	—	—	—	(4,808)
Other	(4,738)	(4,053)	(5,728)	(4,488)
	(27,946)	(31,933)	(55,035)	(21,802)
	(4,600)	6,291	(6,341)	(2,446)

The sales service agreement fee relates to a fee paid by Apro Limited, a company in which Mr Y. K. Cha is a majority shareholder and director, for the purchasing rights to Kazakhmys' commodities from November 2004 to the cessation of Apro Limited's commodity trading in January 2005.

Note 5: Net financing income/(expenses)

	Year ended 31 December			5 month period ended 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Bank loans and overdrafts	(1,713)	(5,352)	(2,877)	(4,616)
Unwind of discount on income taxes payable	(213)	(427)	(1,988)	—
Unwind of discount on other liabilities	(3,030)	(3,324)	(1,729)	(1,464)
Unwind of discount on provisions	(2,111)	(2,311)	(2,710)	(1,336)
Total finance costs	(7,067)	(11,414)	(9,304)	(7,416)
Bank interest receivable	6,439	9,320	13,801	8,083
Income from investments	—	—	—	27
Net financing income / (expenses)	(628)	(2,094)	4,497	694

Note 6: Income tax

Major components of income tax expense for the periods presented are:

	Year ended 31 December			5 month period ended 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Consolidated income statement				
Current income tax				
Corporate income tax - current period	115,612	125,681	238,050	104,106
Adjustment in respect of previous years	—	—	—	(4,266)
Excess profits tax	138	5,039	15,878	13,829
Deferred income tax				
Corporate income tax - current period	(18,679)	(29,743)	(28,600)	(7,778)
Adjustment in respect of previous years	—	—	—	4,266
Excess profits tax	1,741	1,379	(1,591)	(980)
Income tax expense reported in consolidated income statement	98,812	102,356	223,737	109,177

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the tax jurisdictions in which the Group operates. A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the periods presented is as follows:

	Year ended 31 December			5 month period ended 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Accounting profit before income tax	259,646	240,094	664,998	306,381
At statutory income tax rate of 30%	77,894	72,028	204,979	91,914
Expenditure not allowable for income tax purposes	12,352	12,187	13,952	4,571
Effect of higher tax rate in Germany	—	—	—	243
Recognition of negative goodwill	—	—	(33,398)	—
Transactions with related parties	6,687	11,723	23,917	—
Unremitted overseas earnings	—	—	—	3,278
Loans and borrowings	—	—	—	(3,701)
Other items	—	—	—	23
Excess profits tax	1,879	6,418	14,287	12,849
At effective income tax rate of 36% (2004: 34%; 2003: 43%; 2002: 38%)	98,812	102,356	223,737	109,177

Corporate income tax is calculated at 30% of the assessable profit for the period for the Company and Kazakhmys. The MKM tax rate is calculated at 38.13% and relates to German corporate income tax and trade tax. The directors have estimated the tax expense for the 5 month period ended 31 May 2005 based on the projected tax rate for the Group for the 12 months to 31 December 2005.

Recognised deferred tax assets and liabilities

	At 31 December			At 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Deferred income tax assets				
Trade and other receivables	5,946	6,462	10,013	8,536
Taxes payable	593	1,090	854	375
Mine stripping costs	87	993	1,918	4,571
Provision for staff vacation	1,083	1,148	1,734	2,244
Provision for site restoration	3,637	4,207	5,564	5,698
Provision for purchase of geological information	4,064	4,655	5,410	5,470
Tax losses	129	—	190	186
	15,539	18,555	25,683	27,080
Deferred income tax liabilities				
Property, plant and equipment	(242,449)	(236,936)	(227,955)	(217,568)
Intangible assets	(3,659)	(3,809)	(5,569)	(6,034)
Inventories	(241)	(188)	(6,684)	(9,453)
Loans and borrowings	—	—	(48,051)	(44,153)
Other provisions and accruals	(787)	—	(1,442)	(1,237)
Trade and other receivables	—	—	(54)	—
Unremitted overseas earnings	—	—	(5,443)	(8,721)
	(247,136)	(240,933)	(295,198)	(287,166)
Net deferred income tax asset/(liability)	(231,597)	(222,378)	(269,515)	(260,086)

Deferred income tax charge

	Year ended 31 December			5 month period ended 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Deferred income tax assets				
Trade and other receivables	2,212	(7)	2,764	(1,250)
Taxes payable	(307)	427	(333)	(469)
Mine stripping costs	(258)	863	786	2,727
Provision for staff vacation	123	(30)	448	550
Provision for site restoration	4	237	887	243
Provision for purchase of geological information	202	224	266	165
Tax losses	131	(134)	182	—
Other provisions and accruals	—	—	—	—
Loans and borrowings	—	—	—	3,022
	2,107	1,580	5,000	4,988
Deferred income tax liabilities				
Property, plant and equipment	16,152	25,727	31,746	6,118
Intangible assets	(277)	165	(1,310)	(579)
Inventories	(245)	71	198	(2,936)
Other provisions and accruals	(799)	821	—	179
Unremitted overseas earnings	—	—	(5,443)	(3,278)
	14,831	26,784	25,191	(496)
Deferred income tax credit	16,938	28,364	30,191	4,492

Unrecognised deferred tax asset

	At 31 December			At 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Kazakhstan				
Subsoil contracts	128	—	192	255
Germany				
Corporate income tax			136,383	137,739
Trade tax			72,521	73,878
			208,904	211,617
UK				
Excess foreign tax credits	—	—	—	19,062
Total	128	—	209,096	230,934

Details of the Group's tax losses arising in the two jurisdictions in which it operates are as follows:

Kazakhstan

Deferred corporate income tax and excess profit tax are determined with reference to individual subsoil contracts. Deferred corporate income tax is also determined for activities outside of the scope of subsoil contracts. For those contracts which are loss making, tax losses are carried forward for seven years after the year in which they have arisen. Unrecognised deferred tax assets for the years ended 31 December 2002, 2003 and 2004 and for the period ended 31 May 2005, were KZT 20.0 million ($0.1 million), KZT nil, KZT 25.0 million ($0.2 million) and KZT 33.7 million ($0.3 million) respectively. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from. There are no tax losses that relate to the activities outside of the scope of the subsoil contracts.

Germany

MKM has at 31 May 2005 estimated corporate income tax losses of €418.0 million ($514.0 million) and trade tax losses €370.0 million ($455.0 million). MKM's recognised corporate income tax losses for the year ended 31 December 2004 of €9.0 million ($11.0 million) increasing the total to €415 million ($511.0 million) and trade tax losses of €13.0 million ($16.0 million) increasing the total to €364 million ($448.0 million). Losses can be carried forward to be used against future taxable profits to the extent of reducing taxable income to €1 million in any one year. Where income exceeds €1 million, tax losses can reduce the excess by up to 60%. There is no time restriction over the utilisation of tax losses.

Due to the past history of tax losses, there is insufficient certainty that a taxable profit will arise against which the losses can be offset. For these reasons no deferred tax asset has been recognised. Refer to note 24 for further details.

United Kingdom

The payment of the dividend from Kazakhmys to the Company has created excess foreign tax credits of $19.1 million which have arisen due to the higher effective tax rate in Kazakhstan compared to the UK.

Unrecognised deferred tax liability

The Group has not recognised all of the deferred tax liability in respect of the distributable reserves of its subsidiaries because it controls all of them and only part of the temporary differences are expected to reverse in the foreseeable future. The gross temporary differences in respect of the undistributed reserves of Kazakhmys are as follows:

	At 31 December			At 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Undistributed reserves of Kazakhmys	627,512	693,735	1,091,377	1,167,406

Note 7: Earnings per share

The earnings per share (''EPS'') calculation has assumed that the number of ordinary shares issued pursuant to share exchange agreements in relation to the acquisition of Kazakhmys have been in issue throughout the period consistent with the pooling of interests method used to account for combinations of businesses under common control. Included in the number of ordinary shares in issue, are the shares which have already been issued as part of the share exchange agreement and those which are expected to be issued in the future as part of the same, but for which issuance is outstanding until regulatory consent has been obtained.

The directors believe that this adjusted EPS provides a more meaningful comparison of the Group's ongoing business than using the statutory EPS which would only reflect shares issued based on the actual date of issue.

Basic EPS is calculated by dividing net profit for the year attributable to ordinary equity shareholders of the Company by the adjusted number of ordinary shares outstanding during the period. The Company has no dilutive potential ordinary shares.

The following reflects the income and adjusted share data used in the EPS computations:

	Year ended 31 December			5 month period ended 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Net profit attributable to equity shareholders of the Company	156,463	134,079	429,806	192,167
Number of shares				
Weighted average number of ordinary shares	16,150,588	16,150,588	16,150,588	16,150,588
EPS—basic and diluted	$9.69	$8.30	$26.61	$11.90

Note 8: Dividends paid and proposed

	Final per share	Final
		$000
Declared and paid during the period:		
Equity dividends on ordinary shares:		
Year ended 31 December 2002	—	—
Year ended 31 December 2003	—	—
Year ended 31 December 2004	$3.28	53,017
5 month period ended 31 May 2005	$3.63	56,171

The dividends shown above are those that have been paid and proposed by the Company, in respect of the period following the share exchange, and Kazakhmys for the period prior to the share exchange. This is consistent with the pooling of interests method used to account for combinations of businesses under common control.

Dividend declared by Kazakhmys

On 24 February 2005, Kazakhmys paid a dividend in respect of the year ended 31 December 2004 of $53.2 million (KZT 6,958 million) which was paid to shareholders on the register as at 31 October 2004. Accordingly, as the share exchange agreement was not effective until 23 November 2004, this dividend was paid directly to Kazakhmys' former shareholders, rather than to the Company. The dividend is shown in the financial information as a cash outflow for the Group, consistent with the pooling of interest method of accounting.

As at 31 May 2005, Kazakhmys approved an interim dividend of $112.5 million (KZT 14.9 billion). The share of the dividend payable to the minority interests is consequently shown as a liability as at 31 May 2005.

Dividend declared by the Company

Proposed by directors on 4 July 2005 (not recognised as a liability as at 31 May 2005)	**$000**
Interim dividend for 2005: $6.81 per share	109,992

Note 9: Property, plant, and equipment

	Land & building	Mine development costs	Plant & equipment	Other	Construction in progress	Total
	$000	$000	$000	$000	$000	$000
Cost:						
At 1 January 2002	421,379	26,427	708,119	91,286	99,142	1,346,353
Additions	1,940	—	4,332	60,279	89,137	155,688
Transfers	14,360	—	9,720	340	(24,420)	—
Disposals/write off	(2,451)	—	(5,623)	(1,090)	(196)	(9,360)
Net exchange adjustment	(13,592)	(839)	(22,618)	(3,795)	(4,123)	(44,967)
At 31 December 2002	421,636	25,588	693,930	147,020	159,540	1,447,714
Additions	8,874	—	28,997	10,971	69,241	118,083
Transfers	77,702	—	69,760	3,587	(151,049)	—
Disposals/write off	(2,668)	—	(11,094)	(6,063)	(1,546)	(21,371)
Net exchange adjustment	40,717	2,251	64,830	13,486	10,510	131,794
At 31 December 2003	546,261	27,839	846,423	169,001	86,696	1,676,220
Acquisitions through business combinations	57,986	—	136,410	5,591	2,090	202,077
Additions	7,648	—	73,334	22,791	49,539	153,312
Transfers	5,100	—	16,398	472	(21,970)	—
Disposals/write off	(13,872)	—	(52,129)	(7,471)	3,151	(70,321)
Net exchange adjustment	55,930	2,847	89,801	18,341	10,316	177,235
At 31 December 2004	659,053	30,686	1,110,237	208,725	129,822	2,138,523
Additions	8,077	—	38,949	13,820	58,474	119,320
Transfers	4,857	—	277	(3,200)	(1,934)	—
Disposals/write off	(4,268)	—	(14,306)	(2,299)	—	(20,873)
Net exchange adjustment	(16,791)	(587)	(31,573)	(4,464)	(3,346)	(56,761)
At 31 May 2005	650,928	30,099	1,103,584	212,582	183,016	2,180,209
Depreciation:						
At 1 January 2002	—	—	—	18,874	8,700	27,574
Depreciation charge	31,877	1,500	70,963	22,798	—	127,138
Disposals/write off	(374)	—	(766)	(167)	—	(1,307)
Net exchange adjustment	(474)	(23)	(1,057)	(940)	(279)	(2,773)
At 31 December 2002	31,029	1,477	69,140	40,565	8,421	150,632
Depreciation charge	33,673	1,431	74,654	23,608	—	133,366
Disposals/write off	(640)	—	(2,978)	(1,181)	—	(4,799)
Net exchange adjustment	4,159	192	9,183	4,725	825	19,084
At 31 December 2003	68,221	3,100	149,999	67,717	9,246	298,283
Depreciation charge	39,748	1,493	87,111	26,879	—	155,231
Disposals/write off	(1,842)	—	(8,445)	(3,709)	—	(13,996)
Net exchange adjustment	8,845	386	20,501	8,324	978	39,034
At 31 December 2004	114,972	4,979	249,166	99,211	10,224	478,552
Depreciation charge	17,065	702	43,529	12,179	—	73,475
Disposals/write off	(2,451)	—	(6,772)	(576)	—	(9,799)
Net exchange adjustment	(2,548)	(105)	(6,928)	(2,595)	—	(12,176)
At 31 May 2005	127,038	5,576	278,995	108,219	10,224	530,052
Net book value at:						
31 May 2005	523,890	24,523	824,589	104,363	172,972	1,650,157
31 December 2004	544,081	25,707	861,071	109,514	119,598	1,659,971
31 December 2003	478,040	24,739	696,424	101,284	77,450	1,377,937
31 December 2002	390,607	24,111	624,790	106,455	151,119	1,297,082
1 January 2002	421,379	26,427	708,119	72,412	90,442	1,318,779

Deemed cost

For the purpose of the transition to IFRS in 2004, the directors commissioned Rice Group Central Asia LLP, a company holding a state licence to conduct valuations, to carry out an independent appraisal of property, plant and equipment as of 1 January 2002 to determine their deemed cost at that date.

The deemed cost of property, plant and equipment as of 1 January 2002 was determined primarily with reference to depreciated replacement cost. The directors believe that the deemed cost reflected the economic conditions of the Group's property, plant and equipment at that time. For those items with a carrying value less than $10,000, which in aggregate amounted to less than KZT 1.4 billion (approximately $9.3 million), the Company either valued the items at historic costs or revalued the items using indices set by Kazakhstan government to reflect the movement in the US Dollar/KZT exchange rate in the periods in which the items were acquired.

At 31 May 2005, property, plant and equipment with a cost of $52.9 million was fully depreciated (2004: $53.8 million, 2003: $36.9 million, 2002: $29.2 million). At 31 May 2005, property, plant and equipment with a cost of $11.4 million were non-operational (2004: $5.3 million, 2003: nil, 2002: nil).

At 31 May 2005 within MKM investment grants and subsidies to the value of €48.9 million ($61.2 million) (2004: €51.5 million ($70.1 million)) were deducted against the cost of fixed assets which had a gross carrying value of €195.3 million ($244.5 million) (2004: €199.0 million ($269.8 million)). Since 1996, capital grants have been received from the state and federal authorities for approximately 30% of the cost price of additions.

Fixed assets with a net book value of $3.3 million were transferred to inventory during the five months ended 31 May 2005 are included within disposals above.

Acquisitions through business combinations

The acquisition of fixed assets through business combinations in the year ended 31 December 2004 relates to the acquisition of MKM on 15 December 2004 (see note 13).

The Company also acquired the trade and assets of Apro Limited. The transfer of fixed assets from Apro Limited of $0.5 million occurred on 31 December 2004 and has been included within additions.

Note 10: Mine stripping costs

	Year ended 31 December			5 month period ended 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Mine stripping costs as at 1 January	3,028	3,987	10,784	16,895
Additions	3,416	6,401	9,692	6,663
Amortisation	(2,345)	(222)	(4,905)	(43)
Net exchange adjustment	(112)	618	1,324	(412)
Mine stripping costs as at 31 December/31 May	3,987	10,784	16,895	23,103

Note 11: Intangible assets

	Goodwill	Licences	Other	Total
	$000	$000	$000	$000
Cost:				
At 1 January 2002	—	13,313	496	13,809
Additions	—	—	801	801
Disposals/write off.	—	—	(10)	(10)
Net exchange adjustment	—	(423)	(28)	(451)
At 31 December 2002	—	12,890	1,259	14,149
Additions	—	—	73	73
Disposals/write off.	—	(3)	(22)	(25)
Net exchange adjustment	—	1,135	113	1,248
At 31 December 2003	—	14,022	1,423	15,445
Additions	425	—	4,196	4,621
Disposals/write off.	—	—	(205)	(205)
Net exchange adjustment	—	1,435	330	1,765
At 31 December 2004	425	15,457	5,744	21,626
Additions	—	2,456	1,220	3,676
Disposals/write off.	(425)	(6)	(92)	(523)
Net exchange adjustment	—	(331)	(124)	(455)
At 31 May 2005	—	17,576	6,748	24,324
Amortisation:				
At 1 January 2002	—	1	42	43
Amortisation charge	—	358	141	499
Disposals/write off.	—	—	(10)	(10)
Net exchange adjustment	—	(5)	(3)	(8)
At 31 December 2002	—	354	170	524
Amortisation charge	—	426	317	743
Disposals/write off.	—	(2)	(16)	(18)
Net exchange adjustment	—	49	28	77
At 31 December 2003	—	827	499	1,326
Amortisation charge	—	466	565	1,031
Disposals/write off.	—	—	(205)	(205)
Net exchange adjustment	—	106	68	174
At 31 December 2004	—	1,399	927	2,326
Amortisation charge	—	295	315	610
Disposals/write off.	—	—	(92)	(92)
Net exchange adjustment	—	(31)	(21)	(52)
At 31 May 2005	—	1,663	1,129	2,792
Net carrying amount at:				
31 May 2005	—	15,913	5,619	21,532
31 December 2004	425	14,058	4,817	19,300
31 December 2003	—	13,195	924	14,119
31 December 2002	—	12,536	1,089	13,625
1 January 2002	—	13,312	454	13,766

The major component of intangible assets comprises licences in respect of the Group's mining operations. The amortisation charge for the year is allocated to production expenses and administrative expenses as appropriate.

Goodwill acquired in the year ended 31 December 2004 relates to the transfer of Apro Limited's business to the Company on 31 December 2004 and represented the difference between the consideration of $1.0 million payable over the fair value of assets acquired. The goodwill was written off during the period as no further benefit is expected to accrue to the Group after 31 May 2005 resulting from the transfer of Apro Limited's business.

Note 12: Investments

Long term investments

	Interest	At 31 December 2002	At 31 December 2003	At 31 December 2004	At 31 May 2005
		$000	$000	$000	$000
Zhezkazganmunai OJSC	65%	1,251	1,361	1,500	1,472
Kazenergokabel OJSC	10%	647	704	776	761
Other		689	245	27	71
Allowance for impairment		(1,911)	(1,361)	(1,500)	(1,472)
Investment in corporate entities		676	949	803	832
Long term deposits		544	599	588	1,569
Kazakhstan securities, held to maturity		396	461	517	507
German securities, held to maturity		—	—	3,379	3,153
		1,616	2,009	5,287	6,061

Investments in subsidiaries

The Group's interest in Zhezkazgamunai OJSC has not been consolidated as the Group has begun the procedures for liquidating this investment. Its exclusion has no material impact on the consolidated financial information of the Group. As Zhezkazganmunai OJSC is a joint stock company, the Company's exposure is limited to its investment, which has been fully provided for.

Long term deposits

As required by the Group's site restoration obligations, the Group is obliged to deposit cash in restricted special purpose bank accounts. The cash deposits restricted for site restoration obligations amounted to $1.6 million (KZT 207.9 million) at 31 May 2005 (2004: $0.6 million (KZT 77.9 million), 2003: $0.6 million (KZT 77.9 million), 2002: $0.5 million (KZT 77.9 million)) and have been classified as long term deposits.

German securities

These represent securities held by the Group's German subsidiary, MKM , in order to fund employees' entitlements resulting from old age.

Short term investments

	At 31 December 2002	At 31 December 2003	At 31 December 2004	At 31 May 2005
	$000	$000	$000	$000
Bank deposits with initial maturity longer than 3 months	101,988	178,742	259,424	280,389
Securities, General Asset Management	—	40,770	—	—
Securities, BTA Securities	—	40,893	—	—
Marketable securities held for sale	190	223	494	702
	102,178	260,628	259,918	281,091

Bank deposits

Bank deposits are deposits held at Bank Turan-Alem, Narodny Savings Bank, Centercredit Bank and Alliance Bank which attract interest rates from 7.1% to 9.5%.

General Asset Management LLC

Securities managed by General Asset Management LLC comprise State securities of the Republic of Kazakhstan (amounting to $23.2 million (KZT 3,317 million)) corporate shares of listed Kazakhstan companies (amounting to $9.9 million (KZT 1,422 million)) and corporate bonds of listed Kazakhstan companies (amounting to $7.7 million (KZT 1,101 million)). The securities were purchased as a short-term investment tool in September 2003. In March 2004 the Company disposed of the securities for cash and forfeited all the interest accrued at that date.

Bank Turan Alem Securities JSC

Securities managed by Bank Turan Alem Securities JSC comprise State securities of the Republic of Kazakhstan (amounting to $14.0 million (KZT 2,010 million)), corporate shares of listed Kazakhstan companies (amounting to $20.9 million (KZT 2,992 million)) and corporate bonds of listed Kazakhstan companies (amounting to $6.0 million (KZT 856 million)). The securities were purchased as a short-term investment tool in December 2003. In March 2004 the Company disposed of the securities for cash and forfeited all the interest accrued at that date.

Note 13: Business combination

Acquisition of subsidiary undertaking

On 15 December 2004, the Group acquired 100% of the ordinary shares of MKM, an unlisted company based in Germany. MKM produces and sells copper and copper alloy semi-finished products worldwide for various applications and industries.

At the date of acquisition, MKM had net identifiable liabilities and under an agreement with the previous owners it was sold to the Group for a nominal consideration of €4.00 for the shares, certain shareholder loans, certain intellectual property, three MKM trading companies (SARL Lamitref France, Lamitref UK Ltd and Lamitref Italia Srl) and the payment of certain taxes in connection with the acquisition. As the transaction was conducted at the year-end there was no material impact of acquiring MKM on the financial results of the Group in 2004.

The fair value of the identifiable assets and liabilities of MKM as at the date of acquisition were:

	Carrying value	Fair value adjustments	Recognised on acquisition
	$000	$000	$000
Intangible assets	1,053	(1,053)	—
Property, plant and equipment	202,077	—	202,077
Non current securities	3,379	—	3,379
Deferred tax asset	—	—	—
Deferred tax expenses	—	—	—
Cash and cash equivalents	7,903	—	7,903
Trade receivables	49,305	—	49,305
Inventories	84,711	—	84,711
	348,428	(1,053)	347,375
Trade payables	(42,387)	—	(42,387)
Provisions	(10,077)	—	(10,077)
Loan from Kazakhmys	(40,882)	—	(40,882)
Loans and borrowings	(209,245)	126,119	(83,126)
Deferred income tax liability	(8,179)	(48,051)	(56,230)
	(310,770)	78,068	(232,702)
Fair value of net assets	37,658	77,015	114,673
Negative goodwill on acquisition			111,327
Consideration paid			3,346

The cash inflow on acquisition is as follows:

	$000
Total consideration	(3,346)
Cash acquired with the subsidiary	7,903
Total cash inflow	4,557

Fair value adjustments relate to the transfer to the Group of a bank loan and former shareholder loan with outstanding balances of €138.1 million and €15.5 million, respectively, for consideration of €61.0 million and €1, respectively, together with the associated deferred tax in respect of these transfers.

From the date of acquisition MKM has contributed $nil million and $7.1 million to the profit before interest and tax of the Group for the year ended 31 December 2004 and five months ended 31 May 2005 respectively.

Under an agreement with the previous owners, the Group is obliged to maintain the current number of employees until 31 December 2006. The negative goodwill that has arisen on the acquisition is as a result of the consideration as compared to the fair value of the net assets acquired. The consideration takes into account future commitments the Group has given in respect of investment and employment levels (see note 24).

Note 14: Inventories

	At 31 December			At 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Raw materials and consumables	89,421	106,169	147,090	145,658
Work in progress	43,766	48,760	105,204	132,779
Finished goods	18,831	16,847	49,645	53,469
Provisions for obsolete inventories	(11,383)	(13,345)	(12,821)	(12,539)
Total inventories at lower of cost and net realisable value	140,635	158,431	289,118	319,367

Note 15: Trade and other receivables (current)

	At 31 December			At 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Trade receivables	39,728	159,451	132,326	142,315
Other receivables	17,501	15,827	26,468	15,411
Provisions for doubtful debts	(17,315)	(19,472)	(33,376)	(29,659)
	39,914	155,806	125,418	128,067

Trade receivables are non interest bearing . The trade receivables relating to goods delivered to the Chinese border are normally settled within 5 days. Other trade receivables are generally settled within 25-30 days.

Provision for doubtful debts as at 31 May 2005 includes a provision on the receivables from JSC Water/Heat Supply, a related party amounting to $12.6 million (KZT 1,665.2 million) (2004: $124.4 million (KZT 1,603.5 million), 2003: $10.4 million (KZT 1,496.5 million), 2002: $8.2 million (KZT 1,284.7 million)) (see note 25 — Companies under trust management).

Note 16: Advances paid and other current assets

	At 31 December			At 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Advances paid for goods and services	—	2,987	43,136	26,263
VAT reclaimable	20,040	17,750	16,151	20,626
Amounts due from HOZU Corporation (see note 25)	—	13,291	14,213	13,817
Amounts due from Zhezkazganmunai OJSC (see note 25)	5,786	6,531	7,199	7,062
Amounts due from Samsung Corporation (see note 25)	4,614	6	2	—
Unpaid share capital due from Apro Limited (see note 25)	—	—	92	92
Deferred initial public offering costs	—	—	—	7,710
Interest receivable	—	7,285	8,373	11,813
Other	2,907	23,949	22,477	13,643
Provisions for doubtful assets	(8,614)	(8,662)	(9,532)	(11,528)
	24,733	63,137	102,111	89,498

Other receivables are generally settled within 25-30 days.

Provision for doubtful assets as at 31 May 2005 include a provision on the advance paid to Zhezkazganmunai OJSC, a related party amounting to $7.1 million (KZT 935.6 million) (2004: $7.2 million (KZT 935.6 million), 2003: $6.5 million (KZT 935.6 million) , 2002: $5.8 million (KZT 901.9 million)).

Note 17: Cash and cash equivalents

	At 31 December			At 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Cash deposits with maturities of less than three months	—	—	2,909	18,934
Cash at bank	103,252	7,546	71,034	73,032
Petty cash	196	165	155	124
	103,448	7,711	74,098	92,090
Restricted cash and cash equivalents	(8,001)	—	(30,692)	(2,915)
Cash and cash equivalents for purpose of cash flow statement	95,447	7,711	43,406	89,175

Cash at bank as at 31 May 2005 includes an amount of $2.9 million (KZT 386.3 million) (2004: $30.7 million (KZT 3,989 million), 2003: $nil, 2002: $8.0 million (KZT 1,247 million)) as security for letters of credit issued by Bank Turan-Alem, Halyk Savings Bank and Yars Pentrol LLP which are in place to cover contractual liabilities of the Group that are to be settled in 2005. These funds are deemed to be restricted in their use.

Note 18: Issued capital and reserves

As stated in note 2, a pooling of interests method of accounting has been applied in the presentation of the consolidated historical financial information. This method presents the results of the Group as if the Company had always been the parent company. This has the effect that, despite the Company not being incorporated until 15 July 2004, the ordinary share capital shown throughout the period of the consolidated financial information is that of the Company following the share exchange with the shareholders of Kazakhmys.

	Number	£000	$000
Authorised			
Ordinary shares of £5.00 ($ 9.47) each	20,000,000	100,000	189,400
Special share of £1.00 ($1.89) each	1	—	—
	20,000,001	100,000	189,400
Allotted and called up share capital			
As at 31 December 2002 and 2003	16,150,588	80,753	152,965
As at 31 December 2004 and 31 May 2005	16,150,589	80,753	152,965

Allotted share capital is analysed as follows:

	Number	£000	$000
Ordinary shares of £5.00 each issued and fully paid issued in exchange for issued share capital of Kazakhmys			
As at 31 December 2002, 2003, 2004 and 31 May 2005	16,150,588	80,753	152,965
Special share of £1.00 each			
Issued on 19 November 2004	1	—	—
At 31 December 2004 and 31 May 2005	1	—	—

On incorporation, the Company issued one Ordinary Share to each of the two subscribers of the Memorandum of Association. Between 23 November 2004 and 31 May 2005, a total number of 16,150,588 Ordinary Shares of £5 each in the Company were deemed to have been issued pursuant to share exchange agreements in relation to the acquisition of Kazakhmys in return for ordinary shares of the Company.

On 19 November 2004, a special share of £1 was issued to Perry Partners S.A. in connection with the re-financing by Credit Suisse, London Branch, of debt owed by Perry Partners S.A.. The beneficial owner of the share is Perry Partners S.A. although the holder is Credit Suisse, London Branch, by way of a pledge agreement. The special share is the sole share of its class, and whilst not giving any form of control over the Company, it gives the holder the right to consent to a limited number of transactions by the Company. On Admission, if the special share has not been redeemed, the consent rights attaching to it will cease to apply.

Other reserves

Reserve fund

In accordance with legislation of the Republic of Kazakhstan the reserve fund comprises proscribed transfers from retained earnings amounting to 15% of Kazakhmys' share capital. During the five months ended 31 May 2005, the reserve fund was reduced by $5.5 million to match the reduction in Kazakhmys' capital.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of Kazakhmys and MKM into US Dollars.

Note 19: Borrowings

	Maturity	Current	Non current	Total
		$000	$000	$000
2002				
USD – 4.86%	2003	181,086	—	181,086
USD – variable at LIBOR + 5%	2003	23,762	—	23,762
		204,848	—	204,848
2003				
USD – variable at LIBOR + 2.75%	2004	118,443	—	118,443
USD – variable at LIBOR + 3%	2004	51,295	—	51,295
		169,738	—	169,738
2004				
USD – related party loan at LIBOR + 2.6%	2007	22,222	77,778	100,000
USD – variable at LIBOR + 3.0%	2005	1,000	—	1,000
Redeemable preference shares	2005	92	—	92
Euro – finance lease fixed at average 5.5%	2006	233	780	1,013
		23,547	78,558	102,105
2005				
USD – term loan – variable at LIBOR + 2.0%	2007	50,000	50,000	100,000
ABN facility – variable at LIBOR + 2.5%	2006	25,000	—	25,000
Redeemable preference shares	2005	92	—	92
Euro – finance lease fixed at average 5.5%	2007	363	135	498
		75,455	50,135	125,590

As at 31 May 2005, the 12 month LIBOR rate was 3.8% (2004:3.1%, 2003:1.46%, 2002:1.46%).

For the 3 years ending 31 December 2004 the Group has principally used short term financing based on annually renewable credit lines from various banks. Recent facilities as at 31 December 2004 and 31 May 2005 included:

USD—related party loan at LIBOR + 2.6%

In 2004, Apro Limited borrowed $100.0 million from a syndicate of banks with Citibank N.A. London Branch as arranger and account bank and Citibank International plc as the agent ("Citibank Loan"). The Company subsequently borrowed $100.0 million from Apro Limited on the same terms. This Citibank Loan was novated to the Company on 26 January 2005 at which point the loan between the Company and Apro Limited was considered settled.

USD term loan—variable at LIBOR + 2.0%

The Citibank Loan was novated to the Company on 26 January 2005 pursuant to an amendment and restatement agreement. The Citibank Loan is to be repaid in monthly instalments, each reducing the outstanding loan by an amount equal to 1/18th of all amounts borrowed by the Company under the Agreement, and it is to be fully repaid by the date falling 18 months after 30 September 2005. The Citibank Loan is secured by Kazakhmys on the future proceeds of the export contract with Alashankou Chjon Chen Trading Company in the amount of $73.6 million (KZT 9,750 million). The security terminates upon the discharge of all debt secured. In the event of the Company defaulting under the loan agreement, or diminution of the value of the security, Citibank may demand substitution or augmentation of the security by any other property of Kazakhmys. The interest rate on the loan was reduced from LIBOR plus 2.6% to LIBOR plus 2.0% from 27 January 2005.

USD—variable at LIBOR + 3.0%

On 12 April 2004 the Group entered into an annually renewable secured credit line of up to $34.0 million with Citibank Kazakhstan for the provision of short-term loans, letters of credit and guarantees of up to US$10 million.

Redeemable preference shares

On 22 October 2004, 50,000 redeemable preference shares of £1 each were allotted by the Company and issued to Apro Limited at par on the condition that they are to be redeemed by the Company no later than 31 December 2005. The redeemable preference shares have limited rights and do not qualify for dividends or voting. These shares were redeemed on 20 September 2005 in preparation for the initial public offering.

Euro—finance lease fixed at average 5.5%

MKM has entered into leasing arrangements for certain plant and equipment, under which ownership of the assets transfers to MKM at the end of the lease term. At 31 May 2005 the carrying value of fixed assets under the leases was €6.9 million ($8.6 million) (2004: €7.4 million ($10.3 million)). The residual term of the leases is an average of 1.5 years, and the remaining economic useful life of the assets under lease is 8 years. At 31 May 2005 the total value of the minimum leasing payments was €0.5 million ($0.6 million) (2004: €0.7 million ($1.0 million)). Obligations under the leasing arrangements are included within borrowings. For the five months ended 31 May 2005, the average effective borrowing rate was 5.5 per cent.

Due to the difference between the average residual terms of the leases and the remaining useful lives of the leased assets, there is a difference between the remaining financial obligations resulting from the leasing agreements and corresponding residual book value.

	As at 31 December 2004		As at 31 May 2005	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	$ 000	$ 000	$ 000	$ 000
Amounts falling due:				
Within one year	296	233	483	363
In two to five years	954	780	135	135
	1,250	1,013	618	498
Less future finance charges	(237)	—	(120)	—
Present value of finance lease obligations	1,013	1,013	498	498
Less amounts due for settlement within one year		(233)		(363)
Amounts due for settlement after more than one year		780		135

ABN facility—variable at LIBOR + 2.5%

On 2 April 2004 Kazakhmys entered into a loan facility agreement (the ''ABN Agreement'') with CJSC ABN AMRO Bank Kazakhstan (''ABN'') under which ABN granted to Kazakhmys a revolving credit facility of up to US$25.0 million until 4 April 2005. The interest payable is LIBOR + 2.9% for loan advances in USD and EUR, and 8% for loan advances in KZT. The guarantee/letter of credit issue fee is 2% per annum or KZT 23,000, whichever is the higher. Kazakhmys must open an account with ABN and ensure that monthly turnover in this account is not less than US$10.0 million. Kazakhmys has no obligation to encumber the account in favour of ABN. The ABN Agreement is governed by Kazakhstan law and is subject to the jurisdiction of the Kazakhstan courts.

The facility was extended until 4 April 2006 and the terms have been modified as follows:

- The interest rate for USD and Euro advances was reduced to LIBOR + 2.5%; and
- The guarantee/letter of credit issue fee was reduced to 1.5% of the value of the relevant guarantee/letter of credit.

Note 20: Employee benefits

The following tables summarise the components of net benefit expense recognised in the consolidated income statement and amounts recognised in the consolidated balance sheet for the respective plans:

	Year ended 31 December			5 month period ended 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Kazakhstan (post retirement benefits)	16,715	19,309	22,454	22,544
Germany (part time contracts)	—	—	5,862	5,288
Recognised liability for employee benefit obligations	16,715	19,309	28,316	27,832

Kazakhstan

	Year ended 31 December			5 month period ended 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Net liability at 1 January	16,194	16,715	19,309	22,454
Employer's share of current service costs	238	260	312	144
Interest on obligation	1,339	1,392	1,617	761
Benefits provided to employees	(526)	(575)	(804)	(386)
Net exchange adjustment	(530)	1,517	2,020	(429)
Net liability at 31 December/31 May	16,715	19,309	22,454	22,544

The Group provides post-retirement benefits in Kazakhstan. There are no actuarial gains and losses on prior period service costs which exist as at 31 May 2005. K assumptions adopted in calculating the employee benefit liabilities and associated charges for all periods are as follows:

Discount rate	8.5% per annum
Expected rate of annual material assistance increases	6.0% per annum
Expected rate of annual railway ticket price increases	6.0% per annum
Expected rate of increase in annual medical costs	7.5% per annum

The Group continues to pay the non-monetary benefits described in note 4.

Germany

In Germany, MKM has obligations arising from part-time contracts for older employees that have been collectively agreed with the employees' trade union. The amount of these obligations has been calculated using a 3.0% discount rate.

Note 21: Provisions and accrued liabilities

	Site restoration	Restructuring	Purchase of geological information	Taxation	Vacation	Other	Total
	$000	$000	$000	$000	$000	$000	$000
At 1 January 2002	13,536	—	13,306	90	3,314	—	30,246
Arising during the period	—	—	—	—	3,744	—	3,744
Utilised	—	—	(373)	—	(3,336)	—	(3,709)
Exchange adjustment	(446)	—	(433)	(3)	(111)	—	(993)
Unwinding of discount	1,065	—	1,046	—	—	—	2,111
At 31 December 2002	14,155	—	13,546	87	3,611	—	31,399
Current	—	—	—	87	3,611	—	3,698
Non-current	14,155	—	13,546	—	—	—	27,701
	14,155	—	13,546	87	3,611	—	31,399
Arising during the period	—	—	—	6,103	3,239	—	9,342
Utilised	—	—	(383)	(31)	(3,337)	—	(3,751)
Exchange adjustment	1,296	—	1,225	270	313	—	3,104
Unwinding of discount	1,181	—	1,130	—	—	—	2,311
At 31 December 2003	16,632	—	15,518	6,429	3,826	—	42,405
Current	—	—	—	6,429	3,826	—	10,255
Non-current	16,632	—	15,518	—	—	—	32,150
	16,632	—	15,518	6,429	3,826	—	42,405
Arising during the period	—	—	—	—	6,465	—	6,465
Utilised	—	—	(421)	(6,774)	(4,972)	—	(12,167)
Exchange adjustment	1,766	—	1,628	345	460	—	4,199
Unwinding of discount	1,402	—	1,308	—	—	—	2,710
Additions via business acquisition	2,089	3,918	—	—	742	613	7,362
At 31 December 2004	21,889	3,918	18,033	—	6,521	613	50,974
Current	—	328	—	—	6,521	103	6,952
Non-current	21,889	3,590	18,033	—	—	510	44,022
	21,889	3,918	18,033	—	6,521	613	50,974
Arising during the period	2,088	646	—	—	2,257	1,174	6,165
Utilised	(238)	(1,290)	(47)	—	(1,743)	(229)	(3,547)
Exchange adjustment	(520)	(318)	(352)	—	(131)	(128)	(1,449)
Unwinding of discount	738	—	598	—	—	—	1,336
At 31 May 2005	23,957	2,956	18,232	—	6,904	1,430	53,479
Current	1,314	2,784	—	—	6,904	660	11,662
Non-current	22,643	172	18,232	—	—	770	41,817
	23,957	2,956	18,232	—	6,904	1,430	53,479

Site restoration

The costs of decommissioning and reclamation 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 per cent per year. The liability becomes payable at the end of the useful life of each mine, which ranges from 1 to 43 years. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the levels of discount and inflation rates.

Purchase of geological information

In accordance with its contracts for subsoil uses the Group is liable to repay the costs of geological information provided by the Government of the Republic of Kazakhstan for licensed deposits. The total amount payable is discounted to its present value using a discount rate of 8 per cent. The uncertainties include estimating the amount of the payments and their timing. The amounts are payable prior to 2025.

Restructuring

The restructuring provision relates to the expected costs of restructuring in MKM. The restructuring plan, which was drawn up by MKM management prior to the acquisition of MKM by Kazakhmys, is in respect of the closure costs related to MKM's copper cathode production plant. The restructuring activity is expected to be completed by December 2006.

Vacation

The vacation provision represents the estimated cost of accrued vacation pay based on local legislation and labour contracts in force.

Taxation

Provisions for tax payments represent the estimated amount of tax penalties incurred for the late filing of amended tax returns based on the level of penalties specified by the relevant legislation. The main uncertainties involved in estimating this provision relate to the timing of the assessment and the quantification of the amounts due.

Other

Other provisions are recorded where the Group has a legal or constructive obligation and a future outflow of resources is considered probable.

Note 22: Trade and other payables (current)

	At 31 December			At 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Trade payables	45,791	54,810	82,117	100,175
Amounts due to Samsung Corporation	26,362	27,136	281	—
Amounts due to Apro Limited	—	—	14,653	—
Other taxes payable	4,923	9,904	4,552	2,201
Salaries and related payables	10,837	15,773	17,631	10,510
Dividends payable	598	615	—	—
Other payables and accrued expenses	3,352	5,189	18,746	32,661
	91,863	113,427	137,980	145,547

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 30-40 day terms.

For terms and conditions in respect of Samsung Corporation and Apro Limited refer to note 25.

Other taxes payable comprise sales tax, property tax and road tax and are remitted to the appropriate tax body on a quarterly basis.

Other payables are non-interest bearing and have an average term of 30 days.

Note 23: Notes to the consolidated cash flow statement

	Year ended 31 December 2002	2003	2004	5 month period ended 31 May 2005
	$000	$000	$000	$000
Reconciliation of profit from continuing operations to cash flows from operating activities:				
Profit before taxation	259,646	240,094	664,998	306,381
Interest income	(6,439)	(9,320)	(13,801)	(8,110)
Interest expense	7,067	11,414	9,304	7,416
Unwinding discounts on other liabilities	(3,030)	(3,324)	(1,729)	—
Depreciation and amortisation	127,637	134,109	156,262	74,128
Recognition of negative goodwill	—	—	(111,327)	—
Write off and impairment losses	9,702	7,823	41,868	3,630
Release of allowance on inventories	—	—	—	(38)
Foreign exchange (gain)/loss	(4,291)	(2,976)	13,552	121
Loss on disposal of property, plant and equipment	6,999	7,600	21,910	6,914
Loss on disposal of intangible assets	—	—	—	6
Operating profit before changes in working capital and provisions	397,291	385,420	781,037	390,448
(Increase)/decrease in inventories	9	(6,121)	(28,460)	(28,103)
(Increase) decrease in advances paid and other current assets	15,923	(27,743)	(30,600)	20,211
(Increase)/decrease in debtors	(14,507)	(108,769)	79,395	(6,033)
Increase/(decrease) in creditors	12,030	17,371	(64,583)	(832)
Increase (decrease) in employee benefits	1,051	1,077	1,125	(475)
Increase (decrease) in provisions	408	5,974	(4,160)	4,126
(Increase)/decrease in restricted cash	26,378	8,001	(30,692)	27,567
Cash flow from operations before income taxes and interest	438,583	275,210	703,062	406,909
Income tax paid	(132,781)	(126,066)	(164,156)	(169,933)
Interest paid	(1,855)	(9,763)	(2,920)	(5,268)
Net cash flows from operating activities	303,947	139,381	535,986	231,708

	At 1 January 2002	Cash flow	Translation adjustments	Other non cash movements	At 31 December 2002
	$000	$000	$000	$000	$000
Analysis of net debt movements:					
Bank deposits with maturity greater than three months	160,563	(59,722)	1,147	—	101,988
Cash and cash equivalents	(29,547)	126,718	(1,724)	—	95,447
Borrowings	(84,318)	(128,818)	8,288	—	(204,848)
Net (debt)/cash	46,698	(61,822)	7,711	—	(7,413)

	At 31 December 2002	Cash flow	Translation adjustments	Other non cash movements	At 31 December 2003
	$000	$000	$000	$000	$000
Bank deposits with maturity greater than three months	101,988	75,683	1,071	—	178,742
Cash and cash equivalents	95,447	(92,480)	4,744	—	7,711
Borrowings	(204,848)	37,248	(2,138)	—	(169,738)
Net (debt)/cash	(7,413)	20,451	3,677	—	16,715

	At 31 December 2003	Cash flow	Acquired with subsidiary	Translation adjustments	Other non cash movements	At 31 December 2004
	$000	$000	$000	$000	$000	$000
Bank deposits with maturity greater than three months	178,742	81,877	—	(1,195)	—	259,424
Cash and cash equivalents	7,711	32,274	—	3,421	—	43,406
Borrowings	(169,738)	153,296	(82,113)	(2,445)	—	(101,000)
Finance leases	—	—	(1,013)	—	—	(1,013)
Redeemable preference shares	—	—	—	—	(92)	(92)
Net (debt)/cash	16,715	267,447	(83,126)	(219)	(92)	200,725

	At 31 December 2004	Cash flow	Translation adjustments	Other non cash movements	At 31 May 2005
	$000	$000	$000	$000	$000
Bank deposits with maturity greater than three months	259,424	26,279	(5,314)	—	280,389
Cash and cash equivalents	43,406	49,005	(3,236)	—	89,175
Borrowings	(101,000)	(23,585)	(415)	—	(125,000)
Finance leases	(1,013)	449	66	—	(498)
Redeemable preference shares	(92)	—	—	—	(92)
Net (debt)/cash	200,725	52,148	(8,889)	—	243,974

Note 24: Commitments and contingencies

Legal claim

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes 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 May 2005 the Group was not involved in significant legal proceedings, including arbitration.

Taxation contingencies

Inherent uncertainties in interpreting tax legislation

The Group is subject to uncertainties relating to the determination of its tax liabilities for each reporting period. As the tax system and tax legislation in Kazakhstan have been in force for only a relatively short time, those uncertainties are substantially greater than typically found in countries with more developed tax systems. Applicable taxes include value added tax, corporate income tax and excess profits tax. Laws relating to applicable taxes are not clearly determinable and legislation is evolving and is subject to different and changing interpretations, as well as inconsistent enforcement. The uncertainty of application and the evolution of tax laws create a risk of additional tax payments having to be made by the Group, which could have a material adverse effect on the Group's financial position and results of operations.

In relation to excess profits tax, the tax law gives no explicit guidance on how the tax base should be determined for individual subsurface use contracts relevant to certain members of the Group. Prior to 2002 it was not clear from the contracts themselves as to how profitability should be allocated to the Group's mining operations. In the event of a successful challenge by the tax authorities, the Group may be liable for additional payments of excess profits tax. Depending on the interpretation adopted and the amounts, if any, that are involved, this could have a significant adverse impact on the Group's financial position and on its profit for a reporting period. Under such circumstances, there would also be a consequential significant adverse impact on all subsequent periods due to the cumulative nature of the excess profits tax calculations.

Status of tax audits

In 2004 the Kazakh tax authorities conducted a tax audit on Kazakhmys for the periods 1998 to 2002. For all taxes, the fact that the tax authorities have conducted an audit of a particular period does not prevent them from revisiting that period and raising an additional assessment. In addition, Kazakhstan's tax system does not have the concept of the tax authorities giving legally binding rulings on tax issues that are put to them.

Period for additional tax assessments

The tax authorities are able to raise additional tax assessments for five years after the end of the relevant tax period.

Penalties/charges

Tax regulation and compliance is subject to review and investigation by a number of levels of the tax authorities and the Courts who may impose severe fines, penalties and interest charges.

Possible additional tax liabilities

Management believes that the Group is in substantial compliance with the tax laws and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant government authorities may take a differing position with regard to the interpretation of contractual provisions or tax law.

The resulting effect of this matter is that significant additional tax liabilities may arise. However, due to the range of uncertainties described above in assessing any potential additional tax liabilities, it is not practicable for management 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.

German taxation contingencies

(i) Status of tax audits

The German tax authorities have conducted a tax audit of MKM for 1998, however, the years from 1999 to 2004 remain open for inspection. Consequently, the tax figures recorded in the financial statements for these years may be subject to change.

(ii) Payments of future utilised tax losses

In accordance with the privatization agreement between the successor body of the former state-controlled shareholder in MKM, BMBG Beteiligungs-Management-Gesellschaft Berlin GmbH (''BMGB'') and Lamitref Holding B.V., dated 18 December 1995, to the extent that MKM utilises tax losses against taxable income, it is required to make certain agreed upon payments to BMGB.

As MKM has reported tax losses in recent years, no payment to date to BMGB has been necessary. The amounts which are potentially payable to BMGB are:

— 50% of the tax saving arising from the utilisation of tax losses (up to maximum €179 million) which existed as at 31 December 1998 against corporate income tax (€23.6 million);

— 100% of the tax saving arising from the utilisation of tax losses which existed as at 31 December 1998 against trade tax (€38.8 million); and

— up to 100% of the tax savings arising from the utilisation of tax losses which existed as at 31 December 1998 exceeding €179 million against both corporate income tax (€26.4 million).

Any such payment is due on 31 December, two years following the year in which the tax losses are utilised, if the annual tax declaration is delivered before 1 October of the year following that in which the loss was utilised, but not before a tax assessment notice has been issued.

No deferred tax asset has been recognized in respect of the tax losses at MKM (refer to note 6) and consequently, no corresponding liability in respect of payments to BMGB has been recognised.

Insurance

The insurance industry in Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. The Group is self-insured.

Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Environmental contingencies

Environmental regulations in the Republic of Kazakhstan are continually evolving. The outcome of the environmental regulations under proposed or any future environmental legislation cannot be estimated at present. As obligations are determined, they will be provided for in accordance with the Group's accounting policies. Management believes that there are no significant liabilities under current legislation not accrued for in the Group's consolidated financial information.

The provision that has been made for costs associated with restoration and abandonment of mine sites upon depletion of deposits (see note 20), is based upon the estimation of Company specialists. Where events occur that change the level of estimated future costs for these activities, the provision will be adjusted accordingly.

Use of subsoil rights

In Kazakhstan, all subsoil reserves belong to the State, with the Ministry of Energy and Mineral Resources (the ''Ministry'') granting exploration and production rights to third party bodies. Subsoil 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. Expenditure commitments under these subsoil agreements are shown below. The current subsoil rights will expire at varying dates up to 2025.

Obligations to pension fund beneficiaries

The pension scheme is run by CJSC ABN Amro Bank Kazakhstan, and is termed the ''Accumulating Pensions Funds of Kazakhmys Corporation'' (the ''Fund''). The Fund is a corporate accumulative pension fund established under the laws of Kazakhstan. Certain of Kazakhmys' employees and former employees are beneficiaries, and are entitled to an amount comprising the indexed value of their contributions. Under Kazakh law, the Fund calculates the benefits of its members on an annual basis.

The Fund's rules set out that the payment obligation to fund beneficiaries are based on the nominal value of contributions, indexed in accordance with a formula set out in the Fund's rules. If the assets of the Fund are insufficient to cover the payment obligations to the beneficiaries, the voting shareholders of the Fund (including Kazakhmys) are jointly liable for the shortfall.

The last valuation as at 31 December 2004 showed the Fund's payment obligations were KZT 10.9 billion ($82.0 million), and the fair market value of the Fund's assets amounted to KZT 12.9 billion ($97.0 million). As at 31 August 2005, the fair market value of the Fund's payment obligations were KZT 12.4 billion ($94.0 million), and the Fund's assets amounted to KZT 15.0 billion ($113.0 million).

Commitments in respect of the acquisition of MKM

In the context of its acquisition of MKM in December 2004, the Group is committed to invest approximately €35.0 million ($43.0 million) in capital expenditure by 31 December 2008, inject working capital of €30.0 million ($37.0 million) and ensure MKM employs at least 1,006 employees up to 31 December 2006.

Other commitments

The table below sets out the Group's expenditure commitments with their respective maturity profiles as at 31 May 2005:

	Less than one year $'000	One to three years $'000	Three to five years $'000	More than five years $'000	Total $'000
Training programmes — contracted	593	1,204	1,213	5,590	8,600
Capital expenditure — contracted	132,612	172,125	96.750	994,859	1,396,346
Capital expenditure — uncontracted	—	19,151	—	—	19,151
Social sphere purchase commitments	72,377	23,593	—	—	95,970
	205,582	216,073	97,963	1,000,449	1,520,067

Training expenditure — contracted

The Group has obligations under all of its subsoil contracts in Kazakhstan to invest in training the local Kazakh workforce. In about half of its contracts and licences, minimal obligations have been agreed as part of the subsoil contract, and are reflected in the table above. In the other contracts, these training obligations are calculated as a function of the revenues or expenses associated with such contracts. In such instances, this amount is generally not less either 0.1% of the revenues, operational expenses or extraction expenses associated with the relevant contract.

Capital expenditure — Contracted

In addition, the Group has capital expenditure obligations under its subsoil agreements. This expenditure is invested in community-related projects, and includes improvements to social sphere assets, infrastructure and public utilities.

Capital expenditure – committed

The Company has a capital commitment for the construction of a new tailings dump at Zhezkazgan at an expected construction cost of KZT 2,537 million ($19.1 million]). The new tailings dump is expected to be completed by 2008.

Purchase commitments

The Group has commitments relating to contracts which were entered into prior to 31 May 2005 for the purchase of equipment and materials, and for the leasing of equipment.

Guarantee of employee loans

Kazakhmys' employees are permitted to enter into loan arrangements with banks on normal commercial terms under which Kazakhmys has guaranteed to deduct repayments from employees' remuneration in accordance with agreed schedules of repayment. The total value of this guarantee amounted to $5.9 million as at 31 May 2005 (2004: $7.1 million, 2003: $6.4 million, 2002: $5.9 million).

Financial covenants

Kazakhmys has various credit arrangements with banks under which it must comply with financial covenants thereto. The nature of such covenants is in line with prevailing market practice in Kazakhstan.

Note 25: Related party disclosures

Control relationships

The table below shows the main shareholders in Kazakhmys as at 31 December 2002 and 2003, being the period prior to the Company's incorporation, and in the Company as at 31 December 2004 and 31 May 2005:

	Percentage equity interest			
	At 31 December			At 31 May
	2002 %	2003 %	2004 %	2005 %
Name				
Samsung Corporation	60.8	28.8	—	—
Perry Partners S.A.[1]	—	—	38.0	37.7
Cuprum Holding B.V. (Netherlands)[2]	—	25.7	34.0	33.7
Harper Finance Limited[3]	13.6	19.2	25.5	25.1
Rego International (Nevis Island)	6.9	4.9	—	—
Kinton Trade Limited[4]	—	—	2.1	2.3
Dillon Enterprises	1.6	5.1	—	—
Companies registered in Kazakhstan	4.6	12.3	—	—
Other minority shareholders[5]	12.5	4.0	0.4	1.2
	100.0	100.0	100.0	100.0

Notes:

(1) Mr Yong Keu Cha, a director of the Company, is interested in 100% of the share capital of Perry Partners S.A.

(2) Mr Vladimir Kim, a director of the Company, is interested in 100% of the share capital of Cuprum Holding B.V. (Netherlands).

(3) Mr Kim and Mr Oleg Novachuk, a director of the Company, are interested in 50% and 45%, respectively, of the share capital of Harper Finance Limited.

(4) Mr Novachuk is interested in 50% of the share capital of Kinton Trade Limited.

(5) Additionally, Mr Kim is directly interested in 6,175 of the Company's shares.

Transactions with related parties

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial period:

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		$000	$000	$000	$000
Samsung Corporation:					
	2005	—	—	—	—
	2004	—	5,359	2	281
	2003	30,129	28,163	6	27,136
	2002	23,906	44,834	4,614	26,362
Apro Limited:					
	2005	20,914	—	92	—
	2004	1,015,121	1,432	54,656	114,652
	2003	616,962	—	132,933	—
	2002	602,979	—	16,363	—
Other:					
Hozu Corporation	2005	—	117	13,817	—
	2004	—	—	14,213	—
	2003	—	—	7,637	—
	2002	—	—	—	—
Zhezkazganmunai OJSC	2005	—	—	7,062	—
	2004	—	—	7,199	—
	2003	—	—	6,531	—
	2002	—	—	5,786	—
Companies under trust management:	2005	4,827	3,403	15,395	—
	2004	6,959	5,512	13,273	—
	2003	5,502	3,716	10,669	—
	2002	4,901	3,528	8,254	34

Samsung Corporation

Purchases from and balances owed to Samsung Corporation relate to management services fees. Sales and balances owed by Samsung Corporation relate principally to the sale of silver. After Samsung Corporation ceased being a shareholder in the Group, in the view of the directors it is no longer a related party and, accordingly, no disclosure of transactions during the course of 2005 have been presented.

Apro Limited

In 2002, the Group entered into an exclusive purchasing agreement with Samsung Corporation and Harper Finance Limited, collectively referred to as the Consortium, providing it with the right to buy all of Kazakhmys' products. The Consortium appointed Apro Limited to sell Kazakhmys' exported productions. Under this arrangement Apro Limited purchased Kazakhmys' products as principal and sold them on to end customers. Under the purchasing agreement, Apro Limited purchased products from the Group at a discount to the prevailing London Metal Exchange price. Apro retained a fee based on a percentage of sales revenue. The exclusive purchasing agreement ceased in December 2004 and the Company acquired certain assets from Apro Limited on 31 December 2004. Accordingly, sales to Apro Limited account for the significant proportion of Group revenues in the three years ended 31 December 2004. Revenues in the year ended 31 December 2004 also include a sales service agreement fee payable by Apro Limited of $13.4 million (the outstanding balance of $10.3 million at 31 December 2004 was settled on 9 March 2005), which is included within the Group's Other income. Balances due from Apro Limited in respect of these trading arrangements are included within trade receivables.

As at 31 December 2004 amounts owed to Apro Limited included a $100.0 million loan, which bore interest at LIBOR plus 2.6% per annum. The original loan between Apro Limited and the syndicate of banks was novated to the Company on 26 January 2005 at which point the loan between the Company and Apro Limited was deemed to be settled. This balance has been included within Borrowings as at 31 December 2004 (refer to note 19). Amounts owed by Apro Limited as at 31 December 2004 and 31 May 2005 also include $0.1 million in respect of unpaid share capital for the redeemable preference shares (see notes 16 and 18).

As at 31 December 2004 payables to Apro Limited included $1.0 million of consideration in respect of the assets transferred to the Company, $0.2 million in respect of a management fee and $0.2 million in respect of interest on the related party loan (see note 22). All balances have been settled.

Other

Other includes transactions and balances in respect of HOZU Corporation, a company in which Mr Vladimir Ni, a director of the Company, is a director. As at 31 May 2005, there was an amount outstanding of $13.8 million (2004: $14.2 million, 2003: $7.6 million, 2002: $nil), which relates to an interest free loan, which matures on 31 December 2005 and is secured on property owned by HOZU Corporation. As at 31 May 2005, the fair value of the collateral against the loan exceeded the amount outstanding.

Companies under trust management agreements

The Group operates a number of companies under trust management agreements with local authorities. The activities include heating distribution systems, road maintenance and aviation services. The purpose of these agreements is to provide public and social services without any financial benefit for the Group. Transactions between the Group and these companies are conducted on an arm's length basis.

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.

Transactions with other related parties

Compensation of key management personnel of the Group

Key management personnel of the Group include the six members of the management board of Kazakhmys and the three directors of the Company who receive remuneration from the Group.

	At 31 December			At 31 May
	2002	2003	2004	2005
	$000	$000	$000	$000
Salaries and bonuses	678	3,340	4,045	2,398
Contributions to pension funds	—	—	—	—
Total compensation paid to key management personnel	678	3,340	4,045	2,398

Other issues

One of Kazakhmys' non-executive directors is also the President of Samsung Corporation, one of the Company's major customers. Samsung Corporation does not meet the definition of a related party under IAS 24 'Related Party Disclosures'.

Note 26: Significant subsidiaries

The consolidated financial information includes the financial information of the Company and the subsidiaries listed in the following table.

	Country of incorporation	Percentage equity interest At 31 December 2002	2003	2004	At 31 May 2005
		%	%	%	%
Kazakhmys	Kazakhstan	97.4	97.4	97.4	97.4
MKM	Germany	—	—	100.00	100.0
Kaz Kupfer GmbH	Germany	—	—	100.00	100.0
Zhezkazgan Geology OJSC	Kazakhstan	65.0	65.0	65.0	67.0
Pension Fund Kazakhmys OJSC	Kazakhstan	98.0	98.0	98.0	99.0
Insurance Company LLP	Kazakhstan	100.00	100.00	100.00	100.0
Roskazmed LLP	Russia	—	—	50.0	50.0

The Company is the ultimate parent entity of the companies above.

Note 27: Financial risk management objectives and policies

Foreign currency risk

The Group has translated currency exposures. Such exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. The currencies giving rise to this risk are primarily the US dollar for revenues, certain cash deposits and loans of Kazakhmys, and the US dollar in respect of certain revenues of MKM. The Group does not enter into significant hedging positions in respect of its exposure to foreign currency risk.

Commodity price risk

The Group is exposed to the effect of fluctuations in the price of copper, which is quoted in US Dollars on the international markets. The Group has prepared a business plan including sensitivity analyses in respect of various levels of copper prices in the future.

Kazakhmys does not hedge its exposure to the risk of fluctuations in the price of copper and other minerals. MKM uses commodity futures to manage its exposure to changes in the price of copper.

Credit risk

The Group does not require collateral in respect of financial assets. It is the Group's policy that credit evaluations are performed on all customers, other than related parties, who wish to trade on credit terms whereby they require credit over a certain amount. The Group regularly monitors its exposure to bad debts in order to minimise this exposure. At the balance sheet date there was a significant concentration of credit risk in respect of amounts receivable from related parties.

	At 31 December 2002	2003	2004	At 31 May 2005
	$000	$000	$000	$000
Total amount receivable from related parties	35,797	165,214	80,321	36,382
Provisions for doubtful debt	(11,921)	(14,022)	(21,163)	(19,630)
Net amount receivable from related parties	23,876	151,192	59,158	16,752

The maximum exposure with respect to credit risk arising from the Group's other financial assets is represented by the carrying amount of each financial asset on the balance sheet.

Interest rate risk

The Group has financial assets and liabilities, which are exposed to interest rate risk. Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be at fixed or at variable rates and the Group does not use hedging instruments to minimise the exposure. However, at the time of taking new loans or borrowings management uses its judgement to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

	At 31 December 2002						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	$000	$000	$000	$000	$000	$000	$000
Fixed rate							
Secured bank loan — 4.86%	(181,086)	—	—	—	—	—	(181,086)
Floating rate							
Cash assets	197,435	—	—	—	—	544	197,979
Secured bank loan — LIBOR +5%	(23,762)	—	—	—	—	—	(23,762)

	At 31 December 2003						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	$000	$000	$000	$000	$000	$000	$000
Floating rate							
Cash assets	186,453	—	—	—	—	599	187,052
Secured bank loan — LIBOR +2.75%	(118,443)	—	—	—	—	—	(118,443)
Secured bank loan — LIBOR +3%	(51,295)	—	—	—	—	—	(51,295)

	At 31 December 2004						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	$000	$000	$000	$000	$000	$000	$000
Fixed Rate							
Finance leases	(233)	(780)	—	—	—	—	(1,013)
Floating rate							
Cash assets	302,830	—	—	—	—	588	303,418
Related party loan — LIBOR +2.6%	(22,222)	(66,667)	(11,111)	—	—	—	(100,000)
Secured bank loan — LIBOR +3.0%	(1,000)	—	—	—	—	—	(1,000)

	At 31 May 2005						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	$000	$000	$000	$000	$000	$000	$000
Fixed rate							
Finance leases	(363)	(135)	—	—	—	—	(498)
Floating rate							
Cash assets	369,564	—	—	—	—	1,569	371,133
USD term loan – variable at LIBOR + 2.0%	(50,000)	(50,000)	—	—	—	—	(100,000)
ABN Facility – variable at LIBOR + 2.5%	(25,000)	—	—	—	—	—	(25,000)

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Price risk

The Group holds German securities on behalf of employees in order to fund its obligations arising from part time contracts for older employees (note 12). In addition the Group holds long and short term investments and marketable securities (note 12). The Group is therefore exposed to fluctuations in the market price of these securities.

Note 28: Fair values

For those investments which are actively traded on the stock exchange the fair value is based on market prices. In other cases fair value has been determined as of the balance sheet date by discounting the estimated future cash flows using market interest rates for similar instruments. As a result of this exercise management has determined that the fair value of the Group's financial assets and liabilities, comprising cash, trade and other receivables, short term investments, payables and obligations under debt instruments, approximates the carrying amounts.

Audited financial statements for MKM

The financial statements presented are extracted without material adjustment from the audited non-statutory financial statements prepared under IFRS. The financial statements have been audited by the local auditor, RSM Haarmann Hemmelrath GmbH.

Annual financial statements as at 31 December 2004 of MKM Mansfelder Kupfer und Messing GmbH Hettstedt based on IFRS

Translation of the financial statements for the year ended 31 December 2004 and the auditors' report from the original German version which is duly signed

BALANCE SHEET AS AT 31 DECEMBER 2004 BASED ON IFRS

	Notes	December 31 2004	December 31 2003
		€	€
NON-CURRENT ASSETS			
Intangible assets	(1)		
Software and licences		706,168	752,996
Goodwill		—	206,264
		706,168	959,260
Fixed	(2)		
Property, plant and equipment			
Land and buildings		46,882,601	54,407,934
Technical equipment and machinery		95,147,291	115,233,425
Other equipment, operating and business equipment		3,928,694	5,543,152
Advanced payments made and plant under construction		1,624,751	1,250,722
		147,583,337	176,435,233
Financial assets	(3)		
Non-Current securities		2,453,299	—
Deferred charges and prepaid expenses		—	75,527
CURRENT ASSETS			
Inventories	(4)		
Raw materials, supplies and operating materials		28,184,529	13,130,696
Unfinished goods		25,846,627	14,789,501
Finished goods		15,433,740	9,908,358
Advanced payments made		198,540	—
		69,663,436	37,828,555
Receivables and other assets	(5)		
Trade receivables		27,026,397	21,214,508
Receivables from affiliated companies		10,128	291,602
Other asstes		4,452,157	5,268,130
		31,488,682	26,774,240
Cash and cash equivalents	(6)	45,742,635	5,335,746
Deferred charges and prepaid expenses	(7)	546,707	401,179
		298,184,264	247,809,740

EQUITY AND LIABILITIES

	Notes	December 31 2004	December 31 2003
		€	€
EQUITY	(8)		
Capital subscribed		38,349,000	38,349,000
Capital reserves		61,000,000	141,179,590
Revenue reserves		10,171,683	10,171,683
Accumulated profits/(losses)		387,787	(126,614,577)
		109,908,470	63,085,696
NON-CURRENT LIABILITIES			
Financial liabilities	(10)	—	76,693,782
Trade payables	(10)	218,269	921,791
Payables due to shareholders	(10)	70,811,308	—
Other provisions	(9)	4,349,225	4,661,922
Deferred tax liabilities	(11)	5,693,963	2,116,740
		81,072,765	84,394,235
CURRENT LIABILITIES			
Financial liabilities	(10)	—	56,242,107
Trade payables	(10)	19,064,859	17,088,982
Payables due to affiliated companies	(10)	30,259,767	16,590,880
Payables due to shareholders	(10)	45,229,900	—
Other liabilities	(10)	7,268,017	7,131,731
Provision for taxation		30,000	30,000
Other provisions and accrued liabilities	(9)	5,350,486	3,246,109
		107,203,029	100,329,809
		298,184,264	247,809,740

INCOME STATEMENT FOR THE FINANCIAL YEAR 2004 BASED ON IFRS

	Notes	2004	2003
		€	€
Net sales	(1)	391,757,806	379,513,771
Changes in inventory		16,582,508	(9,444,156)
Other operating income	(4)	27,319,800	7,239,100
Cost of materials	(2)		
Cost of raw materials, supplies and operating material and for goods received		(332,665,232)	(295,218,078)
Cost of purchased services		(3,557,567)	(7,903,029)
		(336,222,799)	(303,121,107)
Personnel expenses	(3)		
Wages and salaries		(30,035,118)	(34,444,511)
Social security, pension and other benefits		(6,783,690)	(7,179,713)
		(36,818,808)	(41,624,224)
Depreciation of fixed assets and amortization of intangible assets and tangible assets		(30,585,847)	(20,867,498)
Other operating expenses	(4)	(33,092,679)	(34,811,996)
Operating result		(1,060,019)	(23,116,110)
Interest and similar income		2,129,100	3,963,626
Depreciation of financial assets and short-term investments		(22,055)	—
Interest and similar expenses		(11,398,497)	(12,326,912)
Financial result	(5)	(9,291,452)	(8,363,286)
Loss from ordinary activities		**(10,351,471)**	**(31,479,396)**
Other taxes		(248,528)	(271,923)
Income taxes	(6)	3,577,227	(281,252)
Net loss		**(14,177,226)**	**(32,032,571)**
Loss carried forward		(126,614,577)	(94,582,006)
Appropriation of earnings		141,179,590	—
Accumulated profits/(losses)		**387,787**	**(126,614,577)**

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2004 BASED ON IFRS

		2004	2003
		€	€
	Earnings before taxation and interest	(6,165,718)	(23,625,120)
+	Adjustments for depreciation and amortization of fixed and intangible assets.	30,585,847	20,867,498
+	Increase in provisions	1,791,680	402,860
	Cash flows	26,211,809	(2,354,762)
+	Gain on disposal of non-current assets	106,544	1,383
−/+	Increase/Decrease in trade and other receivables and in inventories	(35,550,517)	11,688,508
−/+	Decrease/Increase in trade payables and other liabilities	(12,439,939)	8,538,973
−	Interest paid	(7,906,836)	(8,249,111)
+	Interest received	143,855	113,583
−	Other taxes paid	(248,527)	(271,923)
	Cash flows from operating activities	(29,683,611)	9,466,651
−	Investment in intangible assets and property, plant and equipment	(2,317,863)	(5,545,840)
−	Investment in financial assets	(2,475,355)	—
+	Proceeds/Payoffs from the disposal of intangible assets and property, plant and equipment	(16,282)	155,143
	Cash flows from investing activities	(4,809,500)	(5,390,697)
−	Redemption of financial liabilities	—	(10,226,017)
+	Short-term borrowings	74,900,000	—
	Cash flows from financing activities	74,900,000	(10,226,017)
	Change in cash and cash equivalents	40,406,889	(6,150,063)
	Cash and cash equivalents at beginning of period	5,335,746	11,485,809
	Cash and cash equivalents at end of period	45,742,635	5,335,746
	Composition of cash and cash equivalents at end of period		
	Cash in hand and cash at banks	45,742,635	5,335,746
		45,742,635	5,335,746

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR 2004 BASED ON IFRS

	Capital subscribed	Capital reserves	Revenue reserves	Accumulated profits/ (losses)	Total equity
	€	€	€	€	€
Balance as at 1 January 2003	38,349,000	141,179,590	10,171,683	(94,582,006)	95,118,267
Changes in equity for financial year 2003					
Net loss for the year	—	—	—	(32,032,571)	(32,032,571)
Changes in equity not affecting income	—	—	—	—	—
Balance as at 31 December 2003	38,349,000	141,179,590	10,171,683	(126,614,577)	63,085,696
Changes in equity for financial year 2004					
Net loss for the year	—	—	—	(14,177,226)	(14,177,226)
Reclassification of capital reserves	—	141,179,590	—	141,179,590	—
Allocation	—	61,000,000	—	—	61,000,000
Balance as at 31 December 2004	38,349,000	61,000,000	10,171,683	387,787	109,908,470

MKM Mansfelder Kupfer und Messing GmbH
Hettstedt

Notes

to the financial year 2004

based on IFRS

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I. GENERAL REMARKS

1. GENERAL INFORMATION ON THE COMPANY

The business activities of MKM Mansfelder Kupfer und Messing GmbH, Hettstedt, (referred to as ''MKM'' or ''Company'' below) involve the development, production and sale of products made of copper and copper alloys. The address of the Company's registered office is Lichtlöcherberg 40, 06333 Hettstedt, Germany. MKM has been registered with the District Court (Amtsgericht) of Halle-Saalkreis under No. HRB 7208 since 19 October 1993.

The Company is a wholly-owned subsidiary of KAZ Kupfer GmbH, Düsseldorf, Germany (''KAZ'' below) (HRB 50603). KAZ is in turn a subsidiary of TOO Kazakhmys Corporation (''Kazakhmys'' below).

2. BASIS FOR PREPARING THE ACCOUNTS

General

The financial statements of MKM as at 31 December 2004 have been prepared on the basis of first-time adoption of International Financial Reporting Standards (IFRSs) in accord with the regulations of IFRS 1 published on 19 June 2003, taking into account the guidelines of the International Accounting Standards Board (IASB), London (GB), that were applicable on the balance sheet date. The designation IFRS also includes the International Accounting Standards (IASs) that are still valid.

These Standards were partially revised by the IASB as part of the ''Improvements Project'' and published in December 2003. Their use is binding from 1 January 2005 onwards. The following Standards are involved:

- IAS 1 (''Presentation of Financial Statements'')
- IAS 2 (''Inventories'')
- IAS 8 (''Accounting Policies, Changes in Accounting Estimates and Errors'')
- IAS 10 (''Events after the Balance Sheet Date'')
- IAS 16 (''Property, Plant and Equipment'')
- IAS 17 (''Leases'')
- IAS 21 (''The Effect of Changes in Foreign Exchange Rates'')
- IAS 24 (''Related Party Disclosures'')
- IAS 27 (''Consolidated and Separate Financial Statements'')
- IAS 28 (''Investments in Associates'')
- IAS 31 (''Interests in Joint Ventures'')
- IAS 32 (''Financial Instruments – Disclosures and Presentation'')
- IAS 33 (''Earnings per Share'')
- IAS 39 (''Financial Instruments – Recognition and Measurement'')
- IAS 40 (''Investment Property'')
- IFRS 2 (''Share-based Payments'')
- IFRS 3 (''Business Combinations'')
- IFRS 4 (''Insurance Contracts'')
- IFRS 5 (''Non-current Assets Held for Sale and Discontinued Operations'')

In so far as they apply to MKM, the new regulations have also been applied on a voluntary basis for the 2004 and 2003 reporting period.

Purpose

The Company is drawing up a complete set of financial statements based on IFRS for the first time as at 31 December 2004 for the purposes of Kazakhmys, which is applying for a first-time listing on the London Stock Exchange.

Financial year

The Company's financial year corresponds to the calendar year.

Method of presentation

In principle, the historical acquisition costs or production costs are used as the valuation basis of assets and debts. Assets are capitalised if all the basic opportunities and risks associated with their use are attributable to MKM. The accounting principles and valuation methods shall be explained at the relevant balance sheet items.

In accordance with IAS 1.53 ff. (rev. 1997), the balance sheet is broken down into long-term and short-term (current) items. The income statement is established according to the calculation of total costs. The composition of individual items of the balance sheet and profit-and-loss account is explained in the notes.

Estimates

Drawing up the financial statements requires estimates and assumptions that impact on the amounts of the assets, debts and financial obligations as at the balance sheet date, as well as the income and expenditure for the financial year. Although these estimates and assumptions were made with the greatest of care on the basis of all available information, the actual results may diverge from them.

Segment reporting

The Company dispenses with segment reporting within the meaning of IAS 14. Under IAS 14.3, the only companies that are obligated to provide segment reporting are those whose securities are traded publicly, or those that have taken the first steps in issuing securities.

Reporting currency

The financial statements are drawn up in EUR(€).

3. BASIS FOR RESTATEMENT OF THE ACCOUNTS

The management of MKM has changed the prepared financial statements as at 31 December 2004 of MKM in accordance with IFRS dated 14 January 2005. The changes are reflecting the request of the new indirect majority shareholder Kazakhmys, who includes MKM in the consolidated financial statement for the first time in 2004. The first time consolidation leads particularly to an unified treatment of accounting and valuation alternatives within the Group as well as changed estimates of accounting decisions. The following explanations give detailed information of the changes.

(1) Non-recognition of deferred tax assets

The estimation and the calculation of possible tax loss carry forwards to be capitalized were adjusted by the management after presentation of the primary financial statements as at 31 December 2004. In particular the period, which is taken into consideration for capitalization of tax loss carry forwards, was shortened from five to three years because of the realization of Group accounting guidelines of Kazakhmys according to IFRS. This leads calculative and also in correspondence with the current economical development to a non-material tax loss carry forward to be capitalized. Consequently the company passed on the capitalization because of materiality at the first-time adoption of IFRS.

	31 December 2004	31 December 2003	1 January 2003
	€	€	€
Primary recognition	7.763.906	3.644.316	3.644.316
Changed recognition	—	—	—
Adjustment	(7.763.906)	(3.644.316)	(3.644.316)

(2) Non-recognition of other provisions

Furthermore the management restated the recognition of specific provisions for de facto obligations because of changed use of estimates compared with the primary financial statements as at 31 December 2004. This concerned the following items:

- Provisions in connection with the close down and transfer of the business area production
- Provisions for ecological recovery and for loan risk
- Provisions for pending losses

The following table gives an overview of the individual issues:

	31 December 2004	31 December 2003	1 January 2003
	€	€	€
Primary recognition			
Restructuring	857.147	1.855.428	4.216.336
Costs of elimination	2.017.924	1.827.563	1.899.381
Ecological recovery	1.533.026	1.403.385	1.401.136
Cleanup operations	1.549.237	1.468.471	1.391.915
Loan risk	590.912	229.936	—
Pending losses	3.974.210	2.294.844	1.470.000
	10.522.456	9.079.627	10.378.768
Changed recognition			
Restructuring	240.000	1.249.955	3.409.119
Costs of elimination	134.768	42.580	207.454
Ecological recovery	444.469	371.576	423.118
Cleanup operations	—	—	—
Loan risk	—	—	—
Pending losses	2.974.210	1.296.267	470.000
	3.793.447	2.960.378	4.509.691
Adjustment	(6.729.009)	(6.119.249)	(5.869.077)
Thereof short-term	*(1.000.000)*	*(1.000.000)*	*(1.000.000)*
Thereof long-term	*(5.729.009)*	*(5.119.249)*	*(4.869.077)*

(3) Offsetting the special reserve resulting from subsidies with the historical costs of the assets

According to IAS 20.24 alternative treatments are existing to present the subsidies either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Up to now the management used the alternative to present the fixed assets with historical costs and the received subsidies as deferred income.

According to Group accounting guidelines in accordance with IFRS, which were not available until the primary date of the financial statement as at 31 December 2004, the above-mentioned alternative is to treat, unified in the Group of Kazakhmys, that granted subsidies are deducted from the historical costs. To correspond to the new Group accounting guidelines, the management decided to apply the requirement with the first-time adoption of IFRS and consequently changed the financial statements as at 31 December 2004 including the previous years.

	31 December 2004	31 December 2003	1 January 2003
	€	€	€
Continued historical costs			
Intangible assets	772.589	1.079.488	1.105.600
Fixed assets	198.971.426	233.871.796	256.344.522
Financial assets	2.453.300	—	—
Total	202.197.315	234.951.284	257.450.122
Recognition after deducting subsidies			
Intangible assets	706.168	959.260	954.365
Fixed assets	147.583.337	176.435.233	194.825.237
Financial assets	2.453.300	—	—
Total	150.742.805	177.394.493	195.779.602
Adjustment in the amount of special reserve	(51.454.510)	(57.556.791)	(61.670.520)

(4) Offsetting the deferred charges and prepaid expenses with the interest-free shareholders' loan

Regarding the presentation according to IAS 39.43 of the necessary discount with a market and credit related interest rate of the granted loan amounting to € 92,5 Mio. for a five years period from KAZ Kupfer GmbH, Hettstedt ("KAZ") there is a regulation gap concerning the regulations of the IASB. Up to now the company uses the alternative to present the total loan as a liability and the discounted amount as deferred charges and prepaid expenses (F.99).

The new Group guidelines, which were available after preparation of the primary financial statement as at 31 December 2004, recommend offsetting the loan with the discounted amount. The management of MKM adjusted the presentation in the restated financial statements as at 31 December 2004 to the Group accounting guidelines according to IFRS as follows:

	31 December 2004	31 December 2003	1 January 2003
	€	€	€
Primary recognition	92.548.808	—	—
Changed recognition	70.811.308	—	—
Adjustment	(21.737.500)	—	—

The recognition of the deferred charges and prepaid expenses is corrected as follows:

	31 December 2004	31 December 2003	1 January 2003
	€	€	€
Primary recognition			
Short-term	4.894.206	—	—
Long-term	16.843.294	—	—
Total	21.737.500	—	—
Changed recognition	—	—	—
Adjustment	(21.737.500)	—	—

(5) Adjusted presentation of the cash flow from financing activities

At request of management of MKM the presentation of the cash flow from financing activities for the financial year 2004, which considers mainly the acquisition of MKM by KAZ, is adjusted so that it presents only the granted loan from Kazakhmys and KAZ to MKM for financing activities. The management abstained from the presentation of the acquisition due to the takeover of liabilities due to banks by KAZ in connection with the necessary information in the notes. The information in the notes is adjusted as well.

(6) Follow up Adjustments

The above-mentioned adjustments lead to the following adjustments of the below presented items in the balance sheet and the income statement.

(a) Balance sheet

The adjustment of the revenue reserve results from the adjustment of the first-time adoption of IFRS in the opening balance:

	31 December 2004	31 December 2003	1 January 2003
	€	€	€
Primary recognition of revenue reserve	7.441.955	7.441.955	7.441.955
Elimination of deferred tax asset	(3.644.316)	(3.644.316)	(3.644.316)
Non-recognition of provisions	5.869.077	5.869.077	5.869.077
Adjustment deferred tax liabilities	504.967	504.967	504.967
Changed recognition of revenue reserve	10.171.683	10.171.683	10.171.683

The amount of deferred tax liabilities has been changed because of the reduction of other provisions:

	31 December 2004	31 December 2003	1 January 2003
	€	€	€
Primary recognition of deferred tax liabilities	5.777.121	2.617.334	2.340.455
Non-recognition of provisions	(83.158)	(500.594)	(504.967)
Changed recognition of deferred tax liabilities	5.693.963	2.116.740	1.835.488

(b) Income Statement

Other operating income from the dissolution of the special reserve resulting from subsidies is reduced because of the usage of the alternative to offset received subsidies with the historical costs of the respective asset. Depreciation has been reduced accordingly:

	2004	2003
	€	€
Primary recognition of other operating income	34.168.823	14.259.754
Netting special reserve with depreciation	(6.849.023)	(7.020.654)
Changed recognition of other operating income	27.319.800	7.239.100

	2004	2003
	€	€
Primary recognition of depreciation	(37.434.870)	(27.888.152)
Netting special reserve with depreciation	6.849.023	7.020.654
Changed recognition of depreciation	(30.585.847)	(20.867.498)

The adjustments of other operating expenses results from the following adjustments of the changed recognition of provisions affecting net income:

	2004	2003
	€	€
Primary recognition of other operating expenses	(34.511.440)	(36.113.727)
Change of provisions affecting net income	609.763	250.172
Interest effect from discounting the provisions	808.998	1.051.559
Changed recognition of other operating expenses	(33.092.679)	(34.811.996)

Correspondent, the financial result was adjusted because of the changed discounting of provisions:

	2004	2003
	€	€
Primary recognition of financial result	(8.482.454)	(7.311.727)
Interest effect from discounting of provisions	(808.998)	(1.051.559)
Changed recognition of financial result	(9.291.452)	(8.363.286)

On the one hand the correction of income taxes results from the non-recognition the deferred tax assets and on the other hand from the reduced part of provisions affecting and income taxes:

	2004	2003
	€	€
Primary recognition of income tax	959.802	(276.878)
Deferred tax asset	(4.119.590)	0
Deferred taxation from provisions	(417.439)	(4.374)
Changed recognition of income tax	(3.577.227)	(281.252)

II. FIRST-TIME ADOPTION OF IFRS

On the date of the transition to IFRS, MKM drew up an IFRS opening balance sheet. 1 January 2003 was elected as the date of transition.

1. RECONCILIATION OF EQUITY AS AT 1 JANUARY 2003

Note No.		HGB	IFRS Adjustment	IFRS
		€	€	€
(1)	Intangible assets	1.105.600	(151.235)	954.365
(2)	Fixed assets	256.344.522	(61.519.285)	194.825.237
	Total non-current assets	**257.450.122**	**(61.670.520)**	**195.779.602**
(3)	Inventories	46.279.149	2.261.597	48.540.746
(4)	Trade receivables and other receivables	20.065.523	164.597	20.230.120
(5)	Other assets	5.090.227	—	5.090.227
(6)	Cash and cash equivalents	11.460.895	24.914	11.485.809
	Total current assets	**82.895.794**	**2.451.108**	**85.346.902**
(7)	Special loss account resulting from the creation of reserves	1.278.230	(1.278.230)	—
	Total assets	**341.624.146**	**60.497.642**	**281.126.504**
	Special reserves resulting from subsidies	61.670.520	(61.670.520)	—
(8)	Other provisions	19.831.424	(12.076.083)	7.755.341
	Tax provisions	30.000	—	30.000
	Amounts owed to banks	143.161.906	—	143.161.906
(9)	Trade payables and other payables	24.526.341	(15.621)	24.510.720
	Other liabilities	6.179.142	2.535.641	8.714.783
(10)	**Deferred tax liabilities**	—	1.835.488	1.835.488
	Total liabilities	**255.399.333**	**(69.391.095)**	**186.008.238**
	Total assets less total liabilities	**86.224.813**	**8.893.453**	**95.118.266**
	Capital subscribed	38.349.000	—	38.349.000
	Capital Reserves	141.179.590	—	141.179.590
(11)	Revenue Reserves	—	10.171.683	10.171.683
	Special reserve under Sec. 17 IV DMBilG	1.278.230	(1.278.230)	—
	Loss carried forward	(49.271.668)	—	(49.271.668)
	Net loss	(45.310.339)	—	(45.310.339)
	Total equity	86.224.813	8.893.453	95.118.266
	Total equity and liabilities	**341.624.146**	**(60.497.642)**	**281.126.504**

(1) Intangible assets

MKM makes use of the option in IFRS 1.IG7 to value intangible assets as at the key date of the IFRS opening balance sheet using the acquisition costs or production costs brought forward, and to schedule depreciation of the assets on the basis of this value over their remaining actual economic life, since the valuation according to IFRS does not differ substantially from the values under German commercial law. According to IAS 20.24 MKM presents the special reserve resulting from subsidies by deducting the subsidies in arriving the carrying amount of the respective assets.

The intangible assets include software acquired against payment and a volume of orders acquired against payment that will be systematically depreciated over their useful economic life.

(2) Fixed assets

In accord with IFRS 1.IG7, fixed assets are also valued using the acquisition costs or production costs brought forward as at the key date of the IFRS opening balance sheet, and depreciation is scheduled on the basis of this value over their remaining actual economic life. The valuation according to IFRS does not differ substantially from the values under German commercial law. According to IAS 20.24 MKM presents the special reserve resulting from subsidies by deducting the subsidies in arriving the carrying amount of the respective assets.

The IFRS depreciation periods that are used reflect the actual economic usage of the fixed assets.

(3) Inventories

The inventories include raw materials, supplies and operating material as well as finished and unfinished products. For IFRS purposes, the method for sequencing consumption was migrated from LIFO (''last in, first out'') to FIFO (''first in, first out'') as at the date of transition. Since 1 January 2005, LIFO valuation is no longer permissible under IAS 2.21. Nevertheless, earlier adoption was recommended, which MKM has followed.

(4) Trade receivables and other receivables

General provisions for bad debts on trade receivables remain for the purposes of IFRS accounting. Receivables denominated in foreign currencies were valued using the key date principle; unrealised rate gains are also included. The resulting allocation to trade receivables as well as to amounts owed by Group undertakings as at 1 January 2003 totals € 164.597.

(5) Other assets

The other short-term financial assets consist of the items under commercial law, prepaid expenses and other assets.

(6) Cash and cash equivalents

Balances denominated in foreign currencies were valued using the key date principle; unrealised rate gains are also taken into account.

(7) Special loss account resulting from the creation of reserves

The special loss account resulting from the creation of reserves was created in the DM-opening balance sheet as at 1 July 1990 for provisions for contingent liabilities and it involved the provisions for environmental recovery. Due to the reversed relevance, the special loss account was assessed as an off-set entry to the special provisions, in accordance with Section 17 (4) DM Balance Sheet Act [D-Markbilanzgesetz]. This approach is not permissible under IFRS and is therefore dissolved as at 1 January 2003 without affecting net income.

(8) Other provisions

MKM creates provisions on the basis of past events, for which there is no present legal or *de facto* obligation in respect of a third party. These ''provisions for operating expenses'' as at 1 January 2003 were corrected in the amount of € 8.344.307. In addition, *de facto* obligations such as provisions for outstanding invoices, warranties, rebates and bonuses, consulting and auditing expenses as well as provisions for personnel expenses in the amount of € 2.535.641 are reclassified into other liabilities.

(9) Trade payables and other payables

Payables denominated in foreign currency were converted at the key date rate as at 1 January 2003; unrealised rate gains are also taken into account.

(10) Deferred tax liabilities

The deferred tax liabilities are obtained from the accounting and valuation differences between the tax balance sheet and IFRS balance sheet of MKM. Of this, € 894.924 is accounted for by provisions, € 5.956 by liabilities, € 9.500 by cash and cash equivalents, € 62.761 by receivables as well as € 862.347 by inventories.

(11) Revenue reserves

The cumulated adjustments of the balances carried forward of the individual balance sheet items in the IFRS opening balance sheet as at 1 January 2003, as described, are entered in shareholders' equity without affecting net income.

2. RECONCILIATION OF EQUITY AS AT 31 DECEMBER 2003

Note No.		HGB	IFRS Adjustment	IFRS
		€	€	€
(1)	Intangible assets	1.079.488	(120.228)	959.260
(2)	Fixed assets	233.871.796	(57.436.563)	176.435.233
	Total non-current assets	**234.951.284**	**(57.556.791)**	**177.394.493**
(3)	Inventories	33.869.385	3.959.170	37.828.555
(4)	Trade receivables and other receivables	21.429.420	76.690	21.506.110
(5)	Other assets	5.744.836	—	5.744.836
(6)	Cash and cash equivalents	5.314.245	21.501	5.335.746
	Total current assets	**66.357.886**	**4.057.361**	**70.415.247**
(7)	Special loss account resulting from the creation of reserves	1.278.230	(1.278.230)	—
	Total assets	**302.587.400**	**(54.777.660)**	**247.809.740**
	Special reserves resulting from subsidies	57.556.791	(57.556.791)	—
(8)	Other provisions	18.557.860	(10.649.830)	7.908.030
	Tax provisions	30.000	—	30.000
	Amounts owed to banks	132.935.889	—	132.935.889
(9)	Trade payables and other payables	34.756.634	(154.982)	34.601.652
	Other liabilities	5.253.046	1.878.686	7.131.732
(10)	**Deferred tax liabilities**	—	2.116.740	2.116.740
	Total liabilities	**249.090.220**	**(64.366.177)**	**184.724.043**
	Total assets less total liabilities	**53.497.180**	**9.588.517**	**63.085.697**
	Capital subscribed	38.349.000	—	38.349.000
	Capital reserves	141.179.590	—	141.179.590
(11)	Revenue reserves	—	10.171.683	10.171.683
	Special reserve under Sec. 17 IV DMBilG	1.278.230	(1.278.230)	—
	Loss carried forward	(94.582.006)	—	(94.582.006)
	Net loss	(32.727.634)	695.064	32.032.570
	Total equity	**53.497.180**	**9.588.517**	**63.085.697**
	Total equity and liabilities	**302.587.400**	**(54.777.660)**	**247.809.740**

In respect of items (1) to (3), (5) to (9), (11) and (13), we refer to the explanatory notes under II. 1. Transfer of shareholders' equity as at 1 January 2003.

(4) Trade receivables and other receivables

General provisions for bad debts on trade receivables are taken into account for the purposes of IFRS accounting. Receivables denominated in foreign currencies were valued using the key date principle. The resulting allocation to trade receivables as well as to amounts owed by Group undertakings as at 31 December 2003 totals € 76.690.

(8) Other provisions

MKM creates provisions on the basis of a past event, for which there is no present legal or virtual obligation in respect of a third party. These ''provisions for operating expenses'' as at 31 December 2003 were corrected in the amount of € 8.597.687.

(10) Deferred tax liabilities

The deferred tax liabilities are obtained from the accounting and valuation differences between the tax balance sheet and IFRS balance sheet of MKM. Of this, € 510.574 is accounted for by provisions, € 59.094 by liabilities, € 8.198 by cash and cash equivalents, € 29.242 by receivables as well as € 1.509.632 by inventories.

3. RECONCILIATION OF THE NET RESULT FOR THE YEAR AS AT 31 DECEMBER 2003

Note No.		HGB	IFRS Adjustment	IFRS
		€	€	€
	Net sales	379.513.771	—	379.513.771
(1)	Changes in inventory	(11.683.469)	2.239.313	(9.444.156)
(2)	Other operating income	19.171.169	(11.932.069)	7.239.100
	Total performance	**387.001.471**	**9.692.756**	**377.308.715**
(3)	Cost of materials.	(302.579.367)	(541.740)	(303.121.107)
	Gross profit or loss	**84.422.104**	**(10.234.496)**	**74.187.608**
	Personnel expenses	(41.624.224)	—	(41.624.224)
	Depreciation	(27.888.152)	7.020.654	(20.867.498)
(4)	Other operating expenses	(39.229.911)	4.417.915	(34.811.996)
	Operating result	**(24.320.183)**	**1.204.073**	**(23.116.110)**
(5)	**Financial result**	**(8.135.528)**	**(227.758)**	**(8.363.286)**
	Loss from ordinary activities	**(32.455.711)**	**976.315**	**(31.479.396)**
(6)	Taxes	(271.923)	(281.252)	(553.175)
	Net loss	**(32.727.634)**	**695.063**	**(32.032.571)**
	Loss carried forward	(94.582.006)	—	(94.582.006)
	Retained loss	**(127.309.640)**	**695.063**	**(126.614.577)**

(1) Changes in inventory

The increase in inventory follows from migration of the method for sequencing consumption from LIFO to FIFO .

(2) Other operating income

The IFRS adjustments are based on valuation of the foreign currency receivables and payables using the key date principle, and is therefore based on unrealised currency gains as well as the reclassification of other operating income amounting to € 7.020.654 from the dissolution of the special reserve resulting from subsidies according to German GAAP and offsetting of this dissolution with depreciation.

(3) Cost of materials

The decrease in inventory follows from migration of the method for sequencing consumption from LIFO to FIFO (see note 1 above).

(4) Other operating expenses

This item contains additional expenditure on omitted maintenance and other expenses for which provisions had been reported in previous years under German commercial law; such creation is not permissible under IFRS.

(5) Financial result

This item contains the foreign currency gains and losses of the rate hedging.

(6) Taxes

The adjustment is based on the creation of deferred tax liabilities resulting from valuation differences between the tax balance sheet and the IFRS balance sheet.

III. ACCOUNTING AND VALUATION PRINCIPLES

1. INTANGIBLE ASSETS

Acquired and self-produced intangible assets are capitalised in accordance with IAS 38 (''Intangible Assets'') if it is probable that a future economic benefit is associated with the use of the asset and it is possible to determine the cost of the asset accurately. They are set at acquisition or production cost, and depreciation is scheduled using the straight-line method in accordance with their period of usage. Apart from goodwill, intangible assets are generally depreciated over a period of usage between three and five years.

Goodwill is subject to an ''Impairment Test'' if there are indications that the asset could have been reduced in value. A value reduction must be recorded in the amount by which the book value of the asset exceeds its obtainable amount. The obtainable amount is the higher of net sales price and use value.

Outlay on research is recorded immediately as an expense. Outlay that is incurred in development projects in relation to the design or testing of new products is capitalised as intangible assets, in so far as it is expected that they generate future economic benefit. Other development costs are recorded immediately as an expense.

At the acquisition date of an intangible asset MKM presents the special reserve resulting from subsidies, by deducting the subsidy in arriving the carrying amount of the respective assets. MKM treats this alternative in accordance with IAS 20.24. The grant is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge according to IAS 20.27.

2. FIXED ASSETS

Fixed assets are set in the IFRS opening balance sheet on the basis of the acquisition or production costs carried forward. Depreciation of the assets is scheduled over their remaining actual economic life. If fixed assets are sold or withdrawn, their cost of acquisition and cumulated depreciation are eliminated from the balance sheet, and the profit or loss arising from their sale is recorded in the income statement.

The original cost of acquisition or production of fixed assets consists of the purchase price including incidental acquisition costs. Expenses incurred subsequently, after the item of fixed assets was put into service, such as maintenance and repair costs and overhaul expenses, are usually reported as affecting net income in the period in which the costs were incurred. In situations in which it is clearly demonstrated that expenses lead to an additional future economic benefit, which is expected to result from use of an item of fixed assets beyond its originally measured level of output, such expenses are capitalised as additional costs of the fixed assets. Financing expenses are not applied.

At the acquisition date of an fixed asset MKM presents the special reserve resulting from subsidies, by deducting the subsidy in arriving the carrying amount of the respective assets. MKM treats this alternative in accordance with IAS 20.24. The grant is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge according to IAS 20.27.

Depreciation is calculated over the following estimated period of usage, applying the straight-line method:

Buildings	up to 25 years
Technical equipment and machinery	10 – 15 years
Other equipment, office and business equipment	3 – 10 years

The periods of usage that are applied and the methods of depreciation are reviewed in each period in order to ensure that the method of depreciation and period of depreciation are in accord with the expected economic benefit derived from fixed assets.

Low-value goods are fully depreciated in the year of acquisition and shown in the assets register as addition and reduction, and as depreciation in the current financial year.

3. ACCOUNTING FOR LEASES

A leasing relationship is classified as finance leasing if basically all the opportunities and risks associated with ownership are transferred to the lessee. As a result, the classification of leases depends on the economic content of the agreement, and not on a particular formal type of contract.

A leasing relationship is classified as operating leasing if basically all the opportunities and risks associated with ownership remain with the lessor. Leasing payments within an operating leasing relationship are entered as an expense in the income statement, linearly over the term of the lease.

4. IMPAIRMENT OF ASSETS

Fixed assets and intangible assets are checked with regard to impairment if, due to events or changes in circumstances, there are indications that it may not be possible to obtain the book value. It is always the case that, if the book value of an asset exceeds its obtainable amount, a value reduction expense affecting net income must be entered for fixed assets and intangible assets that were set at cost of acquisition/production. The obtainable amount is the higher of net sales value and use value. The net sales value is the amount obtainable through the sale of the asset resulting from a normal market transaction between informed parties who are willing to enter into the contract. ''Value in use'' is the cash value of the estimated future cash flow that is expected from the continued usage of an asset and its disposal at the end of its period of usage. The obtainable amount is to be estimated for an individual asset or, if this is not possible, for the higher-level unit that generates means of payment.

As at 31 December 2003 and 31 December 2004, a need for value reduction of fixed assets and intangible assets was established. In the financial years 2003 and 2004, there was no cancellation of a value reduction expense entered in previous years for an asset.

5. FINANCIAL ASSETS

This item comprises other securities, categorised as ''held-for-sale''. Other securities are capitalised with their acquisition cost at the time of acquisition.

Other securities are valued on the basis of the principle of lowest value. Adjustments to the valuation are reported in the income statement. Interest received from trading in securities is reported as Interest income, while dividend income is reported as dividend income. When a financial investment is sold, account is taken of the difference between the net sales proceeds and the book value in the income statement.

6. INVENTORIES

Inventories are generally valued on the basis of the FIFO principle using the lower of net sales values. Raw materials, supplies and operating material are valued at their acquisition costs or their production costs due or able to be entered on the assets side, using the FIFO method for sequencing consumption and valued at the lower of exchange rates on the London Metal Exchange up to the date of drawing up the accounts.

Unfinished and finished products are set at cost of acquisition or production using the lower of net sales values up to the date of drawing up the accounts. They include the direct costs due to be entered on the assets side and appropriate portion of overheads, in so far as they are attributable to production. Financing expenses are not applied as part of the acquisition or production costs.

7. RECEIVABLES

Financial assets, especially receivables, are basically accounted for as at the settlement date.

Trade receivables as well as amounts owed by Group undertakings are set at the nominal amount. Receivables denominated in foreign currencies are converted at the rate on the key date, and value changes caused by exchange rates are recorded as affecting net income in accordance with IAS 21.23.

In the case of trade receivables, a flat-rate provision based on rates gained from experience is applied, as defined in IAS 39.87. The general provision for bad debts is created at the level of 1% of the receivables balance, corrected for sales tax and the receivables set as specific provisions for bad debts.

Doubtful receivables and almost all receivables over € 1.000 that are more than 90 days overdue as at the balance sheet date are set 100% as a specific provision for bad debts.

8. OTHER CURRENT ASSETS

Other current financial assets included in the balance sheet consist of the items Other assets and prepaid expenses, until now reported separately in the annual accounts under German commercial law. The assets are set at their nominal amount and, if associated with identifiable risks, set as a specific provision for bad debts.

9. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are used at MKM for hedging purposes in order to reduce market value risks arising from operations or the resulting financial requirements. In so far as the pre-requisites for effective hedging under IAS 39 are met at MKM, hedge accounting within the meaning of IFRS (fair value hedges) is used. Under IAS 39 (''Financial Instruments''), all derivative financial instruments are to be accounted for at market value. In the case of a fair value hedge, the underlying transaction is adjusted with an impact on net income in addition to adjustment of the derivative with an impact on net income.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash holdings and credit balances at banks. These are valued at nominal value in each case.

11. DEFERRED TAXES

Deferred tax liabilities are created in accordance with IAS 12 (''Income Taxes'') using the liability method for all the temporary differences between the IFRS balance sheet and tax balance sheet. Deferred tax assets also include benefit for tax reduction arising from the expected usage of existing losses carried forward in subsequent years whose realisation is assured with adequate probability. The assessment and valuation of the deferred tax assets is reviewed on each balance sheet date in the light of current estimates, and treated in accordance with IAS 12.37 and IAS 12.56.

The deferred taxes are calculated on the basis of the tax rates that apply or are expected on the date of realisation under the current legal situation. For capitalising losses carried forward for tax purposes, the portion is set that would be produced from recognition based on the existing Three Year Plan.

12. PROVISIONS

Other provisions are created if there is an obligation to third parties, the occurrence of which is probable and if the expected level of the required provision amount can be estimated reliably. When valuing other provisions, particularly in the case of warranties and losses expected from uncompleted transactions, basically all the cost components are included that are also capitalised in the stock value. Long-term provisions with a residual term of more than one year are set at their settlement amount discounted to the balance sheet date.

13. LIABILITIES

Liabilities include Amounts owed to banks, Trade payables, Liabilities vis-a-vis affiliated enterprises and companies, Tax liabilities, Interest liabilities, Liabilities to employees and Other liabilities. The first time they are entered, they are set at cost of acquisition that corresponds to the attributed market value of the consideration received. Liabilities denominated in foreign currency are valued at the key date rate. Low interest-bearing and non-interest-bearing liabilities are discounted and the fair value of the liabilities is presented in the balance sheet.

Liabilities arising from finance leasing contracts are set, at the time of concluding the agreement, at the cash value of the rental or leasing instalments, or if lower, at the market value of the object of rental or leasing. In subsequent periods, the repayment elements contained in the rental and leasing instalments result in a reduction of the liability.

14. NET SALES

Net sales for selling products are entered on transfer of ownership and/or risk to the customer, if a price is agreed or can be determined and it is possible to assume its payment. Net sales are reported less discounts, price reductions, customer bonuses and rebates.

IV. EXPLANATIONS REGARDING THE BALANCE SHEET

(1) DEVELOPMENT OF INTANGIBLE ASSETS

The development and composition of intangible assets in the 2004 financial year are shown in the following investment statement:

	Software and licences	Goodwill	Total
	€	€	€
Cost of acquisition/production			
Balance as at 1 January 2004	2.103.338	412.528	2.515.866
Additions	290.574	—	290.574
31 December 2004	2.393.912	412.528	2.806.440
Accumulated depreciation and value reductions			
Balance as at 1 January 2004	1.350.342	206.264	1.556.606
Depreciation for the year 2004	337.402	206.264	543.666
Balance as at 31 December 2004	1.687.744	412.528	2.100.272
Book value as at 31 December 2004	706.168	—	706.168
Book value as at 1 January 2004	752.996	206.264	959.260

Basically, standard software as well as licences and software for technical equipment is reported under software and licences.

Goodwill involves the volume of orders and customer base of the copper wire production section of Lamifil N.V., Hemiksem/Belgium, acquired on 30 June 2001 at a purchase price of € 412.528. In 2004 extraordinary provision was made for the full goodwill. Due to changes from the market side and due to lack of customer care resulting from liquidity bottlenecks prior to the change of shareholder, the customer base no longer has any value. The accounting and valuation is carried out in accordance with IAS 36.

Depreciation for the 2004 financial year is fully reported in the income statement under the item ''Depreciation of fixed assets and amortisation of intangible assets and fixed assets''.

(2) DEVELOPMENT OF FIXED ASSETS

The development and composition of fixed assets in the 2004 financial year are shown in the following investment statement:

	Land and buildings	Technical Equipment and machinery	Other equipment, operating and business equipment	Advance payment made and plant under construction	Total
	€	€	€	€	€
Cost of acquisition/production					
Balance as at 1 January 2004	91.257.935	266.441.636	21.930.016	3.251.673	382.881.260
Additions	11.382	820.062	357.395	91.573	1280.412
Reductions	—	(1.858.378)	206.214	1.617.481	(34.683)
Reclassifications	(1.975)	(155.455)	(124.890)	282.456	136
31 December 2004	91.267.342	268.964.621	21.956.307	2.008.221	384.196.491
Accumulated depreciation and value reductions					
Balance as at 1 January 2004	36.850.001	151.208.211	16.386.864	2.000.951	206.446.027
Depreciation for the year 2004	7.534.740	20.660.760	1.846.682	—	30.042.182
Reductions	—	(1.948.359)	205.933	1.617.481	(124.945)
Balance as at 31 December 2004	44.384.741	173.817.330	18.027.613	383.470	236.613.154
Book value as at 31 December 2004	46.882.601	95.147.291	3.928.694	1.624.751	147.583.337
Book value as at 1 January 2004	54.407.934	115.233.425	5.543.152	1.250.722	176.435.233

The book values of Land and buildings are split between land at € 6.897.719 (previous year: € 11.775.746) and buildings at € 39.984.882 (previous year: € 42.632.188).

In 2004, extraordinary depreciation covers the following areas:

	2004	2003
	€	€
Property	4.878.027	—
Business area production	7.000.000	158.054
Business area steel strips	—	970.489
	11.878.027	1.128.543

Extraordinary depreciation was fully reported under the item ''—Depreciation of fixed assets and amortization of intangible assets and fixed assets ''.

In the Company there are financial obligations for outstanding investment projects for the year 2005 of € 754.500 (previous year: € 4.634.000).

The historical acquisition cost of fixed assets also includes leased equipment and machines of € 11.209.620 (previous year: € 13.292.202); due to the drafting of the leasing contracts on which they are based (''finance lease''), they are attributable to MKM as economic owner. The leased equipment and machines have a residual book value of € 7.376.330 (previous year: € 8.405.792) with residual terms of the finance liabilities of an average of 2 years and remaining periods of usage of up to 8 years. In each case, transfer of legal ownership at the end of the contractual term was agreed. Details of the minimum leasing payments of the relevant leasing contracts are as follows overall:

	2004	2003
	€	€
Total of future minimum leasing payments		
Due within one year	703.521	1.847.015
Due between one and five years	218.269	921.791
	921.790	2.768.806
Interest element included in the future minimum leasing payments		
Due within one year	67.178	218.036
Due between one and five years	8.312	75.490
	75.490	293.526
Cash value of future minimum leasing payments		
Due within one year	572.565	1.491.319
Due between one and five years	170.777	743.343
	743.342	2.234.662

Due to the difference between average residual terms and remaining periods of usage of the leased assets, there is a discrepancy between the corresponding residual book value and the remaining financial obligations resulting from the existing leasing agreements.

(3) DEVELOPMENT OF FINANCIAL ASSETS

Financial assets consist of the following:

	Securities
	€
Cost of acquisition/production	
Balance as at 1 January 2004	—
Additions	2.475.354
31 December 2004	2.475.354
Accumulated depreciation and value reductions	
Balance as at 1 January 2004	—
Depreciation for the year 2004	22.055
Balance as at 31 December 2004	22.055
Book value as at 31 December 2004	2.453.299
Book value as at 1 January 2004	—

These involve exclusively securities that are held as assurance for employees' entitlement resulting from old age part-time.

(4) INVENTORIES

The reported inventory of stocks is as follows:

	2004	2003
	€	€
Raw materials, supplies and operating material	28.184.529	13.130.696
Unfinished goods	25.846.627	14.789.501
Finished goods	15.433.740	9.908.358
Payments on account	198.540	—
	69.663.436	37.828.555

The metal portions within raw materials, finished and unfinished goods are divided into the metal components copper, brass and other metals; these components are set using the FIFO method taking into account the principle of ''lower of cost or net realisable value'' LME price. The quantities of inventories are classified into types of material using alloy codes, such that the total metal stock can be broken down by quantity and value into exchange metal components and other metals.

The machining output into finished and unfinished goods is calculated for the semi-finished goods sections and the foundry, taking account of the ''lower of cost or market'' principle.

Raw materials, supplies and operating material involve bought-in scrap, cathodes, foundry products and semi-finished goods, as well as the Company's own return scrap from semi-finished product operations and own metalliferous circulating material.

Unfinished goods refers to the inventories of semi-finished products upon which work has begun.

Of the total amount of inventories accounted for in the amount of € 69.663.436 (previous year: € 37.828.555) as at 31 December 2004, € 51.664.520 (previous year: € 28.121.441) was accounted for at the lower exchange rate on date of drawing up the annual accounts, in order to avoid future value fluctuations. This basically involves the copper portion of the stock value, which was valued at a copper price of € 232/100 kg (FIFO price € 237/100 kg). The resulting depreciation of the stock value is € 955.296.

(5) ACCOUNTS RECEIVABLE AND OTHER ASSETS

The residual maturity of all accounts receivable and of other assets is less than one year, just as in the last financial year:

	2004	2003
	€	€
Trade receivables	27.026.397	21.214.508
Receivables from affiliated companies	10.128	291.602
Other assets	4.452.157	5.268.130
	31.488.682	26.774.240

Provisions for bad debts have been made for trade accounts receivable as follows:

	2004	2003
	€	€
Specific provision for bad debts	7.635.273	7.515.452
Provisions due to discounts	122.000	122.000
Currency depreciation	726.138	742.064
General provisions for bad debts	299.000	269.000
	8.782.411	8.648.516

Of the accounts receivable, 345 (previous year: 368) clients are insured with a total insurance sum of € 18.918K (previous year: € 19.197K) against failure through insolvency.

The lump sum provision for bad debts of 1% was formed on the basis of the accounts receivable portfolio corrected by the VAT and the individual provisions for bad debts for accounts receivable.

Accounts due from affiliated companies include trade accounts receivable for nil (previous year: € 292.676).

The other assets are made up as follows:

	2004	2003
	€	€
Receivables from tax authorities		
arising from sales tax	69.837	2.333.838
arising from capital gains tax	14.962	13.424
Allocation account arising from factoring	2.882.795	2.204.351
Allocation account Broker	1.365.350	—
Other	119.213	716.517
	4.452.157	5.268.130

The factoring offset account concerns true factoring through the sale of accounts receivable for supplies of goods. All opportunities and risks arising from the financial asset are transferred to the factoring company. The factoring operation relates to a pre-defined clientele for which a purchase limit is granted and for which the factoring company takes over the liability. Since the factoring company is not a bank, the item is shown under other assets. No further accounts receivable have been sold to the factoring company since 20 December 2004.

(6) CASH AND CASH EQUIVALENTS

The liquid assets relate to cash in banks and also cash on hand. The change in currency is shown in the Company's Cash Flow Statement.

	2004	2003
	€	€
Credit balances at banks and cash in hand	45.742.635	5.335.746
Cash and cash equivalents in the balance sheet and cash flow statement	45.742.635	5.335.746

Liquid assets are shown in the balance sheet at acquisition costs. For the purposes of the Cash Flow Statement, the liquid assets include cash, credit lines that can be drawn down from banks at any time and other short-term, liquid financial investments with an original maturity of three months maximum.

There are no limitations with regard to these bank balances.

(7) DEFERRED CHARGES AND PREPAID EXPENSES

The deferred charges and prepaid expenses item is basically made up of interest from lease purchase agreements and guaranty payments.

(8) EQUITY

The fully paid up share capital as at 31 December 2004 is € 38.349.000 and is held 100% by KAZ.

The capital reserve amounts to € 61.000.000 and was transferred in December 2004 in connection with the 100% share acquisition by KAZ. In connection with the share acquisition by KAZ, the previously existing capital reserve of € 141.179.590 was fully offset with the balance sheet loss.

The revenue reserve includes the change-over differences incurred in connection with the IFRS change-over.

(9) OTHER PROVISIONS

The provisions relate to the following items:

	long-term provisions		short-term provisions	
	2004	2003	2004	2003
	€	€	€	€
Old age part-time	3.366.763	3.223.819	930.000	382.500
Pending losses	—	9.136	2.974.210	1.287.131
Restructuring	134.768	49.175	240.000	1.243.360
Cleanup Operations	221.469	362.076	223.003	9.500
Compensation	105.261	111.557	554.500	—
Anniversary money	411.170	475.695	53.422	124.023
Sewage levy	8.984	278.478	317.000	190.000
Obligations purchase agr.	100.810	138.135	50.000	5.495
Others	—	13.851	18.354	4.100
	4.349.225	4.661.922	5.350.486	3.246.109

The provisions have developed as follows in the financial year 2004:

	31 December 2003	Consumption	Release	Additions	31 December 2004
	€	€	€	€	€
Old age part-time	3.606.319	382.500	—	1.072.944	4.296.763
Pending losses	1.296.267	1.242.920	30.201	2.951.064	2.974.210
Restructuring	1.292.535	1.243.361	—	325.594	374.768
Cleanup operations	371.576	9.500	—	82.393	444.469
Compensation	111.557	—	—	538.204	649.761
Anniversary money	599.718	59.600	75.526	—	464.592
Sewage levy	468.478	5.968	184.032	47.506	325.984
Obligation purchase agr.	143.630	5.495	—	12.675	150.810
Others	17.951	4.100	—	4.503	18.354
	7.908.031	2.953.444	289.759	5.034.883	9.699.711

The obligations arising from part-time contracts for older employees result from the collective agreement with IG-Metall on the part-time ruling and the part-time act. The provision for 2003 was formed on the basis of an actuarial opinion. It was valued on the basis of the guide tables of Dr. Klaus Heubeck of 1998 and also an interest rate of 5,5%. In 2004, the provision was determined on the basis of an IFRS-based actuarial opinion with an interest rate of 3,0%. The calculation principles are based on the ''1998 Guide Tables'' of Heubeck-Richttafeln-GmbH, Active/Invalid mortality.

Expected losses from personnel restructuring, sales and purchase transactions are covered by the provision for pending losses.

The restructuring provision contains provisions for settlements of € 240.000 (previous year: EUR 1.250.700).

The provision for anniversary money was formed on the basis of a company agreement of 14 January 2002. The provision for the financial year 2003 was determined on the basis of an actuarial opinion of 5 February 2004. The valuation is made in 2003 with the part value based on § 6a EStG according to the guide tables of Dr. Klaus Heubeck of 1998 and also an interest rate of 5,5%. In 2004, the provision was determined on the basis of an IFRS-based actuarial opinion with an interest rate of 5,0%. The 1998 guide tables of Heubeck-Richttafeln-GmbH, active mortality, were used as a basis for the calculation.

(10) LIABILITIES

The liabilities are made up as follows:

	2004	2003
	€	€
Short-term amounts owed to banks	—	56.242.107
Short-term trade payables	19.064.859	17.088.982
Short-term amounts due to affiliated companies	30.259.767	16.590.880
Short-term amounts to shareholders	45.229.900	—
Short-term other liabilities	7.268.017	7.131.731
Total short-term liabilities	101.822.543	97.053.700
Long-term amounts owed to banks	—	76.693.782
Long-term trade payables	218.269	921.791
Long-term amounts due to affiliated companies	70.811.308	—
Total long-term liabilities	71.029.577	77.615.573
Total liabilities	172.852.120	174.669.274

The financial liabilities due to banks existing as at 31 December 2003 were taken over by KAZ as part of the change of shareholders. Of these, €61.000.000 were transferred to the capital reserve.

The short-term liabilities due to affiliated companies of €30.000.000 exist in respect of Kazakhmys in connection with supplies and services.

The long-term liabilities due to shareholders exist in respect of KAZ. These are subordinated interest-free loans of nominal € 92.548.808 with a term of five years on the one hand. The liability was discounted with a market and credit worthiness interest rate appropriate for MKM of 5,5% and the discounted amount of € 21.737.500 was offset with the nominal amount. On the other hand, they concern short-term financial aid of € 45.229.900 from shareholders at a normal market rate of interest for MKM.

The other liabilities are broken down as follows:

	2004	2003
	€	€
Wages and salaries	1.708.451	1.789.409
Outstanding invoices	1.489.703	897.886
Social security	948.906	1.047.283
Customers with credit balances	773.205	710.030
Payment in arrears of remuneration under collective agreement	680.500	706.335
Holiday arrears	302.200	453.600
Consulting and auditing expenses	296.900	190.400
Income and church tax	296.041	—
Warranties	269.100	210.800
Liabilities due to tax authorities	120.843	—
Trade association	30.000	110.000
Rebates and bonuses	12.800	7.000
Levy for severely disabled	9.500	9.000
Interest investment credits	—	596.084
Others	329.868	403.904
	7.268.017	7.131.731

Except of the liabilities for supplementary payments resulting from agreed wages as at December 31, 2003 amounting to EUR 630.028 the maturity of all other liabilities is less than one year.

(11) DEFERRED TAX LIABILITIES

IAS 12 uses a balance-sheet based consideration for the apportionment of deferred taxation. This means that contrary to German commercial law, in principle deferred taxation must be formed for all temporary differences occurring on the balance sheet date between tax balance sheet and IFRS balance sheet.

The deferred tax liabilities have developed as follows:

	2004	2003
	€	€
Situation as at 1 January	(2.116.740)	(1.835.488)
Deferred taxes stated in the income statement	(3.577.223)	(281.252)
Situation as at 31 December	(5.693.963)	(2.116.740)

As at 31 December 2004, the deferred taxation can be derived as follows:

	31.12.2004		31.12.2003		Difference
	Assets	Liabilities	Assets	Liabilities	
	€	€	€	€	€
Inventories	—	4.905.211	—	1.509.632	(3.395.579)
Receivables	—	39.386	—	29.242	(10.144)
Cash in hand, cash at banks	—	3.979	—	8.198	4.219
Other provisions	—	665.026	—	510.574	(154.452)
Liabilities	—	80.361	—	59.094	(21.267)
Additions to deferred taxes		5.693.963		2.116.740	3.577.223

V. EXPLANATIONS REGARDING THE INCOME STATEMENT

(1) NET SALES

The net sales are broken down according to product areas and are made up as follows:

	2004		2003	
	K€	%	K€	%
Sheet steel/steel strips	150.272	38,4	107.793	28,4
Wires/cables	76.993	19,7	152.618	40,2
Metal trade	59.427	15,2	37.846	10,0
Tubes	58.489	14,9	44.067	11,6
Bars/profile	49.535	12,6	38.754	10,2
Foundry/formats	27	—	3	—
Others	—	—	2.134	0,6
Profit adjustment	(2.985)	(0,8)	(3.701)	(1,0)
	391.758	100,0	379.514	100,0

They are divided into the following sales markets:

	2004	2003
	%	%
Domestic market	40,7	45,9
European Union	33,7	30,5
Non-european countries	25,6	23,6
	100,0	100,0

(2) COST OF MATERIALS

The cost of raw materials, supplies and trading stock and for goods and services purchased is made up as follows:

	2004	2003
	€	€
Raw materials	314.570.085	276.852.899
Electrical energy	6.689.858	6.240.116
Operating material	3.428.320	3.182.213
Packaging material	2.856.287	2.933.493
Natural gas	2.774.976	3.590.969
Repair material	1.643.725	1.603.016
Water and sewage	388.440	356.510
Others	313.541	458.862
	332.665.232	295.218.078
Cost of purchased services	3.557.567	7.903.029
	336.222.799	303.121.107

The raw materials item is basically copper costs. The increase in the cost of material by a total of €33.101.692 is the copper price and dollar trend in the financial year 2004 on the other.

The demand of copper cathodes of MKM is decreased from 143.490 t in 2003 to a volume of 117.454 t, but as a result of higher prices the cost of materials increased in total.

In October and December 2004, the copper price of nearly USD 3.300/t reached its highest value for the financial year 2004. The corresponding value in December 2004 was USD 2.200/t. In the Euro zone, the copper price trend was also exposed to the development of the USD—€ trend. Because of the weakening USD compared with the Euro, the increased copper price referred to above was slightly compensated. The year's average price for copper amounted to 2.307 €/t. Thus the average price is 47 % higher than the average price of 2003 amounting to 1.572 €/t.

(3) PERSONNEL EXPENSES

Wages and salaries have developed as follows:

	2004	2003
	€	E€
Wages	19.001.063	20.127.041
Salaries	9.535.223	11.002.347
Redundancy payments	879.501	2.758.042
Bonuses	398.768	392.937
Training allowances	220.563	164.144
	30.035.118	34.444.511

Social security and pension costs are made up as follows:

	2004	2003
	€	€
Social security	5.626.297	5.768.128
Trade association	821.805	984.299
Direct insurance	286.368	373.050
Others	49.220	54.236
	6.783.690	7.179.713

(4) OTHER OPERATING INCOME AND EXPENSES

The other operating income developed as follows:

	2004	2003
	€	€
Discounting shareholders' loan	21.737.500	—
Income from reversal of provisions	1.531.300	—
Income from resources under Sec. 272 SGB [fiscal code] III	1.068.655	1.161.355
Income which does not relate to the accounting period	885.557	544.526
Dissolution of provisions	289.759	1.191.224
Compensation	255.600	3.111.759
Income from the disposal of fixed assets	196.805	84.307
Dissolution of specific provision for bad debts	121.766	93.851
Income from sale of customer base	—	590.000
Others	1.232.858	462.078
	27,319,800	7.239.100

The income from funds according to § 272 SGB III is offset by expenses of MKM of € 1.243.959 (previous year: € 1.344.542). In 2004, MKM continued job-related measures according to § 272 SGB III on the basis of contractual agreements with the Bundesanstalt für Arbeit, the joint fund of IG Metall and the Sachsen-Anhalt government.

The other operating expenses are made up as follows:

	2004	2003
	€	€
Freight outward and ancillary costs	8.047.960	8.143.209
Transfer to provisions for guarantees	4.571.000	1.801.300
Maintenance by external parties	4.375.671	9.009.464
Commission	2.919.712	2.588.668
Bank charges and factoring fees	2.084.899	1.717.323
Consulting and auditing expenses	1.698.307	2.043.123
Insurance	1.685.169	1.698.843
Funds for restructuring measures under Sec. 272 SGB [fiscal code] III	1.243.959	1.344.542
Contractual penalties, sanctions, compensation	740.447	132.822
Group allocation	572.600	1.098.528
Surety remuneration	560.823	456.967
Travelling expenses	545.020	591.320
Rents and leases	483.500	512.089
Specific provisions for bad debts on receivables	479.013	824.166
Others	3.084.599	2.849.632
	33.092.679	34.811.996

The funds according to 272 SGB III were used for decontamination measures that benefited employment. We refer to our notes under Other operating income.

(5) FINANCIAL RESULT

	2004	2003
	€	€
Interest income		
Discount income	83.906	68.824
Fixed deposits and other credit balances at sight	51.319	33.944
Default interest for supplies of goods and services	8.630	5.116
Interest income from CTS loan	—	5.699
Income from discounting the accruals	77,812	173.456
	221.667	287.039
Income from hedging of foreign currency	1.907.433	3.676.587
Interest expenses		
Amounts owed to banks		
Syndicated investment loan	5.203.780	6.096.423
Operating capital loan	1.128.889	657.366
Interim financing of stocks	554.824	—
Loan commission	67.970	41.687
Interest on hire purchase	218.936	287.942
Interest for factoring	451.971	423.055
Interest for hedging	45.423	97.803
Interest on loan from Lamitref N.V., Hemiksem/ KAZ	23.700	514.435
Discount expenses	36.435	46.420
Others	174.908	83.980
	7.906.836	8.249.111
Expenses from hedging of foreign currency	3.491.661	4.077.801
Depreciation of financial assets	22.055	—
Net financial result	(9.291.452)	(8.363.286)

(6) INCOME TAXES

The taxes on income paid or owed and also the deferred taxation are shown. The income tax expenses including deferred taxation are made up as follows:

	2004	2003
	€	€
Actual taxes	—	—
Deferred income tax	(3.577.227)	(281.252)
Stated income tax expenditure	(3,577.227)	(281.252)

As in the previous year, the current taxes do not include any after-payments (reimbursements) to be allocated to previous periods.

According to IAS 12.81, the actual tax cost must be compared with the tax cost that would have occurred factiously when using the tax rates to be applied to the result for the year shown before tax.

The total tax rate of 38,13% used in the transitional account reflects the effective tax rate of MKM and is made up of the corporation tax rate of 25% plus the solidarity surcharge of 5,5% on the corporation's tax liability, plus a trade tax rate of 15,97% determined on the basis of the tax factor of 380%.

Transitional account:

	2004	2003
	€	€
Result before income tax	(10.351.471)	(31,479,396)
Expected income tax 38,13 % (2003: 38,13 %)	—	—
Inclusion of deferred tax liabilities	(3.577.227)	(281.252)
Total tax expenditure	(3.577.227)	(281.252)

VI. EXPLANATIONS REGARDING THE CASH FLOW STATEMENT

1. COMPOSITION OF CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, the liquid assets include cash, credit lines at banks that can be drawn down any time and other short-term liquid financial investments with an original maturity of three months maximum.

	2004	2003
	€	€
Cash at banks and in hand	5.262	4.511
Credit balances at banks	45.737.373	5.331.235
Capital funds on 31 December	45.742.635	5.335.746

2. PAYMENT-NEUTRAL TRANSACTIONS

In the financial years 2003 and 2004, the following payment-neutral investment and financing transactions were performed:

	2004	2003
	€	€
Takeover of liabilities owed to bank and former shareholder	153.548.808	—
Reclassification from liabilities to capital reserve	61.000.000	—
Shareholders' loan from takeover liabilities owed to bank	92.548.808	—
Income from discounting shareholders' loan	21.737.500	—
	328.835.116	—

VII. OTHER INFORMATION

1. CONTINGENT LIABILITIES AND CLAIMS

Contingent liabilities exist on the balance sheet date from the negotiation and transfer of bills (contingent liabilities on notes) of € 0 (previous year: € 1.548.935).

The other financial liabilities from leasing contracts total € 181.057 (previous year: € 335.445), of which with a remaining term of one year € 127.992 (previous year: €192.059) and a remaining term of one to five years € 53.065 (previous year: € 143.386).

For the leasing contracts within the Lamitref Group, guarantee declarations of €0 exist (previous year: € 2.932.689).

The order liability amounts to € 754.500 (previous year: € 4.634.000) for outstanding investments and € 12.023.943 (previous year: € 8.609.000) for metal purchase obligations.

2. DERIVATIVE FINANCIAL INSTRUMENTS

As part of its operating activities, MKM is exposed to metal price and exchange rate fluctuations in particular. The company's policy is to limit these risks by means of metal and currency forward transactions. These mainly concern copper and the US Dollar. The volume of all metal and currency forward transactions in the financial years 2004 and 2003 is made up as follows:

		Nominal volume
	2004	2003
	€	€
Forward metal contracts		
Purchase commitments	(322.845.519)	(264.656.049)
Sales commitments	317.664.601	272.865.188
Forward exchange contracts	11.647.825	255.066.168

The nominal volume of the metal forward business is divided according to hedging on the purchase and sales side. The nominal volume of the currency forward business results from the sum of all purchase and sales contracts.

On the other hand, the market value as at 31 December 2004 is calculated from the valuation of all the contracts at the prices of the valuation date and indicates how, when detached from the basic business, the realisation of the derivative contracts would affect the result. For metal forward business, the market value as at 31 December 2004, which therefore results from setting off profits and losses of the individual items, amounts to € 16.327.810 (previous year: € 13.100.378) and for currency forward business, € 0 (previous year: € 5.278.140).

In previous years, currency forward business was transacted via the then shareholders Lamitref N.V./Hemiksen. These currency forward transactions ran out at the beginning of the financial year 2004 and no new contracts have been signed since then.

3. RELATED PARTIES TRANSACTIONS

Closely related companies and persons within the meaning of IAS 24 are persons and companies that are influenced by the company or who can influence the Company.

As part of its normal business activity, MKM performs and buys various services for and from closely related persons. These supplies and services are performed at market prices.

4. SUBSEQUENT EVENTS

After the end of the financial year 2004, no events of particular importance occurred, which are of essential importance for the financial statement and may lead to a changed assessment of the Company.

5. MEMBERS OF THE BOARD

Leon R. Cloostermans-Huwaert, Maarkedal/Belgium (until 30 June 2005)

Dr. Joachim Breitschuh, Bennstedt/Germany (until 30 June 2005)

Friedrich Flemming, Burghaun (since 21 June 2005)

In the financial year 2004, a total of € 657.844 (previous year: € 695.772) was used to pay the members of the Board.

6. MEMBERS OF THE SUPERVISORY BOARD

— Employer's representatives —

Theophiel Karel Verheyden, Loonbeek/Belgium (Chairman) (until 23 April 2004)

Hein Rombout, AL Bennekom/Netherlands (until 22 January 2004)

Wilfried Vandepoel, Mortsel/Belgium (until 27 April 2004)

Dr. Thomas Hundt, Berlin/Germany

— Employees' representatives —

Hubertus Luthardt, Hettstedt/Germany (Deputy Chairman)

Gabriele Siebert, Großörner/Germany

As in the previous year, the Supervisory Board received no payment for the financial year 2004.

MKM Mansfelder Kupfer und Messing GmbH

The Board of Directors

Friedrich Flemming

Leon R. Cloostermans-Huwaert

Dr. Joachim Breitschuh

Hettstedt, 30 June 2005

AUDITORS' REPORT

To the shareholders of MKM Mansfelder Kupfer und Messing GmbH, Hettstedt:

We have audited the annual financial statements, comprising the balance sheet, income statement, statement of changes in shareholders´ equity, cash flow statement and the notes to the financial statements prepared by MKM Mansfelder Kupfer und Messing GmbH, Hettstedt for the business year from 1 January 2004 to 31 December 2004. The preparation and the content of the annual financial statements in accordance with the International Financial Reporting Standards (IFRS) are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements based on our audit.

We conducted our audit of the annual financial statements in accordance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations and cash flows of the Company in accordance with the International Financial Reporting Standards.

We issue this opinion on the basis of our duty-bound audit of the financial statements concluded as at 14 January 2005, and our supplementary audit which is in the context of the change of the majority shareholder and the respective demand to exercise the accounting and measurement options in accordance with the Group accounting policies of the new majority shareholder. We refer to the enterprise's reasons for the changes as stated in the changed notes to the financial statements, note ''I.3 Basis for restatement of the financial accounts''. The supplementary audit did not lead to any reservations.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the Prospectus Regulation.

Köln/Düsseldorf, 14 January 2005/30 June 2005

RSM Haarmann Hemmelrath GmbH

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

Signed	Signed
Bula	Schoberth
Wirtschaftsprüfer	Wirtschaftsprüfer

Part IX

Unaudited pro forma financial information

PRO FORMA BALANCE SHEET AS AT 31 MAY 2005

The following pro forma balance sheet of the Group as at 31 May 2005 is prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the actual financial position of the Group. It is prepared to illustrate the effect on the consolidated balance sheet of the Group of the Global Offer, as if the Global Offer had taken place on 31 May 2005, and is based on the consolidated balance sheet of the Group at 31 May 2005 extracted without material adjustment from the financial information set out in Part VIII of this Prospectus. Adjustments have been made in accordance with item 6 of Annex II of the Prospectus Regulation.

	Group (Note 1)	Adjustments Global Offer adjustments (Note 2)	Pro forma
	$000	$000	$000
ASSETS			
Non-current assets			
Tangible assets			
Property, plant and equipment	1,650,157	—	1,650,157
Mine stripping costs	23,103	—	23,103
Intangible assets	21,532	—	21,532
Investments	6,061	—	6,061
Deferred income tax assets	27,080	—	27,080
	1,727,933	—	1,727,933
Current assets			
Inventories	319,367	—	319,367
Trade and other receivables	128,067	—	128,067
Advances paid and other current assets	89,498	(7,802)[2(b)(c)]	81,696
Investments in securities	281,091	—	281,091
Restricted cash	2,915	—	2,915
Cash and cash equivalents	89,175	478,791[2(a)(b)]	567,966
	910,113	470,989	1,381,102
TOTAL ASSETS	2,638,046	470,989	3,109,035
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	152,965	21,036[2(a)]	174,001
Share premium	—	450,045[2(a)]	450,045
Foreign currency translation	167,215	—	167,215
Reserve fund	9,267	—	9,267
Retained earnings	1,528,279	—	1,528,279
Equity attributable to share holders of the parent	1,857,726	471,081	2,328,807
Minority interest	46,620	—	46,620
Total equity	1,904,346	471,081	2,375,427
Non-current liabilities			
Borrowings	50,135	—	50,135
Employee benefits	27,832	—	27,832
Other provisions	41,817	—	41,817
Income tax payable	—	—	—
Deferred income tax	287,166	—	287,166
	406,950	—	406,950
Current liabilities			
Trade and other payables	145,547	—	145,547
Borrowings	75,455	(92)[2(c)]	75,363
Other provisions	11,662	—	11,662
Dividends declared	2,929		2,929
Income tax payable	91,157	—	91,157
	326,750	(92)	326,658
TOTAL LIABILITIES	733,700	(92)	733,608
TOTAL EQUITY AND LIABILITIES	2,638,046	470,989	3,109,035

PRO FORMA INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

The following pro forma combined income statement of the Group for the year ended 31 December 2004 is prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the actual results of the Group. It has been prepared to illustrate the effect on the consolidated profit for the year of the Group of the acquisition of MKM (''the Acquisition'') and the Global Offer, as if the Acquisition and Global Offer had taken place prior to 1 January 2004, and is based on the consolidated income statement of the Group extracted without material adjustment from the financial information set out in Part VIII of this Prospectus. Adjustments have been made in accordance with item 6 of Annex II of the Prospectus Regulation.

		Adjustments			
	Group (Note 1)	MKM (Note 3)	Acquisition adjustments (Note 4)	Global Offer adjustments (Note 2)	Pro forma
	$000	$000	$000	$000	$000
REVENUES	1,259,527	486,899	—	—	1,746,426
Cost of sales	(505,406)	(459,465)	—	—	(964,871)
GROSS PROFIT	754,121	27,434	—	—	781,555
Distribution expenses	(18,022)	(22,548)	—	—	(40,570)
Administrative expenses	(109,360)	(20,793)	—	—	(130,153)
Impairment losses	(41,868)	—	—	—	(41,868)
Other income/(expenses)	(6,341)	14,590	(27,017)[4(d)]	—	(18,768)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS	578,530	(1,317)	(27,017)	—	550,196
Net financing income/(expenses)	4,497	(9,578)	2,002[4(b)(c)]	—	(3,079)
Foreign exchange gain/(loss)	(29,356)	(1,970)	—	—	(31,326)
Recognition of negative goodwill	111,327	—	(111,327)[4(a)]	—	—
PROFIT BEFORE TAX	664,998	(12,865)	(136,342)	—	515,791
Income tax expense	(223,737)	(4,755)	1,761[4(c)]	—	(226,731)
PROFIT FOR THE PERIOD	441,261	(17,620)	(134,581)	—	289,060

PRO FORMA SEGMENTAL INFORMATION

The following pro forma segmental information for the Group for the year ended 31 December 2004 is prepared for illustrative purposes only, and because of its nature, addresses a hypothetical situation and therefore does not represent the actual financial position or results of the Group. The segmental analysis of revenue, EBIT and adjusted EBITDA is presented as if the Acquisition and the Global Offer had taken place prior to 1 January 2004, and is based on the consolidated income statement of the Group for the year ended 31 December 2004 extracted without material adjustment from the financial information set out in Part VIII of this Prospectus. Adjustments have been made in accordance with item 6 of Annex II of the Prospectus Regulation.

	Year ended 31 December 2004				
			Adjustments		
	Group (Note 1)	MKM (Note 3)	Acquisition adjustments (Note 4)	Global Offer adjustments (Note 2)	Pro forma
	$000	$000	$000	$000	$000
Revenue					
Copper cathode	911,523	—	—	—	911,523
Copper rod	134,658	—	—	—	134,658
Silver	115,225	—	—	—	115,225
Zinc	14,986	—	—	—	14,986
Gold	14,393	—	—	—	14,393
Other by products	13,485	—	—	—	13,485
Other	55,257	—	—	—	55,257
Kazakhmys	1,259,527	—	—	—	1,259,527
MKM	—	486,899	—	—	486,899
	1,259,527	486,899	—	—	1,746,426

	Year ended 31 December 2004				
		Adjustments			
	Group (Note 1)	MKM (Note 3)	Acquisition adjustments (Note 4)	Global Offer adjustments (Note 2)	Pro forma
	$000	$000	$000	$000	$000
EBIT (Note 6)					
Company	12,170	—	—	—	12,170
Kazakhmys	566,360	—	—	—	566,360
MKM	—	(1,317)	(27,017)[4(d)]	—	(28,334)
	578,530	(1,317)	(27,017)	—	550,196

	Year ended 31 December 2004				
		Adjustments			
	Group (Note 1)	MKM (Note 3)	Acquisition adjustments (Note 4)	Global Offer adjustments (Note 2)	Pro forma
	$000	$000	$000	$000	$000
Adjusted EBITDA (Note 7)					
Company	12,170	—	—	—	12,170
Kazakhmys	749,688	—	—	—	749,688
MKM	—	34,482	(27,017)[4(d)]	—	7,465
	761,858	34,482	(27,017)	—	769,323

Explanatory notes:

1. The consolidated balance sheet of the Group as at 31 May 2005 and the consolidated income statement for the year ended 31 December 2004 have been extracted without material adjustment from the historical financial information set out in Part VIII of this Prospectus.

2. Adjustments to the pro forma balance sheet of the Group relate to:

(a) based on an Offer Price at the midpoint of the price range, the Global Offer adjustments reflect the gross proceeds of £293.631 million ($522.310 million), less maximum offer costs and estimated expenses of £28.800 million ($51.229 million) and have been extracted, without material adjustment, from the ''Additional Information'' in paragraph 20.2 of Part XI. Issued share capital is based on 58,434,025 shares being issued at par value of £0.20 ($0.36) each.

(b) adjustment is made for the £4.283 million ($7.710 million) of expenses in relation to the Global Offer that have already been paid by the Group and are carried on the balance sheet as at 31 May 2005.

(c) redemption of the redeemable preference shares issued to Apro Limited at their par value of £50,000 ($92,000).

(d) no account has been taken of any trading or other transactions since 31 May 2005.

Adjustments to the pro forma income statement of the Group relate to:

3. MKM was acquired on 14 December 2004. MKM's results for the period from the date of acquisition to 31 December 2004 were not consolidated by the Group on the grounds that they were immaterial. A full year of MKM trading has therefore been included in this adjustment.

MKM's full year results for the year ended 31 December 2004 have been extracted from the 2004 IFRS financial statements for MKM included in Part VIII of this document. MKM's income statement has been reclassified to present costs by their function so that it is on the same basis as that presented by the Group:

Per MKM Financial Statements		Pro forma			
€'000	Total	Cost of sales	Distribution	Administrative	Other income / (expenses)
Changes in inventory	16,583	16,583	—	—	—
Other operating income	27,320	—	—	—	27,320
Cost of materials	(336,223)	(331,076)	(2,888)	(2,259)	—
Personnel expenses	(36,819)	(25,501)	(2,884)	(8,434)	—
Depreciation of fixed assets and amortisation of intangible assets and tangible assets	(30,586)	(20,575)	(22)	(285)	(9,704)
Other operating expenses	(33,093)	(9,116)	(12,348)	(5,752)	(5,877)
	(392,818)	(369,685)	(18,142)	(16,730)	11,739
US$'000	(488,216)	(459,465)	(22,548)	(20,793)	14,590

MKM's results have been translated into US dollars at the avergae prevailing rate of $1:€0.8046 for the year.

4. The acquisition adjustments include:

(a) the elimination of the recognition of negative goodwill ($111.327 million). This was recognised on the date of the Acquisition, and has been eliminated in order to illustrate the results of the Group as if the Acquisition had occurred prior to 1 January 2004. This amount has been extracted without material adjustment from the historical financial information set out in Part VIII of this document. There is no tax effect of this adjustment as the recognition of negative goodwill in respect of the Acquisition is not taxable.

(b) the elimination of interest charged included in the results of MKM in respect of the Lamitref Industries and syndicated bank loans (€6.335 million ($7.873 million)). As part of the Acquisition, the Lamitref Industries loan was transferred to Kaz Kupfer GmbH, MKM's immediate parent, for a nominal consideration of €1 and the syndicated loan was partly waived. These amounts have been extracted from the 2004 IFRS financial statements for MKM included in Part VIII of this document and have been translated into US$ at the average prevailing rate of $1:€0.8046 for the year. There is no tax effect of this adjustment as MKM has sufficient losses to cover the gain.

(c) the Group repaid €61.0 million ($82.725 million translated into US$ at the year end prevailing rate of $1:€0.7374) in respect of the syndicated loan. This amount was paid from the Group's internal cash resources. Interest income has been reduced by $5.871 million based upon the consideration of $82.725 million and an interest rate of 7.1% being the lowest rate earned on the Group's short term bank deposits. The tax effect of this adjustment is based on the corporate tax rate of 30% prevailing in Kazakhstan for the year.

(d) the elimination of the fair value adjustment included in the results of MKM in respect of interest-free loans from KAZ Kupfer GmbH (€21.738 million ($27.017 million)). This amount has been extracted from the 2004 IFRS financial statements for MKM included in Part VIII of this document and has been translated into US$ at the average prevailing rate of $1:€0.8046 for the year. There is no tax effect of this adjustment as MKM is loss making and does not pay current tax.

5. No account has been taken of interest that could have been earned on the proceeds from the Global Offer.

6. EBIT is calculated by adding back net financing income / (expenses) and recognition of negative goodwill to the Profit before Tax for the year included in the historical financial information set out in Part VIII of this Prospectus. EBIT has been calculated as shown in the table below.

7. Adjusted EBITDA is calculated by deducting operating foreign exchange losses and adding back net financing income / (expenses), recognition of negative goodwill depreciation and amortisation, impairment losses and write off adjustments to the Profit before Tax for the year included in the historical financial information set out in Part VIII of this Prospectus. Adjusted EBITDA has been calculated as follows:

	Company	Kazakhmys	MKM (Notes 3 & 4)
	$'000	$'000	$'000
Profit before tax and interest (EBIT)	12,170	566,360	(1,317)
Operating foreign exchange losses	—	(15,804)	(1,970)
Acquisition adjustment (Note 4)	—	—	(27,017)[4(d)]
Fixed asset impairment losses	—	30,307	—
Loss / (gain) on disposal of fixed asset disposals	—	16,713	(245)
Depreciation	—	152,112	38,014
Adjusted EBITDA	12,170	749,688	7,465

ERNST & YOUNG

■ Ernst & Young LLP
1 More London Place
London SE1 2AF

The Directors
Kazakhmys PLC
4 New Square
Bedfont Lakes
Feltham
Middlesex
TW14 8HA

26 September 2005

Dear Sirs

Kazakhmys PLC (the ''Company'')

We report on the pro forma financial information (the ''Pro forma Financial Information'') set out in Part IX of the Prospectus dated 26 September 2005, which has been prepared on the basis described in the explanatory notes, for illustrative purposes only, to provide information about how the Global Offer and acquisition of MKM Mansfelder Kupfer und Messing GmbH (''MKM'') (''the Acquisition'') might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 May 2005. This report is required by item 20.2 of Annex I of the Prospectus Regulation and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro forma Financial Information in accordance with item 20.2 of Annex I of the Prospectus Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Prospectus Regulation, as to the proper compilation of the Pro forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma Financial Information has been properly compiled on the basis stated.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion:

(a) the Pro forma Financial Information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

■ The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member practice of Ernst & Young Global. A list of members' names is available for inspection at the above address which is the firm's principal place of business and its registered office.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the Prospectus Regulation.

Yours faithfully

Ernst & Young LLP

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member practice of Ernst & Young Global. A list of members' names is available for inspection at the above address which is the firm's principal place of business and its registered office.

Part X
Major shareholders and the Relationship Agreement

The current major shareholders of the Company are Perry Partners S.A., Harper Finance Limited and Cuprum Holding B.V. Certain of the Directors have interests in these companies as described in ''Additional information—Directors' and other interests'' in paragraph 5 of Part XI.

Immediately following Admission, Perry Partners S.A., Harper Finance Limited and Cuprum Holding B.V. will collectively own 70.3% of the issued ordinary share capital of the Company if the Managers' Option is not exercised and 66.4% of the issued ordinary share capital of the Company if the Managers' Option is fully exercised and will be regarded as controlling shareholders of the Company. Perry Partners S.A., and Kinton Trade Limited, the Selling Shareholders, are selling 64,043,691 Ordinary Shares, (assuming no exercise of the Managers' Option) pursuant to the Global Offer and, if the Managers' Option is exercised, a maximum of 82,415,348 Ordinary Shares.

The following table shows the beneficial shareholdings of the Major Shareholders as they are currently and as they will be immediately following Admission.

Shareholder	Number of Existing Ordinary Shares	Percentage of existing issued share capital	Number of Ordinary Shares following the Global Offer assuming no exercise of the Managers' Option	Percentage of the Enlarged Share Capital assuming no exercise of the Managers' Option	Number of Ordinary Shares following the Global Offer assuming full exercise of the Managers' Option	Percentage of the Enlarged Share Capital assuming full exercise of the Managers' Option
Perry Partners S.A.	152,090,025	37.2	91,318,639	19.5	72,946,982	15.6
Harper Finance Limited	101,470,900	24.8	101,470,900	21.7	101,470,900	21.7
Cuprum Holding B.V. .	135,944,325	33.2	135,944,325	29.1	135,944,325	29.1

The following table shows the indirect holdings of Ordinary Shares of the Major Shareholders' principal ultimate beneficial owners (being the Executive Directors Mr Kim, Mr Cha and Mr Novachuk) (the ''Beneficial Owners'') as they are currently and as they will be immediately following Admission. Mr Novachuk is a director of, but not beneficially interested in, Cuprum Holdings B.V.

Beneficial Owner	Number of Existing Ordinary Shares	Percentage of existing issued share capital	Number of Ordinary Shares following the Global Offer assuming no exercise of the Managers' Option	Percentage of the Enlarged Share Capital assuming no exercise of the Managers' Option	Number of Ordinary Shares following the Global Offer assuming full exercise of the Managers' Option	Percentage of the Enlarged Share Capital assuming full exercise of the Managers' Option
Mr Kim(1)	186,685,950	45.6	186,685,950	39.9	186,685,950	39.9
Mr Cha(2)	152,090,025	37.2	91,318,639	19.5	72,946,982	15.6
Mr Novachuk(3)	53,098,697	13.0	51,462,545	11.0	51,462,545	11.0

(1) Mr Kim is interested in these Existing Ordinary Shares by reason of being interested in 100 per cent. of Cuprum Holding B.V. and 50 per cent. of Harper Finance Limited. Additionally, Mr Kim is the registered and beneficial owner of 6,175 Existing Ordinary Shares.

(2) Mr Cha is interested in these Existing Ordinary Shares by reason of being interested in 100 per cent. of Perry Partners S.A. which in turn beneficially owns 152,090,025 Existing Ordinary Shares, of which 66,215,900 are currently registered in the name of Credit Suisse, London Branch, as chargor.

(3) Mr Novachuk is interested in these Existing Ordinary Shares by reason of being interested in 44.94 per cent. of Harper Finance Limited and 50 per cent. of Kinton Trade Limited, a minority shareholder of the Company, which owns 14,995,350 Existing Ordinary Shares.

The Major Shareholders, the Beneficial Owners and the Company have entered into an agreement (the ''Relationship Agreement'') which will, conditional on Admission, regulate the ongoing relationship between them to ensure that the Group is capable of carrying on its business independently of the Major Shareholders and the Beneficial Owners, and to ensure that transactions and relationships between the Group, the Major Shareholders and the Beneficial Owners are at arm's length and on normal commercial terms and that the control is not abused. The Relationship Agreement shall continue so long as (a) the Ordinary Shares are listed on the Official List of the Financial Services Authority and traded on the London Stock Exchange and (b) the Major Shareholders or Beneficial Owners collectively controlling directly or indirectly a shareholding of at least 30% in the Company. However, it shall terminate in respect of a Major Shareholder, if such Shareholder ceases to control at least a shareholding of 10% in the Company.

Under the Relationship Agreement, the Major Shareholders, the Beneficial Owners and the Company agree, *inter alia*, that (following the appointment of Lord Renwick, in relation to the provisions applicable to Board membership):

- the Company shall have its own dedicated management and that the Company shall operate and make decisions for the benefit of Shareholders as a whole and independently of the Major Shareholders and the Beneficial Owners at all times;
- there shall at all times be a majority of Directors independent of the Major Shareholders on the Board and on all standing committees of the Board and any other committee of the Board to which significant powers, authorities or discretions are delegated;
- the Major Shareholders will vote so that any independent Director will (insofar as may be necessary to ensure that there continues to be a majority of Directors independent of the Major Shareholders and the Beneficial Owners on the Board) be replaced or supplemented as the case may be by a new executive or non-executive Director, as the case may be, who is also an independent Director;
- no material agreement, arrangement or transaction between any Group company and any of the Major Shareholders or Beneficial Owners or any of their associates shall be entered into, materially amended, novated, varied or abrogated unless approved by a vote of the Directors independent of the Major Shareholders and the Beneficial Owners (in addition to compliance with the Listing Rules);
- the Major Shareholders have the same voting rights as all other shareholders;
- all transactions and relationships between any of the Major Shareholders or the Beneficial Owners or their associates and any member of the Group (as the case may be) shall be on terms which are arm's length and on a normal commercial basis.

Part XI

Additional information

1 Incorporation and activity

1.1 The Company was incorporated and registered in England and Wales as a public company limited by shares under the name KCC International PLC on 15 July 2004 and with registered number 05180783. Pursuant to a special resolution dated 23 September 2005, the name of the Company was changed from KCC International PLC to Kazakhmys PLC.

1.2 The Company's registered office is at 4 New Square, Bedfont Lakes, Feltham, Middlesex TW14 8HA, England telephone number 0208 636 7900. The Company has established a representative office in Kazakhstan, the address of which is 69a Samal-2, Almaty 050059, Republic of Kazakhstan. On 11 May 2005 the Company opened a representative office in Urumqi, China the address of which is 15 F Heng Chang Building, No. 1 Huang He Road, Urumqi, Xinjiang, 830002, China.

1.3 The Registrar of Companies issued the Company with a certificate to commence business and borrow pursuant to Section 117 of the Act on 26 October 2004.

1.4 By a resolution of the Directors dated 19 September 2005, Ernst & Young LLP whose address is 1 More London Place, London SE1 2AF, were appointed as the first auditors of the Company.

1.5 The Company is the holding company of the Group.

2 Information concerning the Ordinary Shares

2.1 The principal legislation under which the Company operates, and pursuant to which the Ordinary Shares have been created, is the Act and the regulations made thereunder.

2.2 The Company's share capital on incorporation was £50,000 divided into 50,000 ordinary shares of £1 each, two of which were issued to each of the two subscribers of the Memorandum of Association. The Ordinary Shares have an ISIN number GBOOBOHZPV 38.

2.3 Pursuant to a special resolution of the Company dated 22 October 2004, all the issued and unissued ordinary shares of £1 each of the Company were consolidated and divided into 10,000 ordinary shares of £5 each and the authorised share capital of the Company was increased to £100,050,000 by the creation of 19,990,000 Ordinary Shares of £5 each and 50,000 Redeemable Preference Shares of £1 each.

2.4 Pursuant to a written resolution dated 19 November 2004 the new Articles were adopted and the authorised share capital of the Company was increased from £100,050,000 to £100,050,001 by the creation of one special share of £1 having attached thereto the rights specified in the Articles.

2.5 Pursuant to a special resolution passed on 23 September 2005 it was resolved *inter alia* to:

(a) divide the £50,000 nominal amount of authorised share capital of the Company formerly divided into 50,000 redeemable preference shares of £1 each into 10,000 ordinary shares of £5 each;

(b) subdivide each ordinary share of £5 each in the capital of the Company into 25 Ordinary Shares of 20p each, having attached thereto the rights specified in the Articles adopted by the same special resolution;

(c) increase the authorised share capital of the Company from £100,050,001 to £150,000,001 by the creation of 249,750,000 Ordinary Shares;

(d) authorise the Directors in accordance with section 80 of the Act and in substitution for any existing power to allot relevant securities to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £32,000,000 during the period commencing on the date of the passing of the resolution and expiring on 22 September 2010 (both dates inclusive), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements;

(e) empower the Directors pursuant to section 95 of the Act to:

(i) allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority given in accordance with section 80 of the Act by the resolution; and

(ii) transfer equity securities (within the meaning of section 94 of the Act) which are held by the Company in treasury

as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment or transfer of equity securities:

(A) in connection with or the subject of an offer or invitation, including a rights issue or open or equivalent offer, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights including equity securities which, in connection with such offer or invitation, are the subject of, or the arrangements for which provide for, such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or as regards shares held by an approved depositary or otherwise; and

(B) (otherwise than pursuant to sub-paragraphs (A) and (B) above) up to an aggregate nominal amount of £16,500,000

and shall expire at the conclusion of the Annual General Meeting of the Company in 2006, or, if earlier, on the date falling 15 months after the passing of this resolution, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements and all authorities previously conferred under section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect; and

(f) generally and unconditionally authorise the Company, in substitution for any existing power under section 166 of the Act, but without prejudice to the exercise of any such power prior to the date hereof, pursuant to and in accordance with section 166 of the Act, to make market purchases (within the meaning of section 163(3) of the Act) of fully paid ordinary shares in such manner and on such terms as the Directors may from time to time determine, provided that:

(A) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 10 per cent. of the issued share capital of the Company at the date of the passing of this resolution;

(B) the minimum price which may be paid for each Ordinary Share is its nominal value, exclusive of expenses;

(C) the maximum price (exclusive of expenses) which may be paid for an ordinary share is an amount equal to 105 per cent. of the middle market quotations as derived from the Daily Official List of the London Stock Exchange for the ordinary shares for the five business days immediately preceding the date of purchase;

(D) the authority hereby conferred shall expire on 22 September 2006, or if earlier, at the conclusion of the Annual General Meeting of the Company in 2006, unless previously revoked, varied or renewed by the Company in general meeting; and

(E) the Company may at any time prior to the expiry of such authority, make a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

(g) adopt the Articles referred to in ''—Summary of the memorandum and articles of association'' in paragraph 3 of this Part XI;

The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act), confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash and apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in this paragraph 2.5. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to holders of Existing Shares on a pro rata basis.

2.6 Since incorporation, there have been no material changes in the capital of the Company or the number and classes of shares of which such capital is composed, other than those set out elsewhere in ''—Information concerning the Ordinary Shares'' in this paragraph 2 of Part XI and, in addition, the following:

(a) on 22 October 2004, 50,000 redeemable preference shares of £1 each were allotted and issued to Apro at par paid up as to £0.25 each. The redeemable preference shares had limited rights (they did not confer any right to dividends or voting) and, having been fully paid, were redeemed on 20 September 2005 out of distributable profits of the Company;

(b) on 28 September 2004, 8 ordinary shares were allotted at par;

(c) on 19 November 2004, a special share of £1 was issued to Perry Partners S.A. in connection with the re-financing by Credit Suisse, London Branch, of debt owed by Perry Partners S.A. (the ''Loan''). The special share is the sole share of its class and while not giving positive control over the Company, it gives the holder the right to vote at any general meeting of the Company and the right of veto over a limited number of transactions by the Company (including certain matters which would otherwise require shareholder approval). On Admission, the limited veto rights attaching to the Special Share (if it has not already been redeemed) will terminate. The Directors have been informed that Perry Partners S.A. intends to use a portion of the proceeds it receives from its sale of Sale Shares in the Global Offer to repay all or part of the loan.

(d) between 24 November 2004 and 23 August 2005, a total number of 16,148,948 Ordinary Shares of £5 each in the Company were allotted pursuant to Share Exchange Agreements in relation to the acquisition of Kazakhmys in return for non-cash consideration; and

(e) on 26 September 2005, the Company issued 5,314,425 Ordinary Shares in consideration for the transfer to it of 127,546,200 units in Kazakhmys from Kinton Trade Limited. This is an exchange rate equivalent to that applied pursuant to the offer made by the Company in 2004 when it first acquired units in Kazakhmys. Formalities relating to a number of acceptances of the offer are still outstanding. Subject to the successful conclusion of these formalities, a further 5,714,425 Ordinary Shares will be issued.

2.7 The authorised, allotted, called up and fully paid share capital of the Company as it is at present and as it will be immediately following the Global Offer are as follows:

	Authorised	Issued (issued fully paid or credited as fully paid)
At present		
Ordinary Shares		
Number	750,000,005	409,038,175
Nominal value	£150,000,001	£81,807,635
Following the Global Offer		
Ordinary Shares		
Number	750,000,005	467,472,200
Nominal value	£150,000,001	£93,494,440

2.8 The authorised but unissued share capital of the Company immediately following Admission will be £56.5 million equivalent to approximately 37.7 per cent. of the authorised Ordinary Share capital of the Company.

2.9 Save as disclosed in this Prospectus and in this paragraph 2, there has been no change in the amount of the issued share or loan capital of the Company and no material change in the amount of the issued share or loan capital of any subsidiary undertaking of the Company, other than intra-Group issues by wholly-owned subsidiary undertakings, in the three years immediately preceding the date of this Prospectus.

2.10 The Existing Ordinary Shares are, and the New Ordinary Shares will be, issued in registered form and will be capable of being held in uncertificated form. The Company's share register is maintained by Computershare Investor Services Plc. No temporary documents of title have been or will be issued. Applications have been made for the Ordinary Shares issued and to be issued pursuant to the Global Offer to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities and no application has been or is being made for their admission to listing or trading on any other stock exchange or securities market.

2.11 Following Admission and subject to feasibility within Kazakhstan's regulatory environment, the Directors intend to make an application for the Ordinary Shares to be admitted to trading on the Kazakhstan Stock Exchange.

2.12 Save as disclosed in this Part XI:

(a) no share or loan capital of the Company has been issued or agreed to be issued or is now proposed to be issued fully or partly paid, either for cash or for a consideration other than cash;

(b) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option; and

(c) the Company has no outstanding convertible debt securities, exchangeable debt securities or debt securities with warrants.

3 Summary of the memorandum and articles of association

3.1 Memorandum of association

Paragraph 4 of the Company's memorandum of association provides that the Company's objects are, among other things, to carry on business as a general commercial company and to carry on any other trade or business whatever, which can in the opinion of the Directors be advantageously carried on in connection with or ancillary to any of the businesses of the Company and to do all such other things as may be deemed incidental or conducive to the attainment of the Company's objects or any of them. The Company's objects are set out in full in clause 4 of the Company's memorandum of association, which is available for inspection at the address specified in ''—Documents available for inspection'' in paragraph 21 of Part XI.

3.2 Articles of Association

The Articles, which were adopted by a special resolution of the Company passed on 23 September 2005, include provisions to the following effect:

(a) Voting rights

Subject to the provisions of CA 1985, to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting every member who is present in person shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is the holder.

Unless the Board otherwise determines, no member is entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares, either in person or by proxy, or to exercise any other right or privilege as a member in respect of any share held by him unless and until all calls or other sums presently due and payable by him in respect of that share whether alone or jointly with any other person together with interest and expenses (if any) have been paid to the Company or if he or any other person appearing to be interested in shares, has been issued with a notice pursuant to section 212 CA 1985 (requiring disclosure of interest in shares) and has failed in relation to any shares to give the Company the information thereby required within 14 days from the service of the notice.

(b) Disclosure of interests in shares

Pursuant to section 198 CA 1985, any person acquiring an interest of 3% or more of the issued Ordinary Shares of the Company must disclose such holding to the Company.

As provided by section 199 of the Act, a person has a notifiable interest in the share capital of the Company when (i) he has material interests with an aggregate nominal value equal to or greater than 3 per cent. of the nominal value of the share capital or (ii) not having such an interest by virtue of (i), the aggregate nominal value of the shares in which he has interests (whether or not these are material interests) is equal to or more than ten per cent. of that share capital.

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 212 of the Act and has failed in relation to any shares (''the default shares'', which expression includes any shares issued after the date of such notice in respect of those shares) to give the Company the information thereby required within 14 days from the service of the notice, unless the Board otherwise determines:

(i) the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(ii) where the default shares represent at least 0.25 per cent in nominal value of the issued shares of their class any dividend or other moneys payable in respect of the shares shall be withheld by the Company and the member shall not be entitled to elect to receive shares instead of that dividend and no transfer other than an excepted transfer of any shares held by the member shall be registered unless the member is not himself in default as regards supplying the information required and the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

Where the sanctions in (i) above apply in relation to any shares, they shall cease to have effect (and any dividends withheld under (ii) shall become payable if the shares are transferred by means of an excepted transfer but only in respect of the shares transferred or at the end of the period of seven days (or such shorter period as the Board may determine) following receipt by the Company of the information required by the notice and the Board being fully satisfied that such information is full and complete.

(c) Dividends

Subject to the provisions of CA 1985 and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.

Subject to the provisions of CA 1985, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. Provided that the Board acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those with preferential rights.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid but no amount paid up on a share in advance of the date on which a call is payable shall be treated for the purposes of this Article as paid up on the share. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

The Board may deduct from any dividend or other money payable to any person on or in respect of a share all such sums as may be due from him to the Company on account of calls or otherwise in relation to the shares of the Company.

The Board may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways. Where any difficulty arises in regard to such distribution, the Board may settle it as it thinks fit. In particular, the Board may:

(i) issue fractional certificates (or ignore fractions);

(ii) fix the value for distribution of such assets or any part thereof and determine that cash payments may be made to any members on the footing of the value so fixed, in order to adjust the rights of members; and

(iii) vest any such assets in trustees on trust for the persons entitled to the dividend.

The Board may also, with the prior authority of an ordinary resolution of the Company and subject to such conditions as the Board may determine, offer to holders of ordinary shares the right to elect to receive ordinary shares, credited as fully paid, instead of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.

Unless the Board otherwise determines, the payment of any dividend or other money that would otherwise be payable in respect of shares will be withheld, and the Company shall have no obligation to pay interest on it, if such shares represent at least 0.25 per cent. of the nominal value of the issued share capital of their class and the holder, or any other person appearing to be interested in those shares, has been issued with a notice under section 212 of the Act and has failed to supply the information required by such notice within 14 days. Furthermore such a holder shall not be entitled to elect to receive shares instead of a dividend.

All dividends, interest or other sum payable and unclaimed for 12 months after having become payable may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Company.

(d) Division of assets on a winding-up

If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members, but if any division is resolved otherwise than in accordance with such rights, the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 110 of the Insolvency Act 1986. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine, but no member shall be compelled to accept any assets on which there is a liability.

(e) Transfer of shares

Subject to any applicable restrictions, each member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect of it.

The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a share (or renunciation of a renounceable letter of allotment) unless:

(i) it is in respect of a share which is fully paid up;

(ii) it is in respect of only one class of shares;

(iii) it is in favour of a single transferee or not more than four joint transferees;

(iv) it is duly stamped (if so required); and

(v) it is delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued or in the case of a renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so

provided that the Board shall not refuse to register any transfer or renunciation of partly paid shares which are listed on the London Stock Exchange on the grounds that they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

Unless the Board otherwise determines, a transfer of shares will not be registered if the transferor or any other person appearing to be interested in the transferor's shares has been issued with a notice under section 212 of the Act, has failed to supply the information required by such notice within 14 days and the shares in respect of which such notice has been served represent at least 0.25 per cent. of their class, unless the member is not himself in default as regards supplying the information required and proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless the transfer is an excepted transfer or after seven days (or such shorter period as the Board may determine) or of the Board receiving to its satisfaction, the information required by the notice.

(f) Variation of rights

If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as hereinafter provided (but not otherwise).

The provisions governing general meetings apply *mutatis mutandis* to every meeting of the holders of any class of shares. The Board may convene a meeting of the holders of any class of shares whenever it thinks fit and whether or not the business to be transacted involves a variation or abrogation of class rights. The quorum at every such meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class. Every holder of shares of the class, present in person or by proxy, may demand a poll. Each such holder shall on a poll be entitled to one vote for every share of the class held by him. If at any adjourned meeting of such holders such quorum as aforesaid is not present, not less than one person holding shares of the class who is present in person or by proxy shall be a quorum.

Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the reduction of the capital paid up on such shares or by the purchase or redemption by the Company of its own shares in accordance with the provisions of CA 1985 and the Articles.

(g) Borrowing powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the provisions of CA 1985, to create and issue debenture and other loan stock and debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and shall exercise all voting and other rights and powers of control exercisable by the Company such that the aggregate principal amount outstanding in respect of moneys borrowed by the Company does not at any time, without previous sanction of an ordinary resolution of the Company, exceed $1,000,000,000.

(h) Alteration of share capital

The Company in general meeting may from time to time by ordinary resolution:

(i) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;

(ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled; and

(iv) subject to the provisions of CA 1985, sub-divide its shares or any of them into shares of smaller amount, and may by such resolution determine that, as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares.

Subject to the provisions of CA 1985 and to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital or any capital redemption reserve or share premium account in any way.

Subject to the provisions of CA 1985 and to any rights for the time being attached to any shares, the Company may purchase any of its own shares of any class (including any redeemable shares). Any shares to be so purchased may be selected in any manner whatsoever.

(i) Allotment of shares

Subject to the provisions of CA 1985 and to any relevant authority of the Company in general meeting required by CA 1985, unissued shares at the date of adoption of the Articles and any shares thereafter created shall be at the disposal of the Board, which may allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of them or rights to subscribe for or convert any security into shares to such persons (including the Directors themselves), at such times and generally on such terms and conditions as the Board may decide, provided that no share shall be issued at a discount.

Subject to the provisions of CA 1985 and to any special rights for the time being attached to any existing shares, any share may be issued which is, or at the option of the Company or of the holder of such share is liable, to be redeemed on such terms and in such manner as the Articles may provide.

(j) Power to attach rights

Subject to the provisions of the CA 1985 and to any special rights for the time being attached to any existing shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other special rights or restrictions whether in regard to dividend, voting, transfer, returned capital or otherwise, as the Company may from time to time by ordinary resolution determine or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board shall determine.

(k) Remuneration of Directors

The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine (not exceeding £1,000,000 per annum, or such other sum as the Company in general meeting by ordinary resolution shall from time to time determine). Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the Directors in such proportions and in such manner as the Board may determine or, in default of such determination, equally (except that in such event any Director holding office for less than the whole of the relevant period in respect of which the fees are paid shall only rank in such division in proportion to the time during such period for which he holds office). Any fees payable pursuant to this Article shall be distinct from any salary, remuneration or other amounts payable to a Director pursuant to any other provisions of the Articles and shall accrue from day to day.

Each Director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company.

If by arrangement with the Board any Director shall perform or render any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may from time to time determine.

The salary or remuneration of any Director appointed to hold any employment or executive office in accordance with the provisions of the Articles may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board, and may be in addition to or in lieu of any fee payable to him for his services as Director pursuant to the Articles.

(l) Pensions and other benefits

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities for persons who are or were directors of any company in the Group and their relatives or dependents.

(m) Directors' interests

Subject to the provisions of CA 1985 and provided that the Director makes the relevant disclosures to the Board, a Director, notwithstanding his office:

(i) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested;

(ii) may hold any other office or place of profit under the Company (except that of Auditor or of auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other Article;

(iii) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and

(iv) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal

and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

(n) Interested Director not to vote or count for quorum

Save as provided in this paragraph (n), a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any other proposal whatsoever to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him within the meaning of section 346 CA 1985) is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company, unless the resolution concerns any of the following matters:

(i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

(ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(iv) any proposal concerning any other body corporate in which he (together with persons connected with him within the meaning of section 346 CA 1985) does not to his knowledge have an interest (as the term is used in Part VI CA 1985) in one per cent or more of the issued equity share capital of any class of such body corporate or of the voting rights available to members of such body corporate;

(v) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or

(vi) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors.

A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or its termination) of two or more Directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

If any question arises at any meeting as to the materiality of a Director's interest (other than the Chairman's interest) or as to the entitlement of any Director (other than the Chairman) to vote or be counted in a quorum, and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the Chairman of the meeting. The Chairman's ruling in relation to the Director concerned shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned (so far as it is known to him) has not been fairly disclosed to the Board.

If any question arises at any meeting as to the materiality of the Chairman's interest or as to the entitlement of the Chairman to vote or be counted in a quorum, and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be decided by resolution of the Directors or committee members present at the meeting (excluding the Chairman), whose majority vote shall be final and conclusive.

(o) Age of Directors

The Articles do not require a Director to vacate his office on or by reason of his attaining or having attained the age of 70 and accordingly no special notice is required by any resolution appointing or approving the appointment of such a Director.

(p) Number of Directors

Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall be not more than 10 or less than two.

(q) Directors' appointment and retirement by rotation

Directors may be appointed by the Company by ordinary resolution or by the Board. If appointed by the Board, a Director holds office only until the next annual general meeting and shall not be taken into account in determining the number of Directors who are to retire by rotation (if applicable) at such meeting. A Director shall not be required to hold any shares of the Company.

At each annual general meeting of the Company one-third of the Directors who are subject to retirement by rotation will retire by rotation and be eligible for re-election. Subject to the Act and to the Articles, the Directors to retire will, first, be any Director who wishes to retire and not offer himself for re-election and secondly, will be those who have been longest in office since their last appointment or re-appointment, but as between those who have been in office an equal length of time, those to retire shall (unless the otherwise agree) be determined by lot.

(r) Untraced shareholders

Subject to the Articles, the Company may sell any shares in the Company registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the member, the net proceeds of sale may either be employed in the business of the Company or invested in whatever investments as the Board sees fit, in either case at the discretion of the Board. The proceeds will not carry interest.

(s) Non-United Kingdom shareholders

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the ordinary shares. However, non-United Kingdom shareholders are not entitled to receive notices of general meetings unless permitted by the Board in its absolute discretion, or if they have given an address in the United Kingdom to which such notices may be sent.

(t) Meetings

An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution shall be convened by not less than 21 clear days' notice in writing. All other extraordinary general meetings shall be convened by not less than 14 clear days' notice in writing, but notwithstanding that it is convened by shorter notice, a general meeting shall be deemed to have been duly convened if it is so agreed:

(i) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right.

The notice shall specify the day, time and place of the meeting and, in the case of general business, the general nature of that business to be transacted and shall specify whether the meeting is an annual general meeting or an extraordinary general meeting, if the meeting is convened to consider a special or extraordinary resolution, the intention to propose the resolution as such, and the right of a member entitled to attend and vote to appoint one or more proxies. The notice shall be given to the members (other than any who, under the provisions of the Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company), to the Directors and to the Auditors. The accidental omission to give notice to, or the non-receipt of notice by, any person entitled to receive the same shall not invalidate the proceedings at the meeting.

No business shall be transacted at any general meeting unless a quorum is present. Two persons (either members, duly authorised representatives or proxies) entitled to vote upon the business to be transacted shall be a quorum. The Chairman of the Board shall preside as Chairman at every general meeting of the Company. If there be no such Chairman or if at any meeting he shall not be present within five minutes after the time appointed for holding the meeting, or shall be unwilling to act as Chairman, the Deputy Chairman (if any) of the Board shall if present and willing to act preside as Chairman at such meeting. If no Chairman or Deputy Chairman shall be so present and willing to act, the Directors present shall choose one of their number to act or, if there be only one Director present, he shall be Chairman if willing to act. If there be no Director present and willing to act, the members present and entitled to vote shall choose one of their number to be Chairman of the meeting. A Director (and any other person invited by the Chairman to do so) shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares of the Company.

The Chairman may, with the consent of a meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time (or indefinitely) and from place to place as the meeting shall determine. Where a meeting is adjourned indefinitely, the Board shall fix the time and place for the adjourned meeting. Whenever a meeting is adjourned for 14 days or more or indefinitely, seven clear days' notice at the least, specifying the place, the day and time of the adjourned meeting and the general nature of the business to be transacted, shall be given in the same manner as in the case of an original meeting.

A resolution put to a vote of the meeting shall be decided on a show of hands, unless a poll is duly demanded. Subject to the provisions of CA 1985, a poll may be demanded by the Chairman, at least five members having the right to vote at the meeting, a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or a member or members holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman shall be entitled to a casting vote in addition to any other vote that he may have.

The right of a member to participate in the business of any general meeting shall include without limitation the right to speak, vote on a show of hands, vote on a poll, be represented by a proxy and have access to all documents which are required by the Act or the Articles to be made available to the meeting.

The Board may, for the purpose of controlling the level of attendance and ensuring the safety of those attending at any place specified for the holding of a general meeting, from time to time make such arrangements as the Board shall in its absolute discretion consider to be appropriate and may from time to time vary any such arrangements or make new arrangements in place thereof . The entitlement of any member or proxy to attend a general meeting at such place shall be subject to any such arrangements as may be for the time being approved by the Board . In the case of any meeting to which such arrangements apply the Board may, when specifying the place of the meeting, direct that the meeting shall be held at a place specified in the notice at which the Chairman of the meeting shall preside and make arrangements for simultaneous attendance and participation at other places by members otherwise entitled to attend the general meeting but excluded therefrom under such arrangements or who wish to attend at any of such other places, provided that persons attending at each place shall be able to see, and hear and be seen and heard by, persons attending at each place, by any means. Such arrangements for simultaneous attendance may include arrangements for controlling the level of attendance in any manner aforesaid at any of such other places, provided that they shall operate so that any such excluded members as aforesaid are able to attend at one of such other places .

The Board may direct that any person wishing to attend any meeting should provide such evidence of identity and submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to any meeting to any person who fails to provide such evidence of identity or to submit to such searches or to otherwise comply with such security arrangements or restrictions .

A Director (and any other person invited by the Chairman to do so) shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares of the Company.

(u) Indemnity of Officers

Subject to the provisions of CA 1985, but without prejudice to any indemnity to which he may otherwise be entitled, every Director, alternate Director, Secretary or other officer of the Company (except the Auditors) shall be entitled to be indemnified out of the assets of the Company against any liability incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company, provided that this provision shall be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause this provision, or any element of it, to be treated as void under CA 1985.

3.3 CREST

Any shares in the Company may be issued, held, registered, converted to, transferred or otherwise dealt with in uncertificated form and converted from uncertificated form to certificated form in accordance with the Regulations and practices instituted by the operator of the relevant system. Any provisions of the Articles shall not apply to any uncertificated shares to the extent such provisions are inconsistent with:

(a) the holding of shares in uncertificated form;

(b) the transfer of the title to shares by means of a relevant system; or

(c) any provision of the Regulations.

Subject to the CREST Regulations and facilities and requirements of the relevant system the Board may, in its absolute discretion, determine the manner in which conversion of certificated shares into uncertificated shares may be made.

The Articles contain other provisions in respect of transactions with the shares in the Company in uncertificated form and generally provide for the modifications of certain provisions of the Articles so that they can be applied to transactions with shares in the Company in uncertificatable form.

4 City Code on Takeovers and Mergers

As an English public limited company, resident in the United Kingdom, the Company will be subject to the UK City Code on Takeovers and Mergers (the ''City Code'').

Rule 9 of the City Code stipulates, *inter alia*, that a person or group of persons acting in concert holding:

(a) less than 30 per cent of the voting rights of a public company; or

(b) 30 per cent or more but not more than 50 per cent of such voting rights

will incur a mandatory bid obligation and will be required to make a general offer to shareholders to acquire the balance of the equity share capital of that company if, in the case of (a) above, they acquire further shares resulting in their holding being 30 per cent. or more of the voting rights, and in the case of (b) above, they acquire any further shares carrying voting rights.

Where a person or group of persons acting in concert holds more than 50 per cent of the voting rights in a company, no obligation would normally arise to make a general offer under Rule 9 if that person or concert group increases its aggregate shareholding. However, even if the concert group together holds over 50 per cent of the voting rights, the Panel on Takeovers and Mergers (the body which administers the City Code) may, inter alia, regard (i) any acquisition by a member of the concert group that increases his personal holding to 30 per cent or more or (ii) any increase by a member of the concert group of his personal holding within the 30 to 50 per cent band, as giving rise to an obligation on that individual to make an offer.

Following Admission, Mr Kim will be interested in more than 50 per cent of the issued Ordinary Shares in the Company.

5 Directors' and other interests

5.1 The Directors and their functions in the Company are set out in ''Information on the Group—Directors and senior management'' in Part II of this Prospectus.

5.2 Each of the Directors can be contacted at the Company's registered office 4 New Square, Bedfont Lakes, Feltham, Middlesex TW1A 8HA, England. Each of the members of the senior management of Kazahkmys listed in ''Information on the Group—Directors and senior managment'' in Part II can be contacted at 1 Metallurgov Avenue, Zhezkazgan 477000, Republic of Kazakhstan. Mr Flemming, managing director of MKM, can be contacted at Lichlöcherberg 40, D-06333 Hettstedt, Germany.

5.3 As at 26 September 2005 (being the latest practicable date prior to publication of this Prospectus) and following implementation of the Global Offer, the interests of the Directors, Senior Managers and their immediate families, (which are beneficial unless stated otherwise) in the securities of the Company which:

(a) have been notified by each Director (or in the case of Senior Managers, would have been, had they been Directors) to the Company pursuant to Section 324 or Section 328 of the Act; or

(b) are (or in the case of Senior Managers, would be, were they Directors) required pursuant to Section 325 of the Act to be entered in the register referred to therein; or

(c) are interests of a connected person (within the meaning of Section 346 of the Act) of a Director or Senior Manager which would, if the connected person were a Director, be required to be disclosed under sub-paragraphs (a) or (b) above and the existence of which is known to or could with reasonable diligence be ascertained by the Director or Senior Manager, are as follows:

Director	Number of Existing Ordinary Shares	Percentage of existing issued share capital	Number of Ordinary Shares following the Global Offer assuming no exercise of the Managers' Option	Percentage of the Enlarged Share Capital assuming no exercise of the Managers' Option	Number of Ordinary Shares following the Global Offer assuming full exercise of the Managers' Option	Percentage of the Enlarged Share Capital assuming full exercise of the Managers' Option
Mr Kim(1)(2)	237,421,400	58.0	237,421,400	50.8	237,421,400	50.8
Mr Cha(3)	152,090,025	37.2	91,318,639	19.5	72,946,982	15.6
Mr Novachuk(1)(4)	116,466,250	27.5	113,193,945	24.2	113,193,945	24.2
Mr R Yun	8,000	0.002	8,000	0.002	8,000	0.002

(1) In contrast to the equivalent table in Part X, these interests are calculated on the basis that the Director is interested in all shares of the Company which are held by any entity in which he has any interest.

(2) Mr Kim is interested in these Existing Ordinary Shares by reason of being interested in 100 per cent. of Cuprum Holding B.V. and 50 per cent. of Harper Finance Limited and holding 6,175 Existing Ordinary Shares in his own name.

(3) Mr Cha is interested in these Existing Ordinary Shares by reason of being interested in 100 per cent of Perry Partners S.A. which in turn beneficially owns 66,215,900 Existing Ordinary Shares, of which are registered in the name of Credit Suisse, London Branch, as chargor.

(4) Mr Novachuk is interested in these Existing Ordinary Shares by reason of being interested in 44.94 per cent of Harper Finance Limited and 50 per cent. of Kinton Trade Limited, a minority shareholder of the Company, which owns 14,995,350 Existing Ordinary Shares.

5.4 All of the Existing Ordinary Shares (except for those derived from shares issued on incorporation of the Company or issued pursuant to the agreement referred to in paragraph 5.5 below) were acquired pursuant to the Company's offer for the shares of Kazakhmys.

Since 26 September 2004, save as described in paragraph 5.5, none of the Directors or Senior Managers specified in paragraph 5.3 above have acquired Ordinary Shares, or shares in Kazakhmys, on terms more favourable than the price at which the Ordinary Shares are being offered pursuant to the Global Offer.

5.5 Kinton Trade Limited, in which Mr Novachuk, one of the Directors, has a 50 per cent. interest, has recently acquired 16,000 ordinary shares of £5 each of the Company (now 400,000 Ordinary Shares) and 127,546,200 units in Kazakhmys (equivalent to 212,577 shares in OJSC Kazakhmys) for an aggregate consideration of $37 million. On 26 September 2005 the Company acquired these Kazakhmys units in consideration for the issue of 5,314,425 Ordinary Shares. In December 2004 Kinton Trade Limited acquired 27,883 shares in JSC Kazakhmys for approximately $2.6 million. These shares were substantially exchanged for shares in the Company pursuant to the November share exchange offer. In May 2005, Mr Novachuk bought approximately 41% of the shares of Harper Finance Limited for a consideration of approximately $135 million.

5.6 Save as disclosed above, none of the Directors, Senior Managers, or any person connected with any Director or any Senior Manager within the meaning of Section 346 of the Act has any interest in the share capital of the Company or any of its subsidiaries.

5.7 There are no loans or guarantees outstanding which have been granted or provided by the Company or any of its subsidiary undertakings to or for the benefit of any of the Directors.

5.8 The Company is aware of the following persons (other than members of the administrative, management or supervisory bodies) who at 23 September 2005 (being the latest practicable date prior to the publication of this Prospectus) directly or indirectly have an interest in three per cent. or more of the issued Ordinary Share capital of the Company. The interests of certain Directors in the holdings of these companies are summarised in paragraph 5.3 above.

Shareholder	Number of Existing Ordinary Shares	Percentage of existing issued share capital	Number of Ordinary Shares following the Global Offer assuming no exercise of the Managers' Option	Percentage of the Enlarged Share Capital following the Global Offer assuming no exercise of the Managers' Option	Number of Ordinary Shares following the Global Offer assuming full exercise of the Managers' Option	Percentage of the Enlarged Share Capital following the Global Offer assuming full exercise of the Managers' Option
Cuprum Holding B.V.	135,944,325	33.2	135,944,325	29.1	135,944,325	29.1
Harper Finance Limited	101,470,900	24.8	101,470,900	21.7	101,470,900	21.7
Perry Partners S.A. (1)	152,090,025	37.2	91,318,639	19.5	72,946,982	15.6
Kinton Trade Limited	14,995,350	3.7	11,723,045	2.5	11,723,045	2.5

(1) Credit Suisse, London Branch holds 66,215,900 shares as chargor; the beneficial owner is Perry Partners S.A. Following the Global Offer it is expected that Credit Suisse, London Branch's loan to Perry Partners S.A. will be repaid in full or in part.

As disclosed in Part X of this Prospectus, several directors of the Company have indirect interests in the Shares of the Company by reason of their beneficial interest in shares of the above shareholders.

5.9 In so far as is known to the Company, no person other than those holding the interests referred to above is interested in three per cent. or more of the Company's capital. Save as disclosed in paragraphs 5.3 and 5.8 of this Part XI, the Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control of the Company.

5.10 Save as disclosed in paragraphs 5.4 and 5.5 above, no Director is or has been interested, directly or indirectly, in any transaction which is or was unusual in its nature or conditions or significant in relation to the business of the Group and which has been effected by the Company during the current or immediately preceding financial year or which was effected by the Company during an earlier financial year and which remains in any respect outstanding or unperformed.

5.11 The Selling Shareholders are Perry Partners S.A., in which Mr Cha has an interest, and Kinton Trade Limited, in which Mr Novachuk has an interest, as described above. The addresses of the Selling Shareholders and the shares being offered by it pursuant to the Global Offer are as follows:

Shareholder	Shares to be offered assuming no exercise of the Managers' Option	Shares to be offered assuming full exercise of the Managers' Option	Shareholders' Address
Kinton Trade Limited	3,272,305	3,272,305	Trident Chambers, PO BOX 146, Road Town, Tortola, British Virgin Islands
Perry Partners S.A.	60,771,386	79,143,043	Trident Chambers, PO BOX 146, Road Town, Tortola, British Virgin Islands

5.11 Save for their capacities as persons beneficially interested in Ordinary Shares, as summarised above, none of the Directors or Senior Managers have any conflicts of interest between their duties to the Company and their private interests or other duties. Their terms of engagement, and the lock-up arrangements to which they are subject are summarised in paragraph 6 below.

6 Directors' service contracts, terms of appointment and other details

6.1 The terms of the Directors' service contracts are summarised below:

Name	Date of Contract	Notice Period	Current Salary/Fees
Executive Directors			
Vladimir Sergeivich Kim	26 September 2005	3 months, to expire at any time after the first 12 months after Admission	£720,000 per annum plus annual discretionary performance-related bonus of up to 150% of the base salary
Yong Keu Cha	26 September 2005	3 months, to expire at any time after the first 12 months after Admission	£960,000 per annum plus annual discretionary performance-related bonus of up to 150% of the base salary
Oleg Novachuk	26 September 2005	3 months, to expire at any time after the first 12 months after Admission	£600,000 per annum plus annual discretionary performance-related bonus of up to 150% of the base salary
Non-executive Directors			
Vladimir Ni	26 September 2005	3 months, to expire at any time after the first 12 months after Admission	£60,000
David Munro	26 September 2005	3 months, to expire at any time after the first 12 months after Admission	£120,000
James Rutland	26 September 2005	3 months, to expire at any time after the first 12 months after Admission	£120,000

The employing company for each of the Directors named above is the Company.

(a) On 26 September 2005 the Company entered into a service agreement (the ''Agreement'') with Vladimir Kim (the ''Executive''), in substitution for any previous agreements relating to the employment of the Executive. The contract provides for the Executive to act as Executive Director and Chairman of the Board of the Company at a salary of £720,000 per annum and an annual discretionary performance-related bonus of up to 150% of the base salary. The contract can be terminated by either party on not less than three months' notice in writing to expire at any time after 12 months following the date of Admission. The Company has discretion to give the Executive pay in lieu of any notice of termination. Under this agreement, the Executive is entitled to 24 working days' paid holiday per year. The Company will provide the Executive with a fully serviced motor car for free. The Executive shall participate in such medical expenses insurance scheme as the Company shall from time to time maintain.

(b) On 26 September 2005 the Company entered into a service agreement (the ''Agreement'') with Yong Keu Cha (the ''Executive''), in substitution for any previous agreements relating to the employment of the Executive. The contract provides for the Executive to act as Chief Executive Officer of the Company at a salary of £960,000 per annum and an annual discretionary performance-related bonus of up to 150% of the base salary. The contract can be terminated by either party on not less than three months' notice in writing to expire at any time after 12 months following the date of Admission. The Company has discretion to give the Executive pay in lieu of any notice of termination. Under this agreement, the Executive is entitled to 24 working days' paid holiday per year. The Company will provide the Executive with a fully serviced motor car for free. The Executive shall participate in such medical expenses insurance scheme as the Company shall from time to time maintain.

(c) On 26 September 2005 the Company entered into a service agreement (the ''Agreement'') with Oleg Novachuk (the ''Executive''), in substitution for any previous agreements relating to the employment of the Executive. The contract provides for the Executive to act as Finance Director of the Company at a salary of £600,000 per annum and an annual discretionary performance-related bonus of up to 150% of the base salary.

The contract can be terminated by either party on not less than three months' notice in writing to expire to any time after 12 months following the date of Admission. The Company has discretion to give the Executive pay in lieu of any notice of termination. Under this agreement, the Executive is entitled to 24 working days' paid holiday per year. The Company will provide the Executive with a fully serviced motor car for free. The Executive shall participate in such medical expenses insurance scheme as the Company shall from time to time maintain.

(d) Pursuant to a letter of appointment dated 26 September 2005, the Company appointed Vladimir Ni to the office of non-executive director (the ''Appointment'') with effect from that date. The Appointment will continue unless terminated by either party giving to the other not less than three months' notice in writing to expire at any time after the first anniversary of Admission. Continuation of the Appointment is contingent on satisfactory performance and re-election at future Annual General Meetings. Following the first year, the Appointment will automatically renew on an annual basis unless otherwise determined by the Board and will automatically terminate without any entitlement to compensation in certain circumstances. He shall receive from the Company fees of £60,000 per annum and reimbursement for all reasonable expenses incurred in the proper performance of his duties pursuant to the Appointment.

(e) Pursuant to a letter of appointment dated 26 September 2005, the Company appointed David Munro to the office of non-executive director (the ''Appointment'') with effect from that date. The Appointment will continue unless terminated by either party giving to the other not less than three months' notice in writing to expire any time after the first anniversary of Admission. Continuation of the Appointment is contingent on satisfactory performance and re-election at future Annual General Meetings. Following the first year, the Appointment will automatically renew on an annual basis unless otherwise determined by the Board and will automatically terminate without any entitlement to compensation in certain circumstances. He shall receive from the Company fees of £120,000 per annum and reimbursement for all reasonable expenses incurred in the proper performance of his duties pursuant to the Appointment. For his assistance in preparing the Company for the initial public offering Mr Munro is, subject to Admission, entitled to a fee of £400,000.

(f) Pursuant to a letter of appointment dated 26 September 2005, the Company appointed James Rutland to the office of non-executive director (the ''Appointment'') with effect from that date. The Appointment will continue unless terminated by either party giving to the other not less than three months' notice in writing to expire at any time after the first anniversary of the date of Admission. Continuation of the Appointment is contingent on satisfactory performance and re-election at future Annual General Meetings. Following the first year, the Appointment will automatically renew on an annual basis unless otherwise determined by the Board and will automatically terminate without any entitlement to compensation in certain circumstances. He shall receive from the Company fees of £120,000 per annum and reimbursement for all reasonable expenses incurred in the proper performance of his duties pursuant to the Appointment.

(g) When he becomes a Director, Lord Renwick's terms of appointment will be the same as those of James Rutland summarised above.

6.2 Other than as disclosed in paragraph 6.1 above, no service contract is existing or proposed between the Company or any of its subsidiaries and any Director other than contracts of service expiring or determinable within one year without payment of contractual compensation to the Director.

6.3 The aggregate emoluments of Ruslan Yun, inclusive of all benefits payable by the Company or any of its subsidiary undertakings, for the 12 months ended 31 December 2004 amounted to $1,076,640.

No such emoluments were paid or payable by the Group to the Directors for that period. Mr Flemming joined the Group in 2005.

6.4 It is estimated that the aggregate amounts payable to the Directors and Senior Managers under the arrangements in force at the date of this Prospectus (including salaries, fees, bonus payments, benefits in kind and pension contributions) from the Company in respect of the financial year ending 31 December 2005 will be approximately £3.5 million (including the maximum amount of the discretionary performance related bonus that is payable to certain Directors) and is expected to be broken down as follows:

	Salary or fees	Benefits in kind(1)	Maximum potential bonus payable
Vladimir Kim	£180,000	£70,861	£270,000
Yong Keu Cha	£510,000	£195,935	£765,000
Oleg Novachuk	£210,000	—	£315,000
Vladimir Ni	£15,000	—	—
David Munro (2)	£470,000	—	—
James Rutland	£70,000	—	—
Lord Renwick	£15,000	—	—
Ruslan Yun	$976,640	$100,000	—
Friedrich Flemming	€180,000	€115,000	—

(1) Benefits in kind comprise living costs (for Mr Kim), living costs, health club membership and health scheme (for Mr Cha), a company car for Mr Yun and a company car for Mr Flemming. Mr Yun and Mr Flemming also benefit from membership in company medical insurance policies, however the value of such benefit is unquantifiable as the premiums are paid by the employers irrespective of the number of employees.

(2) This amount includes a one-time fee of £400,000 for services rendered in relation to the initial public offering.

6.5 The total emoluments receivable by the Directors and Senior Managers will not be varied as a consequence of the Global Offer.

6.6 The Directors and Senior Managers have the relevant management and expertise as set out in ''Information on the Group—Directors and senior management'' in Part II.

6.7 The companies and partnerships of which the Directors and Senior Managers have been a member of the administrative, management or supervisory bodies or partners at any time in the previous five years (excluding the Company and its subsidiaries and also excluding subsidiaries of the companies listed below) are as follows:

	Current	Former
Oleg Novachuk	Cuprum Holding B.V.	JSC Kazprombank Apro Limited Cuprum B.V.
Yong Keu Cha	Apro Limited	Samsung Corporation
Vladimir Kim	None	Boxwood Group Limited
Vladimir Ni	None	None
Lord Renwick	Fluor Limited BHP Billiton Plc* BHP Billiton Limited* SABMiller plc Compagnie Financière Richemont AG Fleming Family & Partners Limited 38 Cadogan Square Limited	Harmony Gold Mining Co. Ltd. Robert Fleming Holdings Limited Liberty International Plc Rand Europe UK British Airways Plc FF&P Asset Management Limited
David Munro	None	Billiton International Development Limited Billiton Plc International Aluminium Institute Ltd RMC Group PLC
James Rutland	Osprey Oil & Gas Limited	Cieco Energy (CNS) Limited Cieco Energy (UKCS) Limited Energy Africa Gabon SA Energy Africa Limited Energy Africa UK Limited General Mining Union Corporation (UK) Limited PA Resources AB Unitrust Holdings Limited
Ruslan Yun	None	None
Friedrich Flemming	None	None

* Lord Renwick will be retiring from the boards of BHP Billiton Plc and BHP Billiton Limited later in 2005.

6.8 Save as set out in paragraph 6.9 below, none of the Directors nor any of the Senior Managers have:

(a) any convictions in relation to fraudulent offences;

(b) been associated with any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body or of a senior manager;

(c) been subject to any official public incrimination and/or sanction by any statutory or regulatory authority or regulatory body (including designated professional bodies); or

(d) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

6.9 Mr Munro was a director of Enron Metals Brokers Limited until 27 October 1998. On 14 January 2005 that company went into members voluntary liquidation. It is a solvent liquidation that has not yet concluded. As at 30 June 2004 the company's assets were estimated at £9,342,039 and liabilities and costs at £864,317, leaving a surplus of £8,477,772. On 30 June 2004, Auvernier Limited, from which Mr Munro resigned as a director on 26 August 1994, went into members voluntary liquidation. This is also a solvent liquidation that also has not yet concluded. As at 29 June 2004 the company's assets were estimated at £95,175 and liabilities and costs at £36,469, leaving a surplus of £58,706.

7 Pensions

The Group does not have a pension scheme open to all employees of the Group.

7.1 Kazakhmys

Kazakhmys has a pension scheme, open to all of its employees, that is utilised by its employees to contribute the required amounts under Kazakh law. This scheme is run by CJSC ''Accumulating Pensions Fund of Kazakhmys Corporation'' (the ''Fund''), which is a corporate accumulative pension fund established under the laws of Kazakhstan. It currently has approximately 10,000 members. All of Kazakhmys' employees are eligible to be beneficiaries of the Fund, together with a number of former employees.

Beneficiaries, on retirement and depending on certain factors, are entitled either (i) to the indexed value of their individual contributions (provided no voluntary contributions were made above the minimum mandatory contribution level) or (ii) to acquire an annuity from a life insurance provider (if the nominal value of a beneficiary's contributions exceed KZT100,000). Termination of a labour agreement between a beneficiary of the Fund and Kazakhmys will lead to termination of the pension provision agreement between this person and the Fund. On termination, the accrued contributions, together with the accrued benefits, can be transferred to another pension fund on such person's instructions.

Under Kazakh law, the Fund calculates the value of the benefits of its members on an annual basis and must submit the report to the supervisory authority. If the calculation reveals an aggregate shortfall in its payment obligation to its beneficiaries, the Fund must notify the supervisory authority of the gross amount of the shortfall and the measures it proposes to take to compensate the shortfall not later than on 15th day of the second month of the year following the end of the accounting year. The last valuation was carried out as at 31 December 2004 and submitted to the authorities on the same date.

The last valuation as at 31 December 2004 showed the Fund's payment obligations were KZT 10.9 billion ($82.0 million), and the fair market value of the Fund's assets amounted to KZT 12.9 billion ($97.0 million). As at 31 August 2005, the fair market value of the Fund's payment obligations were KZT 12.4 billion ($94.0 million), and the Fund's assets amounted to KZT 15.0 billion ($113.0 million).

Such compensation is a statutory obligation and the procedure for providing compensation is set out in the Kazakh pensions legislation. The Fund firstly must compensate for the loss of the nominal value of contributions indexed in accordance with a formula set out in the pension legislation. If its own funds are insufficient, the voting shareholders of the Fund (including Kazakhmys) are jointly liable for the shortfall.

In December 2003 Kazakhmys paid KZT 295.4 million (approximately $2.0 million) to the Fund to cover the reduction in the value of Kazahmys shares that the Fund had invested in pursuant to an agreement that it had entered into with the Fund.

7.2 MKM

MKM operated an early retirement scheme until the end of 2004. There are 81 MKM employees participating in the scheme, but as of January 2005 the scheme has been closed to new participants. Under the scheme, participating employees receive 82% of their last year's average monthly salary in two phases. During the first phase, employees continue to work full-time. During the second phase, employees do not work. Each phase can be for a period of one to three years, for a maximum total of six years. As at 31 May 2005, 42 employees were in the first phase of the scheme and 39 employees in the second phase. MKM does not currently have any other defined benefit or defined contribution pension plans in place.

7.3 The Company

The Company does not currently have any defined benefit or defined contribution pension plans in place.

8 Underwriting Agreement

Pursuant to the Underwriting Agreement dated the same date as this Prospectus and made between (1) the Company, (2) the Executive Directors, (3) the Selling Shareholders, (4) the Sponsor, (5) the Joint Global Co-ordinators and (6) the Underwriters:

(a) the Underwriters will, subject to determination of the Offer Price, the execution of a pricing supplement, and certain other conditions, severally procure subscribers for, or failing which subscribe themselves, all New Ordinary Shares issued by the Company and procure purchasers for, or failing which purchase themselves, all Sale Shares sold by the Selling Shareholders, in each case at the Offer Price as part of the Global Offer;

(b) the Option Shareholder will grant the Joint Global Co-ordinators, on behalf of the Underwriters, the Managers' Option to cover over-allotments in connection with the Global Offer and to cover short positions resulting from such over-allotments;

(c) the Company and each Selling Shareholder, including the Option Shareholder in respect of any Sale Shares sold pursuant to the exercise of the Managers' Option, will pay the Joint Global Co-ordinators and Joint Bookrunners, on behalf of the Underwriters, a combined management, underwriting and selling commission equal to 2.5% of the aggregate gross proceeds of the Global Offer in respect of the Shares being issued or sold by them, as the case may be. The Company and the Selling Shareholders, including the Option Shareholder in respect of any Sale Shares sold pursuant to the exercise of the Managers' Option, may also, at their discretion, pay the Joint Global Co-ordinators and Joint Bookrunners, on behalf of the Underwriters, a sum equal to 1% of the aggregate gross proceeds of the Global Offer, including the gross proceeds from the issue of the New Ordinary Shares by the Company, the gross proceeds from the sale of the Sale Shares by the Selling Shareholders and the gross proceeds from the sale of any Sale Shares under the Managers' Option, as a discretionary fee;

(d) the Company has also agreed to pay or reimburse any additional expenses of the Global Offer including (but not limited to) its own legal fees and expenses, certain transfer taxes and valued added tax that may arise in connection with the Global Offer, fees of the registrar, other advisers' fees and expenses, advertising charges and certain expenses of the Underwriters;

(e) the underwriting obligations of the Underwriters to procure subscribers for, or failing which, to subscribe themselves, all New Ordinary Shares issued by the Company and to procure purchasers for, or failing which, to purchase themselves, the Sale Shares sold by the Selling Shareholders in the Global Offer are subject to determination of the Offer Price, the execution of a pricing supplement and certain other conditions. These other conditions include the absence of any breach of representation or warranty under the Underwriting Agreement. In addition, the Joint Global Co-ordinators and Joint Bookrunners, on behalf of the Underwriters, have the right to terminate the Underwriting Agreement, exercisable prior to Admission in certain specified circumstances which are customary for an agreement of this nature. When Admission occurs, the Underwriters will be subject to an unconditional obligation to underwrite the offer and sale of all New Ordinary Shares and Sale Shares in the Global Offer;

(f) the Managers' Option will be exercisable by the Joint Global Co-ordinators, on behalf of the Underwriters, for the period commencing on the date on which the Offer Price is published and expiring on the 30th day thereafter;

(g) the Company and the Selling Shareholders and the Executive Directors have given certain customary representations, warranties and undertakings to the Underwriters and the Sponsor. The Selling Shareholders' and Executive Directors' liability is limited in time and amount;

(h) the Company has given certain customary indemnities to the Underwriters and the Sponsor under which claims could be brought after Admission;

(i) the parties have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Global Offer in relevant jurisdictions;

(j) each Underwriter has agreed that, except as permitted by the Underwriting Agreement, it will not offer or sell the New Ordinary Shares or the Sale Shares constituting part of their allotment within the United States; and

(k) the New Ordinary Shares and Sale Shares are being offered outside the United States in reliance on Regulation S. The Underwriting Agreement provides that the Underwriters may, directly or through their US broker-dealer affiliates, arrange for the offer and resale of New Ordinary Shares and the Sale Shares within the United States only to Qualified Institutional Buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act.

Each of the Company, Major Shareholders and the Executive Directors has undertaken that (other than as contemplated by the Underwriting Agreement) it will not for a period of 360 days after Admission, and will procure than none of its affiliates or persons acting on its or their behalf will: (a) offer, sell, contract to sell, mortgage, charge, assign, issue options or warrants in respect of, grant any option to purchase or otherwise dispose of, directly or indirectly, any Ordinary Shares (or any other securities convertible into or exchangeable for Ordinary Shares or which carry rights to subscribe for or purchase Ordinary Shares); (b) enter into any transaction (including a derivative transaction) having an effect on the Shares (or any other securities convertible into or exchangeable for Ordinary Shares or which carry rights to subscribe for or purchase Ordinary Shares) into any depositary receipt facility; or (c) publicly announce any intention to do any of such things, in each case without the prior written consent of the Joint Global Co-ordinators.

The undertakings given by the Major Shareholders and Executive Directors described above are subject to certain exceptions as are usual in an agreement of this nature which allow such persons: (a) to accept, or to give an irrevocable commitment to accept, a general offer made in accordance with the City Code on Takeovers and Mergers; (b) to transfer or dispose of shares pursuant to a compromise or arrangement between the Company and its creditors or members (or a class of them) which is sanctioned by the court under sections 425-427A of the Act; (c) to make transfers by way of gift in certain circumstances; (d) to transfer shares pursuant to any scheme or reconstruction under section 110 of the Insolvency Act 1986, any sale or transfer ordered by any court of competent jurisdiction, or to personal representatives; or (e) transfers between any of the parties other than the Company.

9 Securities laws and restrictions on transfer

9.1 General

The distribution of this Prospectus and the offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes are required by the Underwriters, the Company and the Selling Shareholders to inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction. Persons receiving this Prospectus should not distribute or send it into any jurisdiction where to do so would or might contravene local securities laws or regulations.

No action has been taken by the Company, the Selling Shareholders or the Underwriters that would permit, otherwise than under the Global Offer, an offer of Ordinary Shares or possession or distribution of this Prospectus or any other offering material relating to Ordinary Shares in any jurisdiction where action for that purpose is required. No offer is being made, or being permitted to be made, to the public in any jurisdiction.

None of the Ordinary Shares may be offered for subscription, sale or purchase or be subscribed, sold or delivered, and this Prospectus and any other material in relation to the Ordinary Shares may not be circulated in any jurisdiction where to do so would break any securities laws or regulation of any such jurisdiction or, other than in the UK, give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

9.2 United States

Because of the following restrictions, investors are advised to consult legal counsel prior to making any resale, pledge or transfer of Ordinary Shares.

The Ordinary Shares offered by this Prospectus have not been and will not be registered under the Securities Act or under the applicable securities laws of any state of the United States. The Ordinary Shares may not be offered or sold in the United States except in certain transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Each Underwriter has represented and agreed that it will solicit purchases of Ordinary Shares in the United States only through qualified affiliates or agents to Qualified Institutional Buyers in reliance of the exemption from the registration requirements of the Securities Act provided by Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act or outside the United States in compliance with Regulation S under the Securities Act.

In addition, until 40 days after the later of the commencement of the Global Offer and the completion of the distribution of the Ordinary Shares, an offer or sale of Ordinary Shares within the United States by any dealer may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

Each purchaser of the Ordinary Shares offered in reliance on Rule 144A or in the United States in reliance on another exemption from, or transaction not subject to, the registration requirements of the Securities Act, will be deemed to have represented and agreed that it has received a copy of this document and such other information as it deems necessary to make an investment decision and that (terms used herein that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(a) The purchaser is: (A)(i) a Qualified Institutional Buyer; (ii) acquiring such Ordinary Shares for its own account or for the account of a QIB with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein; (iii) not acquiring the Ordinary Shares with a view to further distribution of such Ordinary Shares; and (iv) if purchasing pursuant to Rule 144A or another exemption from registration, aware that the sale of Ordinary Shares to it is being made in reliance on Rule 144A or another exemption from registration, as the case may be, or (B)(i) acquiring the Ordinary Shares in an offshore transaction outside the United States in a transaction which is in compliance with Regulation S and (ii) not an affiliate of the Company or a person acting on behalf of such an affiliate.

(b) The purchaser understands that the Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States.

(c) In the case of a purchaser in the United States:

(i) the purchaser agrees that the Ordinary Shares may not be reoffered, resold, pledged or otherwise transferred except: (A)(i) to a person whom the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A; (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S; or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (B) in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Such purchaser acknowledges that the Ordinary Shares (whether in physical, certificated form or in uncertificated form held in CREST) offered and sold in accordance with Rule 144A or another exemption from registration under the Securities Act are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of Ordinary Shares. The purchaser understands that the Ordinary Shares may not be deposited into any unrestricted depositary receipt facility in respect of Ordinary Shares established or maintained by a depositary bank unless and until such time as such Ordinary Shares are no longer restricted securities within the meaning of Rule 144(a)(3) under the Securities Act;

(ii) the purchaser understands that any offer, sale, pledge or other transfer of the Ordinary Shares made other than in compliance with the above-stated restrictions may not be recognized by the Company; and

(iii) the Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(I) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) AND (B) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR THE RESALE OF THIS SECURITY.

(d) The Company, the Registrar, the Underwriters and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(e) Prospective purchasers are hereby notified that sellers of the Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or another exemption from the registration requirements of the Securities Act.

9.3 United Kingdom

Each Underwriter has represented and agreed that: (i) it has not offered or sold and will not offer or sell any Ordinary Shares to persons in the United Kingdom prior to Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Prospectus Rules or the FSMA, (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Ordinary Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company, and (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Ordinary Shares in, from or otherwise involving the United Kingdom.

9.4 European Economic Area

No Ordinary Shares have been offered or sold, or will be offered or sold, to the public in any Member State of the European Economic Area which has implemented Directive 2003/71/EC (the "Prospectus Directive") prior to Admission except: (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

9.5 France

This prospectus has not been prepared in the context of a public offering of securities in France within the meaning of Article L. 411-1 of the French Code Monétaire et Financier and has therefore not been and shall not be submitted to the Autorité des Marchés Financiers ("AMF") in order to obtain a prior approval or passported in France following approval by the competent European stock exchange authority under the Prospectus Directive, or otherwise. Any delivery of this prospectus and/or of any other document relating to this offering shall not under any circumstances be deemed to constitute an offer to sell or a solicitation to buy securities within the meaning of the foregoing provisions of the French Code Monétaire et Financier.

The securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France otherwise than (i) to qualified investors or to members of a restricted circle of Investors (cercle restreint d'investisseurs) as defined in Articles L.411-2-II-4° and D.411-1 of the French Code Monétaire et Financier, provided they act for their own account, and/or (ii) portfolio management services providers provided they act on behalf of third parties, and/or (iii) in other circumstances defined in Article L.411-2 of French Code Monétaire et Financier and in Article 211-2 of the General Regulation of the AMF.

If the offer of securities is realised pursuant to Article L.411-2-II-4° of the French Code Monétaire et Financier, qualified investors and members of a restricted circle of investors are notified that they must act in that connection for their own account in accordance with the terms set out by Articles L.411-2-II-4°, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code Monétaire et Financier and may not re-transfer, directly or indirectly, the securities, other than in compliance with applicable laws and regulations in particular those relating to public offers (which are in particular embodied in Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3of the French Code Monétaire et Financier).

9.6 Germany

The Ordinary Shares shall not be registered, offered or sold other than pursuant to the exemptions under § 3 and § 4 German Prospectus Act including offers to "qualified investors" (§ 2 No. 6 GPA), offers to less than 100 non-qualified investors per EEA country and offers to investors with a minimum total consideration of €50,000 per investor and separate offer.

9.7 Japan

The Ordinary Shares offered by this Prospectus have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"). Accordingly, each

Underwriter has represented and agreed that the Ordinary Shares which it purchases will be purchased by it as principal and that it has not offered or sold, and will not offer or sell any Ordinary Shares, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (including Japanese corporations), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (including Japanese corporations) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and relevant regulations of Japan.

9.8 Hong Kong

In Hong Kong this Prospectus may only be issued, circulated or distributed and the Ordinary Shares are only being offered for subscription or purchase: (1) to persons who are ''professional investors'' within the meaning of section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and/or (2) otherwise in accordance with the provisions of Part 1 of the Seventeenth Schedule of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as read with the other parts of that Schedule; and/or (3) in any other circumstances that would not result in (a) this Prospectus constituting a prospectus as defined in section 2(1) of the Companies Ordinance and (b) the issue or possession of this Prospectus constituting an offence under section 103(1) Securities and Futures Ordinance; (all such persons in (1), (2) and (3) together being referred to as ''relevant persons'').

This Prospectus has not been and will not be registered with any regulatory authority in Hong Kong. The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Global Offer. If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

The copying, forwarding, reproduction, publication, disclosure or distribution, directly or indirectly, of this Prospectus by recipients is strictly prohibited and may result in a breach of the securities laws of Hong Kong.

Persons in Hong Kong who are not relevant persons and who receive a copy of this Prospectus should not act on it and should immediately return this Prospectus to the Company.

9.9 Singapore

The following selling restriction applies prior to the coming into force of the amendments to Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the ''SFA'') (to be amended by the Securities and Futures (Amendment) Act 2005).

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Ordinary Shares may not be circulated or distributed, nor may Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor specified in Section 274 of the SFA, (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

The following selling restriction applies subsequent to the coming into force of the amendments to Part XIII of the SFA (as amended by the Securities and Futures (Amendment) Act 2005)

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Ordinary Shares may not be circulated or distributed, nor may Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Ordinary Shares are subscribed or purchased under Section 275 by a relevant person which is:

(a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Ordinary Shares under Section 275 except:

(1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA;

(2) where no consideration is given for the transfer; or

(3) by operation of law.

10 Summary of differences between IFRS and US GAAP

The Historical Financial Information on the Group in Part VIII is prepared and presented in accordance with IFRS. Certain differences exist between IFRS and US GAAP which might be material to the financial information included in this document.

The principal relevant differences between US GAAP and IFRS that the Directors believe would be material to the Group's profit and shareholders' funds are described below. The Company has not prepared its financial information in accordance with US GAAP and, accordingly, cannot offer any assurance that the differences described below are complete or would in fact be the accounting principles creating the greatest differences between financial information of the Group prepared under IFRS and US GAAP. The following summary does not include all differences that exist between IFRS and US GAAP and is not intended to provide a comprehensive listing of all such differences specifically related to the Company or the industry in which it operates.

The differences described below reflect only those differences in accounting policies in force at the time of the preparation of the historical financial information on the Group. There has been no attempt to identify future differences between IFRS and US GAAP as the result of proscribed changes in accounting standards, transactions or events that may occur in the future. The organisations that promulgate IFRS and US GAAP have significant ongoing projects that could have a significant impact on future comparisons such as this one between IFRS and US GAAP. Future developments or changes in either IFRS or US GAAP may give rise to additional differences between IFRS and US GAAP which could have a significant impact on the Group.

In making an investment decision, investors must rely on their own examination of the Company, the terms of the Global Offer and the financial information. Potential investors should consult their own professional advisers for an understanding of the differences between IFRS and US GAAP and how these differences might affect the financial information included in this document.

10.1 Presentation of financial information

IFRS and US GAAP both require a full set of financial statements although there are differences between IFRS and US GAAP as to the layout of each primary statement and the classification of individual items within those statements.

IFRS do not prescribe a standard layout but do require a minimum level of disclosure on the face of the balance sheet and a classification under current and non-current except when presentation based on liquidity provides more reliable and more relevant information. US GAAP requires the separate presentation of total assets and total liabilities and assets are presented in descending order of liquidity.

IFRS permit entities to disclose expenses either by their function or by the nature of the expense. There is no general requirement under US GAAP for the classification of expenses. IAS 1 ''Presentation of Financial Information'' prescribes the separate disclosure on the face of the income statement or in the notes of material items which are ''relevant to an understanding of the entity's financial performance''. Under US GAAP, however, such items can not be disclosed on the face of the profit and loss account. Accordingly, profits and losses in relation to significant items are included within operating income.

10.2 Acquisition accounting

All business combinations within the scope of the relevant standards under both IFRS and US GAAP require that acquisitions be accounted for using the purchase method. Under the purchase method, assets and liabilities are accounted for at fair value at the date of acquisition. The excess of the purchase consideration over the fair value of the net assets acquired is capitalised as goodwill and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

Under IFRS 3, negative goodwill (referred to as ''excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost'') is released to the income statement immediately whereas US GAAP requires negative goodwill to be allocated to reduce proportionately the values assigned to most of the acquired non-financial assets with any remaining balance credited to income as an extraordinary item.

10.3 Revenue recognition

IFRS contain general principles for revenue recognition. In contrast to this, US GAAP is more prescriptive and there are many individual pronouncements that cover particular categories of transactions or particular industries. Under US GAAP, meeting a list of detailed criteria will often decide whether revenue may be recognised or not. Consequently, where differences do arise between IFRS and US GAAP, they will occur more as a result of rigid application of detailed US GAAP rules than as a result of fundamental differences over when revenues should be recognised. Under US GAAP, in some cases sales recorded as revenue under IFRS would be deferred and not recognised as revenue under US GAAP until a future accounting period. IFRS accept that delivery is not always necessary for revenue to be recognised, because the risks and rewards of ownership may be transferred to the buyer even though the goods have not yet been delivered, whereas US GAAP requires delivery to have taken place. For example, certain sales are recognised as revenue under IFRS when the goods are delivered to the ship for export to the customer but would not qualify for revenue recognition under US GAAP until the goods had arrived at the location specified in the contract and title had passed.

10.4 Property, plant and equipment

Under IFRS, a first-time adopter may elect to use fair value or a revaluation as the deemed cost of an item of property, plant and equipment. The Company has determined the deemed cost of property plant and equipment at 1 January 2002, the date of transition to IFRS, by reference to its depreciated replacement cost at that date. Under US GAAP, all assets would be recorded at depreciated historical cost.

10.5 Interest costs

Under IFRS, borrowing costs may either be expensed as incurred or capitalised and included in the cost of acquiring, constructing or producing a qualifying asset. The Company capitalises interest costs related to the acquisition or development of mineral properties and mines but all other borrowing costs are expensed as incurred. Under US GAAP, borrowing costs would be capitalised as part of the historical cost of acquiring or constructing all qualifying assets.

10.6 Provisions

Under IFRS, provision is made when a company (1) has a present obligation (legal or constructive) as a result of past events, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (3) a reliable estimate can be made. Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance sheet date. Annual increases in the provision relating to a change in the net present value of the provision and inflationary increases are shown separately in the income statement.

The recognition criteria for provisions under US GAAP is similar to IFRS. The rules require a provision to be recognised in the period in which it is incurred when it is probable that a liability has been incurred and the fair value can be reasonably estimated. Differences between IFRS and US GAAP are likely to occur, for example, in instances when liabilities do not arise from a legal obligation. Additionally, while IFRS require the time value of money to be taken into account when making a provision, US GAAP only permits provisions to be discounted where the timing and amounts of payments are fixed or reliably determinable or where the obligation is a fair value obligation. Since the very nature of provisions is such that the timing of payments is uncertain, this means that it can be difficult to account for a provision on a discounted basis under US GAAP.

10.7 Mining expenditure

The Company has elected to early adopt IFRS 6 ''Exploration for and Evaluation of Mineral Resources''. Under the IFRS, certain exploration and evaluation costs, such as acquisition costs, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and evaluation may be capitalised. These costs can only be capitalised once the legal right to explore a specific area has been obtained. Where changes in facts and circumstances indicate that exploration and evaluation costs exceed their recoverable amount they should be tested for impairment based on an assessment at a ''cash generating unit'' level. Exploration and evaluation expenditure is capitalised until the commencement of production, when it is depreciated over the life of the mine. When an area is abandoned or is determined to hold no commercial reserves, all deferred expenditure is written off.

Under US GAAP, exploration and evaluation expenditure is generally expensed as incurred.

10.8 Impairment

Both IFRS and US GAAP require that long-lived assets and certain identifiable intangibles recognised by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment, however, may be recognised at different times under IFRS and US GAAP.

IFRS and US GAAP require that an impairment review be undertaken based on asset groupings. Cash generating units (the IFRS term for such groupings) may be defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The asset groupings will generally be the same under IFRS and US GAAP.

Under IFRS, the impairment test for determining the recoverable amount of non-current assets is the higher of net selling price and value in use, being the discounted future cash flows to be generated by the asset. To the extent that the carrying amount exceeds the recoverable amount, the fixed asset is written down to the recoverable amount.

Under US GAAP, assets are evaluated for impairment first on an undiscounted basis by comparing the estimated sum of the undiscounted cash flows attributable to the asset with its carrying amount. Only if the asset fails this recoverability test will the amount of the impairment be calculated by comparing the asset's carrying amount to its fair value.

IFRS requires an impairment charge to be reversed for an asset (other than goodwill) if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. US GAAP does not allow the reversal of impairment losses previously recognised.

10.8 Deferred tax

The broad principle under both IFRS and US GAAP is that a deferred tax liability or asset should be recognised for all temporary differences, with some exceptions. Differences mainly occur due to the number of adjustments made to the income statement or balance sheet which have consequential effects on the deferred tax provision.

IFRS use a balance sheet concept of temporary differences — differences between the carrying amount of an asset or liability and its tax base. Temporary differences include not only timing difference but other differences between the accounting and tax bases of assets and liabilities such as revaluation of assets for which no equivalent adjustment is made for tax purposes. Deferred tax liabilities (assets) are measured based on tax laws and tax rates that are expected to apply in the period they are settled (realised), which are enacted or substantively enacted by the balance sheet date.

Under US GAAP, deferred taxation is provided on all temporary differences between the tax and book bases of assets and liabilities using enacted tax rate at the reporting date; the effects of future changes in tax laws or rates are not anticipated.

10.9 Cash flow statements

The format of a cash flow statement prepared under IFRS is essentially the same as a cash flow statement prepared under US GAAP. Both standards require cash flows to be classified into three broad categories: operating activities; investing activities; and financing activities. However, presentational differences can arise due to the differences between IFRS and US GAAP in respect of definition of cash and the classification of specific items:

- Under US GAAP, the definition of cash equivalents does not include advances from banks that are repayable within three months, or amounts outstanding under overdraft facilities. As a result, movements within overdrafts are reported as part of financing cash flows, or as reconciling item in operating activities. Under IFRS, overdrafts and other advances from banks that are repayable on demand and that form an integral part of the group's cash management are included in cash equivalents;
- If a cash receipt or payment has aspects of more than one class of cash flows, the appropriate classification under US GAAP depends on the activity that is likely to be the predominant source of cash flows for the item. Instead, IFRS requires, where appropriate, a single transaction to be allocated between cash flows from different activities;
- IFRS permit certain options in presenting interest and dividends that are paid or received to be classified as part of operating, investing or financing cash flows. Under US GAAP, interest paid, interest received and dividends received must be classified within operating activities; and
- US GAAP requires income tax paid to be classified as an operating cash flow. IFRS requires income tax paid to be classified as operating cash flow unless the tax paid can be specifically identified with financing or investing activities.

11 Property, plant and equipment

11.1 Those of the Group's material existing tangible fixed assets, other than its mines, the licence and contract terms of which are summarised in Table 2-23 of "Part XII—Technical Report" are summarised below.

Asset	Location	Ownership basis
Zhezkazgan Concentrator 1	Zhezkazgan	Land plot lease dated 9 March 1998 Fee: KZT2,675,250 per annum Term 33 years All buildings/installations located on site owned by Kazakhmys.
Zhezkazgan Concentrator 2	Zhezkazgan	
Satpaev Concentrator	Satpaev	Land plot lease dated 11 March 1998 Fee: KZT109,673 per annum Term 33 years All buildings/installations located on site owned by Kazakhmys.

Asset	Location	Ownership basis
Smelter/refinery	Zhezkazgan	Land plot lease dated 9 March 1998 Fee: KZT2,745,932 per annum Term 33 years All buildings/installations located on site owned by Kazakhmys.
Rod Plant	Zhezkazgan	Land plot lease dated 20 July 2000 Fee: KZT 246,000 Term 25 years All buildings/installations located on site owned by Kazakhmys.
Concentrator Smelter/refinery Zinc Plant Precious metals plant	Balkhash Balkhash Balkhash Balkhash	Land plot lease dated 2 July 2002 Fee: 100% of the applicable land tax Term 49 years All buildings/installations located on site owned by Kazakhmys.
Power plant	Karaganda	Land plots leases dated 23 June 2000 Fee: 120% of the applicable land tax Term 20 years All buildings/installations located on site owned by Kazakhmys.

11.2 The Group has noted some press coverage in Kazakhstan about a recently-established lobby group which has stated that it would like to review a number of privatisations in Kazakhstan, including those in relation to certain assets owned by Kazakhmys. The Group does not consider the allegations made by this group in relation to the Group's assets to have any substance and has recently received confirmation from the State Property and Privatisation Committee of the Ministry of Finance of the Government of Kazakhstan that, in respect of these assets, the State Property and Privatisation Committee has no claim against Kazakhmys and that the privatisations of these assets were conducted in accordance with applicable law.

12 The Group

12.1 The Company is the holding company of a group of companies whose principal business is mining, processing, smelting, refining and sale of copper and copper products, including copper cathode and copper rod, and copper fabrication.

12.2 The Company's principal subsidiaries and associated undertakings are:

Company	Proportion of capital held	Country of Incorporation
Kazakhmys	98.7%	Kazakhstan
Accumulating pension fund CJSC KCC	90.03%	Kazakhstan
Corporate Insurance Company of Kazakhmys Corporation	100%	Kazakhstan
KAZ Kupfer GmbH	100%	Germany
MKM	100%	Germany

13 UK taxation

The following paragraphs are a general statement about the tax position of shareholders who are resident or ordinarily resident in the United Kingdom in relation to the payment of dividends, taxation of chargeable gains, stamp duty and stamp duty reserve tax. The statements below do not constitute advice to any shareholder on his or her personal tax position, and may not apply to certain classes of investors (such as persons carrying on a share dealing trade in the United Kingdom or United Kingdom insurance companies). This summary is based upon UK law and HM Revenue and Customs practice in effect as of the date of this document and which may be subject to change, perhaps with retroactive effect. **Any investors who are in doubt as to their tax position should consult their professional adviser.**

13.1 Close Company status

The Company is presently a close company within the meaning of Section 414, Income and Corporation Taxes Act 1988 and it is considered that it will retain this status, both immediately after Admission and for the foreseeable future. In addition, the non-UK resident Group companies are companies that would, if they were UK resident, be Close Companies. As a result, certain transactions entered into by the Company or other members of the Group may have tax implications for shareholders in the Company. Investors should seek professional advice regarding the potential impact of the close company rules.

13.2 Taxation of dividends

Under current United Kingdom tax legislation, no taxation is withheld at source from dividend payments made by the Company to its shareholders. Individual shareholders resident in the United Kingdom for tax purposes will be entitled to a tax credit in respect of dividends paid by the Company at the rate of one ninth of the cash dividend received (equal to 10 per cent of the aggregate of the cash dividend and the associated tax credit). Such shareholders will be liable to income tax (if at all) on the aggregate of the dividend and the associated tax credit at, in the case of starting and basic rate taxpayers, the dividend ordinary rate (10 per cent in 2005-2006) or, in the case of higher rate taxpayers, the dividend upper rate (32.5 per cent in 2005-2006). The tax credit will be offset against their total income tax liability. Therefore, taxpayers who, after taking into account dividend income, are liable to United Kingdom income tax at only the starting or basic rate, will have no further liability to income tax.

Shareholders will generally not be able to reclaim tax credits in respect of dividends.

United Kingdom resident corporate shareholders will generally not be subject to corporation tax in respect of dividends received from the Company.

Shareholders resident outside the United Kingdom or subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser concerning their liabilities to tax on dividends received.

13.3 Taxation of chargeable gains

A disposal of Ordinary Shares by a shareholder resident or ordinarily resident for tax purposes in the United Kingdom or a shareholder who carries on a trade, profession or vocation in the United Kingdom through a branch or agency or a permanent establishment of a non-resident company and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such branch, agency or permanent establishment may, depending on the shareholder's circumstances, and subject to any available exemptions, allowances or reliefs, give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains. Special rules apply to disposals by individuals at a time when they are temporarily not resident or ordinarily resident in the United Kingdom.

13.4 Stamp duty and stamp duty reserve tax

Except in relation to depository and clearance services (to which special rules apply) no United Kingdom stamp duty or SDRT will arise on the issue by the Company of the New Ordinary Shares. Transfers of Ordinary Shares or of rights to Ordinary Shares will be liable to *ad valorem* stamp duty normally at the rate of 0.5 per cent of the actual consideration paid, rounded up to the nearest multiple of £5. A charge to SDRT, normally at the rate of 0.5 per cent of the consideration, arises, in the case of an unconditional agreement to transfer Ordinary Shares or rights to Ordinary Shares, on the date of the agreement and, in the case of a conditional agreement, on the date the agreement becomes unconditional. However, where an instrument of transfer is executed and duly stamped before the expiry of a period of six years beginning with the date of that agreement (or the date on which the agreement becomes unconditional, as the case may be), the SDRT charge is cancelled to the extent that the SDRT has not been paid and if any of the SDRT has been paid, a claim may be made for its repayment. Transfers within CREST are usually subject to SDRT rather than stamp duty.

The statements in this paragraph 13.4 summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries and certain categories of person may be liable to stamp duty or SDRT at higher rates.

The above paragraphs are a general guide only to the tax regime in the United Kingdom and are not exhaustive. If you are in any doubt as to your taxation position you should consult an appropriate professional adviser without delay.

14 US taxation

14.1 United States federal income taxation

The following is a general discussion of the principal United States federal income tax considerations relating to the purchase, ownership and disposition of Ordinary Shares by US Holders (as defined below) who purchase New Ordinary Shares or Sale Shares for cash in this Global Offer and hold Ordinary Shares as capital assets. This discussion is based on the income tax treaty between the United States and the United Kingdom (the ''US Treaty''), the Internal Revenue Code of 1986, as amended (the ''Code''), Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as in effect and available on the date hereof and all of which are subject to change, possibly with retroactive effect, or to different interpretation. This discussion is for general information only and does not address all of the US federal income tax considerations that may be relevant to specific US Holders in light of their particular circumstances or to US Holders subject to special treatment under US federal income tax law (such as banks, other financial institutions, insurance companies, tax-exempt entities, retirement plans, regulated investment companies, real estate investment trusts, S corporations, other pass-through entities, traders or dealers in securities or currencies, US expatriates, persons subject to the alternative minimum tax, persons who hold Ordinary Shares as part of a straddle, hedge, ''synthetic security'' or other integrated investment, risk reduction, or constructive sale transaction, persons that have a ''functional currency'' other than the US Dollar or persons who own (or are deemed to own) 10 per cent. or more (by voting power or value) of the Company's stock). This discussion does not address any US state or local tax considerations or any US federal estate, gift or alternative minimum tax considerations.

As used in this discussion, the term ''US Holder'' means a beneficial owner of Ordinary Shares that is, for US federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or entity treated as a corporation for US federal income tax purposes) created or organised in the United States, or under the laws of the United States or of any state, including the District of Columbia, (iii) an estate the income of which is includible in gross income for US federal income tax purposes, regardless of the source thereof or (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more US persons have the authority to control all of its substantial decisions, or a trust that has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

The Company has not obtained, nor does it intend to seek, a ruling from the United States Internal Revenue Service (the ''IRS'') or an opinion of counsel with respect to any of the tax matters discussed herein. Thus, there is no assurance that the IRS would not successfully challenge one or more of the statements made or the conclusions expressed in this discussion.

If a partnership holds Ordinary Shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the status and activities of the partnership. Prospective investors that are partnerships (or entities treated as partnerships for US federal income tax purposes) should consult their own tax advisors regarding the US federal income tax considerations to them and their partners of purchasing, owning and disposing of Ordinary Shares.

ANY TAX ADVICE CONTAINED IN THIS PROSPECTUS WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING ANY FEDERAL TAX PENALTIES THAT THE IRS MAY ATTEMPT TO IMPOSE. BECAUSE ANY SUCH TAX ADVICE COULD BE VIEWED AS A ''MARKETED OPINION'' UNDER THE TREASURY REGULATIONS, PROSPECTIVE INVESTORS IN ORDINARY SHARES ARE HEREBY INFORMED THAT ANY SUCH TAX ADVICE WAS WRITTEN TO SUPPORT

THE ''PROMOTION OR MARKETING'' OF THE MATTERS SET FORTH IN THIS PROSPECTUS. PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR AS TO THE MATTERS ADDRESSED IN THIS PROSPECTUS, INCLUDING THE PARTICULAR TAX CONSIDERATIONS APPLICABLE TO THEM RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF ORDINARY SHARES, THE APPLICABILITY OF US FEDERAL, STATE AND LOCAL TAX LAWS OR NON-US TAX LAWS, ANY CHANGES IN APPLICABLE TAX LAWS AND ANY PENDING OR PROPOSED LEGISLATION OR REGULATIONS.

14.2 Distributions

Subject to the discussion below in ''—Passive foreign investment company considerations'' in paragraph 14.4 of this Part XI, the following rules generally will apply to any cash distribution made by the Company on Ordinary Shares.

Any cash distribution made by the Company on Ordinary Shares generally will be treated as a dividend includible in the gross income of a US Holder to the extent of the Company's current and/or accumulated earnings and profits, as determined under US federal income tax principles. To the extent the amount of such distribution exceeds the Company's current and accumulated earnings and profits as so computed, it will be treated first as a non-taxable return of capital to the extent of such US Holder's adjusted tax basis in such shares and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale or exchange of such shares. The Company has not maintained and does not plan to maintain calculations of its earnings and profits under US federal income tax principles. The Company does not plan to calculate such amounts; its expectation is that only profits which are distributable under English law will be distributed. In the absence of other information, if the Company does not make such calculations, the US tax authorities are likely to treat all distributions as fully taxable dividend income to a US Holder.

Dividends received by certain noncorporate US Holders from ''qualified foreign corporations'' may be subject to tax at reduced rates with respect to taxable years beginning on or before 31 December 2008, so long as specified holding period requirements are met and the US Holder refrains from making certain elections. A non-US corporation (other than a passive foreign investment company) generally will be considered to be a qualified foreign corporation if it is eligible for the benefits of a comprehensive income tax treaty with the United States which the US Treasury Department determines is satisfactory for purposes of this special rule and which includes an exchange of information program (a ''Qualifying Treaty''). For this purpose, the US Treaty is considered a Qualifying Treaty. The Company will qualify for benefits under the US Treaty provided that the Ordinary Shares are ''regularly traded'' on a recognized stock exchange in the United States or United Kingdom, such as the London Stock Exchange. However, no assurance can be given that the Company's Ordinary Shares will be regularly traded for these purposes, and consequently that such a reduced rate will apply to any dividends paid by the Company. Special rules apply for purposes of determining the treatment of ''qualified dividend income'' in computing the recipient's investment income (which limits deductions for investment interest) and foreign source income (which may affect the amount of foreign tax credit) and to certain extraordinary dividends. Each US Holder that is a noncorporate taxpayer is urged to consult its own tax advisor regarding the possible applicability of the reduced rate on dividends paid by the Company and the related restrictions and special rules.

Any dividends paid on Ordinary Shares generally will constitute income from sources outside the United States and be categorised as ''passive income'' or, in the case of some holders in tax years beginning before 2007, as ''financial services income'' for US foreign tax credit limitation purposes, and will not be eligible for the ''dividends received'' deduction generally allowed to corporate shareholders with respect to dividends received from US corporations. In general, a US Holder may elect to claim a US foreign tax credit against its US federal income tax liability, subject to applicable limitations, for foreign tax withheld from dividends received in respect of the Ordinary Shares. A US Holder who does not elect to claim a US foreign tax credit may instead claim a deduction for foreign income tax withheld, but only for a taxable year in which the US Holder timely elects to do so with respect to all foreign income taxes paid or accrued in such taxable year. The rules relating to the determination of the US foreign tax credit and the limitations relating thereto are very complex. Each US Holder is urged to consult its own tax advisor regarding whether it should elect to claim US foreign tax credits or deductions with respect to foreign income taxes paid or accrued and whether and to what extent it is entitled to claim any US foreign tax credits or deductions.

The US Dollar value of any distribution made by the Company in a non-US currency (such as pounds sterling) is calculated by reference to the exchange rate in effect on the date of receipt of such distribution by the US Holder, regardless of whether the non-US currency is in fact converted into US Dollars. If the non-US currency so received is converted into US Dollars on the date of receipt, such US Holder generally should not recognise foreign currency exchange gain or loss on such conversion. If the non-US currency so received is not converted into US Dollars on the date of receipt, such US Holder will have a basis in the non-US currency equal to its US Dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the non-US currency generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States.

14.3 Sale, exchange or other disposition of Ordinary Shares

Subject to the discussion below in ''—Passive foreign investment company considerations'' in paragraph 14.4 of this Part XI, the following rules generally will apply to any gain or loss upon a sale, exchange or other disposition of Ordinary Shares.

A US Holder generally will recognise gain or loss for US federal income tax purposes upon a sale, exchange or other disposition of Ordinary Shares in an amount equal to the difference between the amount realised from such sale, exchange or disposition (determined in US Dollars) and the US Holder's adjusted tax basis in such shares (determined in US Dollars). Such gain or loss generally will be a capital gain or loss and will be long-term capital gain (generally taxable at a reduced rate for noncorporate US Holders) or loss if, on the date of such sale, exchange or disposition, such shares were held by such US Holder for more than one year. The deductibility of capital losses by a US Holder is subject to limitations. In general, gain or loss recognised by a US Holder on the sale, exchange or other disposition of Ordinary Shares will constitute gain or loss from sources within the United States for foreign tax credit limitation purposes.

A US Holder's basis in an Ordinary Share will generally be its US Dollar cost. The US Dollar cost of an Ordinary Share purchased with non-US currency will generally be the US Dollar value of the purchase price on the date of the purchase or, in the case of Ordinary Shares traded on an established securities market, as defined in the applicable Treasury regulations, that are purchased by a cash basis US Holder (or an accrual basis US Holder that so elects), on the settlement date for the purchase. Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

The amount realised on a sale, exchange or disposition of Ordinary Shares for an amount in non-US currency will be the US Dollar value of this amount on the date of sale, exchange or disposition. On the settlement date, the US Holder will recognise foreign currency exchange gain or loss equal to the difference (if any) between the US Dollar value of the amount received based on the exchange rates in effect on the date of sale, exchange or disposition and the settlement date. However, a US Holder that receives non-US currency from such sale, exchange or disposition generally will realise an amount equal to the US Dollar value of the non-US currency on the settlement date of such sale, exchange or disposition if such US Holder is a cash basis or electing accrual basis taxpayer and Ordinary Shares are treated as being traded on an established securities market. If the non-US currency so received is converted into US Dollars on the settlement date, such US Holder will not recognise foreign currency exchange gain or loss (or, if the Ordinary Shares are not treated as being traded on an established securities market or in the case of such a nonelecting accrual basis taxpayer, further foreign currency exchange gain or loss) on such conversion. If the non-US currency so received is not converted into US Dollars on the settlement date, such US Holder will have a basis in the non-US currency equal to its US Dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the non-US currency generally will be foreign currency exchange gain or loss. Foreign currency exchange gain or loss generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. A US Holder should consult its own tax advisor regarding the US federal income tax consequences of receiving non-US currency from a sale, exchange or other disposition of Ordinary Shares.

14.4 Passive foreign investment company considerations

The Directors believe that the Company is not currently, and the Directors do not expect the Company to become, a passive foreign investment company (''PFIC'') for US federal income tax purposes. However, because this determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond the Company's control, including the value of the Company's assets and the amount and type of its income, there can be no assurance that the Company will not become a PFIC or that the IRS will agree with the Company's conclusion regarding the Company's PFIC status. If the Company is a PFIC in any year, US Holders could suffer adverse consequences as discussed below.

In general, a corporation organised outside the United States will be treated as a PFIC for US federal income tax purposes in any taxable year in which either (i) at least 75 per cent. of its gross income is ''passive income'' or (ii) on average at least 50 per cent. of the value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities (most likely including copper for this purpose) and securities transactions (other than active business gains from the sale of commodities, if (i) as to transactions undertaken prior to 2005, substantially all of the Company's business is as an active producer, processor, merchant or handler of commodities, most likely including copper for this purpose, or (ii) as to transactions undertaken after 2004, substantially all of the Company's commodities, most likely including copper for this purpose, are inventory, stock in trade, depreciable property used in the Company's trade or business, or supplies of a type regularly used or consumed by the Company in the ordinary course of its trade or business. In determining whether a foreign corporation is a PFIC, a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25 per cent. interest (by value) is taken into account.

If the Company is a PFIC in any year during which a US Holder owns Ordinary Shares, such US Holder could be liable for additional taxes and interest charges upon certain distributions by the Company or upon a sale, exchange or other disposition of Ordinary Shares at a gain, whether or not the Company continues to be a PFIC. The tax will be determined by allocating such distributions or gain pro rata to each day of the US Holder's holding period. The amount allocated to the current taxable year and any taxable year with respect to which the Company was not a PFIC will be taxed as ordinary income (rather than capital gain) earned in the current taxable year. The amount allocated to other taxable years will be taxed at the highest marginal rates applicable to ordinary income for such taxable years and, in addition, an interest charge will be imposed on the amount of such taxes. In addition, if the Company is a PFIC, a person who acquires Ordinary Shares from a decedent will be denied the step-up of the tax basis for US federal income tax purposes for such Ordinary Shares to fair market value at the date of such decedent's death which would otherwise be available with respect to a decedent dying in any year other than 2010, and, instead, such person will have a tax basis equal to the lower of the fair market value or such decedent's tax basis in the Ordinary Shares.

The above rules do not apply if a ''mark-to-market'' election is available and a US Holder validly makes such an election. If such election is made, such US Holder generally will be required to take into account the difference, if any, between the fair market value and its adjusted tax basis in Ordinary Shares at the end of each taxable year as ordinary income or (to the extent of any net mark-to-market gains previously included in income) ordinary loss. In addition, any gain from a sale, exchange or other disposition of Ordinary Shares will be treated as ordinary income, and any loss will be treated (to the extent of any net mark-to-market gains previously included in income) as ordinary loss. A mark-to-market election is available to a US Holder only if the Ordinary Shares are considered ''marketable stock'' for these purposes. Generally, stock will be considered marketable stock if it is ''regularly traded'' on a ''qualified exchange'' within the meaning of applicable US Treasury regulations. A class of stock is, in general, regularly traded during any calendar year during which such class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. A non-US securities exchange will constitute a qualified exchange if it is regulated or supervised by a governmental authority of the country in which the market is located and meets certain trading, listing, financial disclosure and other requirements set forth in the Treasury regulations.

The above rules also would not apply if a US Holder is eligible for and timely makes a valid ''QEF election.'' If a QEF election is made, such US Holder generally will be required to include in income on a current basis its pro rata share of the ordinary income and net capital gains of the PFIC. In order for a US Holder to be able to make a QEF election, the Company would be required to provide such US Holder with certain information. The Company does not plan to provide US Holders with the required information, in which case a QEF election would be unavailable.

Prospective investors should consult their own tax advisors regarding the US federal income tax consequences of an investment in a PFIC.

14.5 Reportable transaction reporting

Under certain US Treasury regulations, US Holders that participate in ''reportable transactions'' (as defined in the regulations) must attach to their US federal income tax returns a disclosure statement on Form 8886. US Holders should consult their own tax advisers as to the possible obligation to file Form 8886 with respect to the purchase, ownership or disposition of the Ordinary Shares, or any related transaction, including without limitation, the disposition of any non-US currency received as a dividend or as proceeds from the sale of Ordinary Shares.

14.6 Backup withholding tax and information reporting requirements

Under certain circumstances, US federal backup withholding tax (currently, at a rate of 28 per cent.) and/or information reporting may apply to US Holders with respect to payments made on, or proceeds from the sale, exchange or other disposition of, Ordinary Shares, unless an applicable exemption is satisfied. Backup withholding is not an additional US federal income tax, but rather an advance payment of US federal income tax that may be refunded to the extent it results in an overpayment of such tax so long as the required information is timely furnished to the IRS. Each US Holder is urged to consult its own tax advisor regarding the possible applicability of US federal backup withholding tax and information reporting rules with respect to payments made on, or proceeds from the sale, exchange or other disposition of, Ordinary Shares.

The above description is not intended to constitute a complete analysis of all tax consequences relating to acquisition, ownership and disposition of Ordinary Shares. Prospective purchasers should consult their tax advisors concerning the tax consequences of their particular situations.

15 Material contracts

The following are all of the contracts, other than contracts entered into in the ordinary course of business, that have either been entered into by the Company or members of the Group within the two years immediately preceding the date of this Prospectus or are expected to be entered into prior to the Global Offer and are, or may be, material or have been entered into at any time by the Company and/or members of Group and which contain provisions under which the Company and/or a member of the Group has an obligation or entitlement that is material to the Group as at the date of this Prospectus:

15.1 Citibank loan facility

Pursuant to an amendment and restatement agreement dated 26 January 2005 (the ''Agreement''), the Company assumed the obligations of Apro as the borrower under a $100 million term loan facility (the ''Facility''). The Facility is provided by a syndicate of banks (the ''Lenders''), with Citibank N.A. London Branch as arranger and account bank and Citibank International plc as the agent (the ''Agent'') under a facility agreement dated 31 March 2004 (the ''Facility Agreement''). Kazakhmys also assumed the obligations as guarantor of the Company's obligations under the Facility.

The loans drawn down under the Facility are to be repaid in monthly instalments starting in September 2005, each reducing the outstanding loans by an amount equal to 1/18th of all loans borrowed by the Company under the Agreement, and it is to be fully repaid by the date falling 18 months after 30 September 2005. The Facility is for general corporate purposes. The Company may not reborrow any part of the Facility which is repaid.

Any of the Lenders may at any time by notice to the Company cancel its commitment under the Facility, in the event that it is or will become unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by the Agreement or to fund or maintain its participation in any Loan. If one of the following events occurs, any of the Lenders may by notice to the Company cancel its commitment under the Facility and the Company will be liable to repay that Lender's portion of the loans outstanding. If the Majority Lenders (as defined in the Agreement) so require, the Agent must cancel the Facility and declare all of the Secured Obligations (as defined in the Agreement) immediately due or payable:

(a) Mr Kim and/or Mr Cha, directly or indirectly, and whether acting together or individually, cease to control the Company or Kazakhmys;

(b) Mr Kim ceases to be the Chairman of the Board of Directors of the Company;

(c) Mr Cha ceases to be the Chief Executive Officer of the Company; and

(d) The Company ceases to own at least 93.98% of the issued shares of Kazakhmys.

The Company and Kazakhmys are obliged under the Agreement to ensure that they comply with a contract for the supply by Kazakhmys of copper to the Company and the Company is also obliged to comply with its obligations under sales contracts for the sale of copper. The sales contracts that the Company concludes with certain purchasers (as designated by the Majority Lenders), are subject to approval by the Majority Lenders, and such contracts must contain certain provisions. The Company also has limited rights to amend such contracts.

The Agreement includes covenants that require the Company to procure that certain financial ratios or financial tests are complied with including that the Company may only incur permitted financial indebtedness of less than $200 million. Kazakhmys, as the guarantor for the loan, must also comply with covenants including, amongst other things, a leverage ratio (net debt to EBITDA) of not more than 1 to 1, an interest cover ratio (EBITDA to finance charges) of not less than 10 to 1, permitted financial indebtedness of less than $600 million and tangible net worth of not less than $550 million. The Agreement also places certain restrictions on the Company's ability, *inter alia*,to dispose of assets, create security interests, make loans, grant any credit or give any guarantee or indemnities. Kazakhmys also gave undertakings under the Agreement, *inter alia*, to comply with all environmental laws applicable to it and obtain and maintain any necessary environmental permits, and notify the Agent of any environmental claims made against it or any of its material subsidiaries.

The Agreement was supported by an undertaking dated 29 December 2004 by the Company in favour of the Lenders (the ''Borrower Undertaking'') pursuant to which the Company agreed to perform the obligations of Apro under the Facility Agreement and ancillary documents (to the extent that these are not specifically to be performed by Apro).

The facility is secured by:

(a) An accounts charge dated 15 February 2005 between Citicorp Trustee Company Limited (the ''Trustee'') and the Company (the ''Accounts Charge''), under which the Company granted security to the Trustee, acting on behalf of the Lenders, over two accounts held by the Company with Citibank N.A. London branch (the ''Accounts'') for the duration of the Facility. The Company has created fixed charges over the Accounts in the Trustee's favour and has assigned its right, title and interest in the Accounts to the Trustee absolutely. Additionally, the Company has undertaken not to vary its rights attaching to any Deposit or any Accounts, make any withdrawals, transfers etc from them or grant any security of any sort over them.

(b) A guarantor pledge dated 26 January 2005 between JSC Citibank Kazakhstan (the ''Security Agent'') and Kazakhmys (the ''Guarantor Pledge''), under which, subject to Kazakhstan law and jurisdiction, Kazakhmys granted a pledge over an account held with the Security Agent containing the proceeds from an export contract (the ''Passport Account'') and all rights over the Passport Account (the ''Collateral'') to the Security Agent as pledgeholder on behalf of the Lenders for the duration of the Facility. Pursuant to the Kazakhstan Civil Code, the value of the Collateral is the greater of USD100 million or the outstanding liability of Kazakhmys and the Company under the Facility Agreement. Kazakhmys has undertaken to remain the owner at all times of the Collateral and not to grant any security over it, or otherwise prejudice it and has waived any rights of immunity.

Kazakhmys also made representations to the Security Agent in relation to its power and status, and that the Collateral is free of any security. The Security Agent has discretion to take reasonable measures to protect the Collateral, to credit/debit it in accordance with the Facility Agreement, and to take sole control of it upon the occurrence of an event of default. The Guarantor Pledge is only transferable by Kazakhmys with the Security Agent's prior consent, but the Security Agent may transfer it free of any restriction.

(c) A guarantor assignment dated 26 January 2005 between Kazakhmys, the Agent and the Security Agent (the ''Guarantor Assignment''), pursuant to which Kazakhmys assigned all of its rights under an export contract to the Security Agent for the duration of the Facility. The Security Agent has the right to take any action at its reasonable discretion to protect the security created under such export contract, at the Company's expense, and to take over the export contract upon an event of default.

(d) A borrower assignment dated 29 December 2004 between the Company and the Trustee (the ''Borrower Assignment''), under which the Company agreed to assign its rights in respect of an export contract and certain sales contracts, including future sales contracts and other ancillary documents to the Trustee as security for the duration of the Facility to secure the full and punctual payment, performance and discharge of all obligations at any time due, owing or incurred by the Company and Kazakhmys to the Lenders. The Company has covenanted, *inter alia*, to take all steps to preserve the security and not to grant any further security over such contracts or do anything else which could prejudice the security granted. The Trustee can use its reasonable discretion to protect the security, at the Company's expense, and can enforce it upon an event of default by taking control of the security granted.

15.2 Citibank General Credit Agreement

Pursuant to a General Credit Agreement entered into by Kazakhmys and CJSC Citibank Kazakhstan on 12 April 2004, Kazakhmys has an up to $50 million secured credit facility with Citibank Kazakhstan for the provision of short term loans, letters of credit and guarantees. Disbursements under the facility may be denominated in US Dollars, Tenge or any other currency and bear interest at a rate that varies by individual disbursement, but typically in 2004 and 2005 this has been LIBOR plus 2.75%. Each such disbursement constitutes a separate loan and is secured by a pledge of Kazakhmys assets acceptable to Citibank Kazakhstan.

Interest is payable monthly in arreas in the currency of the relevant Disbursement.

As long as any of the Disbursements remain outstanding Kazakhmys will, *inter alia*, not undertake or engage in any corporate reorganisation or convey, transfer or sell all or a substantial part of its assets (in the amount exceeding $10 million) nor create any encumbrance, mortgage, pledge or lien of any kind or any other type of preferential arrangement having a similar effect over any of its assets. Kazakhmys has also made certain other undertakings covenants.

Citibank has granted its consent for the share exchange between the Company and Kazakhmys that took place in November 2004.

15.3 ABN Amro loan facility

On 2 April 2004 Kazakhmys entered into a loan facility agreement (the ''ABN Agreement'') with CJSC ABN AMRO Bank Kazakhstan (''ABN'') under which ABN granted to Kazakhmys a revolving credit facility of up to $75 million until 4 April 2005. The interest payable was LIBOR + 2.9% for loan advances in US Dollars and Euros, and 8% for loan advances in Tenge. The guarantee/letter of credit issue fee is 2% per annum or KZT 23,000, whichever is the higher. Kazakhmys must open an account with ABN and ensure that monthly turnover in this account is not less than $10 million.

The facility was extended until 4 April 2006 and the terms have been modified as follows:

(a) the interest rate for US Dollar and Euro advances was reduced to LIBOR + 2.5%; and

(b) the guarantee/letter of credit issue fee was reduced to 1.5% of the value of the relevant guarantee/letter of credit.

15.4 TuranAlem agreement

On 15 September 2004 Kazakhmys entered into a special credit agreement with Bank TuranAlem pursuant to a General Credit Agreement dated 26 August 2004 . Pursuant to this agreement, Bank TuranAlem is obligated to open letters of credit to secure Kazakhmys' obligations. Type, amount and term of each letter of credit are determined by the parties in a request for the letter of credit. For each such letter of credit, Kazakhmys pays Bank TuranAlem a commission fee of 1% if the nominal value of the letter of credit is less than $50,000 and 0.5% if the nominal value exceeds $50,000. The Agreement was executed in Almaty and is governed by Kazakh law.

15.5 Underwriting agreement

The Underwriting Agreement dated 26 September 2005 among, *inter alia*, the Company and the Underwriters providing for the underwriting of the Global Offer, and described to in ''—Underwriting Agreement'' in paragraph 8 of this Part XI.

15.6 Relationship agreement

The Relationship Agreement dated 26 September 2005 among, *inter alia,* the Company, the Major Shareholders and the Executive Directors as the principal beneficial owners of the Major Shareholders managing the continuing relationship among the parties and ensuring the Company is capable of carrying on its business independently of the other parties as controlling Shareholders or the principal owners thereof. See ''Major shareholders and the Relationship Agreement'' in Part X.

15.7 Share exchange agreements between the Company and Kazakhmys shareholders

Pursuant to various Share Exchange Agreements entered into pursuant to the offer made by the Company to holders of shares in Kazakhmys, the Company acquired 16,148,948 shares in Kazakhmys representing some 97% of the charter capital of Kazakhmys in consideration for the allotment of Ordinary Shares of £5 each in the Company or for a cash payment. The consideration offered for each Kazakhmys share was one Ordinary Share of £5 or KZT4,736 each in the Company. No Kazakhmys shareholder elected for the cash option. The offer period closed on 7 January 2005. In addition to those entered into pursuant to the offer, on 26 September 2005 the Company entered into and completed a share exchange agreement, pursuant to which it issued 5,314,425 Ordinary Shares in consideration for the transfer to it of 127,546,200 units in Kazakhmys (equivalent to 212,577 shares in OJSC Kazakhmys) from Kinton Trade Limited, of which Mr Novachuk, a Director, is a 50% shareholder. These terms were equivalent to those of the November 2004 offer.

15.8 Transfer of Apro's business

Pursuant to an agreement dated as of 31 December 2004, the Company acquired part of the business of Apro for a consideration of £1,000,000. Apro's fixed assets, employees and goodwill were transferred to the Company. As part of the business purchase, Apro assigned to the Company its interest in certain trading contracts.

15.9 MKM acquisition agreements

Pursuant to certain agreements (as described below) on 15 December 2004, KAZ Kupfer, a wholly owned subsidiary of Kazakhmys, acquired the following assets for the consideration specified below:

Asset	*Consideration*
All the issued shares of MKM	€1.00
The right to receive repayment of Shareholder loans with a principal amount of €15.5 million	€1.00
Three MKM trading companies	€1.00
Intellectual property	€1.00
The right to receive repayment of loans with a principal amount of €138.1 million	€61.0 million

15.9.1 Master agreement

Kazakhmys and KAZ Kupfer entered into a master agreement with Dresdner Bank, Fortis Bank N.V., Dexia Investments Limited, Commerzbank, DZ Bank, KBC Bank, Kreditanstalt für Wiederaufbau, Lamitref Industries N.V. (''Lamitref Industries''), Lessius N.V. (''Lessius'' together with Lamitref Industries, the ''Sellers''), Hof te Fiennes N.V., and MKM (the ''Master Agreement'').

The Master Agreement set out the framework for the acquisition by Kazakhmys of MKM. It provided for KAZ Kupfer to acquire all of the issued shares in MKM and in other related companies which were held by the Sellers and Lamifil N.V. (namely SARL, Lamitref France, Lamitref UK Ltd. and Lamitref Italia Srl) and to acquire other assets, including intellectual property and shareholders' loans in the amount of €15.5 million.

To ensure its normal operation, MKM agreed to purchase certain licences and advisory services from Hof te Fiennes N.V.. Kazakhmys and KAZ Kupfer also agreed to the assignment of the Syndicated Loan Agreement.

15.9.2 Share purchase agreement among KAZ Kupfer, the Sellers and Lamifil N.V.

Pursuant to this agreement, the Sellers and Lamifil N.V. agreed to sell their respective shares in MKM, SARL Lamitref France, Lamitref UK Ltd. and Lamitref Italia Srl (the latter three of which were renamed after the sale) to KAZ Kupfer for the nominal consideration of €4.00 (€1.00 for each of the shares in MKM, the shares in the other companies, the intellectual property and the shareholder loan).

KAZ Kupfer's right to claim under the warranties given by the Sellers and Lamifil N.V. was capped at €3.5 million over a 3 year period excluding claims arising from tax matters for which KAZ Kupfer was granted an indemnity for six months from the date on which the tax statements from the tax authorities became legally binding or after the tax audit was finalised. Warranties in respect of the ownership of the shares and the commercial trademark rights will expire after a five-year period. Lamitref Industries also assigned to KAZ Kupfer all of its rights and duties arising from the MKM Privatisation Agreement.

15.9.3 Rescheduled syndicated loan

By way of a deed of assignment a loan provided to MKM by a syndicate of banks lead-managed by Dresdner Bank pursuant to a loan agreement dated 22 August 1997 (the ''Syndicated Loan'') with an outstanding principal amount of €138.1 million (plus costs and accrued interest thereon) was rescheduled. As security for the loan, MKM executed the German equivalent of a floating charge over its business and granted a first fixed charge over its real estate assets for the value of €153.3 million. These charges are now held in favour of KAZ Kupfer.

The syndicate, KAZ Kupfer and MKM agreed to transfer the rights to receivables under the Syndicated Loan together with the security package (save for a surety granted by the Federal Republic of Germany and the State of Saxony-Anhalt) to KAZ Kupfer for a consideration of €61.0 million. The balance of the outstanding loan in the amount of €77.1 million was paid out to the syndicate by the Federal Republic of Germany and the State of Saxony-Anhalt as full and final discharge of the surety. The Federal Republic of Germany and the State of Saxony-Anhalt also waived their right to reclaim that sum from MKM to enable KAZ Kupfer to claim monies due under the loan agreement in the full amount under the Syndicated Loan from MKM. KAZ Kupfer agreed to increase the stated share capital of MKM in the amount of €61 million by part conversion of the Syndicated Loan.

15.9.4 Shareholder loans to MKM

From 2003 onwards Lamitref Industries granted a standby credit facility to MKM under which MKM had drawn €15.5 million at the date of the Master Agreement and Share Purchase Agreement. This loan was assigned to KAZ Kupfer for the nominal consideration of €1.00.

15.10 Samsung services agreement

Pursuant to a service agreement dated 5 November 2004 between the Company and Samsung Corporation (''Samsung''), Samsung has agreed to provide consultancy services to the Company in relation to its international business, including advice on marketing, sales and strategy, for an annual fee of $2.9 million (the ''Samsung Fee''), payable on a quarterly basis.

The contract is valid until the later of (i) three years or (ii) the date when Samsung receives the full amount of the Samsung Fee due for 2007.

The agreement grants Samsung (or an affiliate of Samsung, as it may direct) the right of first refusal on the purchase of any copper cathodes and/or zinc which the Company supplies to the European market, excluding those supplied to MKM.

The Company is liable to pay default interest of one-month LIBOR + 2% on the sums due to Samsung if the Company defaults on its payment obligation to Samsung on all sums outstanding, such interest to accrue from the scheduled payment date up to and including the date of actual payment. The agreement is governed by German law with the International Chamber of Commerce in Frankfurt being the forum of dispute resolution for this agreement.

15.11 HOZU joint venture agreement

On 28 April 2003, Kazakhmys entered into an agreement with TOO HOZU Corporation (the ''Partner'') whereby the parties agreed to jointly engage in the construction and reconstruction of real estate properties in Kazakhstan with the aim of selling or leasing the properties for profit (the ''Project''). Under the terms of the agreement, Kazakhmys is to provide financing in the amount of KZT1,064 million and the Partner is to organise and carry out activities on preparation and further realisation of the Project. Financial and other property built or acquired as the result of joint activity are to be jointly owned. The Partner manages joint activities, except financing, and organises and undertakes all construction work. The Partner is responsible for all property sales and lettings, following approval from Kazakhmys. Income received is distributed on a 50:50 basis. The agreement was effective upon execution and remains effective until the achievement of certain specified objectives. It can be terminated by, *inter alia*, the agreement of the parties.

16 Working capital

In the opinion of the Company, taking account of the Group's existing banking facilities and minimum net proceeds of $250 million of the Global Offer to be received by the Company, the working capital available to the Group is sufficient for the Group's present requirements, that is for at least the next 12 months following the date of publication of this Prospectus.

If minimum net proceeds of $250 million are not raised, Admission will not be able to proceed unless a revised unqualified working capital statement is made in a supplementary prospectus.

17 Litigation

No member of the Group is involved in any governmental, legal or arbitration proceedings which may have or have had during the 12 months prior to the date of this Prospectus a significant effect on the financial position or profitability of the Group, nor, so far as the Directors are aware are any such proceedings pending or threatened by or against any member of the Group.

18 Significant change

There has been no significant change in the financial or trading position of the Group since 31 May 2005, the date to which the Historical Financial Information in Part VIII was prepared.

19 Consents

19.1 Ernst & Young LLP has given and has not withdrawn its written consent to the inclusion in this Prospectus of its reports and references to it in the form and context in which they appear and has authorised the contents of its reports for the purposes of paragraph 5.3.3R(2)(f) of the Prospectus Rules and item 23.1 of the Commission Regulation (EC) 809/2004.

19.2 IMC Group Holdings Ltd. has given and has not withdrawn its written consent to the inclusion in this Prospectus of its report and references to it in the form and context in which they appear and has authorised the contents of its reports for the purposes of paragraph 5.3.3R(2)(f) of the Prospectus Rules and item 23.1 of the Commission Regulation (EC) 809/2004.

19.3 RSM Haarmann Hemmelrath GmbH has given and has not withdrawn its written consent to the inclusion in this Prospectus of its reports and references to it in the form and context in which they appear and has authorised the contents of its reports for the purposes of paragraph 5.3.3R(2)(f) of the Prospectus Rules and item 23.1 of the Commission Regulation (EC) 809/2004.

20 Miscellaneous

20.1 Based on an Offer Price expected to be between 460p to 545p, each New Ordinary Share to be issued under the Global Offer will be issued at a premium of 440p to 525p to its nominal value of 20p.

20.2 The maximum total costs and estimated expenses of or incidental to the preparation of this document, the Global Offer and Admission (including issue costs, commissions, registration fees, professional fees and the costs of printing and distribution) payable by the Company are estimated to amount to between approximately £28.0 million ($49.7 million) and approximately £29.7 million ($52.8 million) (exclusive of VAT), based on an Offer Price expected to be between 460p to 545p per Ordinary Share. Based on an Offer Price at the mid-point of the price range, net proceeds accruing to the Company from the Global Offer, after settling fees, commissions and expenses, is expected to amount to approximately £264.8 million ($471.0 million).

20.3 Each of the Directors is, or may be deemed to be, a promoter of the Company.

21 Documents available for inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of publication of this Prospectus for either a period of 14 days or until Admission, whichever is the longer period, at the offices of Norton Rose at Kempson House, Camomile Street, London EC3A 7AN:

(a) the memorandum and articles of association of the Company;

(b) the audited consolidated financial statements of Kazakhmys for the three years ended 31 December 2004, the audited consolidated non-statutory financials statements of the Company for the five months ended 31 May 2005 and the audited non-statutory financial statements of MKM for the year ended 31 December 2004;

(c) the consent letters referred to in ''—Consents'' in paragraph 19 of this Part XI;

(d) the reports prepared by Ernst & Young LLP set out in ''Financial information'' in Part VIII;

(e) the report from IMC Group Consulting Ltd. in ''Technical Report'' in Part XII;

(f) the cost curves prepared by Brook Hunt and referred to in ''Administration, advisors and presentation of information—Cost curves'' in Part I; and

(g) the report from Ernst & Young LLP regarding the pro forma financial information set out in ''Unaudited pro forma financial information'' in Part IX.

Dated 26 September 2005

Part XII
Technical Report

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Dear Sirs,

Date: 26 September 2005

Competent person's report for the copper, zinc, gold and silver assets held by Kazakhmys

1.0 Introduction

1.1 Purpose of Report

This report has been prepared by IMC Group Consulting Ltd ("IMC") for inclusion in the prospectus (the "Prospectus") to be published by Kazakhmys plc (the "Company") in connection with a global offer of ordinary shares in the Company and the proposed admission of the ordinary shares of the Company to the Official List maintained by the Financial Services Authority ("FSA") and the admission of such shares to trading on London Stock Exchange plc's market for listed securities (the "Global Offer").

IMC was instructed by the Directors of the Company to prepare a Competent Person's Report for the copper, zinc, gold and silver assets of LLC Corporation Kazakhmys ("Kazakhmys"). This report, which summarises the findings of IMC's review, has been prepared in order to satisfy the requirements of a Competent Person's Report as set out in the Prospectus Directive in conjunction with the recommendations of CESR.

IMC has reviewed the practice and estimation methods undertaken by Kazakhmys for reporting reserves and resources in accordance with the Former Soviet Union (''FSU'') ''Classification and Estimation Methods for Reserves and Resources'', last revised in 1981, and submitted as is mandatory to the Ministry of Energy and Mineral Resources of Kazakhstan. This procedure establishes the nature of evidence required to ensure compliance with the FSU Classification. Within this is a ''Conditions for Estimation of Reserves and Resources'' unique to each deposit. IMC has reviewed the reserves and resources statements of the individual units compiled by Kazakhmys and has restated the reserves and resources in compliance with the Prospectus Directive and Prospectus Rules in conjunction with the recommendations of CESR and in accordance with the criteria for internationally recognised reserve and resource categories of the ''Australasian Code for Reporting Mineral Resources and Ore Reserves'' (2004) published by the Joint Ore Reserves Committee (''JORC'') of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia (the ''JORC Code''). In this report, all reserves and resources estimates, initially prepared by Kazakhmys in accordance with the FSU Classification, have been substantiated by evidence obtained from IMC's site visits and observation and are supported by details of drilling results, analyses and other evidence and takes account of all relevant information supplied by the management of the Company and its subsidiaries (the ''Group'').

In accordance with the Prospectus Directive and Prospectus Rules in conjunction with the recommendation of CESR, only Proved and Probable Reserves have been valued. Other assets of Kazakhmys, which include extensive resources and MKM Mansfeld Kupfer und Messing GmbH (''MKM'') and its subsidiaries, have not been included in the valuation.

1.2 Capability and Independence

This report was prepared by IMC, the signatory to this letter. Details of the qualifications and experience of the consultants who carried out the work are in Annex A to this report.

IMC operates as an independent technical consultant providing resource evaluation, mining engineering and mine valuation services to clients. IMC has received, and will receive, professional fees for its preparation of this report. However, neither IMC nor any of its directors, staff or sub-consultants who contributed to this report has any interest in:

- the Company or Kazakhmys; or
- the mining assets reviewed; or
- the outcome of the Global Offer.

Drafts of this report were provided to the Group, but only for the purpose of confirming both the accuracy of factual material and the reasonableness of assumptions relied upon in the report.

1.3 Scope of Work/Materiality/Limitations and Exclusions

IMC reviewed the assets in accordance with the scope of work and exclusions and limitations and on the basis of the materiality criteria set out in Annex B to this report.

IMC has independently assessed the copper, zinc, gold and silver assets of Kazakhmys by reviewing pertinent data, including resources, reserves, manpower requirements, environmental issues and the life-of-mine (''LOM'') plans relating to productivity, production, operating costs, capital expenditures and revenues.

All opinions, findings and conclusions expressed in this report are those of IMC and its sub-consultants.

1.4 Inherent Mining Risks

Mining, and in particular underground metalliferous mining, is carried out in an environment where not all events are predictable.

Whilst an effective management team can, firstly, identify the known risks, and secondly, take measures to manage and mitigate these risks, there is still the possibility for unexpected and unpredictable events to occur. It is therefore not totally possible to remove all risks or state with certainty that an event that may have a material impact on the operation of a mine, will not occur.

1.5 Glossary of Terms

Defined and technical terms used in this report are set out in Part XII of the Prospectus.

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ANNEXES

2.0 Overview

2.1 General

Kazakhmys operates in distinct units. The main units are the Zhezkazgan Complex, Balkhash and Karaganda. The Zhezkazgan Complex operations include mines and facilities producing copper metal and a slime containing silver sent to Balkhash. Balkhash comprises the mines and concentrators of Balkhash Complex and the East Region and the facilities at Balkhash Complex to produce copper, zinc, gold and silver metal. Karaganda comprises Kazakhmys' two coal mines and a power generating plant.

The Zhezkazgan copper reserves lie in three discrete areas (Zhezkazgan, Zhilandy and Zhaman-Aybat) of the same sedimentary geological system and are exploited by underground and open pit mines. The ore feeds three concentrators, a smelter and a refinery. Silver slimes are sent to Balkhash for processing. The refinery provides the cathode processed by the copper rod plant. Power and heating is supplied from the combined heat and power (''CHP'') station in Zhezkazgan and additional power from the national grid.

Balkhash comprises the Balkhash Complex and East Region. The geology of the Balkhash Complex operations encompasses five discrete copper porphyry, skarn, hydrothermal and volcanogenic massive sulphide deposits containing copper, gold and silver which are mined by underground and open pit methods feeding ore to the concentrator, smelter and refinery at Balkhash. The geology of the East Region consists of six discrete volcanogenic massive sulphide deposits and a lenticular deposit exploited by both underground and open pit mines. Copper and zinc concentrates are produced from the five concentrators and railed to the Balkhash Complex, the copper for smelting and refining and the zinc to the hydrometallurgical plant. The precious metals (gold and silver) slimes from all of Kazakhmys' operations are treated in the Balkhash precious metals refinery. Power is, in part, supplied from the CHP power plant in Balkhash and additional power is sourced from the national grid.

Two coal mines supply the power generation plants at Zhezkazgan, Balkhash and Karaganda. Karaganda supplies electricity to the Zhezkazgan Complex and Balkhash through the national grid. The three plants currently provide more power than is used by Kazakhmys.

2.2 Description of Assets

IMC reviewed the assets listed in Table 2-1, Table 2-2 and Table 2-3 all of which are wholly owned by Kazakhmys and located as shown in Plate 1, Annex C.

Table 2-1 List of Assets—Zhezkazgan Complex

Asset	Status	Type	Product / Output	Date of Commencement of Operation*
ZHEZKAZGAN COMPLEX				
Mining				
North (Zhilandy Licence)	Operating	Open pits	Copper, silver	1980's
South	Operating	Underground	Copper, silver	1940's
Stepnoy	Operating	Underground	Copper, silver	2005
East	Operating	Underground	Copper, silver	1940's
West	Operating	Underground	Copper, silver	1940's
Annensky	Operating	Underground	Copper, silver	1995
Zhaman-Aybat	Project	Underground	Copper, silver	NA
Processing, Smelting/Refining				
Zhezkazgan No.1	Operating	Concentrator	Copper concentrate	1954
Zhezkazgan No.2	Operating	Concentrator	Copper concentrate	1963
Satpaev	Operating	Concentrator	Copper concentrate	1985
Smelter	Operating	Electric smelter	Copper anodes	1973
Refinery	Operating	Electro-winning	Copper cathodes, silver slimes	1971
Other				
Rod Plant	Operating	Southwire plant	Copper rod (8 mm)	1994
Power Station	Operating	CHP	Electricity and heat	1959

* many of the assets have been subject to extensive refurbishment or modernisation.

Table 2-2 List of Assets—Balkhash Complex, Balkhash

Asset	Status	Type	Product / Output	Date of Commencement of Operation*
BALKHASH				
Balkhash Complex				
Mining				
Kounrad	Operating	Open pit	Copper, silver	1934
Shatyrkul	Operating	Underground	Copper, gold, silver	1999
Sayak I	Operating	Underground	Copper, gold	1970
Sayak III	Operating	Underground	Copper, gold	1970
Nurkazgan	Operating	Open pit	Copper, gold, silver	2003
Aktogay	Project	Open pit	Copper, gold	NA
Boschekul	Project	Open pit	Copper, gold, silver	NA
Processing, Smelting/Refining				
Balkhash	Operating	Concentrator	Copper concentrate	1937
Smelter	Operating	Vanyukov and reverberatory	Copper anodes	1930's
Refinery	Operating	Electro-winning	Copper cathodes	1952
Zinc Plant	Operating	Hydrometallurgical	Zinc - 25 kg pigs or 1 t blocks	2004
Precious Metals Refinery	Operating	Boliden	Gold bars, silver granules	1997
Other				
Power Station	Operating	CHP	Electricity and heat	1930's

* many of the assets have been subject to extensive refurbishment or modernisation.

Table 2-3 List of Assets—East Region, Balkhash, Karaganda and Others

Asset	Status	Type	Product / Output	Date of Commencement of Operation*
East Region				
Mining				
Orlovskoe	Operating	Underground	Copper, zinc, gold, silver	1977
Belousovskoe	Operating	Underground	Copper, zinc, gold, silver	1939
Irtyshskoe	Operating	Underground	Copper, zinc, gold, silver	1952
Nikolaevskoe	Operating	Open pit	Copper, zinc, gold, silver	1964
Abyz	Operating	Open pit	Copper, zinc, gold, silver	2005
Yubileyno-Snegirikhinskoe	Operating	Underground	Copper, zinc, gold, silver	2003
Artemyevskoe	Project	Underground	Copper, zinc, gold, silver	NA
Shemonaikhinskoe	Closed	Open pit	Copper, zinc	1988
Processing, Smelting/Refining				
Orlovskoe	Operating	Concentrator	Copper and zinc concentrates	1988
Belousovskoe	Operating	Concentrator	Copper and zinc concentrates	1939
Irtyshskoe	Operating	Concentrator	Copper and zinc concentrates	1952
Nikolaevskoe	Operating	Concentrator	Copper and zinc concentrates	1980
Karagaily	Operating	Concentrator	Copper and zinc concentrates	1978
Irtyshskoe	Decommis-sioned	Smelter	—	—
Karaganda				
Mining				
Borlynskoe	Operating	Surface strip mine	Coal	1980
Kuu-Chekinskoe	Operating	Surface strip mine	Coal	1956
Other				
Power Station	Operating	Power	Electricity	1962
Other				
MKM	Operating	Fabrication	Copper wire, strips, tubes, plates and bars	NA

* many of the assets have been subject to extensive refurbishment or modernisation.

2.3 Summary of Geology

2.3.1 Zhezkazgan Complex

The North, South, Stepnoy, East, West and Annensky mines north west of Zhezkazgan exploit the Taskudukskya and Zhezkazganskaya sedimentary sequence comprising 10 horizons over the 630 metres sequence. The ore bodies average 3 metres to 5 metres in thickness with a maximum of 20 metres and are stratiform.

Zhaman-Aybat is located approximately 130 kilometres south east of Zhezkazgan and is of the same sequence although only one horizon is mineable. The Zhaman-Aybat ore body varies from 2 metres to 6 metres in thickness with an average of 4.5 metres and is stratiform.

2.3.2 Balkhash

2.3.2.1 Balkhash Complex

The Kounrad copper deposit is porphyry resulting from felsic magmatic intrusions resulting in pervasive low grade mineralisation.

Shatyrkul is a copper, gold and silver deposit contained within steep shear zones associated with hydrothermal alteration along a 5 kilometres strike distance.

Sayak I and Sayak III are 10 kilometres apart and exploit the copper skarn deposits that occur as layered and lenticular irregular bodies up to 1,500 metres long, 700 metres wide and between 10 metres to 50 metres thick. The ores occur as massive, disseminated or stacked in vein systems.

Nurkazgan occurs as both 300 metre diameter copper porphyry and quartz veined stockwork ore bodies.

Aktogay is a conventional porphyry copper-molybdenum deposit with a large mineralised core measuring approximately 1.8 kilometres across and extending to depths in excess of 500 metres.

2.3.2.2 East Region

Kazakhmys exploit a number of unusually large, polymetallic, high grade copper/zinc, gold rich volcanogenic massive sulphide (VMS) ore bodies at Orlovskoe, Belousovskoe, Irtyshskoe, Nikolaevskoe, Yubileyno-Snegirikhinskoe (small VMS), Artemyevskoe and Shemonaikhinskoe.

The ore at the Abyz deposit is both massive and disseminated and occurs as lenses.

2.3.3 Karaganda

Kazakhmys mines coal from the Borlynskoe and Kuu-Chekinskoe strip mines. The coal is typical of inland basin deposition forming high ash content, low sulphur coal. The seams at Borlynskoe are 2 metres to 21 metres in thickness with low strata dips and few faults. The seams at Kuu-Chekinskoe are typically 8 metres to 12 metres thick with a series of reverse faulted anticlines and synclines.

2.4 Summary of Reserves and Resources

2.4.1 Reserves and Resources Estimation Methods

The Republic of Kazakhstan has incorporated by law the classification system and estimation methods for reserves and resources established by the Former Soviet Union and last revised in 1981. In practice, this means that the statements of reserves and resources developed by Kazakhmys and the mining plans to which they relate must be submitted for approval to the corresponding committees of the Ministry of Energy and Mineral Resources for which adherence to the standardised national system of reserves and resources estimation is mandatory.

As part of the exploitation licence for each mineral deposit, a set of Conditions for Estimation of Reserves were prepared by the corresponding national design institute and were approved within the national (formerly USSR) State Plan. The conditions apply a well-defined process of classifying the specific deposit into one of five major deposit categories, subject to which, the principles for exploration and classification of reserves and resources have been established. Reserves and resources are classified into five main classes and designated by the symbols A, B, C1, C2 and P1 and P2, based on the degree of reliability of exploration data. The P categories of resources are ''prognosticated'' and are considered equivalent to inferred resources.

The Conditions for Estimation of Reserves for each deposit specify the method of computation of reserve blocks, 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. With reference to these conditions, the reserves stated for each deposit are further categorised as ''balance reserves'', which means they meet the pre-determined criteria for economically justifiable extraction, or are ''out-of-balance resources'' considered to be uneconomic to exploit.

The major deposit categories are classified according to the size, continuity and structural disposition of the deposit. With respect to the deposits in exploitation or planned for future operation by Kazakhmys, three categories are of relevance:

- Category 1 deposits are large deposits, simple in form with uniform distribution of minerals (examples: coal deposits, the stratiform disseminated copper deposits of the Zhezkazgan area and the large copper porphyry deposits such as Kounrad, in the Balkhash area). The highest confidence classes of reserves, A and B reserves, can be established on the basis of drillholes, trenches and trial pits.
- Category 2 deposits are large deposits with variable and sometimes complicated forms and an uneven distribution of minerals (examples include part of the Orlovskoe deposits). Only B and C1 reserves may be defined based on exploration data, such as drillholes, trenches and pits, and higher confidence reserves classes can be established only by a combination of closely spaced drillholes and active exploitation.
- Category 3 deposits are smaller-sized deposits with uneven distribution of minerals (examples include vein-hosted or pegmatite deposits, skarns and dykes. These include some of the Orlovskoe deposits and other deposits in the East Region). Only C1 and C2 reserves may be defined based on exploration data and higher confidence reserves classes can be established only on the evidence of operational experience.

The classification of reserves and resources in higher confidence classes based on progressively higher density of observation points is broadly in line with Western resource categories. There is common consensus, supported by the experience of IMC, that the spacing of deposit definition points prescribed in the FSU system is generally more exacting than that commonly applied in Western exploration practice. The criteria for the classes of reserves and resources used in the FSU system, as currently applied in Kazakhstan, may be summarised:

- Category A: the deposit is known in detail; boundaries of the deposit have been outlined by trenching, drilling, or underground workings. The quality and properties of the ore are known in sufficient detail to ensure the reliability of the projected exploitation.
- Category B: the deposit has been explored but is only known in fair detail; boundaries of the deposit have been outlined by trenching, drilling, or underground workings. The quality and properties of the ore are known in sufficient detail to ensure the basic reliability of the projected exploitation.
- Category C1: the deposit has been estimated by a sparse grid of trenches, drillholes or underground workings. The quality and properties of the deposit are known tentatively by analogy with known deposits of the same type and the general conditions for exploitation are known tentatively. This category includes resources peripheral to the boundaries of the A and B category and also reserves allocated in complex deposits in which the ore distribution cannot be reliably determined even by a very dense grid.
- Category C2: deposit deposition has been extrapolated from limited data. This category includes resources adjoining areas designated as A, B, and C1 in the same deposit.

After inspection of the Conditions for Estimation of Reserves which apply to the specific deposits under exploitation and exploration by Kazakhmys, and the corresponding density of exploration data required for the classification of resources, IMC are of the view that classification of resources and resource blocks in the categories A, B, C1 and C2 is a reliable guide to the confidence for volumetric definition of resources in-place. The Conditions for Estimation of Reserves define cut-off grades and the density values employed for ore in-place. These appear consistent with the current commercial performance of the operations and a relevant guide to the commercial exploitability of these resources.

The computation method for reserves and resources is also specified in the Conditions for Estimation of Reserves for each deposit. This follows methods defined under the Soviet administration, for which the detail of the method depends on the geometry of the deposit. In all cases the computation method is designed to be performed manually. Calculation methods have been reviewed at the Zhezkazgan Project Office, previously the NIPITsvetMet Institute and now part of Kazakhmys. Resource quantities are estimated based on a computed average grade of mineral within polyhedral blocks. These computations are readily checked and follow a set of standard rules. In the view of IMC, these methods are valid estimations of ore quantities and contained metal, supported by many years of production experience under a system requiring reconciliation of estimated and actual ore extraction on an annual basis.

The current management of resource extraction planning comprises a long-term strategic plan which establishes targets for ore production and ore grade, with allowance for standard dilution and losses, which are allocated on an annual basis to each production unit. It is the responsibility of each operating unit to prepare an annual exploitation plan to meet the strategic production target, within cost budget limits set by the central organisation of Kazakhmys. Each mine planning unit prepares a detailed annual plan for extraction of reserves, which is submitted to the corporation Chief Geologist for approval and then to the Zhezkazgan Project Office for checking, prior to submission to the government authorities (''Territorial Bodies of the Geology and Sub-Soil Use Committee'' and ''State Emergency Committee''). Reserve depletion is calculated on an annual basis, against the nominal reserves base, and reconciliation establishes reserves which may be required to be written off and restates the reserve base.

It is the opinion of IMC that this system represents a very traditional system of resource management as demanded by national legislation and could benefit from adoption of new computer-based technologies. The system is nevertheless a robust and reliable reflection of the utilisation and depletion of reserves and resources.

For sediment hosted deposits, the in-situ resource volume is estimated by the determination of the inclined area of the ore horizon within the lease areas and the multiplication of this area by the average horizon thickness as estimated from drillhole and mining data. The estimate of resource tonnage is obtained by multiplication of the estimated volume by the assumed specific gravity (SG) defined in the Conditions for Estimation of Reserves for each deposit for specific ore type and grade.

The porphyry, vein and VMS deposit volumes are estimated by the determination of the areas at specific levels and the multiplication of this area by the average thickness estimated from sections through the applicable area. Thereafter the calculation follows the same format as for the sedimentary deposits.

The Former Soviet Union system includes defined standards and procedures for exploration drilling and sampling as well as standards during subsequent development and during production. Drilling and channel sampling is carried out during development and samples analysed and included into plans. Similar standards and procedures are also defined for the production phase and channel samples in stopes, grab samples at loading points and from ore trucks are taken (usually at a weighbridge in the latter case). These are all analysed and, with check samples and blanks, sent for analysis. The results of the ore analysis are included in the plans.

Reserves and resources have been estimated according to the Former Soviet Union ''Classification and Estimation Methods for Reserves and Resources.''

The Consultants have reviewed the reserves and resources statements of the individual units and have restated the reserves and resources in accordance with JORC as in Table 2-4.

Table 2-4 Classification of Reserves/Resources and Relationship of FSU Categories with International Definitions

FSU Reserve Category	Reserve blocks identified for extraction within Plans	Resources not allocated to detailed plans (may be scheduled in long-term strategic plans without cost support)
A	Proved reserve	Measured resource
B	Proved reserve	Measured resource
C1	Proved/probable reserve	Indicated resource
C2	Probable/possible reserve	Indicated resource
P1	—	Inferred resource
P2	—	Inferred resource

All reserves quoted in tables in this report are discounted for ore losses and dilution. Resources are not discounted for losses and dilution and are inclusive of reserves. All figures in reserves and resources are in metric tonnes and are dated 1 January 2005.

In accordance with the Prospectus Directive and the Prospectus Rules in conjunction with the recommendations of CESR, only Proved and Probable Reserves have been valued. Other assets of Kazakhmys, which include extensive resources and MKM's assets, have not been included in the valuation.

2.4.2 Reserves and Resources Statement

Table 2-5 to Table 2-12 inclusive show the reserves and resources of Kazakhmys.

It will be noted that in most cases the reserves and resources are, excluding the discounts included in the reserves for losses and dilution, identical. This is a result of the maturity of the operations and the exploration programmes in a finite lease area. The FSU exploration programmes for these operations, many of which were carried out in the 1950's, were far more comprehensive both in the density of drilling and sample analysis than could ever be considered commercially viable in the west and more comprehensive than that required by most internationally recognised methods of classification. Most of the deposit would then have been stated as a reserve at establishment of the operation as opposed to commercially driven mining companies in the west who will confirm the minimum reserves to develop a project into an operation and subsequently, when a cashflow is established, convert resources to reserves and confirm additional resources. Subsequent operation during and since FSU times has resulted in further confirmation of probable reserves which have not, in the current Kazakhmys plans, been upgraded to proved reserves.

A similar statement is applied to the current and future projects.

Table 2-5 Metal Reserves—Zhezkazgan Complex

Mine / Project				Reserves kt	Copper	Zinc	Gold	Silver	Lead
		Proved	Probable	Total	%	%	g/t	g/t	%
ZHEZKAZGAN COMPLEX									
North (including Taskura Mine)	Proved	33,837			0.62	—	—	9.32	—
LOM 11 Years	Probable		11,980		0.74	—	—	9.32	—
	Total			45,817	0.65	—	—	9.32	—
South (includes East Saryoba Mine)	Proved	12,818			1.23	—	—	14.56	—
LOM 20 Years	Probable		139,610		0.94	—	—	16.20	—
	Total			152,428	0.96	—	—	16.06	—
Stepnoy	Proved	4,528			1.01	—	—	12.34	—
LOM 21 Years	Probable		83,780		0.77	—	—	12.34	—
	Total			88,308	0.78	—	—	12.34	—
East	Proved	24,313			0.98	—	—	10.49	—
LOM 13 Years	Probable		49,281		1.08	—	—	10.49	—
	Total			73,594	1.05	—	—	10.49	—
West	Proved	16,755			0.92	—	—	11.94	—
LOM 6 Years	Probable		4,602		0.46	—	—	11.94	—
	Total			21,357	0.82	—	—	11.94	—
Annensky	Proved	28,376			1.12	—	—	8.49	—
LOM 16 Years	Probable		52,196		1.14	—	—	8.49	—
	Total			80,571	1.13	—	—	8.49	—
Zhaman-Aybat	Proved	—			—	—	—		—
LOM 19 Years	Probable		75,250		1.42	—	—	17.40	—
	Total			75,250	1.42	—	—	17.40	—
Total Zhezkazgan Complex	Proved	120,626			0.93	—	—	10.39	—
	Probable		416,698		1.02	—	—	13.75	—
	Total			537,324	1.00	—	—	13.00	—

N.B. includes discounts for ore loss and dilution. Reserves = Resources – Ore Loss + Dilution

Silver values for Zhezkazgan are not available by blocks, only at the borehole level and have been averaged over each operation by Kazakhmys.

Table 2-6 Metal Reserves—Balkhash Complex, Balkhash

Mine / Project				Reserves kt	Copper	Zinc	Gold	Silver	Lead
		Proved	Probable	Total	%	%	g/t	g/t	%
BALKHASH									
Balkhash Complex									
Kounrad	Proved	—			—	—	—	—	—
LOM 52 Years	Probable		183,581		0.30	—	0.01	0.40	—
	Total			183,581	0.30	—	0.01	0.40	—
Shatyrkul	Proved	—			—	—	—	—	—
LOM 56 Years	Probable		28,177		3.00	—	0.68	6.10	—
	Total			28,177	3.00	—	0.68	6.10	—
Sayak I and Sayak III	Proved	—			—	—	—	—	—
LOM 9 Years	Probable		18,453		1.07	—	0.64	—	—
	Total			18,453	1.07	—	0.64	0.00	—
Nurkazgan	Proved	—			—	—	—	—	—
LOM 22 Years	Probable		107,332		0.76	—	0.29	1.40	—
	Total			107,332	0.76	—	0.29	1.40	—
Aktogay	Proved	286,563			0.43	—	0.03	—	—
LOM 32 Years	Probable		1,307,446		0.34	—	0.03	0.00	—
	Total			1,594,009	0.36	—	0.03	0.00	—
Boschekul	Proved	—			—	—	—	—	—
LOM 10 Years	Probable		187,972		0.65	—	0.25	8.24	—
	Total			187,972	0.65	—	0.25	8.24	—
Total Balkhash Complex	Proved	286,563			0.43	—	0.03	—	—
	Probable		1,832,961		0.44	—	0.08	1.06	—
	Total			2,119,524	0.44	—	0.08	0.92	—

N.B. includes discounts for ore loss and dilution. Reserves = Resources – Ore Loss + Dilution

Table 2-7 Metal Reserves—East Region, Balkhash and Totals

Mine / Project		Reserves kt			Copper	Zinc	Gold	Silver	Lead
		Proved	Probable	Total	%	%	g/t	g/t	%
East Region									
Orlovskoe	Proved	7,075			2.78	4.67	0.84	37.05	—
LOM 21 Years	Probable		23,770		4.81	2.93	0.84	37.05	—
	Total			**30,846**	**4.34**	**3.33**	**0.84**	**37.05**	**—**
Belousovskoe	Proved	1,515			1.25	4.90	0.87	63.49	—
LOM 14 Years	Probable		4,373		0.63	3.45	0.44	40.16	—
	Total			**5,888**	**0.79**	**3.82**	**0.55**	**46.16**	**—**
Irtyshskoe	Proved	2,403			1.13	4.07	0.26	54.31	—
LOM 21 Years	Probable		9,764		1.85	4.75	0.25	62.38	—
	Total			**12,167**	**1.71**	**4.62**	**0.25**	**60.79**	**—**
Nikolaevskoe	Proved	2,252			3.98	10.88	1.08	45.98	—
LOM 10 Years	Probable		6,442		2.86	3.65	1.08	45.98	—
	Total			**8,694**	**3.15**	**5.52**	**1.08**	**45.98**	**—**
Abyz	Proved	—			—	—	—	—	—
LOM 8 Years	Probable		3,700		1.43	3.85	5.35	45.80	—
	Total			**3,700**	**1.43**	**3.85**	**5.35**	**45.80**	**—**
Yubileyno-Snegirikhinskoe	Proved	321			4.58	5.80	0.78	43.60	—
LOM 8 Years	Probable		3,162		3.86	5.14	0.73	43.60	—
	Total			**3,483**	**3.93**	**5.20**	**0.73**	**43.60**	**—**
Artemyevskoe	Proved	—			—	—	—	—	—
LOM 22 Years	Probable		33,112		1.92	5.82	1.09	107.16	1.76
	Total			**33,112**	**1.92**	**5.82**	**1.09**	**107.16**	**1.76**
Kosmurun	Proved	—			—	—	—	—	—
LOM 44 Years (6 years open pit)	Probable		22,365		3.00	0.87	1.00	18.04	—
	Total			**22,365**	**3.00**	**0.87**	**1.00**	**18.04**	**—**
Akbastau	Proved	—			—	—	—	—	—
LOM 26 Years (9 years open pit)	Probable		13,308		1.58	0.89	0.50	13.32	—
	Total			**13,308**	**1.58**	**0.89**	**0.50**	**13.32**	**—**
Total East Region	**Proved**	**13,567**			**2.56**	**5.65**	**0.78**	**44.70**	**0.00**
	Probable		**119,996**		**2.69**	**3.41**	**0.99**	**53.32**	**0.49**
	Total			**133,562**	**2.68**	**3.64**	**0.97**	**52.44**	**0.44**
Total Balkhash	**Proved**	**300,130**			**0.53**	**0.26**	**0.06**	**2.02**	**—**
	Probable		**1,952,957**		**0.58**	**0.21**	**0.14**	**4.27**	**0.03**
	Total			**2,253,086**	**0.57**	**0.22**	**0.13**	**3.97**	**0.03**
TOTAL KAZAKHMYS	**Proved**	**420,756**			**0.64**	**0.18**	**0.05**	**4.42**	**—**
	Probable		**2,369,655**		**0.66**	**0.17**	**0.11**	**5.94**	**0.02**
	Total			**2,790,411**	**0.65**	**0.17**	**0.10**	**5.71**	**0.02**

N.B. includes discounts for ore loss and dilution. Reserves = Resources – Ore Loss + Dilution

Table 2-8 Metal Resources—Zhezkazgan Complex

Mine / Project		Resources kt Measured	Indicated	Total Measured and Indicated	Inferred	Copper	Zinc	Gold	Silver	Lead
						%	%	g/t	g/t	%
ZHEZKAZGAN COMPLEX										
North	Measured	31,570				0.71	—	—	10.62	—
	Indicated		44,308			0.71	—	—	9.20	—
	Total			**75,878**		**0.71**	**—**	**—**	**9.79**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
South	Measured	12,350				1.28	—	—	15.11	—
	Indicated		134,512			1.00	—	—	17.33	—
	Total			**146,862**		**1.02**	**—**	**—**	**17.14**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
Stepnoy	Measured	4,363				1.08	—	—	13.20	—
	Indicated		118,543			0.77	—	—	13.20	—
	Total			**122,906**		**0.78**	**—**	**—**	**13.20**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
East	Measured	23,425				1.05	—	—	11.22	—
	Indicated		57,636			1.07	—	—	11.22	—
	Total			**81,062**		**1.06**	**—**	**—**	**11.22**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
West	Measured	16,143				0.98	—	—	12.78	—
	Indicated		4,434			0.49	—	—	12.78	—
	Total			**20,577**		**0.88**	**—**	**—**	**12.78**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
Annensky	Measured	27,339				1.20	—	—	9.08	—
	Indicated		50,290			1.22	—	—	9.08	—
	Total			**77,629**		**1.21**	**—**	**—**	**9.08**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
Zhaman-Aybat	Measured	—				—	—	—	—	—
	Indicated		72,502			1.52	—	—	18.62	—
	Total			**72,502**		**1.52**	**—**	**—**	**18.62**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
Total Zhezkazgan Complex	**Measured**	**115,190**				**1.01**	**—**	**—**	**11.26**	**—**
	Indicated		**482,225**			**1.02**	**—**	**—**	**14.13**	**—**
	Total			**597,415**		**1.02**	**—**	**—**	**13.58**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**

N.B. resources include undiscounted reserves.
No ore loss or dilution has been included.
Silver values for Zhezkazgan are not available by blocks, only at the borehole level and have been averaged over each operation by Kazakhmys.

Table 2-9 Metal Resources—Balkhash Complex, Balkhash

Mine / Project		Resources kt: Measured	Resources kt: Indicated	Resources kt: Total Measured and Indicated	Resources kt: Inferred	Copper	Zinc	Gold	Silver	Lead
						%	%	g/t	g/t	%
BALKHASH										
Balkhash Complex										
Kounrad	Measured	—				—	—	—	—	—
	Indicated		176,877			0.32	—	0.01	0.43	—
	Total			**176,877**		**0.32**	**—**	**0.01**	**0.43**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
Shatyrkul.	Measured	—				—	—	—	—	—
	Indicated		26,866			3.42	—	0.78	6.95	—
	Total			**26,866**		**3.42**	**—**	**0.78**	**6.95**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
Sayak I and Sayak III.	Measured	—				—	—	—	—	—
	Indicated		19,639			1.16	—	0.69	—	—
	Total			**19,639**		**1.16**	**—**	**0.69**	**—**	**—**
	Inferred			**—**	**—**	**—**	**—**	**—**	**—**	**—**
Nurkazgan	Measured	—		—		—	—	—	—	—
	Indicated		145,067			0.83	—	0.49	2.68	—
	Total			**145,067**		**0.83**	**—**	**0.49**	**2.68**	**—**
	Inferred			**—**	**19,219**	**0.48**	**—**	**0.16**	**—**	**—**
Aktogay	Measured	271,366				0.47	—	0.03	—	—
	Indicated		1,238,112			0.37	—	0.03	—	—
	Total			**1,509,478**		**0.39**	**—**	**0.03**	**—**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
Boschekul	Measured	—				—	—	—	—	—
	Indicated		178,004			0.71	—	0.28	9.06	—
	Total			**178,004**		**0.71**	**—**	**0.28**	**9.06**	**—**
	Inferred				—	—	—	—	—	—
Total Balkhash Complex	**Measured**	**271,366**				**0.47**	**—**	**0.03**	**—**	**—**
	Indicated		**1,784,565**			**0.49**	**—**	**0.11**	**1.27**	**—**
	Total			**2,055,932**		**0.49**	**—**	**0.10**	**1.10**	**—**
	Inferred				**19,219**	**0.48**	**—**	**0.16**	**—**	**—**

N.B. resources include undiscounted reserves.
No ore loss or dilution has been included.

Table 2-10 Metal Resources—East Region, Balkhash

Mine / Project		Resources kt Measured	Resources kt Indicated	Resources kt Total Measured and Indicated	Resources kt Inferred	Copper	Zinc	Gold	Silver	Lead
						%	%	g/t	g/t	%
East Region										
Orlovskoe	Measured	7,026				2.95	4.95	0.89	39.27	—
	Indicated		23,605			5.09	3.11	0.89	39.27	—
	Total			**30,631**		**4.16**	**3.53**	**0.89**	**39.27**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
Belousovskoe	Measured	1,312				1.49	5.83	1.04	75.55	—
	Indicated		3,788			0.75	4.11	0.52	47.79	—
	Total			**5,101**		**0.94**	**4.55**	**0.66**	**54.93**	**—**
	Inferred				**8,027**	**0.41**	**3.59**	**0.40**	**50.10**	**—**
Irtyshskoe	Measured	2,082				1.34	4.84	0.31	64.63	—
	Indicated		8,459			2.20	5.65	0.30	74.23	—
	Total			**10,541**		**2.03**	**5.49**	**0.30**	**72.34**	**—**
	Inferred				**4,343**	**2.06**	**4.00**	**0.41**	**94.52**	**—**
Nikolaevskoe	Measured	2,212				4.18	11.42	1.13	48.28	—
	Indicated		6,325			3.00	3.83	1.13	48.28	—
	Total			**8,536**		**3.31**	**5.80**	**1.13**	**48.28**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
Abyz	Measured	—				—	—	—	—	—
	Indicated		6,616			1.67	3.36	4.71	41.48	—
	Total			**6,616**		**1.67**	**3.36**	**4.71**	**41.48**	**—**
	Inferred				**1,652**	**1.06**	**3.33**	**3.58**	**36.50**	**—**
Yubileyno-Snegirikhinskoe	Measured	361				4.60	5.82	0.78	43.75	—
	Indicated		3,558			3.69	4.91	0.70	41.66	—
	Total			**3,919**		**3.77**	**5.00**	**0.71**	**41.85**	**—**
	Inferred				**344**	**3.43**	**2.24**	**0.31**	**20.06**	**—**
Artemyevskoe	Measured	—				—	—	—	—	—
	Indicated		33,725			1.94	5.89	1.10	108.47	1.78
	Total			**33,725**		**1.94**	**5.89**	**1.10**	**108.47**	**1.78**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
Kosmurun	Measured	—				—	—	—	—	—
	Indicated		23,617			2.96	0.86	0.99	17.80	—
	Total			**23,617**		**2.96**	**0.86**	**0.99**	**17.80**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
Akbastau	Measured	—				—	—	—	—	—
	Indicated		13,760			1.63	0.92	0.51	13.70	—
	Total			**13,760**		**1.63**	**0.92**	**0.51**	**13.70**	**—**
	Inferred				**—**	**—**	**—**	**—**	**—**	**—**
Total East Region	**Measured**	**12,993**				**2.80**	**6.15**	**0.85**	**48.66**	**—**
	Indicated		**123,453**			**2.78**	**3.50**	**1.08**	**54.52**	**0.49**
	Total			**136,446**		**2.78**	**3.75**	**1.06**	**53.96**	**0.44**
	Inferred				**14,366**	**1.06**	**3.65**	**0.77**	**61.25**	

N.B. resources include undiscounted reserves.
No ore loss or dilution has been included.

Table 2-11 Metal Resources—Balkhash and Kazakhmys Totals

Mine / Project		Resources kt Measured	Indicated	Total Measured and Indicated	Inferred	Copper	Zinc	Gold	Silver	Lead
						%	%	g/t	g/t	%
Total Balkhash	Measured	284,360				0.58	0.28	0.07	2.22	—
	Indicated		1,908,018			0.64	0.23	0.17	4.71	0.03
	Total			2,192,378		0.63	0.23	0.16	4.39	0.03
	Inferred				33,585	0.73	1.56	0.42	26.20	—
TOTAL KAZAKHMYS	Measured	399,550				0.70	0.20	0.05	4.83	—
	Indicated		2,390,243			0.72	0.18	0.14	6.61	0.03
	Total			2,789,793		0.72	0.18	0.13	6.36	0.02
	Inferred				33,585	0.73	1.56	0.42	26.20	—

N.B. resources include undiscounted reserves.
No ore loss or dilution has been included.

IMC consider that the metal reserves and resources are sufficient to support the projected levels of production for at least 20 years.

Table 2-12 Coal Reserves—Karaganda

	Reserves Proved	Probable	Proved and Probable	Ash	CV	S
				(ad)	(ncvar)	
	Mt	Mt	Mt	%	kcal/kg	%
Borlynskoe	371.4	24.5	395.9	47.0	3762.0	0.5
Kuu-Chekinskoe	18.0	5.5	23.5	41.0	4158.0	0.6
Total	**389.4**	**30.0**	**419.4**	**46.6**	**3786.0**	**0.5**

* ad refers to Air Dried

** ncvar refers to net calorific value as received

N.B. includes coal loss and increase in ash content.

IMC did not specifically check the resources available to the coal operations in light of the sufficiency of the reserves.

2.5 Mines and Facilities

2.5.1 Facilities

The Zhezkazgan operations comprise five underground mines (Stepnoy commenced in 2005) and one operating unit of open pit surface mines (Zhilandy Licence). The Zhaman-Aybat mine is well developed underground requiring only the completion of the rail spur. All underground mines utilise room and pillar methods with pillar extraction. The small open pit mines, constituting the North operation, develop to an exceptionally steep final highwall possibly jeopardising the final years of production. The ore feeds the Satpaev and the two Zhezkazgan concentrators and is subsequently processed to final product in the form of cathode copper and copper rod in the smelter and refinery at Zhezkazgan. The slimes containing silver are sent to the Balkhash Complex for processing to final product.

The Balkhash Complex operations comprise two surface mines and three underground mines. One of the open pits employs conventional shovel and truck with rail haulage (Kounrad) and one with hydraulic excavators and trucks (Nurkazgan). The three underground mines employ continuous retreat sub-level caving (Shatyrkul) and multi-lift room and pillar methods of mining (Sayak I and Sayak III). Two new surface projects are scheduled to come into production, Aktogay in 2009 and

Boschekul later in the next decade. Both are open pits with concentrators. The ore is railed to the Balkhash concentrator and is subsequently processed to final product in the form of cathode copper and a small quantity of copper wire in the smelter and refinery at Balkhash. The smelter and refinery also process all copper concentrate railed from the East Region operations. The zinc concentrates from the East Region are treated at the newly commissioned hydrometallurgical plant which has still to ramp up to its full capacity in 2006. The slimes, containing gold and silver, from the refining process are processed in the precious metals plant.

The East Region operations comprise five underground mines employing cemented rock fill mining (Orlovskoe, Artemyevskoe), shrinkage stoping (Belousovskoe, Irtyshskoe), room and pillar (Belousovskoe) and sub-level caving mining (Yubileyno-Snegirikhinskoe) methods and two shovel and truck open pit mines (Nikolaevskoe, Abyz). These operations feed five copper/zinc concentrators (Orlovskoe – Orlovskoe, Belousovskoe – Belousovskoe, Irtyshskoe – Irtyshskoe, Nikolaevskoe and Yubileyno-Snegirikhinskoe – Nikolaevskoe, Abyz – Karagaily). The East Region concentrate is railed to Balkhash and blended with that from Balkhash.

Kazakhmys also produces sulphuric acid at Zhezkazgan. On completion of the new plant at Balkhash in 2006, sulphuric acid will be produced in noticeable quantities for a ready market.

Kazakhmys has been buying small amounts of copper concentrate for processing and sale and also has been toll smelting copper concentrate. Management indicates that for the three years ended 31 December 2002, 2003 and 2004, Kazakhmys purchased 100, 61 and 15 kt of copper concentrate per annum, respectively. In the five months ended 31 May 2005, Kazakhmys purchased 104 kt of copper concentrate. Kazakhmys will continue to purchase small quantities of copper concentrate in the future to optimise the throughput of the smelter and have contracts to purchase some 312 ktpa in 2005. When projects come on stream later this decade, Kazakhmys is expected to become a net seller of concentrate. Kazakhmys has been selling zinc in concentrate to KazZinc in the past but this will be treated in Balkhash in the future. A small proportion of the zinc in concentrate, excess to the zinc plant capacity, will continue to be sold. Historically Kazakhmys has toll processed precious metals.

Historic production figures are given in Table 2-13 to Table 2-20 inclusive.

IMC has reviewed the forecast production levels and found them reasonable and attainable.

Kazakhmys has provided the results for the first five months of 2005 and these have been included into the tables. Kazakhmys' management reported the following comments on their performance and results as detailed in italics below.

There were a number of production shortfalls in the first five months of 2005, caused by a number of factors such as lower mineable grade, delays in equipment supplies, unusually cold weather and slope stability at Nikolaevskoe open pit, which have now been resolved. By the end of May 2005 the Company had recovered from operational challenges and increased ore production by 11% compared to the previous year-on-year result and currently has achieved the targeted ore volume.

Table 2-13 Metal Mining—Historic Production Zhezkazgan Complex

	Ore Mined kt				Copper %				Zinc %				Gold g/t				Silver g/t			
	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005
Zhezkazgan Complex																				
North	4,209	4,205	3,916	1,377	0.81	0.81	0.76	0.72	—	—	—	—	—	—	—	—	9	12	12	11
South	8,343	7,858	8,706	2,922	1.10	1.08	1.03	0.88	—	—	—	—	—	—	—	—	20	23	21	13
Stepnoy	—	—	—	1,493	—	—	—	0.74	—	—	—	—	—	—	—	—	—	—	—	19
East	5,804	5,229	4,415	2,348	1.05	1.12	1.16	1.02	—	—	—	—	—	—	—	—	29	31	27	27
West	3,622	3,078	3,157	1,290	1.01	0.91	0.95	0.69	—	—	—	—	—	—	—	—	23	22	24	23
Annensky	5,275	4,965	4,453	1,978	1.35	1.43	1.35	1.12	—	3.42	—	—	—	—	—	—	18	21	21	21
Total—Zhezkazgan Complex	**27,253**	**25,335**	**24,647**	**11,408**	**1.08**	**1.09**	**1.06**	**0.89**	**—**	**0.67**	**—**	**—**	**—**	**—**	**—**	**—**	**20**	**22**	**21**	**19**

Table 2-14 Metal Mining—Historic Production Balkhash and Kazakhmys Total

	Ore Mined kt				Copper %				Zinc %				Gold g/t				Silver g/t			
	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005
BALKHASH																				
Balkhash Complex																				
Kounrad	7,984	7,798	3,626	1,534	0.37	0.28	0.28	0.29	—	—	—	—	—	—	—	—	2	2	2	2
Shatyrkul	49	161	227	174	0.91	2.03	1.67	2.28	—	—	—	—	0.21	0.33	0.34	0.34	1	3	3	3
Sayak I & Sayak III	1,201	1,275	1,213	641	1.24	1.13	1.07	1.20	—	—	—	—	0.28	0.33	0.33	0.32	6	6	6	6
Nurkazgan	—	292	609	222	—	1.65	1.85	0.35	—	—	—	—	—	0.30	0.33	0.13	—	5	3	1
Total — Balkhash Complex	**9,234**	**9,526**	**5,675**	**2,571**	**0.49**	**0.47**	**0.67**	**0.66**	**—**	**—**	**—**	**—**	**0.04**	**0.06**	**0.12**	**0.11**	**2**	**2**	**3**	**3**
East Region																				
Orlovskoe	1,707	1,671	1,666	694	4.09	4.36	4.47	4.35	3.86	4.23	3.76	3.92	0.69	0.64	0.52	0.54	51	54	48	53
Belousovskoe	368	237	293	97	1.15	1.03	0.90	0.76	4.08	2.96	3.72	2.44	0.56	0.47	0.58	0.48	50	49	52	46
Irtyshskoe	579	580	455	183	1.05	1.04	1.21	0.99	2.75	2.59	2.64	2.32	0.30	0.29	0.33	0.31	51	45	44	42
Nikolaevskoe	1,813	2,235	2,002	915	2.07	2.92	2.94	1.01	2.12	1.97	1.05	2.08	0.16	0.22	0.20	0.19	18	25	18	18
Abyz	—	—	74	176	—	—	0.15	0.70	—	—	0.82	5.05	—	—	1.51	6.32	—	—	18	68
Yubileyno—Snegirikhinskoe	—	406	358	124	—	4.43	3.82	3.59	—	4.73	4.83	5.08	—	0.65	0.57	0.67	—	41	46	46
Shemonaikhinskoe	190	150	206	—	2.60	2.21	3.08	—	5.43	2.39	6.74	—	0.50	0.59	0.81	—	57	55	79	—
Total—East Region	**4,657**	**5,279**	**5,054**	**2,189**	**2.63**	**3.18**	**3.20**	**2.18**	**3.13**	**3.02**	**2.77**	**3.11**	**0.42**	**0.42**	**0.41**	**0.84**	**38**	**39**	**37**	**38**
Total Balkhash	**13,891**	**14,805**	**10,729**	**4,760**	**1.21**	**1.43**	**1.86**	**1.36**	**1.05**	**1.08**	**1.29**	**1.43**	**0.16**	**0.19**	**0.26**	**0.45**	**14**	**16**	**19**	**19**
TOTAL KAZAKHMYS	**41,144**	**40,140**	**35,376**	**16,168**	**1.12**	**1.22**	**1.30**	**1.03**	**0.35**	**0.82**	**0.39**	**0.42**	**0.06**	**0.07**	**0.08**	**0.13**	**18**	**20**	**20**	**19**

Table 2-15 Coal Mining—Historic Production

	Coal Mined kt				Waste Stripped kbcm				Strip Ratio bcm:t			
	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005
Borlynskoe	5,388	5,885	5,924	2,253	6,408	6,878	6,427	2,251	1.19	1.17	1.08	1.00
Kuu—Chekinskoe	1,856	1,854	1,376	485	5,947	5,647	5,392	1,999	3.20	3.05	3.92	4.12
Total	**7,244**	**7,739**	**7,300**	**2,738**	**12,355**	**12,525**	**11,819**	**4,250**	**1.71**	**1.62**	**1.62**	**1.55**

Table 2-16 Copper Processing—Historic Production Levels

	Ore Milled kt				Copper Concentrate kt				Copper in Concentrate %				Recovery %			
	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005
ZHEZKAZGAN COMPLEX																
Zhezkazgan No.1	8,381	7,658	7,832	3,519	246	238	219	82	39.8	37.8	39.9	40.3	92.2	92.1	92.2	91.2
Zhezkazgan No.2	14,868	13,619	12,960	6,204	271	246	238	97	39.3	38.8	38.6	39.4	85.2	83.8	84.5	84.8
Satpaev	4,524	4,506	4,301	1,841	234	236	211	74	25.7	26.4	26.1	26.5	91.4	91.8	91.6	91.2
Total Zhezkazgan Complex	**27,773**	**25,783**	**25,093**	**11,564**	**751**	**720**	**668**	**253**	**35.2**	**34.4**	**35.1**	**35.9**	**89.1**	**88.7**	**89.1**	**88.4**
BALKHASH																
Balkhash Complex																
Balkhash	11,332	10,910	5,776	2,428	236	200	175	75	17.0	16.6	17.2	18.0	68.3	67.0	81.0	81.4
Eastern Region																
Orlovskoe	1,725	1,671	1,666	694	343	380	345	133	18.5	17.3	19.5	20.4	90.2	90.1	90.2	90.1
Belousovskoe	375	292	296	103	20	22	14	4	15.7	14.8	14.6	15.3	73.4	74.2	74.3	76.7
Irtyshskoe	574	531	445	168	29	26	28	8	18.3	17.6	15.7	13.8	86.0	82.5	83.1	66.9
Nikolaevskoe	2,362	2,610	2,459	978	183	343	363	59	19.0	19.1	17.4	14.5	81.8	84.3	86.4	71.6
Karagaily	—	—	25	157	—	—	0.2	26	—	—	3.1	1.9	—	—	9.9	52.3
Total Eastern Region	**5,036**	**5,104**	**4,891**	**2,100**	**575**	**771**	**750**	**230**	**18.6**	**18.0**	**18.2**	**16.5**	**86.5**	**86.6**	**87.9**	**83.4**
TOTAL BALKHASH	**16,368**	**16,014**	**10,667**	**4,528**	**811**	**971**	**925**	**305**	**18.1**	**17.7**	**18.0**	**16.9**	**80.6**	**82.0**	**86.5**	**82.8**
TOTAL KAZAKHMYS	**44,141**	**41,797**	**35,760**	**16,092**	**1,562**	**1,691**	**1,593**	**558**	**26.3**	**24.8**	**25.2**	**25.5**	**85.9**	**85.8**	**88.0**	**86.3**

Table 2-17 Zinc Processing—Historic Production Levels

	Ore Milled kt				Zinc Concentrate kt				Zinc in Concentrate %				Recovery %			
	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005
ZHEZKAZGAN COMPLEX																
Zhezkazgan No.1	8,381	7,658	7,832	3,519	—	—	—	—	—	—	—	—	—	—	—	—
Zhezkazgan No.2	14,868	13,619	12,960	6,204	—	—	—	—	—	—	—	—	—	—	—	—
Satpaev	4,524	4,506	4,301	1,841	—	2	—	—	—	38.0	—	—	—	76.0	—	—
Total Zinc Ore Zhezkazgan	**—**	**4,506**	**—**	**11,564**	**—**	**2**	**—**	**—**	**—**	**38.0**	**—**	**—**	**—**	**76.0**	**—**	**—**
BALKHASH																
Balkhash Complex																
Balkhash	11,332	10,910	5,776	2,428	—	—	—	—	—	—	—	—	—	—	—	—
Eastern Region																
Orlovskoe	1,725	1,671	1,666	694	76	102	92	46	45.7	44.8	45.5	42	52.0	64.4	67.0	70.5
Belousovskoe	375	292	296	103	19	12	18	4	44.4	40.4	42.4	42.9	55.7	50.5	69.3	65.0
Irtyshskoe	574	531	445	168	21	18	15	6	46.0	45.2	40.9	34.9	60.1	59.4	53.0	50.5
Nikolaevskoe	2,362	2,610	2,459	978	45	46	25	27	43.3	42.2	40.2	35.4	42.1	52.7	55.4	46.3
Karagaily	—	—	25	157	—	—	—	6	—	—	—	35.0	—	—	0.2	27.1
Total Eastern Region	**5,036**	**5,104**	**4,891**	**2,100**	**161**	**178**	**150**	**89**	**44.9**	**43.9**	**43.8**	**39.1**	**50.1**	**51.1**	**63.7**	**53.7**
Total Zinc Ore Balkhash	**5,036**	**5,104**	**4,891**	**2,100**	**161**	**178**	**150**	**89**	**44.9**	**43.9**	**43.8**	**39.1**	**50.1**	**51.1**	**63.7**	**53.7**
Total Zinc Ore Kazakhmys	**5,036**	**9,610**	**4,891**	**2,100**	**161**	**180**	**150**	**89**	**44.9**	**43.8**	**43.8**	**39.1**	**50.1**	**51.7**	**63.7**	**53.7**

N.B. Ore milled figures are provided for reference only. These figures are those in Table 2-16 and are representative of the total ore milled to produce a copper and a zinc concentrate.

Table 2-18 Smelter/Refinery—Historic Production

	Concentrate Smelted kt				Copper %				Copper Cathode kt				Copper Rod kt				Acid Production kt			
	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005
Zhezkazgan	714	735	690	303	35.3	33.7	34.4	32.4	254	243	236	99	60	55	49	4	255	268	259	96
Other Zhezkazgan*	152	151	119	57	3.7	3.3	3.8	1.5												—
Balkhash	928	992	966	368	19.5	18.3	18.4	17.5	178	175	172	64	—	—	—	—	—	—	—	—
Other Balkhash*	120	85	106	72	6.2	3.3	3.7	2.3												—
Total	**1,914**	**1,963**	**1,881**	**800**	**23.3**	**22.3**	**22.5**	**20.7**	**432**	**418**	**408**	**163**	**60**	**55**	**49**	**4**	**255**	**268**	**259**	**96**
Tolling	—	—	117	5	—	—	—	—	—	—	20	4	—	—	—	—	—	—	—	—
TOTAL	**1,914**	**1,963**	**1,998**	**805**	**23.3**	**22.3**	**22.4**	**21.0**	**432**	**418**	**428**	**167**	**60**	**55**	**49**	**4**	**255**	**268**	**259**	**96**

* includes purchased concentrate and material recovered (slag, scrap, etc.) and reprocessed at both Zhezkazgan and Balkhash

Table 2-19 Precious Metals Refinery—Historic Production

	Gold koz (Troy)				Silver koz (Troy)			
	2002	2003	2004	5 months ended 31 May 2005	2002	2003	2004	5 months ended 31 May 2005
Kazakhmys	49.2	49.0	54.5	34.2	21,642.7	19,494.2	17,714.6	8,599.8
Tolling	76.2	44.5	31.8	12.4	23.7	14.5	3.1	40.1
TOTAL	**125.4**	**93.5**	**86.3**	**46.6**	**21,666.4**	**19,508.7**	**17,717.7**	**8,639.9**

Table 2-20 Zinc Hydrometallurgical Plant—Historic Production

Zinc Concentrate kt		Zinc %		Metal kt	
2004	5 months ended 31 May 2005	2004	5 months ended 31 May 2005	2004	5 months ended 31 May 2005
76.7	95.1	44.6	40.6	18.2	24.4

2.5.2 Management

IMC's personnel were in regular contact and held numerous discussions with Kazakhmys management at various levels. IMC is satisfied that Kazakhmys management is capable of implementing the proposed production plans based on this contact and on direct observations of operational management. Kazakhmys' policy of making business unit managers fully accountable for their operations whilst maintaining corporate control has enabled Kazakhmys to be profitable in an environment that has been continually developing from the historical Central Command Economy of the FSU period. Kazakhmys is in the process of implementing new management and financial programmes to bring the current systems up to International Financial Reporting Standards (IFRS) and should extend this to incorporate a standardised electronic reporting system for production performance to formalise reporting and provide flexibility to the systems. This standardisation should extend to an electronic reserves and resources reporting. Management are also committed to improving computer literacy throughout the organisation.

Changes to the approved reserve statements and to certain approved mine production and staffing plans must be submitted to and approved by the relevant government authorities. IMC is not aware of any refusals in the past and Kazakhmys is confident of obtaining this approval as and when necessary.

Kazakhmys has a track record of acquiring new properties to replace depleting reserves/resources and continues to pursue this effort within Kazakhstan. The data accompanying these acquisitions is generally from exploration during the FSU era and is very comprehensive in relation to that normally acquired in western programmes.

Kazakhmys had a total of 65,181 employees as at 31 March 2005, split almost equally between the Zhezkazgan Complex and the other three centres of its operations in Kazakhstan. Administrative facilities are located at Zhezkazgan. Trade Union representation is integrated into Kazakhmys' structure at all levels, relations are reportedly good with no disruption and wage agreements are negotiated on an annual basis.

Manpower wastage over the last two years has averaged 2.5% per year in a maturing labour force, which is in line with expectations. Kazakhmys actively recruits engineering graduates through a combination of university sponsorship and post graduate selection.

Kazakhmys provides free schooling and comprehensive medical facilities to employees. Major medical services are contributory for employees' families.

2.5.3 Health and Safety

Kazakhmys adheres to the Health and Safety Laws enacted in Kazakhstan in 1993 and revised in 2004. This legislation is comprehensive but Kazakhmys recognises the need to be judged by internationally recognised standards and is proactively moving towards becoming accredited to internationally recognised systems. Kazakhmys has compiled a safety policy supported by regulations and standing instructions applying to all operations and job categories and which are updated every five years under the Health and Safety Laws of Kazakhstan. Each complex and regional operation has a Health and Safety Directorate independent of the operations reporting to the Executive Director of the individual complex or region. Each also has a health and safety programme for operational and technical issues and programmes are updated and re-issued at the end of each year. Each has a representative coordinating safety inspection and investigation teams compiling shift reports on all aspects of safety. Government safety inspections are carried out and reports made to the units. Internal reports are reviewed and actioned at the daily meetings and the government reports on a weekly basis.

The Lost Time Injury Frequency Rate is one of the parameters used to monitor safety performance in industry and is usually measured per 100,000 manshifts or one million manhours. Kazakhmys uses a rate that is not comparable to other industry figures but is believed to be higher than other comparable operations. The fatality rate is higher than comparable similar mature mining operations taking into account the large number of administrative and non-production personnel in comparison to other operations which, in Kazakhmys' case, effectively reduces the fatality per thousand employees. Table 2-21 shows the record of fatal accidents. 50% were due to falls of ground in 2004.

Table 2-21 Fatal Accidents

Category	2002	2003	2004	Five months ending 31 May 2005
Falls of ground	10	6	17	5
Falling objects	13	5	0	2
Falling from height	6	4	3	2
Explosives	2	2	1	0
Carbon Monoxide Poisoning	0	0	3	0
Mechanical	1	4	1	3
Extreme temperature	1	0	0	0
Railway	1	3	0	0
Electric shock	2	8	3	1
Movement	0	0	1	0
Transport	7	2	6	0
Other	6	5	0	1
Total	**49**	**39**	**35**	**14**

Kazakhmys is actively developing and implementing:

- Improved accident and risk analysis programmes and procedures to determine priorities for action,
- the introduction of remote controlled production equipment and new technology for potentially hazardous operations, and
- a proposal to engage a specialist consultant to prepare an Occupational Health and Safety Management System that conforms to a recognised international standard.

2.5.4 Infrastructure

All areas are serviced by well developed road, rail and air transport networks. Of the aircraft Kazakhmys owns, three are principally used on the scheduled flight route between Zhezkazgan and Almaty, and are operated by Zhezkazgan-air, the operator with whom Kazakhmys has a trust-management agreement in relation to these aircraft.

Communications are good with land, mobile (except in the East Region areas) and satellite telephone links and a postal service.

Water is supplied from multiple sources at each one of the sites and Kazakhmys owns and operates two CHP and one electricity generation plants supplying the operations' power requirements at the present time. It is anticipated that Kazakhmys will become a small net purchaser of power with the increased demands resulting from increased production and the demands of the zinc plant. Power is supplied to the sites or into the national grid on a credit system enabling Kazakhmys to effectively use its own power in other locations (i.e., from the Karaganda power station) without purchasing at the commercial rate and only bearing the cost of distribution.

Most employees own their accommodation in blocks of flats freehold with the local government responsible for the frame of the building and the provision of services.

2.5.5 Transport

Kazakhmys owns and maintains a comprehensive system of site road and rail networks and also maintains critical provincial roads in the Zhezkazgan and Balkhash areas. The Zhezkazgan rail network and rolling stock are owned by Kazakhmys and link to the national rail network using their wagons for the import of goods and export of finished product. Only site rail, locomotives and critical large items are owned in the other areas, where Kazakhmys uses the national rail network's wagons. These are used to deliver all major goods and export the product.

2.6 Projects

Kazakhmys have a number of projects for production growth in the shorter term and for production replacement in the long term.

In 2004, Kazakhmys produced 401kt of copper in concentrate. Kazakhmys is expected to increase production by approximately 65ktpa of copper in concentrate from short and medium term projects and by an additional 160ktpa of copper in concentrate from the Aktogay project by 2011. This substantially increases the quantity of concentrate produced and this matter has not been addressed by the Company to date.

2.6.1 Short to Medium Term Projects

2.6.1.1 New Sites

- Zhaman-Aybat — reserves of 75,250 kt of ore containing 1,069 kt of copper. Capex of US$29 million and planned to commence production in 2006 (4.0 Mtpa full capacity containing 56.8 ktpa of copper).
- Aktogay — reserves of 1,594,009 kt of ore containing 5,738 kt of copper. Capex of US$529 million and planned to commence production in 2009 (50 Mtpa full capacity containing 180.0 ktpa of copper).
- Artemyevskoe — reserves of 33,112 kt of ore containing 636 kt of copper. Capex of US$8 million and planned to commence production in 2006 (1.5 Mtpa full capacity containing 28.8 ktpa of copper) effectively replacing reduced production of Nikolaevskoe.
- Sulphuric Acid Plant — planned to produce 260 ktpa of acid for sale. Capex of US$52 million and reaching full production in 2006.

2.6.1.2 Continuations of Existing Mines

- East Saryoba — reserves of 35,606 kt of ore containing 495 kt of copper. Capex of US$8 million and planned to commence production in 2007 reaching full production of 2 Mtpa (containing 27.8 ktpa of copper) in 2008 adding to production but also replacing exhausted operations.
- Taskura — reserves of 4,000 kt of ore containing 32 kt of copper. Minimal capex required and planned to commence production (1.0 Mtpa full capacity containing 7.5 ktpa of copper) in 2008 replacing exhausted open pit in Zhezkazgan.
- Kosmurun — reserves of 22,365 kt of ore containing 671 kt of copper. Capex of US$6 million and planned to commence production in 2012 (0.5 Mtpa full capacity containing 15.0 ktpa of copper) replacing Abyz production. Open pit reserves for six years, underground reserves to be exploited once all Abyz, Kosmurun and Akbastau open pit reserves are exhausted.
- Akbastau — reserves of 13,308 kt of ore containing 210 kt of copper. Capex of US$6 million and planned to commence production in 2017 (0.5 Mtpa full capacity containing 7.9 ktpa of copper) replacing Kosmurun production to 2025.

2.6.2 Long Term Projects

- Boschekul — reserves of 187,972 kt of ore containing 1,222 kt of copper. Capex of US$430 million and planned to commence production late in the next decade (20 Mtpa planned capacity containing 130.0 ktpa of copper).
- Severno-Nikolaevskoe — This is currently an exploration project near the Nikolaevskoe Mine and is intended to replace Nikolaevskoe. IMC has not included it in the valuation.
- Sayak IV — resources of 2,217 kt of ore containing 512 koz of gold. Well developed underground infrastructure requiring a processing plant. IMC has not included it in the valuation.

2.7 MKM

This operation is not included in the IMC valuation of Kazakhmys. The factory near Hettstedt, Germany manufactures in excess of 13,000 copper products in a year in various quantities and employs approximately 1,000 people.

MKM's markets are predominantly within Europe with minor markets in Asia and to a lesser extent the USA. The operations are efficiently run and the quality management system means that MKM's products are to internationally recognised standards.

The company operates an environmental monitoring program ensuring that the treatment and disposal of hazardous material is completed in accordance with European standards. Historical production figures are given in Table 2-22.

Table 2-22—MKM—Historic Production Levels

	kt			
	2002	2003	2004	5 months ending 31 May 2005
Wire Section	130	104	39	47
Flat Section	48	46	51	25
Tubes and Bars Section	34	37	38	17
Total	**212**	**188**	**128**	**89**

MKM owns a small smelter on the site which was closed in 2003 and is now for sale. IMC did not visit the smelter as it is no longer relevant to production at MKM.

IMC is satisfied that MKM operates their factory to recognised standards and efficiently. There is significant excess capacity to fulfil the projected production levels.

2.8 Environmental Issues and Management

2.8.1 Legislation

The Republic of Kazakhstan refers to its legislation as ''the body of the Constitution, laws and other normative legal acts (including the Supreme Court resolutions) of the Republic of Kazakhstan, including the International Treaties to which the Republic of Kazakhstan is a party''.

Environmental Legislation is referred to as ''Law No 160-1 of the Republic of Kazakhstan on Environmental Protection (as amended), dated 15 July 1997 and also other normative legal acts related to environmental protection''.

There are six principal pieces of Kazakh domestic legislation that concern environmental protection. These are:

a) Law on Environmental Protection; 15 July 1997 (as amended). This is the main environmental legislation and encompasses state agencies, licensing, monitoring, quality regulations, environmental examination and environmental protection.

b) Water Code; 9 July 2003 (as amended)

c) Concept of Ecological Safety of the Republic of Kazakhstan for the years 2004-2015 (approved by the Presidential Edict on 3 December 2003);

d) Law on Atmospheric Air Protection; 11 March 2002 (as amended)

e) Land Code; 20 June 2003; and

f) Regulations Concerning Protection of Sub-soil (approved by the Governmental Resolution of 21 July 1999).

There are currently three more pieces of principal legislation in the process of passing through the state administrative system and are expected to become law in due course:

a) Law on Climate and Ozone Layer Protection,

b) Law on Obligatory Ecological Insurance, and

c) Ecological Code.

The management at Kazakhmys is aware of this proposed legislation and its content. The Law with particular relevance is Law No 2828 dated 27 January 1996, on the ''Sub-soil and Its Use'' (the ''Sub-soil Law'') as amended, which is noted in Section 2.8.3.2. The Sub-soil Law includes provisions for protection of the sub-soil and the natural environment and for restoration of disturbed areas.

Environmental legislation in Kazakhstan is at a relatively early stage of development and is based on the systems in use in the Former Soviet Union. The framework legislation is the Law on Environmental Protection, which defines regulations and procedures for establishing environmental standards. Environmental protection is enforced mainly by the requirement to obtain and maintain the environmental permits that establish and regulate an economic mechanism levying taxes on permissible levels of emissions and storage of waste. A higher tax rate is applied for emissions and waste storage in excess of permissible amounts. Environmental permits, specifying the permissible quantities of air emissions, water discharge and waste storage, are issued annually to each Complex. Renewal is subject to submission of an annual environmental report, compliance with specific provisions and payment of taxes at the relevant quarterly intervals. Renewals have not, historically, been withheld.

2.8.2 Status

Mining activities have been in progress in all areas for many years and smelting since the 1930's in Balkhash and 1971 at Zhezkazgan. The environmental impact of these historic operations has not been quantified and it is understood from the Company that the responsibility for the historic environmental liabilities lies with the State. A comprehensive monitoring system has been in place since the mid to late 1990's in anticipation of future legal requirements. Kazakhmys has engaged an international consultant to assist in directing their environmental effort. Information provided leads IMC to believe that there are no outstanding major environmental liabilities.

IMC visited all of the operations between 29 November 2004 and 6 February 2005 and, on the evidence provided by Kazakhmys, found all operations to be complying with the requirements of the environmental legislation in place in Kazakhstan. IMC understands from Kazakhmys that historically there have been no notable fines, prosecutions or court actions and that none are pending. The largest fine seen by IMC was for US$70,000 for the incorrect storage of zinc concentrate in the East Region and is well within the threshold of US$100,000 set by IMC. Complaints from the general public are stated to be rare.

There was a light to heavy (East Region) covering of snow during the visit periods but the general visual appearance and standard of housekeeping of the main parts of the operations, with some noticeable exceptions (Balkhash smelter and Irtyshskoe concentrator), appear reasonable.

IMC's review raised a number of issues requiring further attention, particularly the introduction of a proactive environmental management system necessary to bring the operations, particularly the metallurgical facilities, to international standards. Management recognises its environmental responsibilities, as evidenced by the recent commitment to install an acid plant at the Balkhash smelter, and stated that adequate resources had been budgeted to control emissions to the environment within permissible limits. Furthermore Kazakhmys, with the aid of a specialist consultant, is developing a programme to prioritise and estimate the costs and measures necessary to bring the environmental management system and operations into compliance with internationally recognised standards and guidelines. The initial capex estimate budgeted for this programme is US$30 million.

IMC considers, therefore, that there are no environmental factors likely to materially affect this valuation under current Kazakh legislation.

2.8.3 Provision for Rehabilitation

2.8.3.1 Ongoing

Ongoing rehabilitation of the mine sites is focussed on dust suppression, collection and treatment of drainage water and back filling of underground mines and some open pit sites. Waste rock and topsoil storage heaps are designed and constructed according to regulations. There is routine inspection and maintenance of tailings storage facilities.

2.8.3.2 Closure

Exploitation of mineral resources is governed by the Sub-soil Law.

The Sub-soil Law includes provisions for protection of the sub-soil and the natural environment and for restoration of disturbed areas. According to the Sub-soil Law, man made mineral formations stored prior to 30 May 1992 or entered into state stock prior to the Sub-soil Law coming into force, are State property and not the responsibility of Kazakhmys. These items include rock, soil, tailings, slag, and power station ash.

Kazakhmys has contracted to assign annual amounts towards the cost of closure and rehabilitation for each mine or group of mines; typically the assignment is not less than 0.1% of operational expenses in the case of copper/zinc mines and 1% of sales revenue for coal mines. Between 1997 and end of November 2004 the total assigned to mines was KZT478.8 million.

Preliminary rehabilitation programmes have been prepared for each mine or group of mines in accordance with the requirements of legislation. These form the basis of detailed programmes to be developed prior to the mine closure on specific closure agreements provided to IMC. The planned restoration activities include either site clearance or transferring buildings and infrastructure to the local authority, sealing mine shafts, raising embankments at pit edges using waste rock and topsoil, allowing water ingress to attain natural levels and compacting waste heaps. Each programme includes an assessment of the ecological situation post closure and an estimate of the costs of the proposed restoration work. The projected accrued fund for each mine or mine group at the end of the exploitation period is sufficient to cover the majority of the estimated cost of rehabilitation.

All of the programmes have received approval in April 2005 from the relevant Regional Authorities namely: the Department of Environment, the Committee on Geology and Subsoil Use, the Department of State Sanitary-Epidemiological Control and the State Inspectorate of Control in the Field of Emergency Situations. In some cases, the approval is conditional subject to either further monitoring and research studies, additions to the proposed restoration work or to an increase in assignment to rehabilitation funds where a shortfall is anticipated.

2.9 Statutory Authorisations

Prior to August 1999 sub-soil use rights (a term that applies to both hydrocarbons and mining sector operations) were established by virtue of granting a licence and, where applicable, by concluding a relevant sub-soil use contract. In August 1999, the Government of Kazakhstan, in its attempt to simplify the procedure, abolished the two-tier process and now sub-soil use rights are established through conclusion of a sub-soil use contract only (i.e., no licence is required).

A registered 'Sub-soil Use Contract' is required to be entered into with the relevant governmental body for all commercial sub-soil use, exploration and/or exploitation operations in Kazakhstan under the Sub-soil Law.

IMC reviewed the statutory authorisations for the mines and operations and a summary of the status is given in Table 2-23. IMC believes all contracts and permits are in place but has not proven the legal title.

A series of licences for non-principal sub-soil use within the Kazakhmys operations in Kazakhstan are included in Table 2-24. These licences enable construction or ancillary operations to take place and are not integral to the core business. The licences are not an issue to obtain. The list of these non-principal licences is not necessarily complete and is provided merely as an example of Kazakhmys' attention to obtaining all necessary licences for their business.

Table 2-23 Statutory Authorisations—Principal Sub-Soil Operations

Licence No.	Minerals	Date / Period	Renewal	Operations
No.28	Copper ores	07/04/95	For 20 years. Possible extension.	Zhezkazgan Area East; Annensky; West; Umit; South; Stepnoy; North, Akchi Spassky and Sredne Spassky. To depth of -700 metres. Elevations -440 metres to 280 metres. Area 6190 hectare.
No.1383	Copper, silver, rhenium, sulphur, selenium	19/02/98	For 20 years. Possible extension.	Zhilandy Area Itauz; East Saryoba; Zapadny Saryoba; Kipshakbai; Karashoshak Itauz – to depth to 350 metres. Area 7.496 square kilometres. East Saryoba; West Saryoba – to depth of 350 metres. Area 19.166 square kilometres. Kipshakbai – to depth of 350 metres. Area 6.01 square kilometres. Karashoshak – to depth of 350 metres. Area 0.914 square kilometres.
56	Copper, molybdenum, rhenium, sulphur	19/02/98	For 20 years. Possible extension.	Kounrad – to depth of -550 metres from surface. Area 5.3 square kilometres.
1180	Copper, molybdenum, selenium, tellurium	19/02/98	For 20 years. Possible extension.	Tastau (Sayak III) – to depth of -455 metres from surface. Area 3.12 square kilometres.
57	Copper ores.	19/02/98	For 10 years. Possible extension.	Sayak 1 – to depth of -550 metres from surface. Area 3.6 square kilometres.
No.1542	Copper and co-metals	04/03/99	For 25 years. Possible extension.	Zhaman-Aybat including Taskura – to depth below surface of Northern 900 metres, Eastern 550 metres, Central and Western 700 metres. Area 142.44 square kilometres. Subject to permission from Ministry of Defence to operate on Military Range. Prisarysuysky – exploration rights only. Sorkuduk-Zhartas - exploration rights only.

(continued on next page)

Licence No.	Minerals	Date / Period	Renewal	Operations
Contract No.583	Copper and molybdenum	04/12/00	For 25 years. Possible extension.	Shatyrkul – to a depth of 820 metres from surface. Area of 5.26 square kilometres.
No.355	Polymetallic ores.	08/12/97	For 25 years. Possible extension.	Irtyshskoe - to horizon 16, a depth of -350 metres. Area of 5.2 square kilometres
No.354	Polymetallic ores.	04/12/97	For 25 years. Possible extension.	Belousovskoe - to horizon 18, a depth of -800 metres. Area of 8.51 square kilometres.
No.1525	Polymetallic ores.	21/10/98	For 20 years. Possible extension.	Yubileyno-Snegirikhinskoe – vertical profile to a depth of 450 metres. Area 0.87 square kilometres.
No.45	Copper and polymetallic ores.	07/06/95	For 20 years. Possible extension.	Orlovskoe - to horizon 11, a depth of 500 metres. Area 1,403 square kilometres.
No.197	Copper and zinc ores.	10/05/95	For 20 years. Possible extension.	Nikolaevskoe - to horizon 58 metres, a depth of 420 metres. Area 225 hectare.
No.198	Polymetallic ores.	10/05/95	Relinquished/Expired.	Shemonaikhinskoe - to horizon +166 metres, a depth of 240 metres. Area 58 hectare. Operations closed in early 2004.
No.567	Polymetallic ores.	29/01/96	For 23 years. Possible extension.	Artemyevskoe – supplementary exploration and mining to absolute depth of -550 metres. Area 147.4 hectare.
No.1343	Coal	04/12/97	For 25 years. Possible extension.	Borlynskoe – to horizon +200 metres. Area of 16.257 square kilometres.
No.1342	Coal	04/12/97	For 20 years. Possible extension.	Kuu-Chekinskoe - to horizon +230 metres. Area of 7.64 square kilometres.
No.701	Gold, copper and polymetallic ores.	28/08/95	For 29 years. Possible extension.	Samarskoe Nurkazgan Western Nurkazgan (Samarskoe) – to absolute depth of -550 metres. Area 1.63 square kilometres.
Contract No.1668	Gold and cobalt ores.	18/02/04	For 15 years. Possible extension.	Sayak IV – Purchased Subsurface Agreement from 3rd party. Depth to -280 metres (300 metres msl). Area 0.31 square kilometres.

(continued on next page)

Licence No.	Minerals	Date / Period	Renewal	Operations
Contract No.1681	Gold, sulphide and polymetallic ores	03/03/05	For 17 years. Possible extension.	Abyz – Depth to 670 metres (130 metres msl). Area of 0.89 square kilometres.
No.1359	Copper ores.	19/01/98	For 25 years. Possible extension.	Aktogay – Kazakhmys ownership registered after purchase from Aktogaymys. Depth to 140 metres msl. Area 6.1 square kilometres.
Letter of Intent with Aktogaymys	Polymetallic ores	10/06/04		Aidarly – Letter of Intent with Aktogaymys to transfer Subsurface Agreement to Kazakhmys when Aktogaymys ratifies Subsurface Agreement with Government.
Protocol No.6	Copper	29/04/04		Boschekul - Successful tender bidder. Registration in progress. Mine to depth of 355 metres (105 metres msl). Area of 4.5 square kilometres.
Protocol No.12	Polymetallic ores	06/06/03		Kosmurun – Successful tender bidder. Registration of Subsurface Contract to be completed. Depth to 620 metres (200 msl). Area 1.02 square kilometres.
Protocol No.12	Polymetallic ores	06/06/03		Akbastau - Successful tender bidder. Registration of Subsurface Contract to be completed. Depth to 280 metres (550 metres msl). Area 0.5 square kilometres.
Protocol No.12	Polymetallic ores	18/11/04		Severno-Nikolaevskoe - Successful tender bidder for exploration. Registration of Subsurface Contract to be completed.

Table 2-24 Statutory Authorisations—Non-Principal Sub-Soil Operations

Licence No.	Minerals	Date / Period	Renewal	Operations
No.89	Loam for dam construction	22/12/2003		Remki
No.10039	Potable water	Feb-97		Kuu-Chekinskoe
-03-210-	Construction rock	1996		Borly - 2
No.34	Limestone	11.08.1998		Belocamennoe
No.009	Sand-gravel and sand	07/03/2001		Sarysu
No.10226	Underground water	15/06/1998		Eskulinskoe
KO-03 No.005	Flux limestone	17/11/1997		Sarykum
KO-03 No.012	Marble	05/05/1998		Sayak 1
No.138	Clay materials	22/01/2004		Zhalair - Siyrshy
No.566	Flux limestone	12/10/1995		Aktas III
No.59	Construction sand	30/09/2002		Pervomayskoe II
No.10227	Underground water	15/06/1998		Zhanayskoe
KO-03 No.014	Fire clay	08/06/1998		Talap

2.10 Costs

2.10.1 Operating Costs

IMC examined the forecasts of operating costs for all operations as prepared by the management of Kazakhmys. The forecasts were compared with actual costs in previous years and, where considered appropriate, were modified following discussion with Kazakhmys. The addition in the costs is attributable to the omission of funds for major overhauls to existing equipment. Operating costs were incorporated into the 21 year cash flows prepared by IMC for the purposes of the valuation of the Company's assets. IMC considers the production plans and budgets to be attainable. The historic cash operating costs per tonne of cathode copper produced, net of income credits for by-product sales and other income, for the years 2002 to 2004 are summarised in Table 2-25 below.

Table 2-25 Net Cash Cost per Tonne of Cathode Copper Produced

	2002 US$/t	2003 US$/t	2004 US$/t
Net cash cost per tonne.	581	631	655

N.B. the net cash cost per tonne excludes the income credit in respect of the premium on sales of copper rod.

The net cash per tonne quoted has been derived from the audited IFRS accounts set forth in Part VIII.

Income from the sales of by-products relates principally to gold, silver and zinc. Other income relates to sales to third parties principally of electricity, heat and coal.

2.10.2 Capital Costs

Similarly, IMC examined the capital cost estimates prepared by management for the period 2005-2025. Where considered appropriate, additions were made to the figures following discussions with Kazakhmys' management. The majority of this was attributable to the new projects. The revised capital cost estimates were also incorporated into the cash flows. IMC considers the production plans and budgets to be attainable.

2.11 Risks and Synergies

Section 6, Special Factors, refers to aspects of the business which may materially affect IMC's valuation, namely:

- Wage inflation and
- Shortage of third party concentrate available for purchase to maintain maximum throughput to the smelter and refinery.

2.12 Sales and Marketing

Kazakhmys is a major producer of copper, zinc and associated by-products and has very detailed market knowledge and expertise in these products.

IMC has viewed and confirm that approximately 95% of the Group's sales of copper is on annual contracts to third parties and it is reported that Kazakhmys currently commands approximately 2.7% of the world copper market and is the tenth largest producer of refined copper (Brook Hunt and Associates Limited) based on 2004 production.

The Group is expected to have considerable excess concentrate following the development of Aktogay, which is currently planned to be sold as concentrate. Kazakhmys are not, at this stage, considering additional smelting/refining capacity.

2.13 Valuation of Reserves

2.13.1 Methodology and Assumptions

The valuation of Kazakhmys has been performed using the discounted cash flow valuation method and was evaluated in two stages. IMC performed the valuation based on the operating costs, capital expenditures and revenues projected for Kazakhmys. The division of the valuation to proved and probable reserves has been based on the amount of contained copper production attributable to either proved or probable reserves in any one year and the total cash flow in that year, pro-rated accordingly. IMC have assumed that proved reserves are worked before probable reserves. Based on these results, depreciation, taxation and working capital requirements were provided by Kazakhmys to IMC for inclusion in this valuation to prepare a post-tax valuation with the allocation of the cash flow to proved and probable reserves as noted previously. IMC has accepted the depreciation, taxation and working capital as provided and accept no responsibility as to their accuracy.

The following key factors were considered in the valuation process.

Capital Expenditure

The level of capital expenditure as scheduled in the development of the Net Present Value (NPV) calculations is sufficient to both maintain current production capacity and to promote new production capacity where required.

Plant and Equipment

The cost of maintaining, repairing and, where necessary, replacing items or components is included in the cash cost estimates or in the capital expenditure schedules. Except in instances where equipment is planned to be transferred to another operation, plant and equipment have not been valued separately. As the plant and equipment is an integral component in the generation of the cash flows used to estimate the value of the reserves, the value of the plant and equipment is included in the reserve value. Any residual value is considered not to be material.

Selling Price

The main products of Kazakhmys, namely copper, zinc, gold and silver, are international commodities and are subject to both short term and cyclical variations. The valuation model is based on forecast prices of the major commodities (copper, zinc, gold and silver) prepared by Brook Hunt and Associates Limited.

Kazakhmys also generates a small income from a number of secondary products and by-products. The price forecasts for these were provided by the Company.

Other Key Parameters

Other key valuation parameters used in the valuation include the following:

- The Kazakh Tenge to US Dollar (''KZT/US$'') exchange rate is expected to average KZT131.2: US$1.00 in 2005 based on a brokers' consensus. It has been forecast to stay flat in real terms thereafter;
- The valuation is as at 1 January 2005;
- Cash flows are expressed in real terms and have been discounted according to end of year convention;
- Cash flows are forecasted to the shorter of the mine life or 21 years; and
- The NPV was calculated using a real discount rate of 12%.

Valuation Results

Table 2-26 to Table 2-29 summarise the value of the reserves both at the operational level and at the post-tax level.

Table 2-26 Summary of Valuation of Proved and Probable Reserves—Based on Operating Results

	Proved Reserves (US$ millions)	Probable Reserves (US$ millions)	Total Reserves (US$ millions)
Base case valuation	1,891	3,228	5,119

Table 2-27 Summary of Valuation of Reserves—Based on Operating Results

Real discount rate %	NPV (US$ million)
+2%	4,610
+1%	4,851
12%	5,119
−1%	5,415
−2%	5,745

Table 2-28 Summary of Valuation of Proved and Probable Reserves—Based on Post Tax Results

	Proved Reserves (US$ millions)	Probable Reserves (US$ millions)	Total Reserves (US$ millions)
Base case valuation	1,211	2,049	3,259

Table 2-29 Summary of Valuation of Reserves—Based on Post Tax Results

Real discount rate %	NPV (US$ million)
+2%	2,929
+1%	3,086
12%	3,259
−1%	3,452
−2%	3,667

2.13.2 Sensitivity Analysis

The business of mining and marketing metals and minerals contains variables that are not always predictable. Potential variables include those directly associated with mining and processing operations, such as cost and production levels, as well as those that are external to mining and processing operations, such as market prices.

While IMC concludes that the NPV of Kazakhmys' operations, as presented above, is realistic relative to the 21 year plans, a sensitivity analysis has been prepared for the following variables.

Operating Cost

This could vary as a result of changes in component costs, such as labour or supplies, or from variances in productivity. IMC has calculated a sensitivity of plus 10% in operating cost.

Production

Production level can be affected by variances in productivity or market place demands. IMC has calculated a sensitivity of minus 10% in production.

Capital Cost

Variances in capital costs could result from quantity or market prices of capital items. IMC has calculated a sensitivity of plus 10% in capital costs.

Copper Price

IMC calculated the sensitivity impact of a minus 10% change in copper price.

A summary of the effect of sensitivity of the valuation of reserves to these variables is given in Table 2-30.

Table 2-30 Sensitivity Analysis of Reserve Valuation

NPV (US$ million)	Base Case	Operating Cost (+10%)	Production (−10%)	Capital Cost (+10%)	Copper Price (−10%)
Based on operating results	5,119	4,513	4,281	4,998	3,880
Based on post tax results	3,259	2,872	2,721	3,160	2,463

2.14 Conclusions

IMC concludes from the independent technical review that:

- management's geological and geotechnical knowledge and understanding is of a satisfactory level to support short, medium and long term planning as appropriate and operations are well managed at an operating level;
- the mine plans appropriately consider geological and geotechnical factors to minimise mining hazards. Although IMC has reservations about the viability of the open pit designs in the final years of operation, any impact of a failure on production will be small;
- Kazakhmys' mining equipment (either in place or planned in the capital forecasts) is suited to its mine plans and is adequate, with minor adjustments, for the production plans;
- copper and zinc ore processing, associated smelter and refinery plants and other infrastructure are capable of continuing to supply appropriate quality products to the markets at the forecast production plans;
- IMC is unable to compare the LTIFR but believe this to be higher than other comparable operations. The fatality rate is higher than similar comparable operations;
- environmental issues are managed and there are no issues that could materially impede production nor are any prosecutions pending;
- the assumptions used in estimating both capital and operating costs are appropriate and reasonable;
- capital and operating costs used in the financial models incorporating minor adjustments by IMC reflect the mine plans, development and construction schedules and the forecast production levels;
- special factors identified by IMC are well understood by management and appropriate action to mitigate these risks is being taken. Further, the mine plans and cost forecasts appropriately account for these risks; and
- management operates a management accounting system and are able to monitor and forecast production and cost parameters. Management are updating the management accounting systems to IFRS over the short term.

IMC has estimated the value of Kazakhmys' copper, zinc, gold and silver assets at an operating level as US$5,119 million and at a post tax level as US$3,259 million assuming a real discount rate of 12%, an exchange rate of KZT/US $ 131.2, and product prices, capital and operating costs and production forecasts which are soundly based.

3.0 ZHEZKAZGAN COMPLEX

IMC visited all of the operations in November 2004 and February 2005. Additional visits were made in April and May 2005.

3.1 Maps and Plans

The relevant maps and plans are included in Annex C as follows:

Plate 2	Zhezkazgan Syncline, Regional Geology

Plate 3	Zhezkazgan Mines
Plate 4	Zhaman-Aybat Mine

3.2 Zhezkazgan Geological Characteristics

The Zhezkazgan area mines exploit the Taskudukskya and Zhezkazganskaya sequence comprising tabular grey sandstone layers with interbedded red siltstone and mudstone with a thickness of over 630 metres. 10 horizons of ore-bearing strata have been distinguished and within each of these a number of individual ore bodies are defined. The ore body distribution is controlled by the Zhezkazgan Syncline with an approximately N-S axis, plunging to the south with closure to the north in the Zhilandy area. The syncline is asymmetric with a steeply dipping western limb (50° to 80°) and shallow dipping core and eastern limb (3° to 20°). The syncline is locally modified by parallel monoclinal structures associated with NNE-SSW trending fractures. The syncline encloses an ore field area which is 40 kilometres from north to south and up to 16 kilometres east to west. The greater part of resources occur in eight of the horizons (numbers 2 to 9) and the thickness of individual ore bodies ranges up to 20 metres although thickness generally averages 3 metres to 5 metres. Ore bodies are stratiform and conformable with the country rocks. They are delimited by gradational boundaries defined by assay. For the planning and designation of operations, a vertical sequence of 26 individual ore bodies is recognised. The area of the largest ore bodies reaches 5 km^2 to 7 km^2. The mineralisation comprises primarily sulphide minerals, which account for over 90% of the quoted resource base.

The Zhaman-Aybat ore field 130 kilometres south east of Zhezkazgan, including the adjacent Taskura deposit, is situated on the eastern margin of the Zhezkazgan-Sarysu Depression, an extensive depositional basin of sediments ranging in age from lower-mid Carboniferous to lower Permian. The Zhezkazgan Syncline, controlling the occurrence of the Zhezkazgan area, represents the northern exposures of the depression and a broadly equivalent sediment-hosted sequence of ore body horizons is present in the Zhaman-Aybat/Taskura area controlled primarily by a major ENE-WSW monoclinal flexure system. The ore bodies are concentrated along the anticlinal axes, representing a linear mineralised zone of some 25 kilometres in length. The copper mineralisation is sediment-hosted in a sequence of grey tabular sandstones and conglomerates with interbedded red shales and siltstones which are non-mineralised. Horizon 4-I at the base of the Zhezkazgan series is the one ore body of significance to support mine development in the Zhaman-Aybat area. The 4-I ore body occupies a nearly horizontal or broadly flexured axis of an ENE-WSW anticline plunging gently to the west at around 3° to 5°. This area extends over a length of approximately 14 kilometres with a maximum width N-S of 4 kilometres. Mineralisation comprising primarily copper sulphide ores, with significant silver values, is laterally and vertically variable. The mineable sequence varies from 2 metres to 6 metres, averaging 4.5 metres at Zhaman-Aybat and is up to 16 metres in thickness at Taskura.

3.3 Reserves and Resource Statement

IMC has verified a portion of the reserves of each mine or project and concur with the figures in Table 2-5.

Kazakhmys' estimates, in the Zhezkazgan, Zhilandy and Zhaman Aybat areas, employ polygonal methods in conjunction with cross sections. IMC has inspected these calculations and found them acceptable and has, furthermore, inspected each individual identified ore body horizon and completed check calculations on a selected representative area equivalent to at least 5% of each horizon.

Losses in the operations of open pits comprising the North mine are accounted in the reserve estimates at 5.9% and dilution is assessed as 13.9%. Reconciliation performed by Kazakhmys against its operational results indicates losses of 5% and dilution of 8%. The factors applied for reserve estimation are therefore considered conservative. These factors are not applied to resources.

For total extraction areas of the Zhezkazgan underground mines, a loss of 3% is applied for calculation of mineable reserves. A dilution factor of 7% is applied for all such mining areas, with the exception of the Annensky mine where a 10% factor is applied as a reflection of the steeply dipping ore bodies. Locally, for recovery of older remnant blocks of ore, losses of up to 40% have been allowed for in the estimates.

All underground mine production is from well-established mines. Some areas of mining are very mature and quoted reserves for some mines include a large proportion of tonnage planned for recovery as secondary extraction of existing pillars, recovery of barrier pillars and remnant areas and removal of protection pillars around shafts or surface installations (removed at the end of mine life). 20% to 40% of the East mine, West mine and South mine reserves relate to secondary recovery of pillars and remnant blocks. It is recognised that there is lesser confidence in applying ore losses and dilution factors and this may affect projections for performance in the later years of mine life. The longer term future of underground production is in the western and south-western areas of the ore field, in particular at Stepnoy mine, where significant resources in virgin areas are identified with the potential to support mine production beyond the current business plan. A cut-off grade of 0.3% copper is applied in the Zhezkazgan underground mines.

Reserve definition in the Zhaman-Aybat area, based on exploration drillholes, has been recognised as a probable reserve. It should be noted that development of mine infrastructure has now accessed the ore body and physically confirmed the presence of the ore body over a considerable length such that a significant component of the reserves would normally be considered a proved reserve.

3.4 Mines and Projects

Within the single administrative unit designated as North mine (4.4 Mtpa capacity), three groups of operations occur:

- the Akchi Spassky and Sredne Spassky open-pits on the western margin of the Satpaev ore field area,
- the Zhilandy area open-pits are approximately 30 kilometres north of the Satpaev ore field, including the Itauz, W Saryoba, E Saryoba, Kipshakbai and Karashoshak deposits, and
- the projected Taskura open-pit in the Zhaman-Aybat area.

Steeply inclined ore bodies, up to 70°, characterise the Itauz, Akchi Spassky and Sredne Spassky open pits, all located on the western margin of the Zhezkazgan Syncline. The open-pits of the Satpaev ore field area have been assessed on the basis of a cut-off grade of 0.2% copper, subject to a minimum average 0.5% copper content over any one selected mining unit. For the Zhilandy mines, a cut-off grade of 0.5% copper has been established for sulphide ore, but for polymetallic ores an equivalent copper grade of 0.4% is used. All of the open pits are mined as conventional truck and shovel operations with integrated rail haulage systems. Ore is hauled between 2 kilometres and 3.5 kilometres to railhead stockpiles for transportation to the Zhezkazgan concentrators. In the pit designs Kazakhmys engineers utilise a method of extraction resulting in very steep highwalls up to 70° to minimise waste stripping. This design approach is not recognised internationally and IMC believe it may compromise the extraction of the ore in the final years of pit operation.

The group of underground mines comprises the South (6.7 Mtpa capacity increasing to 7.8 Mtpa capacity), Stepnoy (4 Mtpa capacity), East (5.5 Mtpa capacity), West (3.6 Mtpa capacity) and Annensky (5 Mtpa capacity) mines. The Stepnoy mine was commissioned into production in 2005. The mines are accessed by vertical shafts and mined by room and pillar with secondary pillar extraction and subsequent caving, and drift and fill mining methods over up to eight horizons employing trackless equipment. IMC understands that the caving interaction between the horizons during pillar extraction is controlled by working sequentially downwards from the upper levels. Ore is transferred to the shafts via a combination of truck and rail car systems where it is crushed, hoisted to surface and railed to the Zhezkazgan and Satpaev (Annensky mine) concentrators.

The Zhaman-Aybat mine (4.0 Mtpa capacity) is an underground operation accessed by vertical shafts and mining will be by trackless room and pillar with secondary pillar extraction as used at the other Zhezkazgan underground operations. The shaft systems are commissioned and underground development is almost complete, with full scale production planned in 2006 and planned capital expenditure of US$29 million to become fully operational. The outstanding 120 kilometres of rail line to Zhezkazgan needs to be completed. The ore will initially be railed to the Balkhash concentrator from 2006 to 2008 and subsequently to the Zhezkazgan concentrators.

IMC believe the production plan is achievable.

3.5 Long Term Prospects

Relevant maps and plans are included in Annex C as listed:

Plate 5 East Saryoba Mine

The new East Saryoba prospect (included in the South mine) is located in the Zhilandy ore field area approximately 30 kilometres north of the main Satpaev underground operations. This underground adit accesses the ore from the base of an open pit mine and is planned to exploit the single horizon which in this location is present as up to six vertically stacked lenticular closely separated ore bodies within a total sequence thickness of 170 metres. The ore bodies are inclined at between 9° and 35° with ore body thickness ranging between 1 metre and 8 metres and averaging around 4 metres. East Saryoba project is planned as a room and pillar operation coming into full production in 2008 at 2 Mtpa capacity and US$8 million has been budgeted. IMC believes this production plan is achievable.

Taskura (included in the North mine) is 13 kilometres to the west of Zhaman-Aybat and will be extracted by conventional shovel and truck open pit methods. The reserves are shallow, flat lying and range in thickness up to 16 metres. Production is scheduled to commence in 2008 and finish in 2011.

3.6 Concentrators

There are three concentrators, Zhezkazgan No.1, Zhezkazgan No.2 and Satpaev, in the Zhezkazgan area. They are between 18 and 50 years old and their design reflects their age. Extensive alterations necessary to meet production requirements have left them with non-optimal layouts.

The two concentrators at Zhezkazgan are operated as a single management unit. No.1 concentrator was built in 1954. It was subsequently expanded twice to increase its throughput. It treats ore from the South and East Mines. No.2 concentrator is situated alongside No.1 concentrator and was commissioned in 1963. It uses larger and more modern machines. It treats the oxide and mixed ores from the open pits and the sulphide ores of the North mine as well as smelter slag and some low grade ore from the South mine as well as West, Stepnoy and Zhaman-Aybat from 2009.

All raw materials are delivered by rail. Both plants are conventional and incorporate primary, secondary and tertiary crushing. The ore is ground by rod mills and ball mills with spiral classification and hydrocyclones. Copper concentrate is recovered in mechanical flotation cells. The finished copper concentrate is pumped to the smelter for filtering. Combined plant capacity is 25 Mtpa of ore. The concentrate is sent to the Zhezkazgan smelter for further processing. The production and recovery of concentrator No.1 and concentrator No. 2 over the past three years are summarised in Table 2-16. Although the copper concentrate from Zhezkazgan, at 39% copper, has a higher copper grade than most copper concentrates, it also contains about 24% silica, indicating that it is not a very clean copper concentrate.

Both concentrators are in satisfactory condition for their age and type and are a credit to their operators. IMC believes that they are capable of fulfilling the proposed production schedule.

The Satpaev concentrator was built in 1986 to process the polymetallic ores from the mines to the north of Zhezkazgan. It operated as a polymetallic concentrator until 1993 after which the amount of polymetallic ore was reduced. The polymetallic circuit was dismantled in 1995 and the concentrator has since been almost exclusively operated for copper. The exception, unlikely to be repeated, was a zinc concentrate produced in one year due to exceptional zinc grades in the Annensky mine ore. Ore is processed by a conventional design incorporating secondary and tertiary crushing only. The grinding plant contains rod mills and ball mills with spiral classification and hydrocyclones. The flotation plant is made up of mechanical cells. The finished copper concentrate is thickened and filtered and despatched by rail to the Zhezkazgan smelter. Plant tailings are pumped to the dam or to the sandfill plant for underground storage. Plant capacity is 4.5 Mtpa. The production and recovery of the Satpaev concentrator over the past three years are summarised in Table 2-16. The Satpaev concentrate is comparatively low grade, partly because of the interference of the high zinc and lead content and also because of the high silica content of the ore. IMC believes that the concentrator is capable of meeting the proposed schedule.

3.7 Tailings Disposal

The tailings disposal at all these sites is by the upstream method. All of the dams operate a closed circuit system and no water is discharged to any water course. This area is understood to be generally Class II as an earthquake risk in the three classes categorised in Kazakhstan. The constructions are to the design factor of safety required for these structures in the Kazakhstan building code. All of the sites are inspected regularly. The dams are inspected annually by an independent engineer and all of the dams are stated to be operated safely. The sites have a programme for the work to be carried out for the monitoring and the disposal point for the tailings. The sites all work to this programme. The dams are operated to a generally high standard with the staff aware of the consequences of failures and the need for prompt remedial action.

The current Zhezkazgan tailings dam is now 70 metres high with a 10.9 kilometres long perimeter. This dam will be full in 2007 when the height will reach 76 metres. A new dam with a 40 year life is under construction to the east of the current dam. The new dam was originally planned to start in 2005 because of concerns about the stability of the existing dam. Kazmechanobr (Kazakhmys' tailings consultants) have imposed strict rules to allow operation until 2007. The programme for completing the new dam has not yet been approved by the relevant authorities. This is expected to be approved in the near future.

The Satpaev dam is sited against a hill and is 16 metres high. Part of the starter dam was built of clay. This clay resulted in slips in 2002 and 2004. These are currently being buttressed. The dam should then be secure but this is to be confirmed by a site investigation and stability calculations. If all of the output is pumped to the dam, the dam will last until 2008 to 2010. Subject to a new report, the height of the dam can then be increased.

3.8 Smelter and Copper Refinery

The Zhezkazgan smelter and copper refinery treats all the copper concentrates in the Zhezkazgan area and a minor toll smelt feed. The concentrate is thickened, filtered, dried and blended with limestone and dusts, pelletised, fired and fed to the two electric furnaces. Primary smelting is carried out in two identical 27 MVA electric furnaces. There are four converter furnaces of which three are in operation and one on maintenance at any one time. There are four anode furnaces, with a capacity of 200 t of copper, arranged beside two 24 mould automatic anode casting wheels producing 98.5% pure copper. The smelter was expanded to an annual capacity of 280 kt in 2004. Lead dust is separated from the gas streams and sold to the Chimkent Lead plant. The gas is transferred to four parallel and identical single contact, single absorption acid plants with three in operation and one on maintenance at any one time. The copper tankhouse (refinery) was built in 1971 and has been extended since. There are 72 cell sections in the refinery tankhouse and the anode life is 15 days and three crops of cathode are taken from each anode. Anode scrap is about 20% of the new anode weight. Cathodes are steam cleaned, strapped into bundles and despatched in closed rail cars. Cathodes are 99.99% pure copper. A Southwire SCR 2000 continuous copper rod plant was built at Zhezkazgan in November 1994 with an annual capacity of 65 kt of 8 mm rod and the plant is certificated under ISO 9001. It is an efficient plant closely comparable with operations in Europe or North America. The smelter production and performance over the last three years are given in Table 2-18. Some 98.7% of the copper is recovered directly as cathode and the gold and silver recovery is similar. About 45% of the lead in the concentrates is recovered to the lead dust. It appears that about 80% of the sulphur in the concentrate is accounted for in acid, slag or by-products.

IMC believes the unit is capable of producing to the requirements proposed.

3.9 Power Utility

The Zhezkazgan complex includes a combined heat and power (CHP) station providing approximately half of the electrical energy and most of the heat energy requirements for the entire Complex. A further heating plant at Satpaev provides the balance of the heat energy requirements. The maximum electrical demand of the Complex is stated as 293 MW. On average, local generation supplies 145 MW of this and the rest (about 148 MW) is drawn from the national grid without charge, except for transmission charges, against inputs from Karaganda power station. Security of supply with a number of incoming lines is good at the high levels but is less so at the lower levels of the distribution system. It is to be expected that there will be very limited equipment failures or power outages at the individual circuit level. IMC believes the equipment is capable of continuing the current performance.

4.0 BALKHASH

IMC visited all of the operations in November 2004 and February 2005. Additional visits were made in August 2005.

4.1 Balkhash Complex

4.1.1 Maps and Plans

Relevant maps and plans are included in Annex C as listed:

Plate 6	Kounrad Open Pit Mine
Plate 7	Shatyrkul Mine
Plate 8	Sayak I Mine
Plate 9	Sayak III Mine
Plate 10	Sayak III and Sayak IV Mines
Plate 11	Nurkazgan Open Pit Mine

4.1.2 Balkhash Region Geological Characteristics

The Kounrad copper mine is less than 20 kilometres north of Balkhash. The ore body is a porphyry copper deposit resulting from felsic magmatic intrusions into quartz granodiorites and rhyolite porphyries resulting in pervasive, low grade mineralisation within fracture stockworks. The ore comprises disseminated veinlets of chalcopyrite and pyrite. The area is structurally complex with folding, complex faulting and multiple magmatic intrusives.

Shatyrkul is a copper / gold deposit with minor silver and molybdenum and is located 200 kilometres west of Almaty. The deposits are contained within steep shear zones with associated hydrothermal alteration, lying within the granitic and granodioritic rocks and, to a lesser extent, quartz syenites and diorite rocks characterised by hydrothermal alteration. Shear zones are NS in the west and NE striking and E striking in the east. In the southern area there are a number of sub-parallel shears appearing to represent faults and shear zones within the granitic rocks which were subsequently mineralised. The main deposit for which the reserves and resources have been estimated trends NNE to NE along a 5 kilometres strike.

The Sayak I and Sayak III copper mines are 10 kilometres apart and are approximately 200 kilometres east of Balkhash. The copper skarn deposits occur as a large number of irregular bodies or "pods" of mineralisation. The ore occurs as lenticular and layered bodies within the skarn zones between the intrusives and the unaltered limestones. Individual ore bodies can be up to 1,500 metres long, up to 700 metres wide and from 10 metres to 50 metres thick. The predominant ore minerals are magnetite, chalcopyrite, bornite, and molybdenite, with lesser pyrite, pyrrhotite, cobaltite and boron minerals. The ores may be massive, disseminated or in stacked vein systems.

The Nurkazgan copper mine is approximately 35 kilometres north of Karaganda. There are four mineralised zones. In the West zone porphyry style copper mineralisation with minor gold occurs in an intrusive stockwork/breccia granodiorite porphyry body between 250 metres and 300 metres in diameter and dipping west at approximately 70°. The intrusive is beresitised, potassically altered and silicified. The North zone comprises a quartz veined stockwork with associated copper-gold mineralisation dipping west at 30° to 50°. The North gold bearing zone consists of three tabular, stacked, gold-silver mineralised bodies dipping west at 35°, which may well be the southern extension of the North zone. The East zone is under exploration.

4.1.3 Reserves and Resources Statement

4.1.3.1 Estimates of Tonnages and Grades

IMC has checked and found close agreement with a portion of the reserves and confirm the reserves shown in Table 2-6 and Table 2-7.

Kazakhmys' estimates in the Balkhash area employs polygonal methods in conjunction with vertical parallel cross sections. IMC has inspected these calculations and found them acceptable and has, furthermore, inspected a selected representative area of between 1% to 2.5% for the established operations (Kounrad, Sayak I and III and Sayak IV) and between 11% and 15% for the newer operations at Shatyrkul and Nurkazgan, respectively. The percentages at the large porphyry deposits (known for their consistency) at Aktogay and Boschekul were 2.5% and 0.5%, respectively.

4.1.3.2 Expected Recovery and Dilution Factors

Kounrad ore loss during mining is estimated as 3%, and dilution at 7%. These figures are based on substantial historical data and have been estimated by the Kazakhmys Mine Design Institute. IMC has reviewed these figures and find them acceptable and these figures have been applied in obtaining the reserves quoted.

Shatyrkul ore loss during mining is estimated as 8%, and dilution at 14%. These figures are based on test work and historical data and have been estimated by the Kazakhmys Mine Design Institute. IMC has reviewed these figures and find them acceptable and these figures have been applied in obtaining the reserves quoted.

Sayak I and Sayak III ore loss during mining is estimated as 13% and dilution at 8% in the new room and pillar operations. These figures are based on theoretical work by the Kazakhmys Mine Design Institute. For the remnant ore in the old Sayak I and Sayak III sections previously exploited by both open pit and underground methods, ore losses of 10% and dilution of 15% are applied to Sayak I and the respective figures for Sayak III are 19.5% and 18.5%. IMC has reviewed these figures and finds them acceptable and these figures have been applied in obtaining the reserves quoted. However, it is IMC's opinion that these figures are conservative and ore loss and dilution should be less than as stated.

Nurkazgan ore loss during mining is estimated as 4% and dilution at 10%. These figures are based on theoretical work by the Kazakhmys Mine Design Institute. IMC has reviewed these figures and find them acceptable and these figures have been applied in obtaining the reserves quoted.

4.1.4 Mines and Projects

Kounrad was discovered in 1928 and is less than 20 kilometres north of Balkhash. Production commenced in 1934. A shovel and truck open pit mining system utilising in-pit rail haulage to surface is employed. Production will cease at the end of 2005 to enable a new waste pushback to be implemented, thereby extending the mine life by 16 years at 3.5 Mtpa. Production will recommence in 2009. The ore is railed to the Balkhash concentrator. Historic production figures are given in Table 2-14. IMC believe that the planned production can be achieved.

Shatyrkul is situated approximately 350 kilometres southwest of Balkhash, near the town of Shu. Shatyrkul was originally worked as an open pit operation from 1999 up until 2001. The operation went underground in 2002 due to high strip ratios and 400 tpd of development ore is currently being produced. Full production will utilise a trackless equipment continuous retreat sub-level caving method of mining. The ore is hauled to the base of the old pit and trans-shipped onto rail for transport to the Balkhash concentrator. Historical production figures are given in Table 2-14. The mine is designed to have a capacity of 500 ktpa. The equipment on site is capable of producing ore at this rate.

The original Sayak I and Sayak III open pit mines, approximately 10 kilometres apart, commenced production in the 1970's. The current underground Sayak I and Sayak III mines use trackless equipment in multi-lift room and pillar operations accessed from the old Sayak I and Sayak III open pits. The ore is hauled out of the mine to the bottom of the open pit where it is transhipped to trucks hauling it to a rail-head for railing to the Balkhash concentrator. Historic production figures are given in Table 2-14. The mines are designed to have a combined total production of 500 ktpa, a rate due to be achieved in 2005. IMC are of the opinion that this rate is attainable.

Nurkazgan operations commenced in the West pit during 2003 and by the end of 2004 approximately 900 kt of ore had been extracted and railed to the Balkhash concentrator. Historic production figures are given in Table 2-14. The West pit operations ceased in January 2005 and the production capability was moved to the North pit due to the lower stripping ratio and the larger tonnage of ore available. Pre-stripping of waste is in progress and ore production will resume in 2006 at 4.5 Mtpa and increase to 4.7 Mtpa. IMC believe that additional equipment, in addition to that currently on order, is required to attain these production figures. Operations to date have taken place under the exploration licence and continue to do so until Kazakhmys convert to a full Sub-soil Contract, which can reasonably be expected to be granted prior to full production in 2006.

Aktogay is a major world class ore body capable of producing at 50 Mtpa of ore, its design capacity, for many years. Aktogay is a conventional porphyry copper-molybdenum deposit with a large mineralised core measuring approximately 1.8 kilometres across and extending to depths in excess of 500 metres. The present plan assumes that the ore will be mined at a constant grade of 0.37% copper. Inspection of the plans and sections of the deposit suggests that the grade for the first few years will be about 0.45% copper, and this will significantly increase the copper production in early plan period and reduce it later in the life. The project is scheduled to start construction in 2006, commence stripping in 2007 with first ore production in 2009. An inventive plan utilising shovels and trucks feeding mobile crushers and ex-pit conveyors is considered to produce the output proposed and is feasible. Significant work is required in the interim and, although the proposed schedule is feasible, the start of construction may be delayed by up to one year and the ramp up to full production over three years.

Mineral processing test work was carried out by Kazmechanobr for a feasibility study completed by Giprotsvetmet in 1989. The project assumes in-pit primary and pit top secondary crushing of the ore, then transport by conveyor 4.3 kilometres to a dedicated concentrator. It is proposed to grind the ore using high pressure grinding rolls and ball mills with conventional processing thereafter and although provisional numbers of machines have been incorporated the precise arrangement is still undecided. The projected recovery of 88% and concentrate grade of 16% copper are based on the test work carried out at the time of the feasibility study. The results of further work at SGS Lakefield in Canada are awaited. The tailings will be thickened to 60% solids to reduce the cost of water supply. Tailings will be pumped to a dam about 5 kilometres distant and will ultimately cover an area of 78 square kilometres.

The project allows for the cost of a 200 kilometres of electric power line from Balkhash and an 18 kilometre rail link to the existing lines for the export of concentrate.

The 1989 total capital cost of the project has been updated to present day and included the cost of a township and extensive infrastructure. An altogether more limited project is now planned. The flowsheet and equipment list are not finalised and layout drawings are being prepared to generate more precise and accurate estimate. US$528 million is the current capital cost estimate and IMC believe the plans are achievable although the timetable is very tight.

4.1.5 Long Term Prospects

Relevant maps and plans are included in Annex C as listed:

Plate 12	Boschekul Project
Plate 13	Sayak IV Project

Boschekul is approximately 200 kilometres ENE from Astana. The property was drilled and documented by the State prior to 1958 and was acquired by Kazakhmys in late 2004. The ore body is referred to as a porphyry copper and geological data show a very large mineralised body hosted by diorite porphyrites and tuffs extending ENE-WSW for 6 kilometres over horizontal widths up to 600 metres. The drill results are supported by extensive exploration shafts and tunnels supporting the reserve estimation. Reserves are estimated using a 4% ore loss and 10% dilution. These figures have been used to obtain the reserve figures quoted. An open pit utilising shovels and trucks will be employed for this near surface deposit supplying a dedicated concentrator at the mine to process 20 Mtpa. Further work is being done on the design to incorporate improvements in process equipment and revise the cost estimates. Boschekul has been included in IMC valuation and IMC consider the production plan attainable.

Sayak IV is a gold prospect located in the Balkhash region. Data inspected shows that the indicated resource is approximately 2,357 kt grading 7.2 g/t of gold. Much of the underground development work is complete and IMC estimate that the unit could be in production within 2005 or early 2006. The ore is very arsenopyritic and, although similar ores are believed to be treated in Ghana and elsewhere successfully, Kazakhmys has no plans to build a plant in the immediate future. Sayak IV has not been included in IMC's valuation.

4.1.6 Concentrator

The concentrator at the Balkhash Complex was commissioned in 1937. Ores from Kounrad, Shatyrkul, Sayak I and Sayak III, and Nurkazgan as well as all raw materials are delivered by rail. Ore is processed by a conventional design incorporating primary, secondary and tertiary crushing. The grinding plant contains rod mills and ball mills with classification by mechanical devices and hydrocyclones. The flotation plant is made up of mechanical cells. The finished copper concentrate is thickened and pumped to the charge preparation plant for filtering. Plant tailings are pumped to the tailings dam delivery pump-house. The concentrator includes a plant for the mixing and storage of the reagents used in the flotation process. The ores from the different mines are crushed in campaigns and then processed separately and concurrently. The concentrator includes a molybdenum flotation circuit now redundant due to the low grades of molybdenum in the ores. Plant capacity is currently 13 Mtpa based on Kounrad ore hardness. The other ores treated are harder (particularly the slag which has been treated in the past), and the effective throughput is, therefore, reduced. The concentrate is sent to the Balkhash smelter for further processing. The plant performance is shown in Table 2-16. The plant throughput required for the planned production can, in IMC's opinion, be met.

4.1.7 Tailings Disposal

The main dam contains 234 Mm^3 and lies 250 metres from the northern shore of Lake Balkhash. An evaporation pond adjoins the western bank of the dam. The dam was designed for full perimeter disposal but since 1998 only the east bank has been used because the tailings pumps are inadequate. This has caused a beach area of 12 km^2 to 13 km^2 and led to dust problems. Management is taking steps to ameliorate this problem. Kazakhmys states that the only significant remaining capacity is at the west and can not be reached using the current disposal system. A further set of four pumps is to be installed in the fitting shop adjoining the pump house and operated in series with the current pumps solving the problem and the remaining life of the dam will be 15 years. Kazmechanobr have stated the water table of the dam walls needs to be reduced by 2.5 metres to ensure stability of the dam but this is not a major problem.

4.1.8 Smelter and Copper Refinery

Balkhash has one smelter, refinery and precious metals recovery complex treating concentrate from the Balkhash concentrator, from the East Region operations and, to a limited extent, outside sources such as KazZinc and foreign concentrators. The Balkhash smelter was commissioned in the late 1930's. The plant has been expanded over the years with the installation of Vanyukov bath smelting technology in the 1980's and a second unit in 2004 to supplement the older reverberatory furnaces now no longer in use. The design capacity of the smelter refinery complex is 250 ktpa of copper cathode with the envisaged feedstock. Current historical production is given in Table 2-18. The concentrate is thickened, filtered, dried and blended to a charge containing approximately 17% copper concentrate, silica flux, precious metal-bearing material, autoclave cake and other minor feedstocks. This charge feeds two Vanyukov furnaces whose major advantage is the ability to treat lower grade concentrates to produce a higher grade matte and to produce and collect a high-strength SO2 gas at lower costs. The increased oxygen requirement resulting from the operation of the zinc plant has initiated the installation of increased oxygen generation capacity, which also benefits the Vanyukov smelters where the oxygen assists in producing a higher grade copper matte. There are five converters, with three in operation producing blister copper, one on standby and one under maintenance at any one time. The blister copper is refined in three reverberatory-type anode furnaces with two in operation and one on standby. The furnaces have a capacity of 200 t/cycle. Copper is cast into anodes on three manually controlled dedicated anode casting wheels producing 98.4% copper. The existing gas-collection hoods and extraction system are inadequate and Kazakhmys signed a US$37 million contract during 2004 for the construction of a sulphuric acid plant anticipated to be in operation by the end of 2006. Kazakhmys has recognised its environmental responsibilities and also the emerging market for sulphuric acid in the region.

The electro-refinery was built in 1952 and extended in 1956 and 1967. There are 120 cell sections of 20 cells each. Each anode is converted to three crops of 50 kg of greater than 99.97% pure copper cathodes which are washed, sampled, strapped into bales and dispatched. The refinery is divided into six sections of which two were being refurbished at the time of IMC's visit.

A small quantity of enamelled wire is being produced in a separate plant on site.

Gold, silver, other precious metals and insoluble impurities fall to the bottom of the cells. These ''slimes'' are collected, filtered and sent for treatment at the precious metals refinery.

IMC confirms that the proposed schedule is within the capability of the plant.

4.1.9 Precious Metals Refinery

The plant was commissioned in 1997 to recover gold, silver, selenium, platinum and palladium from the slime in the form of high grade metals employing modern technology from Boliden of Sweden. Historical production is given in Table 2-19. De-copperised anode slime is received at the precious metals refinery from the Balkhash and Zhezkazgan tank-houses. This is pressure-leached with sulphuric acid in an autoclave and processed by a Kaldo rotary converter to produce anodes. The anodes are refined by electrolysis producing fine, 99.99% pure, silver crystals which are melted and sold in granular form. The anode slime is leached of residual silver, platinum and palladium by nitric acid to recover the gold. The gold is melted, cast into anodes, electro-refined and resultant cathodes melted and cast into 99.99% pure bars. A nominal quantity of platinum and palladium is produced at over 99.95% purity in a sponge form.

The proposed production performance is attainable in IMC's opinion.

4.1.10 Zinc Hydrometallurgical Plant

The zinc plant is the latest addition to the Balkhash site. The plant was designed to treat the relatively poor quality zinc concentrate produced by the East Region operations. Production started in late December 2003 and by October 2004 the plant was operating at 50% capacity. The design is for 255 ktpa feed with a zinc content of 42% to 45% producing about 100 ktpa zinc metal. The ramp-up schedule calls for the plant to be operating at full capacity of 8.5 kt/month of cathode in 2006. Zinc concentrate is received by rail from the five Kazakhmys East Region concentrator operations of Orlovskoe, Belousovskoe, Irtyshskoe, Nikolaevskoe and Karagaily. The process stages to recover zinc are blending, milling, high temperature and pressure dissolution in autoclaves, three stage solution clean up, electrolysis and metal casting. The final two activities require the zinc to be stripped from the cathodes and fed to an induction furnace for remelting into 25 kg pigs or 1 t blocks. Final metal is produced with 99.992 % to 99.995% purity zinc and recovery from the autoclaves was running at 85% to 87% to end of 2004 which should be compared with the design figure of 98.5%. It is understood that part of the discrepancy is due to start-up problems, part because the plant is currently operating with a single stage dissolution rather than the designed double stage and also due to a feed grade of concentrate at the lower end of the design window. Production for 2004 is given in Table 2-20. The change to double stage is scheduled for completion during 2005.

IMC believes the unit is well constructed and, subsequent to its commissioning, should operate at its planned capacity as per the proposed schedule.

4.1.11 Power Utility

The Balkhash metallurgical complex includes a combined heat and power station (CHP) providing a portion of the electrical and heat energy for the operations of the metallurgical plant and mines and all the heating requirements for the town of Balkhash. The heat requirements for the mining settlement at Kounrad are provided by a local coal-burning heating plant, rather than piping the hot water all the way from Balkhash power station. The maximum electrical demand of the complex is approximately 145 MW. The annual demand is expected to increase by 30 MW as the zinc plant ramps up production resulting in a final demand figure of about 180 MW. The power station generates approximately 100 MW and the balance is imported from the Karaganda power station at Topar. Security of supply is good as any of the three 220 kV overhead transmission lines is capable of serving the area. Some of the equipment is old but mostly seems to be in good repair.

IMC believe the unit is capable of fulfilling the planned production.

4.2 East Region

IMC visited all of the operations in December 2004. Additional visits were made in August 2005.

4.2.1 Maps and Plans

Relevant maps and plans are included in Annex C as listed:

Plate 14	Orlovskoe Mine
Plate 15	Irtyshskoe Mine
Plate 16	Belousovskoe Mine
Plate 17	Nikolaevskoe Open Pit Mine
Plate 18	Abyz Mine
Plate 19	Yubileyno-Snegirikhinskoe Mine
Plate 20	Artemyevskoe Mine

4.2.2 East Region Geological Characteristics

Orlovskoe is an unusually large, polymetallic, high grade, and gold rich volcanogenic massive sulphide (''VMS'') deposit formed in the Lesishenski sub-formation of the Irtyshskoe formation. The deposit comprises the upper ore body, subvertical in dip, approximately 10 metres to 20 metres in thickness, and is an irregular pod-like shape with maximum dimensions of 250 metres in long axis and 150 metres in short axis. The lower ore body is in a fold resulting in a thickness of 40 metres to 50 metres and a large lens size measuring approximately 600 metres down the long axis and 300 metres along the short axis. This ore body has a 20° to 30° dip to the SW. Adjacent to the lower ore body are 2 smaller satellite lenses designated as ore bodies 3 and 4. 650 metres to the SW is the new ore body comprising the south ore body with a 10° to 15° dip to the SW and the north ore body with a thickness of approximately 100 metres. The composited ore bodies occupy a surface area in long section of some 250 metres x 150 metres.

Belousovskoe is a polymetallic, high grade, and relatively gold rich VMS deposit forming a large number of widely spaced ore lenses (over 10 identified to date) occurring at 3 different stratigraphic levels over a 600 metres vertical extent from surface. Zinc grades appear to be relatively evenly distributed but copper grades show a pronounced decrease from the base of the ore lenses to the top.

Irtyshskoe is a polymetallic, high grade, and relatively gold rich VMS deposit forming lenses that are large in area but thin in longitudinal section. Most of the ore is contained in the upper ore body measuring approximately 2,700 metres long and 400 metres down dip and the lower ore body measuring approximately 3,000 metres long and 400 metres down dip. The ore is between 1 metres and 4 metres thick forming long, thin, pod-like shapes in longitudinal section pitching down slightly to the NW with their long axes roughly parallel. The average strike of the Irtyshskoe ore body is NW-SE and the dip of the ore body is steep to subvertical. The ore body is gently folded with secondary thickening of the ore lenses on the fold axes.

Nikolaevskoe is an unusually large, polymetallic, high grade, and gold rich VMS deposit formed mostly of massive ore with lenses of disseminated ore at the structural base of the deposit. The main ore lens is typically some 50 metres to 70 metres thick swelling at times up to 80 metres to 100 metres thick. The deposit persists for some 600 metres from outcrop position to the down dip extremity, pinching away at depth. The ore body at surface strikes approximately NE-SW with the original outcrop stretching for some 500 metres along strike. The dip of the ore body averages some 40° to 50° to the SE.

Copper/zinc/gold ore occurs at Abyz in thirteen stratigraphically controlled lenses. Nine of the lenses are represented in the east section, destined for open pit extraction, and eight of them are to be found in the west section, which is planned for underground extraction. The mineralisation occurs in both massive and disseminated forms, trends north-south and dips 60° to 80° west. The main ore body measures 410 metres on a NS axis by an average 25 metres on an E-W axis. It is best developed on the +700 metres elevation where the horizontal ore width on an E-W axis varies from 10 metres to 46 metres. Its vertical extent is from surface at +790 metres elevation down to +170 metres. Principal ore minerals are pyrite, sphalerite and chalcopyrite. Minor lead mineralisation occurs at Abyz, mostly in the form of galena, however lead grades in the reserves and resources do not exceed 0.41%.

Yubileyno-Snegirikhinskoe is a polymetallic, high grade, and gold rich VMS deposit formed within the Ananyevsk Zone and is made up of a number of ore bodies. The ore bodies are weathered at surface to a depth of 80 metres to 100 metres below surface. The ore bodies form a series of elongate pods extending in down dip direction that is steep to subvertical and are subparallel to each other and gently folded. Lens thicknesses vary from 2 metres to 30 metres in thickness with an average of 18 metres and a tendency for thickness increases on fold hinges. The western ore body measures approximately 150 metres wide by 600 metres down dip. The central ore body is shallow with dimensions of approximately 20 metres across by 600 metres down dip and extends to the deeper central 2 ore body measuring 150 metres to 200 metres wide and over 500 metres down dip. The eastern ore body measures approximately 100 metres wide by over 600 metres down dip.

Artemyevskoe is an unusually large, polymetallic, high grade, and gold rich VMS deposit formed in the Kamyshin syncline in the SW wing of the Aleyskey anticlinorium. The long axis of this graben-syncline strikes in a NW direction (300°). A number of different ore horizons have been identified, including a branch comprising the Kamishinskaya, Main, Intermediate, East, and South-Eastern horizons and the West, Central, Deep and another branch comprising the Southern horizons which join at the SE margin of the ore field. The individual ore lenses lie in parallel within the branches as a series of lenses within the same horizon and with their long axes parallel to the overall strike of the branch. The ore shows a vertical gradation through the individual bodies of silver/polymetallic ores at the top, barite/polymetallic ores, polymetallic ores, copper/zinc ores and copper ores at the bottom. There are copper rich mineralised zones below these layers of ore within the footwall volcanics of the Talovka formation.

4.2.3 Reserves and Resources Statement

4.2.3.1 Estimates of Tonnages and Grades

IMC validated a portion of each ore body and agree the figures in Table 2-7.

Kazakhmys' estimates in the East Region area employs polygonal methods in conjunction with cross sections. IMC has inspected these calculations and found them acceptable. IMC cross checked, as an overall average, approximately 8% of selected representative areas in this region. The percentages calculated for the individual operations was based on the confidence of IMC in respect of the density of the sample data, the complexity of the deposit, the age of working of the deposit and its contribution to Kazakhmys. IMC cross checked approximately 17% of the Orlovskoe data; 6% of Belousovskoe; 1% of Irtyshskoe; 8% of Nikolaevskoe; 7% of Abyz; 18% of Yubileyno-Snegirikhinskoe; 2% of Kosmurun and 3% of Akbastau.

4.2.3.2 Expected Recovery and Dilution Factors

Orlovskoe mineable reserves are estimated at 5% ore loss and 6% dilution. These figures are based on a considerable amount of historical data and are considered by IMC to be appropriate for the mining method employed. These discounts have been applied to obtain the reserves quoted.

Reserves at Belousovskoe are estimated at a 3% ore loss and 19% dilution. The dilution figure is high for shrinkage stoping, and IMC would propose a dilution of 15% is attainable. However, these Kazakhmys figures have been applied in obtaining the reserves quoted.

Irtyshskoe reserves are estimated at a 3% ore loss and 19% dilution. The dilution figure is high for shrinkage stoping, and IMC would consider a dilution of 15% is attainable. However, these Kazakhmys figures have been applied in obtaining the reserves quoted.

Ore loss during mining at Nikolaevskoe is estimated at 3%, and dilution at 5%. These figures are based on substantial historic data. IMC regard these values as realistic and these figures have been applied in obtaining the reserves quoted.

Reserves at Abyz are estimated using at 4% ore loss and 10% dilution. These figures have been estimated as a function of the ore body geometry, are accepted as the basis for reserve calculations and have been applied in obtaining the reserves quoted.

The reserves at Yubileyno-Snegirikhinskoe are estimated using a 7% ore loss and 21% dilution. IMC considers that these figures are appropriate for the sub-level caving method employed. These discounts have been applied to obtain the reserves quoted.

Ore loss at Artemyevskoe during mining is estimated at 3%, and dilution at 5%. These figures are based on theoretical data and have been estimated by Kazakhmys. The mining method to be employed at Artemyevskoe is similar to that employed at the Orlovskoe mine where ore loss and dilution are estimated as 5% and 6% respectively. IMC considers similar factors would be more appropriate for use at Artemyevskoe but IMC do not consider the difference significant. IMC has applied a 3% ore loss and 5% dilution in obtaining the reserves quoted.

4.2.4 Mines and Projects

The Orlovskoe shaft accesses the main horizons at 10 to 13 levels and will produce 1.5 Mtpa of ore. Access to areas below these levels will be via the sub-vertical shaft which is currently under construction. A top slicing mining method with mechanised drift with a cemented rock fill is employed. Ore is hoisted to surface and transferred to the adjacent concentrator by conveyor. Historic production data is given in Table 2-14. IMC believe the ore production at the rates stated in the business plan is attainable with the installed equipment.

Belousovskoe mine's 3 vertical shafts were commissioned in 1939 to access the copper/zinc/gold/silver ore and Kazakhmys acquired the operation in 1999. A labour intensive shrinkage stoping method is employed in the upper levels with all developments over the last 5 years employing trackless equipment in a room and pillar method in the lower levels. Ore is transported to the shafts by rail, hoisted and railed to the Belousovskoe Concentrator. Historic production data is given in Table 2-14. Planned increases in production rates to 0.5 Mtpa should be attainable with increased stope development rates.

Irtyshskoe was a closed mine acquired by Kazakhmys in 1999 in a derelict condition. The mine was recommissioned in 2001 to access the copper/zinc/gold/silver ore. A labour intensive shrinkage stoping method is employed and pillar reclamation is also in progress. Ore is transported to the shafts by rail, hoisted and railed to the Irtyshskoe concentrator. Historic production data is given in Table 2-14. IMC believe that the planned increase in production rates to 0.7 Mtpa should be attainable with increased stope development rates.

The Nikolaevskoe copper/zinc/gold/silver mine is a conventional shovel and truck open pit operation planned to produce 0.6 Mtpa. It was commissioned in 1964 and acquired by Kazakhmys in 1997. The ore is transported out of the pit and then 5 kilometres by road to the Nikolaevskoe concentrator. Historical production figures are given in Table 2-14. Production rates are expected to be significantly reduced from 2006 as the Artemyevskoe underground mine comes into production. Production at the lower rates will be achieved in IMC's opinion.

The Abyz mine is a conventional shovel and truck open pit commencing waste pre-stripping and the mining of ore for process plant commissioning in the North section in 2004 using the equipment from the closed Shemonaikhinskoe Open Pit. Production commenced in 2005 at 0.5 Mtpa and the pit has a life of 8 years. Ore is transported by truck to the railhead approximately 45 kilometres distant and then to the recently refurbished Karagaily Concentrator 55 kilometres to the west of the mine. Concentrate will be railed approximately 300 kilometres to the Balkhash Smelter. Sufficient equipment is on site to produce ore at the planned levels.

The Yubileyno-Snegirikhinskoe operation is in a remote area in the mountains and production commenced in 2003. The sub-level caving production areas are accessed by adits with a spiral ramp connecting the levels. The three ore bodies will be connected by two main haulages. The ore is transported by road to a rail-head and then over 95% is railed to the Nikolaevskoe concentrator, with the remainder to the Belousovskoe concentrator depending on capacity availability. IMC consider that ore production rate of 400 ktpa is attainable with the equipment installed at the site.

The Artemyevskoe mine is due to produce its first copper/zinc/gold/silver ore in 2006. Access is provided by three vertical shafts and an adit from the disused Kamishinskaya open pit mine. It is a cemented rock fill with drift operation and mined ore is transported to the shaft by conveyor for hoisting to surface and railed to Nikolaevskoe concentrator. The equipment currently on order and included in the US$8 million capital expenditure will enable Artemyevskoe to produce at the proposed future rate of 1.5 Mtpa.

Shemonaikhinskoe mine was opened in 1988 and comprised two pits. Production ceased in April 2004. Rehabilitation of the mine is now in progress with a view to full closure.

4.2.5 Long Term Prospects

Relevant maps and plans are included in Annex C as listed:

Plate 21	Kosmurun Project
Plate 22	Akbastau Project

4.2.5.1 Kosmurun

Kosmurun is a VMS type deposit. Mineable reserves at Kosmurun are estimated using a 4% ore loss and 10% dilution. In IMC's opinion the dilution figure is high for an open pit but has been estimated as a function of the ore body geometry and therefore is accepted as the basis for reserve calculations and these figures have been applied in obtaining the reserves quoted. The Company intends to mine the Kosmurun deposit by shovel and truck methods at 0.5 Mtpa for approximately 6 years from 2012, railing the ore to the Karagaily concentrator replacing that of Abyz as it is depleted. The remaining reserves (19.3Mt) will be exploited by underground methods after the open pit reserves at Akbastau are exhausted. IMC believe the production plan proposed is attainable using the equipment from Abyz mine and US$6 million of capital expenditure is included to build this mine.

4.2.5.2 Akbastau

Akbastau is a VMS type deposit containing pyrite with copper and zinc. The Akbastau mineable reserves are estimated using a 4% ore loss and 10% dilution. In IMC's opinion the dilution figure is high for an open pit but has been estimated as a function of the ore body geometry and therefore is accepted as the basis for reserve calculations and these figures have been applied in obtaining the reserves quoted. A shovel and truck operation producing 0.5 Mtpa is proposed for Akbastau ore located approximately 8 kilometres from Kosmurun with the ore being railed to the Karagaily concentrator. Production is scheduled to commence in the second half of the next decade. IMC believe the production plan proposed is attainable using the equipment from Kosmurun mine and US$6 million for infrastructure.

4.2.6 Concentrators

The Orlovskoe concentrator is situated at the mine mouth and has been in operation since 1988, well after the mine commenced production. It is currently treating 1.6 Mtpa to 1.7 Mtpa of copper / zinc ore provided exclusively from the adjacent Orlovskoe mine. The design capacity is 1.6 Mtpa with the limit being on the tertiary milling capacity. It produces copper and zinc concentrates. There is no crusher at the plant. Ore is supplied by road and is fed from the storage bin to a primary autogenous mill (AG) at approximately 190 t/hr. There are two AG parallel mills with one operating at any one time. The undersize reports to the primary flotation circuit before the tailing is reground in secondary ball mills whose product feeds the main flotation circuit. Two further flotation stages are used before the tertiary floats report to the copper concentrate and the sinks to the zinc stream. The copper concentrate is dewatered by filter and dried in rotary dryers. The slurry is pumped to a series of vertically rotating vacuum filters. The dewatered concentrate is stored in bins for loading into rail wagons for despatch to the Balkhash Smelter. The zinc stream is dried in a similar fashion to the copper. There is no lead produced on site. Historic production data is given in Table 2-16 and Table 2-17. The production plans envisage Orlovskoe continuing to operate as in the recent past and IMC believes this is within its capability.

The Belousovskoe concentrator was built in 1939 and originally designed to process 0.8 Mtpa. The current maximum throughput is between 0.3 Mtpa and 0.4 Mtpa. The ore is crushed underground at the Belousovskoe mine and delivered by road. Secondary and tertiary crushing feeds the closed circuit primary, secondary and tertiary ball mills. The copper flotation comprises a rougher and three cleaner stages but the regrind mill available is considered unnecessary at present. The zinc flotation circuit is similar to the copper circuit. Concentrate is thickened and dried before transport by rail to the Balkhash smelter. Historic production data is given in Table 2-16. and Table 2-17. The concentrator is in need of refurbishment and is running below its original design capacity but is sufficient for the projected requirements.

The Irtyshskoe concentrator was built in 1952 and mothballed with the mine from 1996 to 1999. The ore is crushed underground at Irtyshskoe mine and delivered 16 kilometres by road. The plant was modified to treat 0.7 Mtpa but is currently only capable of 0.5 Mtpa to 0.7 Mtpa. Secondary and tertiary crushing feeds the closed circuit primary, secondary and tertiary ball mills. The copper flotation comprises a rougher circuit and three cleaner stages but the regrind mill available is considered unnecessary at present. The zinc flotation circuit is similar to the copper circuit. Concentrate is thickened, dewatered and dried before transport to the Balkhash smelter. Historic production data is given in Table 2-16 and Table 2-17. The concentrator plant is in need of refurbishment and is running below its original design capacity. Work is now being carried out to refurbish the flotation section and this has a planned completion date of June 2005. IMC expect the concentrator to then operate at projected throughput and recovery.

The Nikolaevskoe concentrator was commissioned in 1980 and is supplied by the Nikolaevskoe and Yubileyno-Snegirikhinskoe mines. The ores are transported by road to a 300 kt stockpile at the Nikolaevskoe mine before supply to the 2.5 Mtpa capacity concentrator. All ores are treated in campaigns to produce copper and zinc concentrates. A lead concentrate is planned to be produced once the new Artemyevskoe mine comes into production in 2006. A feasibility study is in progress and plant modifications will be required. The primary crusher feeds to autogenous mills in turn feeding two closed circuit ball mills in series. Output from these is fed to a closed circuit tertiary ball mill. The copper flotation is a four-stage process involving a rougher and three stages of cleaning with a regrind ball mill after the first flotation. The tailings from the rougher stage is sent to the zinc circuit which is almost identical in equipment and operation to the copper flotation circuit. The copper concentrate is thickened, dewatered by vacuum filters and passed through an in-line hot-air drying facility. The zinc-pyrite concentrate is not air-dried. The copper and zinc concentrates are railed to the Balkhash smelter for treatment. Production figures are given in Table 2-16 and Table 2-17.

The 2 Mtpa Karagaily (Abyz) lead/zinc concentrator mothballed in 1993 has been purchased at modified by Kazakhmys to process 0.5 Mtpa of copper/zinc ore and was commissioned in February 2005. The crushing and grinding circuits are standard and a new flotation plant installed to maximise the recovery of copper, gold and silver in a low grade combined copper and pyrite concentrates as well as recovering a zinc concentrate grading 40%. The concentrates are thickened and filtered and despatched by rail to the Balkhash smelter. Abyz ore will be processed at 0.5 Mtpa until the ore is exhausted in 2012.

4.2.7 Tailings Disposal

The Orlovskoe dam is located in generally flat land to the north of the road to Balkhash. The dam is operated by using two of its three sections. One section will be full in 2007. The concentrator will then operate using two sections. A second section will be full in 2010 and all sections by 2012. The concentrator cannot be operated with only one area because the area is too small to allow sufficient settlement time. The plan is therefore either to construct a new dam in 2010 or try to operate one section alone with a floating pump. No plans have been made for a new site. The site was last inspected by an engineer in 2001 and is scheduled for inspection during 2005.

The Belousovskoe dam was constructed in a valley and is now 50 metres high with a volume of 4.4 Mm^3. There is no bypass to divert water from land uphill of the dam. The depth of water on the dam is 6 metres which will need careful control but no immediate risk is perceived assuming the current controls and procedures are exercised. The life of the current dam is to 2008 but an additional 12 to 17 years could be available assuming the necessary designs are drawn up and approved by the appropriate authorities. The stability will be reviewed by the site investigation recommended by Kazmechanobr in 2004 and to be completed in 2005. Any necessary remedial works can be carried out at relatively small cost. However, Kazakhmys' plan is to dispose of all the tailings underground in the future which makes the dam redundant.

The Irtyshskoe dam required the diversion of two small rivers. The height is now 45 metres. The design beach width is 100 metres but the dam is now thought to be operated with a 40 metres to 50 metres beach to provide sufficient water for the concentrator. The life of the current design is 3 years but capacity may be available until 2014. Samples were taken during a site investigation in March 2004 and the results of the investigation are awaited. Kazmechanobr have, in their last engineer’s report, recommended a buttress at the toe and a ditch is also required. The ditch will have to be incorporated into the buttress because of lack of room and the works can be completed for a relatively small cost.

Karagaily completed disposing of the tailings in the old Karagaily zinc/lead tailings dump which has capacity in the first half of 2005. The long term plan is to dispose of the tailings in the old Karagaily open pit and a fully supported plan has been submitted to and approved by the authorities. IMC’s tailings engineer was unable to visit this site in December 2004 due to the remote location. IMC’s processing engineer visited the site in January and August 2005 and confirms that the tailings are now disposed into the old pit workings and that approximately 60% of the water is recycled to the concentrator. The void of the old pit workings is estimated to be well in excess of the planned life of the concentrator.

Nikolaevskoe consists of two dams in a valley. One dam is full and needs lifting in 2005. A new pumping system will be required in 2011 and both dams will be full by 2013. There is an adjacent valley which could be suitable for a new dam but no detailed plans have yet been made. The volume of water on the dam is topped up from the river each spring to allow a full year’s operation. The dams have not been inspected since 2002 and a report is to be prepared during 2005 and should address the any possible drainage problems caused by the water storage noted above.

4.2.8 Decommissioned Smelter and Refinery

The Irtyshskoe smelter has been virtually demolished and partially rehabilitated. However, some small scale activities are still ongoing, specifically a small operation producing lead oxide, but this is not owned by Kazakhmys. Additionally, several buildings are leased to private enterprises involved in meat packing and animal hide processing.

5.0 KARAGANDA

IMC visited all operations in December 2004 and January 2005. These operations were reviewed to ascertain the security of supply of power to Kazakhmys but have not been included in the valuation.

5.1 Geological Characteristics

The coal bearing strata at both Borlynskoe and Kuu-Chekinskoe are of Carboniferous age, being in the Visian stage of the Karaginsky series. The seams are within predominantly sandstone sequences and the coal is typical of inland basin deposition forming high ash low sulphur coal. The thin seams at Borlynskoe are 2 metres to 4 metres but the principal H1 seam is 21 metres in thickness. The structure at Borlynskoe is an isolated open asymmetric syncline with low strata dips and few faults. The seams at Kuu-Chekinskoe are typically 8 metres to 12 metres thick with a structure of a series of reverse faulted anticlines and synclines.

5.2 Reserves and Resource Statement

IMC have checked a portion of each operation’s reserves and confirm the figures in Table 2-12.

IMC were unable to obtain either historical or estimated figures and have applied the discounts given in Table 5-1 based on the mining methods, seam geometry, and equipment utilised. The increase in ash content decreases the calorific value and this has been incorporated into the quoted figures.

Table 5-1 Coal Reserve Discounts

Mine	Tonnage Loss %	Ash* 19.15 (d)(i) % (ad)
Borlynskoe	3	1
Kuu-Chekinskoe	10	3

*the increase in Ash content reduces the CV which has been incorporated into the CVs quoted.

5.3 Mines and Projects

The Borlynskoe strip mine commenced in 1980 with a walking dragline commissioned in 1988. A smaller dragline was introduced at a later date. As mining proceeded down dip the intermediate seam and subsequently the upper seam entered the workings. Overburden and interburden of the intermediate and upper seams is removed by shovel and truck operations as are the coal seams. Strip mining requires the systematic removal of each horizon ahead of the lower horizon such that working the lower horizon is not delayed by the lack of stripping above it. IMC believes it is possible that the low cost dragline operation stripping waste above the thick lower seam will be delayed until such time as the overlying waste and coal is mined. The reduction in coal demand from the heating stations due to the advent of summer will reduce the short term demand for coal but IMC is of the opinion that there is insufficient stripping machinery available on site at present to advance the waste removal and expose the principal H1 seam at the rate now necessary to maintain the current level of production and create in-pit inventory for the winter months. The mine has sufficient reserves at the current mining capacity of 5.9 Mtpa to continue in production for 60 years. If required, coal can be sourced within Kazakhstan from outside the Group. Coal mined is dispatched by rail principally to the Kazakhmys power stations although there are small internal uses and sales to local oblasts.

Kuu-Chekinskoe strip mine coal production commenced in 1956. There are sufficient reserves for about 20 years production at the current rate of 1.4 Mtpa. The folding and faulting of the stratigraphy together with the earlier removal of the more easily mined coal results in a more difficult and costly mining environment. The operation utilises shovel and trucks due to the difficult geology but a systematic approach to operations is impossible. IMC are of the opinion that this operation can continue to produce at the current levels. Coal mined is dispatched by rail principally to the Kazakhmys power stations although there are small internal uses and sales to local oblasts.

5.4 Power Utility

Karaganda power station (GRES-2) is located near the town of Topar, 47 kilometres from Karaganda. The power station is situated in the centre of Kazakhstan's prime industrial area. Coal from the Borly mine open pits at Borlynskoe and Kuu-Chekinskoe is delivered to two open stockpiles of 65 kt and 200 kt at site in rail trucks.

Electrical energy production in 2003 was 367 MW and for 2004 was 415 MW. The majority of the power is used by the Group.

The power station is very well maintained and kept spotless. The major equipment is generally in good condition though some of it is quite old, mostly dating from 1962 to 1967. Maintenance has been regularly carried out.

The electrical interconnections with the Kazakhstan national network are numerous thus providing a very secure transmission route to the various Kazakhmys operations that derive their power from this generating centre.

6.0 SPECIAL FACTORS

Risks likely to impact on Kazakhmys' forecast production, capital and operating costs by less than 10% are not considered significant. Any significant risks not adequately addressed in Kazakhmys' production plans are considered to be ''material'' and are listed under ''Special Factors'' following.

6.1 Salaries and Wages (Low)

The workforce constitutes a significant proportion of the operating cost of the Group. There was, reportedly, a country-wide increase in the minimum wage of 30% in 1999 and again in 2002 as a result of an advisory note' from the President of the Republic of Kazakhstan. IMC believes that additional unexpected rises of such a nature would impact on the business of Kazakhmys.

6.2 Concentrate (Low)

The Company currently buys in concentrate in order to maximise the throughput of the smelter and improve the efficiency. The efficiency will be reduced and less copper will be produced at a higher price should the Company be unable to purchase this feedstock. In the later years of the production plan, the Company becomes a seller of concentrate and this concentrate could be difficult to sell due to its low grade (16% to 20% copper in concentrate) as opposed to the general international market value of over 35% copper in concentrate. This may not be an issue as, if concentrate is sold into Russia, the 16% to 20% will be higher than that currently processed in Russia.

7.0 CONCLUSIONS

IMC concludes from the independent technical review that:

- management's geological and geotechnical knowledge and understanding is of a satisfactory level to support short, medium and long term planning as appropriate and operations are well managed at an operating level;
- the mine plans appropriately consider geological and geotechnical factors to minimise mining hazards. Although IMC has reservations about the viability of the open pit designs in the final years of operation, any impact of a failure on production will be small;
- Kazakhmys' mining equipment (either in place or planned in the capital forecasts) is suited to its mine plans and is adequate, with minor adjustments, for the production plans;
- copper and zinc ore processing, associated smelter and refinery plants and other infrastructure are capable of continuing to supply appropriate quality products to the markets at the forecast production plans;
- IMC is unable to compare the LTIFR but believe this to be higher than other comparable operations. The fatality rate is higher than similar comparable operations;
- environmental issues are managed and there are no issues that could materially impede production nor are any prosecutions pending;
- the assumptions used in estimating both capital and operating costs are appropriate and reasonable;
- capital and operating costs used in the financial models incorporating minor adjustments by IMC reflect the mine plans, development and construction schedules and the forecast production levels;
- special factors identified by IMC are well understood by management and appropriate action to mitigate these risks is being taken. Further, the mine plans and cost forecasts appropriately account for these risks; and
- management operates a management accounting system and are able to monitor and forecast production and cost parameters. Management are updating the management accounting systems to IFRS over the short term.

IMC has estimated the value of Kazakhmys' copper, zinc, gold and silver assets at an operating level as US$5,119 million and at a post tax level as US$3,259 million assuming a real discount rate of 12%, an exchange rate of KZT/US $131.2, and product prices, capital and operating costs and production forecasts which are soundly based.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the Prospectus Regulation.

Yours Faithfully,

IMC Group Consulting Ltd
Mill Lane
Huthwaite
Nottinghamshire NG17 2NS
United Kingdom

John S Warwick B Sc (Hons) FIMMM, C Eng, Eur Ing

Director

Annex A

QUALIFICATIONS OF CONSULTANTS

***J S Warwick** **Project Director**

B Sc Electrical Engineering (Hons), Newcastle University (1973); B Sc Mining Engineering (Hons), Nottingham University (1975); Mine Manager's 1st Class Certificate; Fellow Institute of Materials, Minerals and Mining; Chartered Engineer; European Engineer (Eur Ing).

28 years experience in the coal, base metals and industrial minerals mining industry and 4 years of directing Competent Person's Reports.

***N O Liddell** **Project Manager—Core Team**

B Sc Mining Engineering, Leeds University (1974); S A Mine Manager's Certificate (Fiery Mines); Member Institute of Materials, Minerals and Mining; Chartered Engineer.

30 years experience in surface and underground metalliferous and coal mining and processing including 10 years in copper and base metals and 12 in coal.

***Dr J A Knight** **Geologist and Zhezkazgan Team Leader**

B Sc Geology, Aston University (1968); PhD Geology Sheffield University (1972); Fellow of the Geological Society, London; Chartered Geologist; Member Society of Mining Engineers (US); Member Institute of Directors.

32 years experience in metalliferous and coal geology including 7 years in copper and other base metals.

***C Savage** **Mining Engineer—Zhezkazgan**

B Sc Mining Engineering (1st Class Hons), Royal School of Mines, London University (1967); Member of the Institute of Materials, Minerals and Mining; Member American Institute of Mining Engineers; Chartered Engineer.

38 years experience in the metalliferous mining industry with at least 12 in major copper mining operations and senior management.

***R Wilkinson** **Concentrator, Smelter and Refinery Engineer—Zhezkazgan**

B Sc (Hons) Chemical Engineering University of Edinburgh; Member Institute of Materials, Minerals and Mining; Chartered Engineer; Associate Member, Institution of Chemical Engineers.

33 years experience in the metal mining industry specifically in process engineering.

***J Bennett** **Mining Engineer—Balkhash and East Region Team Leader**

B Sc Engineering in Mining (Hons), Royal School of Mines, London (1964); Associateship of the Royal School of Mines; Institute of Materials, Minerals and Mining (UK); Chartered Engineer.

40 years experience in surface and underground copper and gold mining operations and senior management.

***D Pelham** **Geologist—Balkhash, East Region**

B Sc (Hons) Geology/Geography, London University (1974); M Sc Mineral Exploration, Rhodes University, South Africa (1983); Member Institute of Materials, Minerals and Mining; Member Gemmological Association; Member Small Mining International; Member Welsh Mines Society.

30 years experience in gold and copper geology with particular knowledge of VMS deposits.

***Dr M J White** **Mining Engineer—Balkhash, East Region and Zhezkazgan**

B Sc Mining Engineering, Nottingham University (1979): Ph D Rock Mechanics, Nottingham University (1984); S A Mine Manager's Certificate (Metalliferous);

21 years experience in gold and base metals mining worldwide and particular specialisation in rock mechanics.

***G R Hammond** **Geologist—Balkhash, East Region**

B Sc Geology (Hons), Royal School of Mines, London University (1958); Associate of the Royal School of Mines; Fellow Institute of Materials, Minerals and Mining, Chartered Engineer; European Engineer (Eur Ing).

Over 45 years experience in base metals, precious metals, diamonds and industrial minerals with extensive experience in porphyry copper deposits.

***Dr N Holloway** **Concentrator, Smelter and Refinery Engineer—Balkhash, East Region**

B Sc Joint Chemistry and Geology (Hons) Bristol University, (1971); M Sc Surface Chemistry and Colloids (Thesis - Wettability of galena) Bristol University (1972); Ph D Minerals Engineering/ Chemical Engineering (Thesis - Solid-liquid separation using polymer flocculants), Birmingham University (1975); Fellow Institute of Materials, Minerals and Mining, Chartered Engineer.

30 years experience in base and precious metals, industrial minerals and coal specifically in process engineering.

***T Burke** **Mining Engineer—Coal Team**

B Sc Civil Engineering (Hons) Heriot Watt University (1974); Fellow Institute of Materials, Minerals and Mining; Member Institute of Civil Engineers; Chartered Engineer.

30 years in operations, management and design as a mining engineer specialising in surface coal mining operations.

***M C Coultas** **Geologist—Coal Team**

B Sc (Hons) Geology, Manchester University (1976); M Sc Engineering Geology, Leeds University (1992); Chartered Geologist; Fellow of the Geological Society.

30 years experience as a coal geologist worldwide with both exploration and operational experience.

***M George** **Environmental Engineer—Core Team**

B Sc Hons in Applied Chemistry, Kingston-upon-Thames University (1971); Specialist courses in Hydrometallurgy, Solvent Extraction, Management in Industry, Assessment of Competence in Process Operations, Radiological Protection Supervision, Environmental and Safety Auditing, Health and Safety at Work Regulations, COSHH (Control of Substances Hazardous to Health) Assessment, Integrated Pollution Control.

30 years experience in base metals processing including environmental aspects and specialising in the environmental field for the last 5 years.

***D W Griffiths** **Power and Infrastructure Engineer—Core Team**

B Sc Electrical Engineering (1st Class Hons) University of Cape Town, South Africa (1967); Member Institution of Electrical Engineers; Member South African Institute of Electrical Engineers; Chartered Engineer.

38 years experience in the power generation and transmission industry worldwide.

***D T Carter** **Geotechnical Engineer—Core Team**

B Sc Civil Engineering, Leeds University (1965); Ph D Soil Mechanics, Leeds University (1968); Chartered Engineer; Member Institution of Civil Engineers; Fellow Geological Society; Fellow Institute of Materials, Minerals and Mining.

37 years in the design, operation and management of major tailings dams.

***H Hind** **Electrical, Mechanical and Infrastructure Engineer—Core Team**

HND Electrical and Electronic Engineering; MQB Electrical Engineering Certificate; MQB Class I Certificate; Fellow Institution of Mining Mechanical and Mining Electrical Engineers.

37 years experience as an electrical, mechanical and infrastructure engineer in major projects worldwide on shaft sinking and mining operations.

***P C Robinson** **Valuation Engineer—Core Team**

Associate, Chartered Institute of Management Accountants

25 years experience in the mining, minerals and consulting industry worldwide with specific experience of investment and mine purchases including the first successful listing outside China of a Chinese coal mining company.

***M R B Mounde** **Cost Analyst—Core Team and Balkhash, East Region**

B Eng (Hons) Mining Engineering, Camborne School of Mines (1993); South African Mine Manager's Certificate of Competency (Coal); Associate Member Institute of Materials, Minerals and Mining; Member South African Institute of Mining and Metallurgy; Member South African Colliery Managers' Association.

12 years experience in underground and surface base metals, precious metals and coal mining industries in the technical and cost disciplines.

***T N Gunaseelan** **Cost Analyst—Core Team and Zhezkazgan**

B Tech (Mining), Institute of Technology, BHU, Varanasi, India; 1st Class Mine Manager's Certificate Holder (India); RQP (Recognised Qualified Person, India); Member Mining Engineers Association of India.

15 years experience in base metals, industrial minerals and coal specialising in cost analysis.

* — denotes visited operations.

Annex B

SCOPE OF WORK

LIMITATIONS AND EXCLUSIONS

MATERIALITY

Annex B—Scope of Work/Limitations and Exclusions/Materiality

Scope of Work

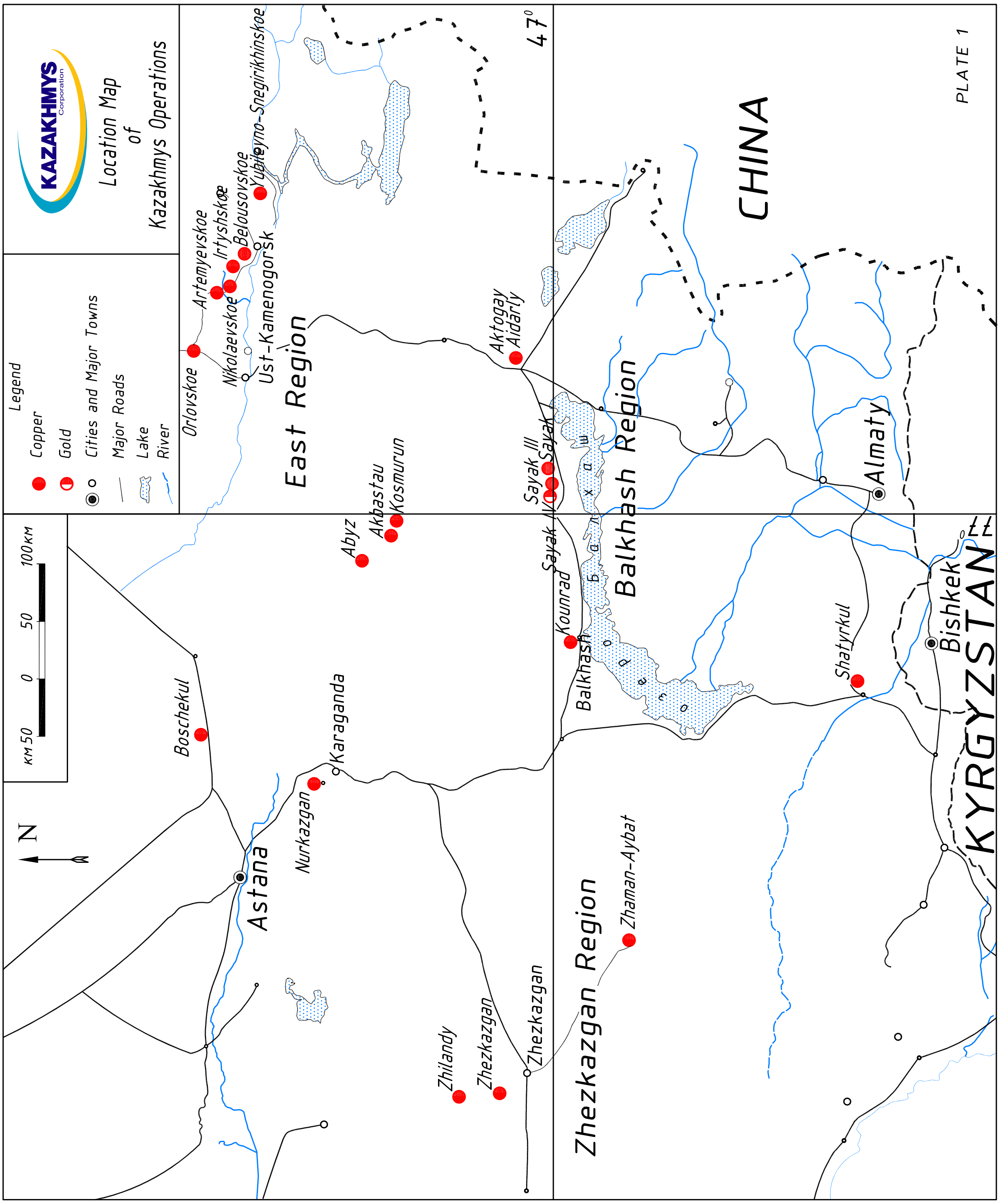
IMC carried out the following scope of work for the Competent Person's Report (CPR):

- Introductory meetings with Kazakhmys' directors and management to understand the business plan;
- Site visits and collection of data. Consultants marked with an asterisk (*) in Annex A visited the assets relevant to their disciplines and inspected:
  - Geological maps, plans and sections;
  - Mining operations and equipment;
  - Copper and zinc concentrating plants;
  - Copper and zinc smelting and associated refining plants;
  - Precious metals refining plant;
  - Infrastructure including transport systems and maintenance facilities; and
  - Power and heat generating plants.
- Data and documentation was supplied to IMC personnel at each complex or site and financial data at Kazakhmys' base in Zhezkazgan. This included:
  - Historical production and costs on an annual basis;
  - Budgets and plans; and
  - Feasibility studies.
- A technical review was undertaken at each asset, including the following elements:
  - Data suitability;
  - Geology and mining hazards;
  - Resources and reserves;
  - Copper and polymetallic mining operations;
  - Copper and polymetallic ore processing to concentrates;
  - Copper concentrate smelting to matte;
  - Copper converting and refining to anode and to the finished copper cathode, rod and wire products;
  - Zinc concentrate hydrometallurgical processing to zinc ingots;
  - Smelter slimes refining to gold and silver;
  - Environmental issues;
  - Capital and operating costs;
  - Review of budget forecasts; and
  - Valuation of reserves.

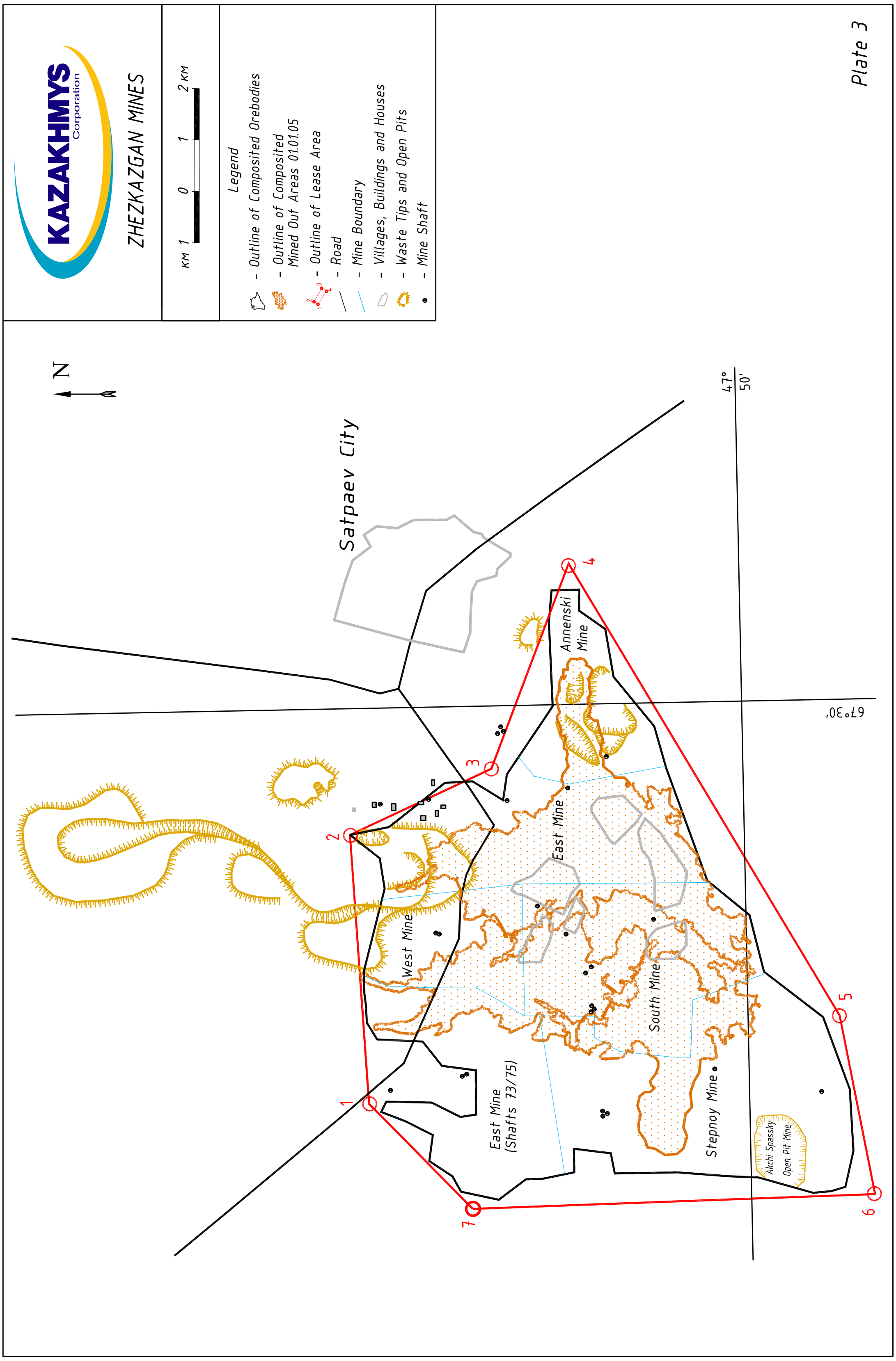
The CPR covers Kazakhmys' copper and polymetallic operations that are materially relevant to the valuation of the reserves estimated according to the FSU ''Classification and Estimation Methods for Reserves and Resources,'' last revised in 1981 and the unique provisions identified for each deposit in the ''Conditions for Estimation of Reserves and Resources.'' IMC has reviewed the reserves and resources statements of the individual units compiled by Kazakhmys and has restated the reserves and resources in compliance with the Prospectus Directive in conjunction with Chapter 19 of the Listing Rules and in accordance with the criteria for internationally recognised reserve and resource categories as included in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code). IMC produced its report and valuation model based on actual 2004 production data and Kazakhmys' 2005 to 2025 budget data.

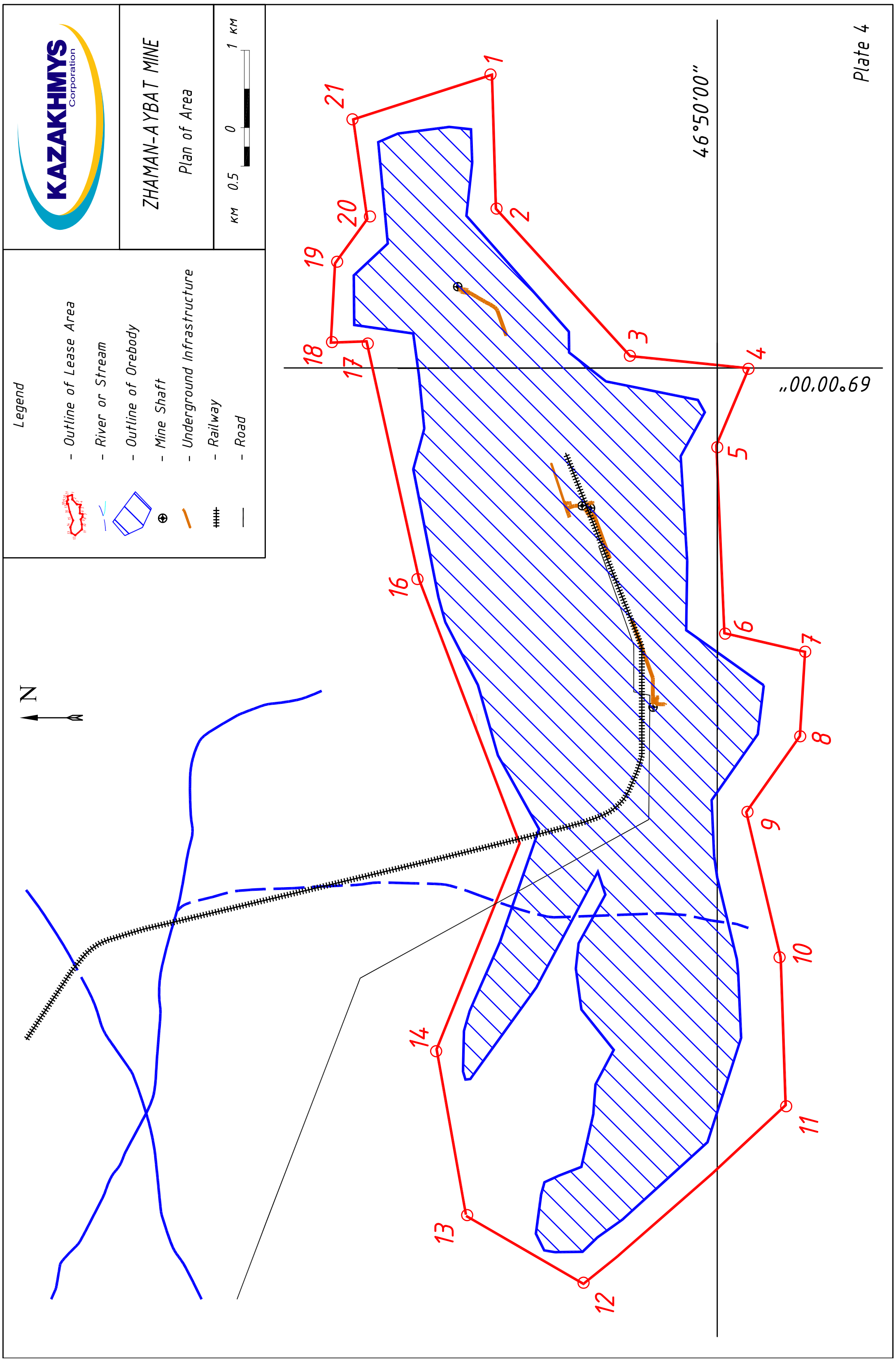
Annex C

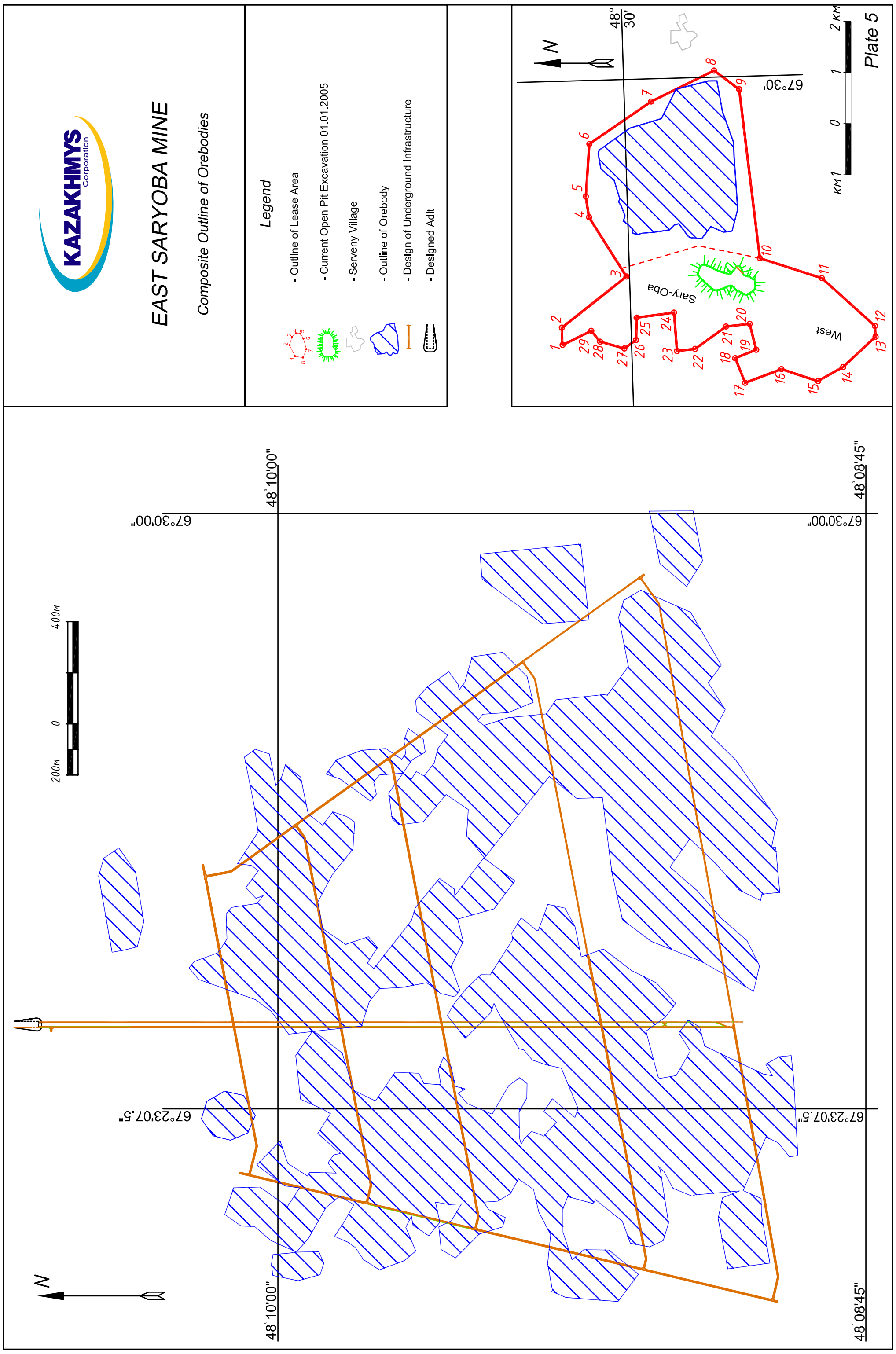
MAPS, PLANS AND DRAWINGS


KAZAKHMYS Corporation
Location Map
of
Kazakhmys Operations
Legend
Copper
Gold
Cities and Major Towns
Major Roads
Lake
River
км 50
0
50
100км
N
PLATE 1
47°
East Region
Balkhash Region
Zhezkazgan Region
CHINA
KYRGYZSTAN
Orlovskoe
Artemyevskoe
Irtyshskoe
Belousovskoe
Yubileyno-Snegirikhinskoe
Nikolaevskoe
Ust-Kamenogorsk
Aktogay
Aidarly
Sayak III
Sayak I
Sayak IV
Kosmurun
Akbastau
Abyz
Kounrad
Balkhash
Boschekul
Karaganda
Nurkazgan
Astana
Zhilandy
Zhezkazgan
Zhaman-Aybat
Shatyrkul
Almaty
Bishkek

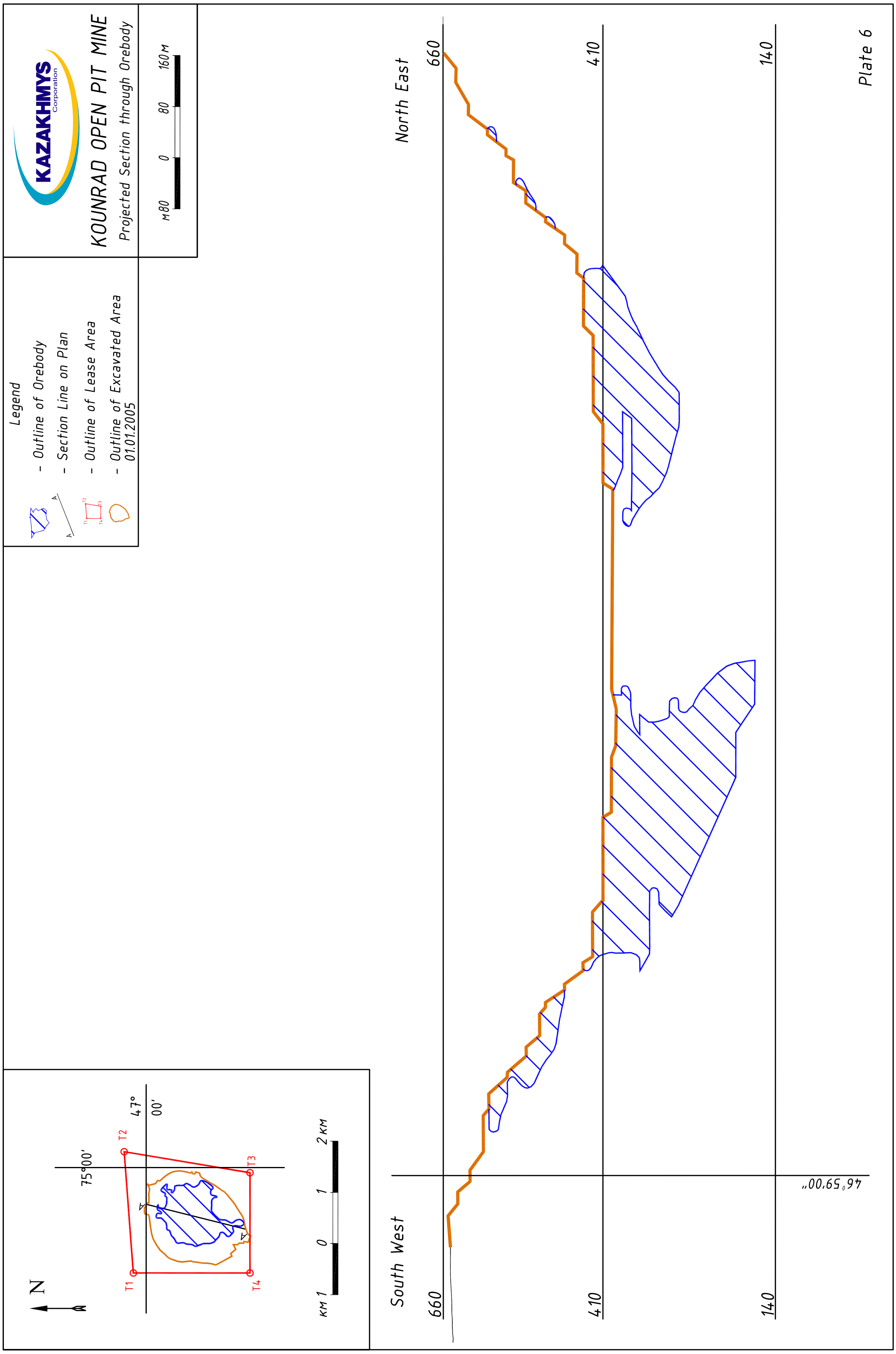

Legend
Permian System
Kingir Series
Upper Sub-Series
Lower Sub-Series (Ushbulak Unit)
Zhydelisay Series
Carboniferous System
Zhezkazgan Series
Taskuduk Series
Geological Boundaries
Major Faults
Deposit Boundaries
KAZAKHMYS Corporation
ZHEZKAZGAN SYNCLINE
REGIONAL GEOLOGY
KM 2 0 4
N
East Saryoba
Karashoshak
Kipshakbai
48° 10'
Itauz
ZHILANDY SYNCLINE
West Saryoba
Fault
Saryoba
ZHEZKAZGAN SYNCLINE
Satpaev City
West Mine
East Mine (Shafts 73/75)
East Mine
Annensky Mine
South Mine
Stepnoy Mine
47° 50'
Akchi-Spasski Open Pit
5300000
67°30'
Plate 2


KAZAKHMYS
Corporation
ZHEZKAZGAN MINES
км 1 0 1 2 км
Legend
- Outline of Composited Orebodies
- Outline of Composited Mined Out Areas 01.01.05
- Outline of Lease Area
- Road
- Mine Boundary
- Villages, Buildings and Houses
- Waste Tips and Open Pits
- Mine Shaft
N
Satpaev City
Annenski Mine
East Mine
West Mine
South Mine
East Mine (Shafts 73/75)
Stepnoy Mine
Akchi Spassky Open Pit Mine
47°50'
67°30'
Plate 3

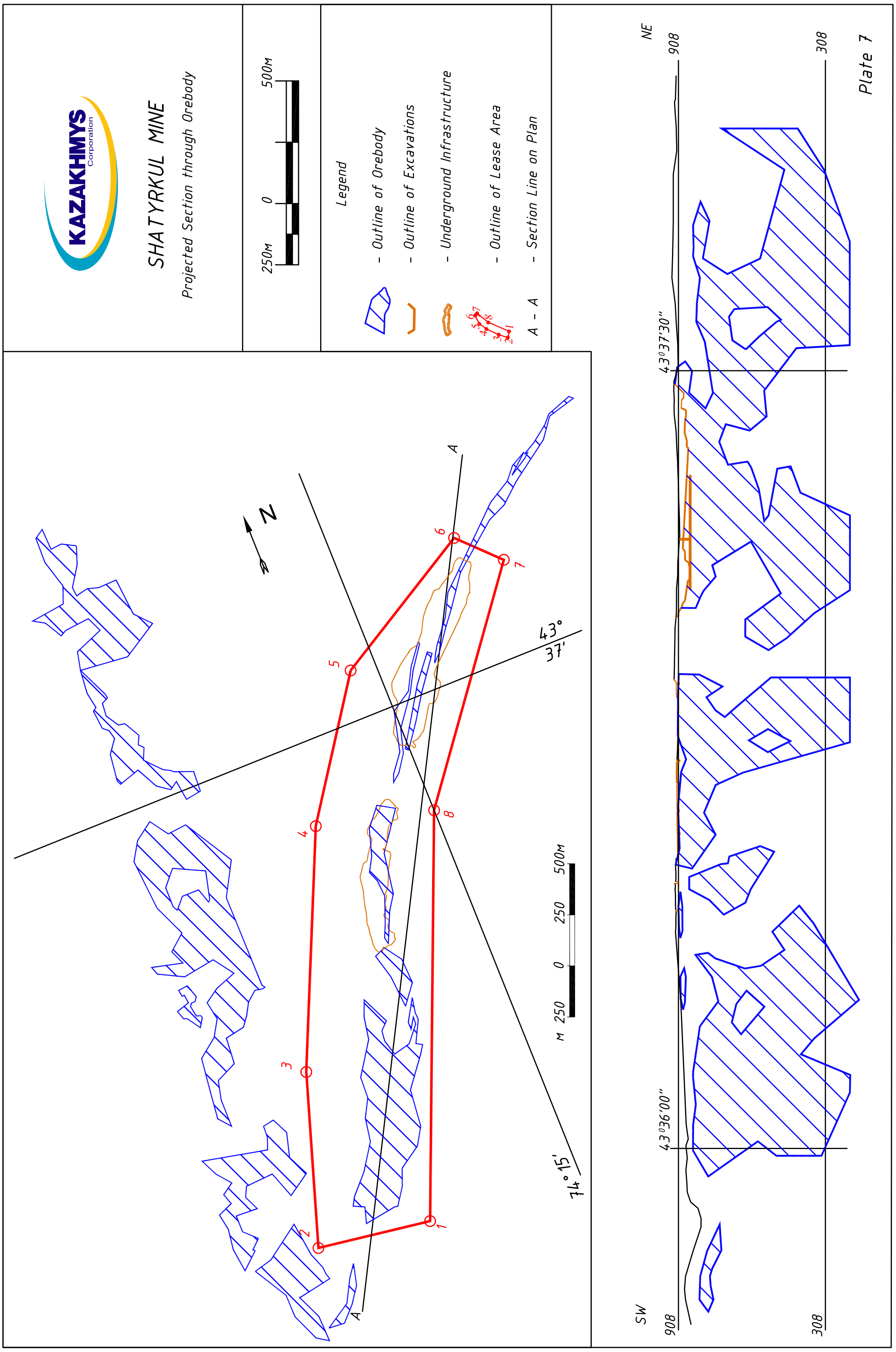

KAZAKHMYS
Corporation
ZHAMAN-AYBAT MINE
Plan of Area
KM 0.5 0 1 KM
Legend
- Outline of Lease Area
- River or Stream
- Outline of Orebody
- Mine Shaft
- Underground Infrastructure
- Railway
- Road
N
46°50'00"
69°00'00"
Plate 4
1
2
3
4
5
6
7
8
9
10
11
12
13
14
16
17
18
19
20
21

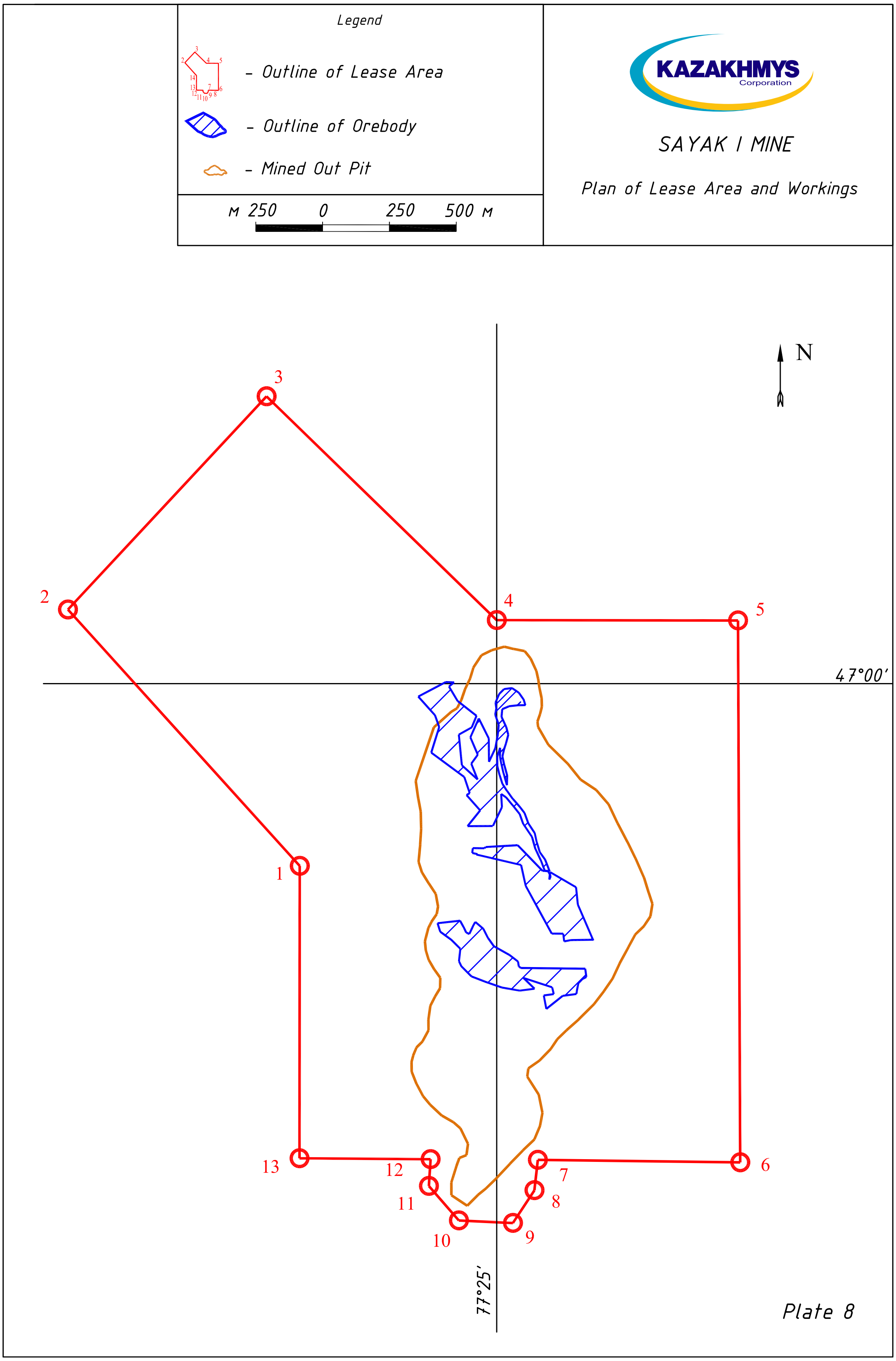


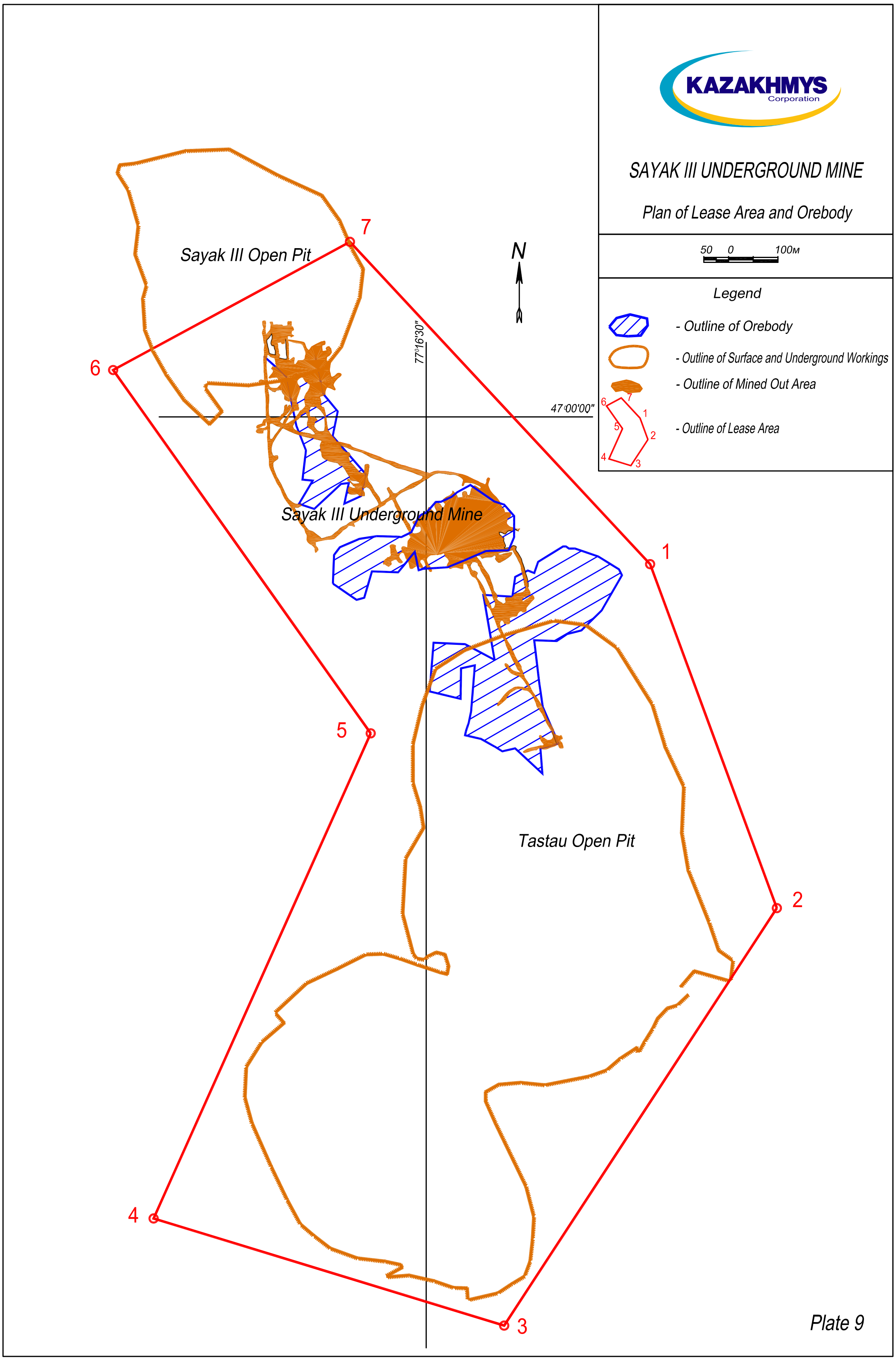
KAZAKHMYS Corporation
EAST SARYOBA MINE
Composite Outline of Orebodies
Legend
- Outline of Lease Area
- Current Open Pit Excavation 01.01.2005
- Serveny Village
- Outline of Orebody
- Design of Underground Infrastructure
- Designed Adit
Plate 5
Sary-Oba
West
67°30'
48° 30'
N
2 км
1
0
1 км
200м
0
400м
48°10'00"
48°08'45"
67°30'00"
67°23'07.5"

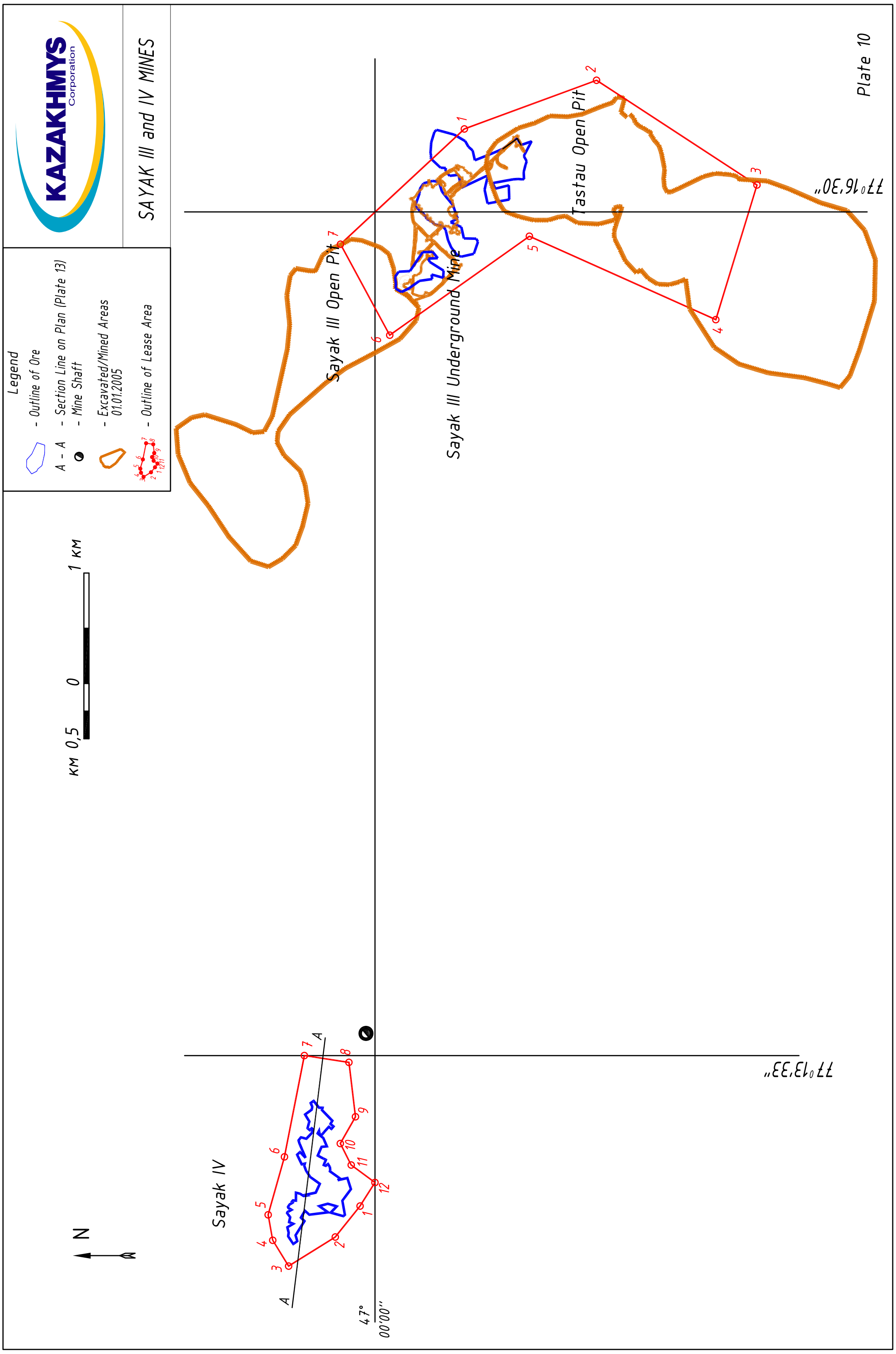


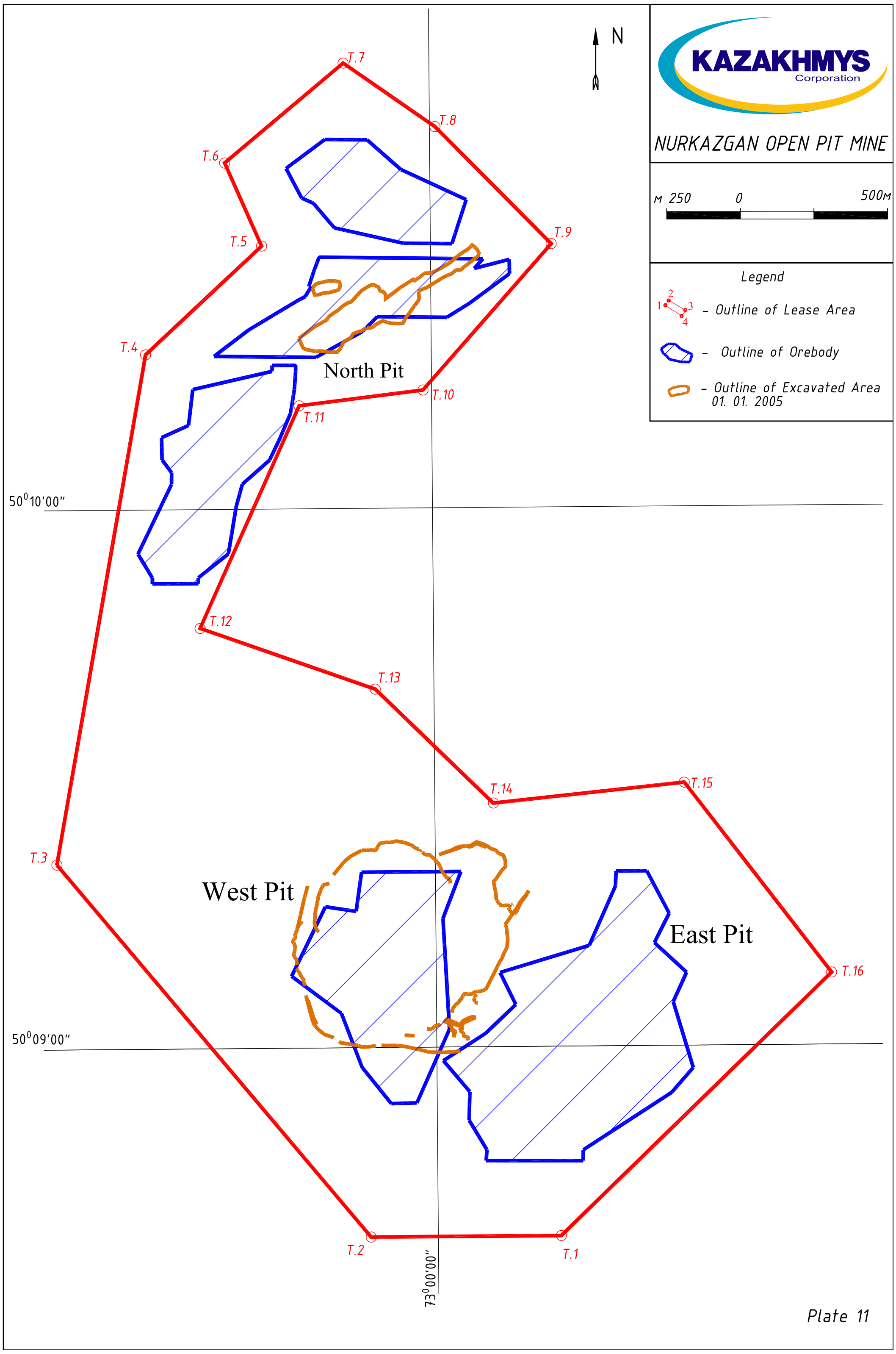
KAZAKHMYS Corporation
KOUNRAD OPEN PIT MINE
Projected Section through Orebody
м80 0 80 160м
Legend
- Outline of Orebody
- Section Line on Plan
- Outline of Lease Area
- Outline of Excavated Area 01.01.2005
North East
South West
660
410
140
Plate 6
46°59'00"
N
75°00'
47° 00'
T1
T2
T3
T4
км 1 0 1 2 км

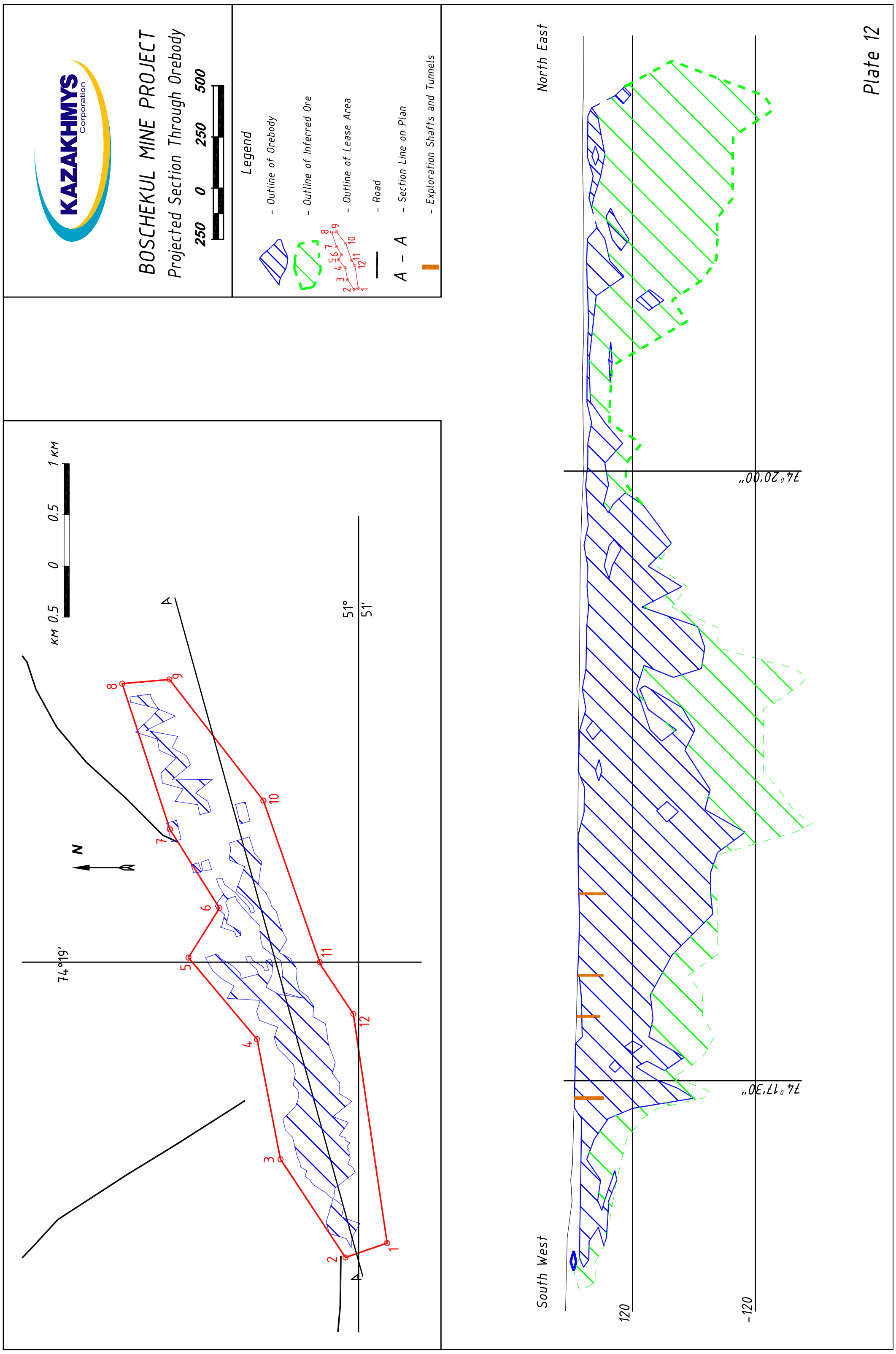

KAZAKHMYS Corporation
SHATYRKUL MINE
Projected Section through Orebody
250м 0 500м
Legend
- Outline of Orebody
- Outline of Excavations
- Underground Infrastructure
- Outline of Lease Area
A - A - Section Line on Plan
N
43° 37'
74° 15'
M 250 0 250 500м
A
A
NE
SW
908
308
43°37'30"
43°36'00"
Plate 7

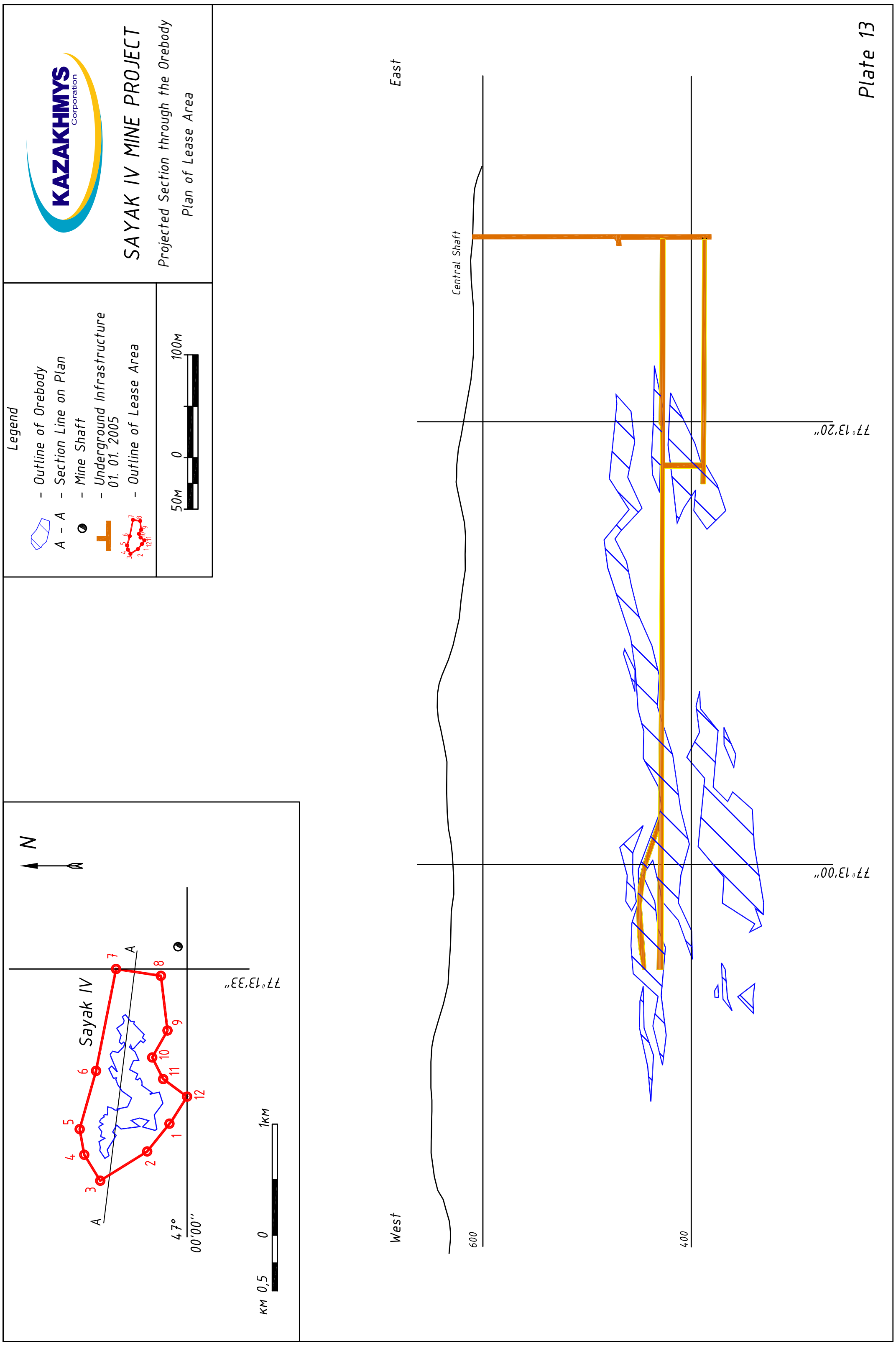

Legend
- Outline of Lease Area
- Outline of Orebody
- Mined Out Pit
M 250 0 250 500 M
KAZAKHMYS
Corporation
SAYAK I MINE
Plan of Lease Area and Workings
N
1
2
3
4
5
6
7
8
9
10
11
12
13
47°00'
77°25'
Plate 8

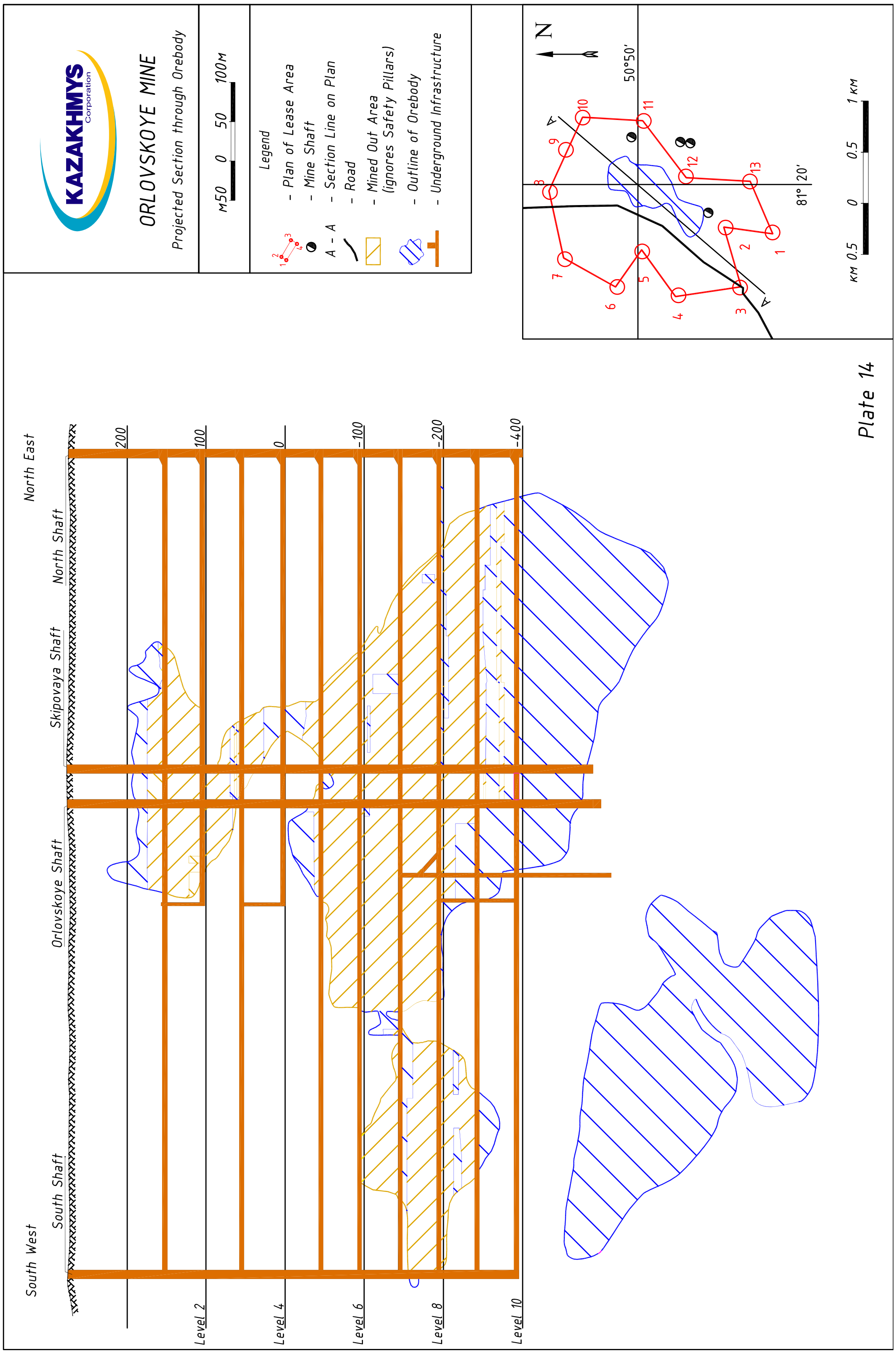

KAZAKHMYS
Corporation
SAYAK III UNDERGROUND MINE
Plan of Lease Area and Orebody
50 0 100м
Legend
- Outline of Orebody
- Outline of Surface and Underground Workings
- Outline of Mined Out Area
- Outline of Lease Area
Sayak III Open Pit
Sayak III Underground Mine
Tastau Open Pit
N
77°16'30"
47°00'00"
1
2
3
4
5
6
7
Plate 9

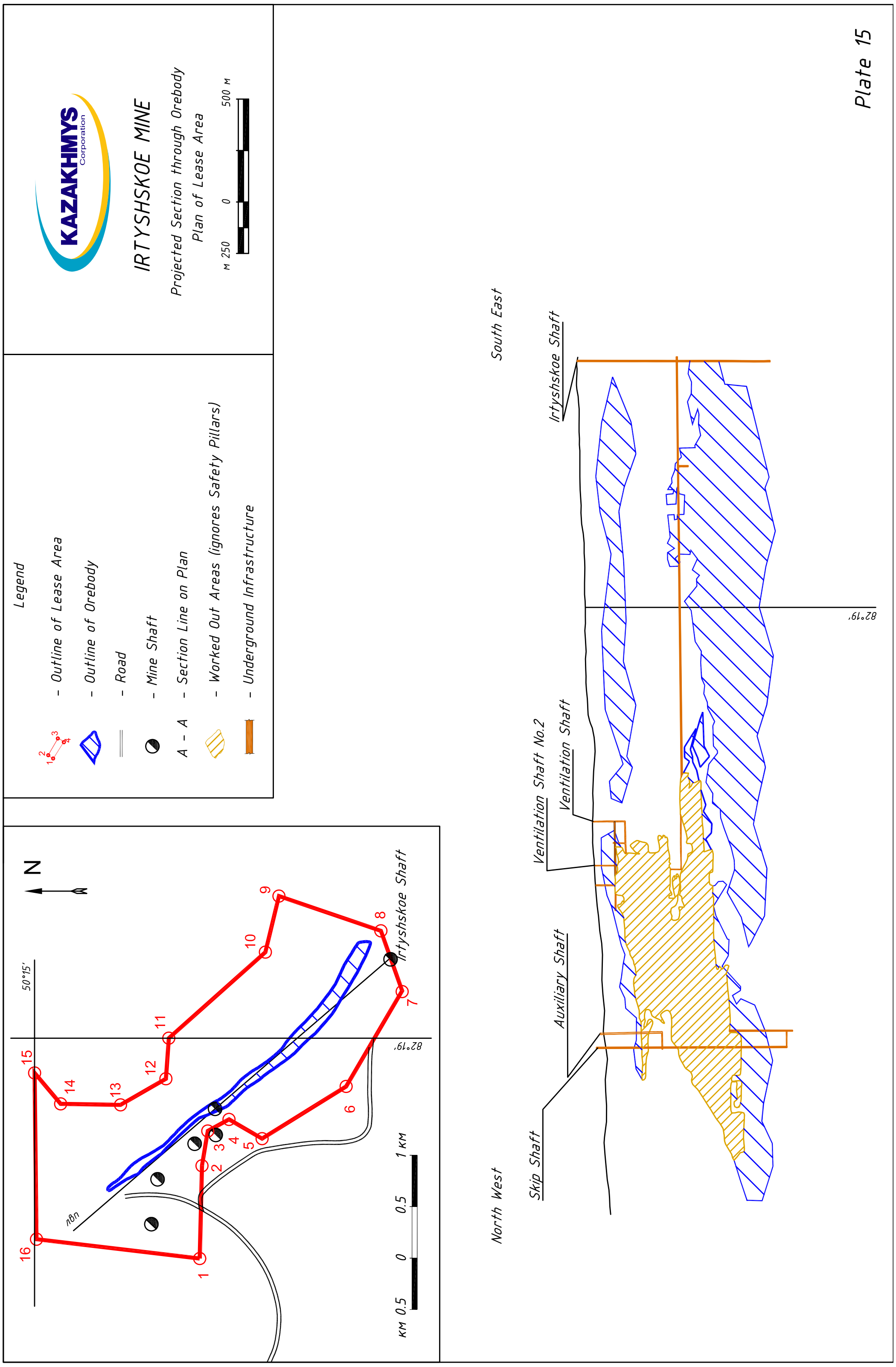

KAZAKHMYS Corporation
SAYAK III and IV MINES
Legend
- Outline of Ore
A - A - Section Line on Plan (Plate 13)
- Mine Shaft
- Excavated/Mined Areas 01.01.2005
- Outline of Lease Area
км 0,5 0 1 км
Plate 10
Tastau Open Pit
Sayak III Open Pit
Sayak III Underground Mine
Sayak IV
77°16'30"
77°13'33"
47° 00'00"
N

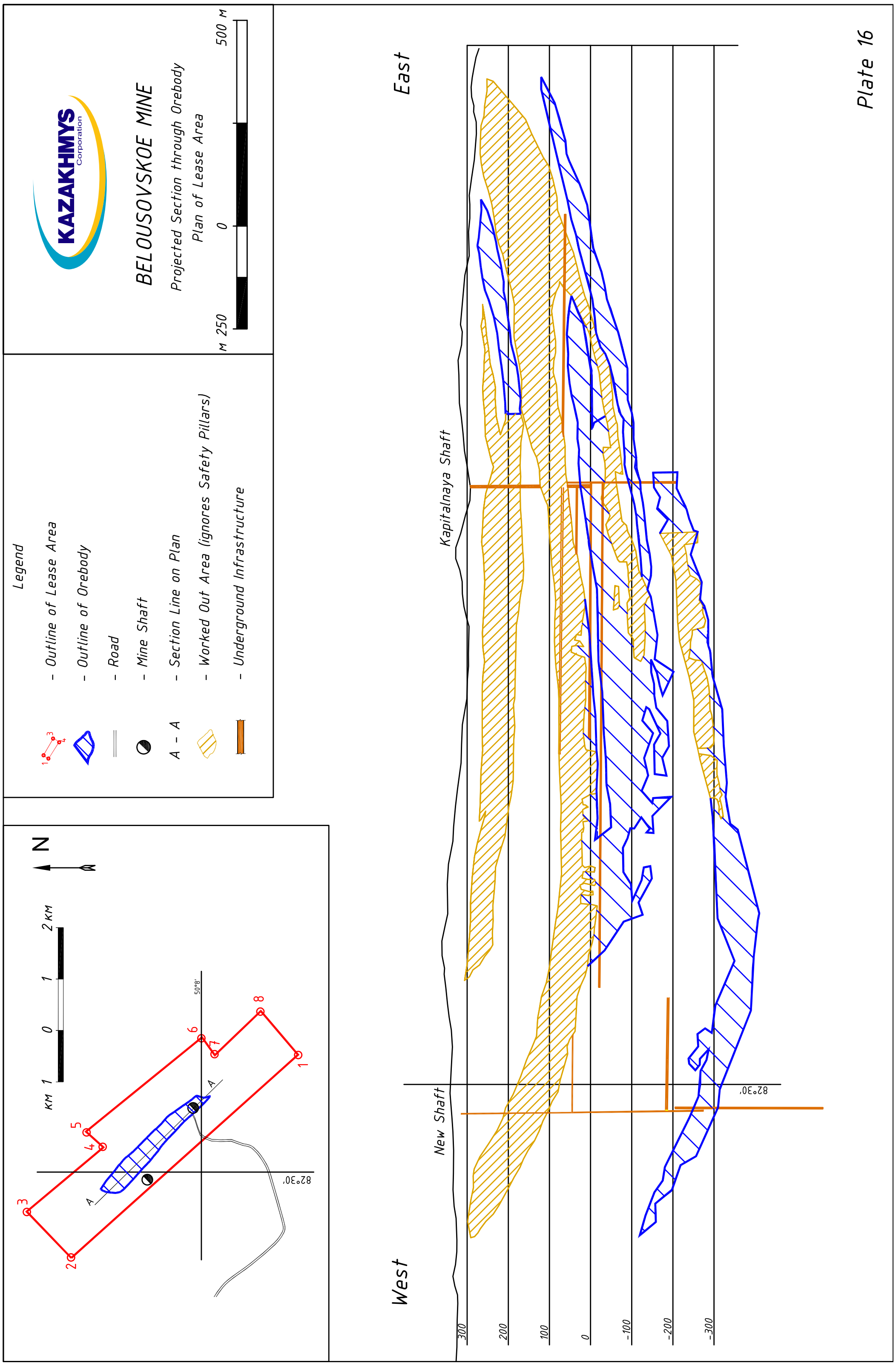

KAZAKHMYS
Corporation
NURKAZGAN OPEN PIT MINE
M 250
0
500M
Legend
- Outline of Lease Area
- Outline of Orebody
- Outline of Excavated Area 01. 01. 2005
N
T.1
T.2
T.3
T.4
T.5
T.6
T.7
T.8
T.9
T.10
T.11
T.12
T.13
T.14
T.15
T.16
North Pit
West Pit
East Pit
50°10′00″
50°09′00″
73°00′00″
Plate 11

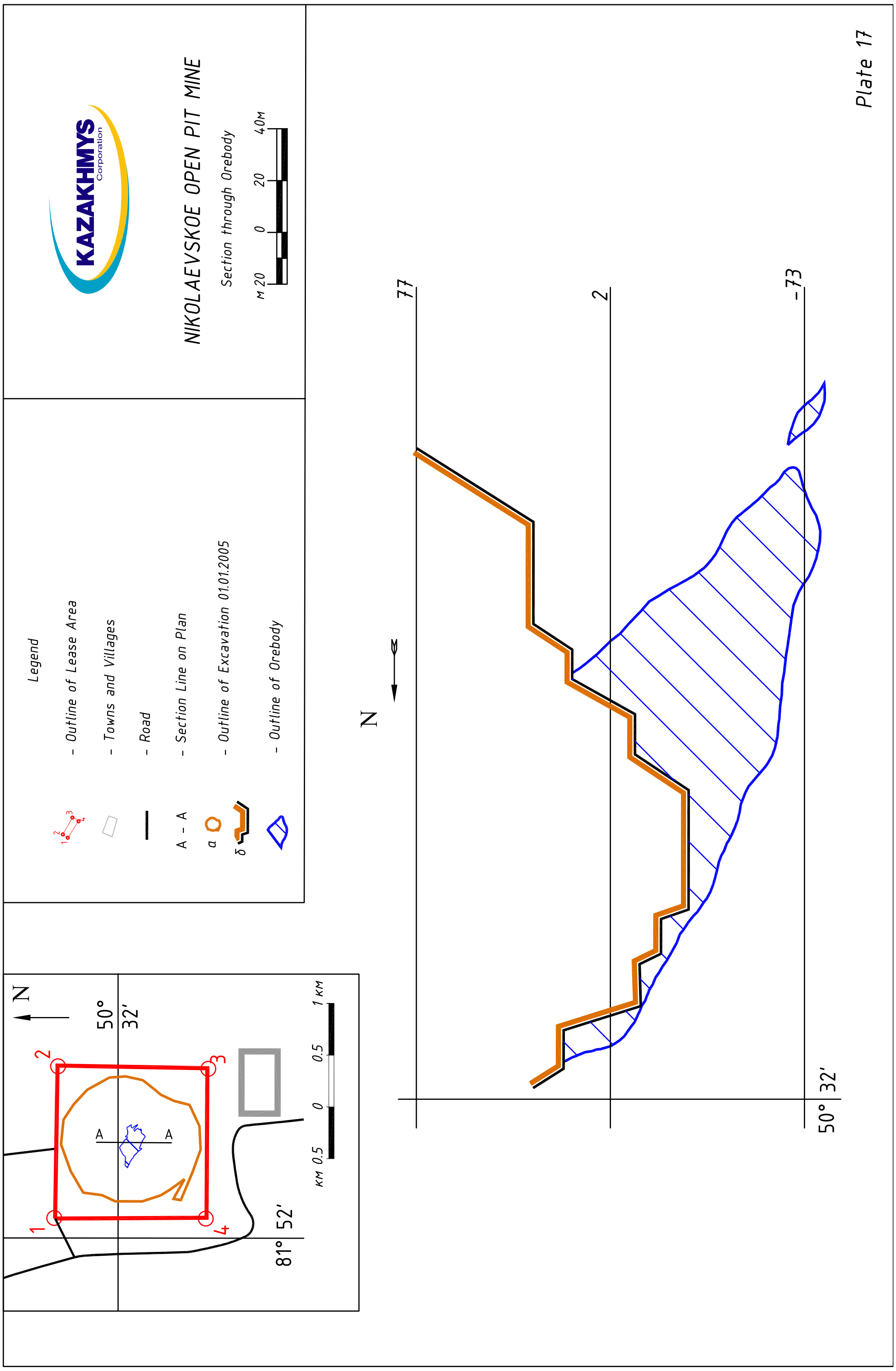

KAZAKHMYS Corporation
BOSCHEKUL MINE PROJECT
Projected Section Through Orebody
250 0 250 500
Legend
- Outline of Orebody
- Outline of Inferred Ore
- Outline of Lease Area
- Road
A - A - Section Line on Plan
- Exploration Shafts and Tunnels
KM 0.5 0 0.5 1 KM
N
74°19'
51° 51'
A
A
North East
South West
74°20'00"
74°17'30"
120
-120
Plate 12

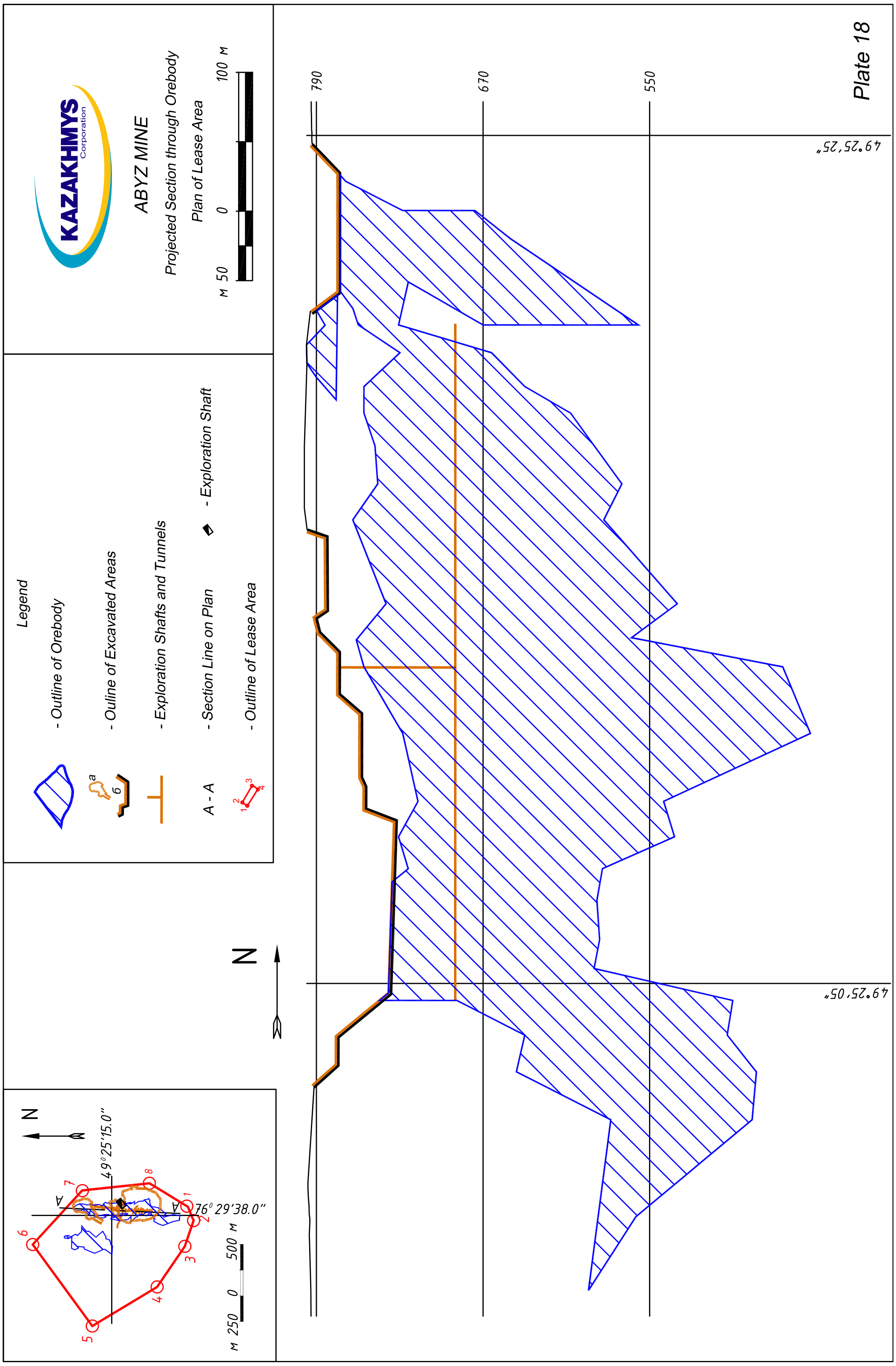

KAZAKHMYS Corporation
SAYAK IV MINE PROJECT
Projected Section through the Orebody
Plan of Lease Area
Legend
- Outline of Orebody
A - A - Section Line on Plan
- Mine Shaft
- Underground Infrastructure 01. 01. 2005
- Outline of Lease Area
50м
0
100м
East
West
Central Shaft
77°13'20"
77°13'00"
600
400
Plate 13
N
Sayak IV
A
A
1
2
3
4
5
6
7
8
9
10
11
12
47°
00'00"
77°13'33"
км 0,5
0
1км

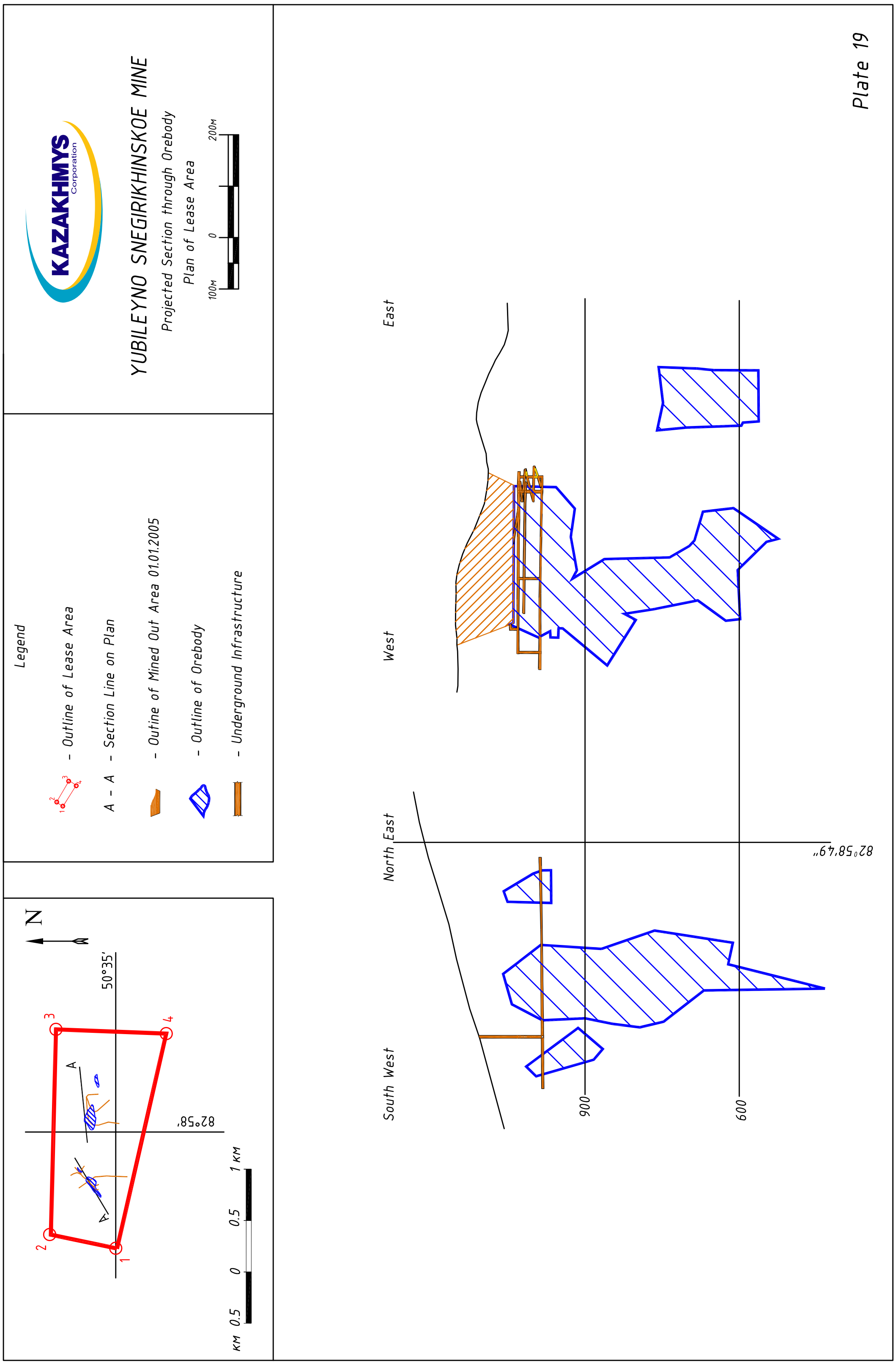

ORLOVSKOYE MINE
Projected Section through Orebody
M50 0 50 100M
Legend
- Plan of Lease Area
- Mine Shaft
A - A - Section Line on Plan
- Road
- Mined Out Area (ignores Safety Pillars)
- Outline of Orebody
- Underground Infrastructure
N
50°50'
81° 20'
KM 0.5 0 0.5 1 KM
South West
North East
South Shaft
Orlovskoye Shaft
Skipovaya Shaft
North Shaft
200
100
0
-100
-200
-400
Level 2
Level 4
Level 6
Level 8
Level 10
Plate 14

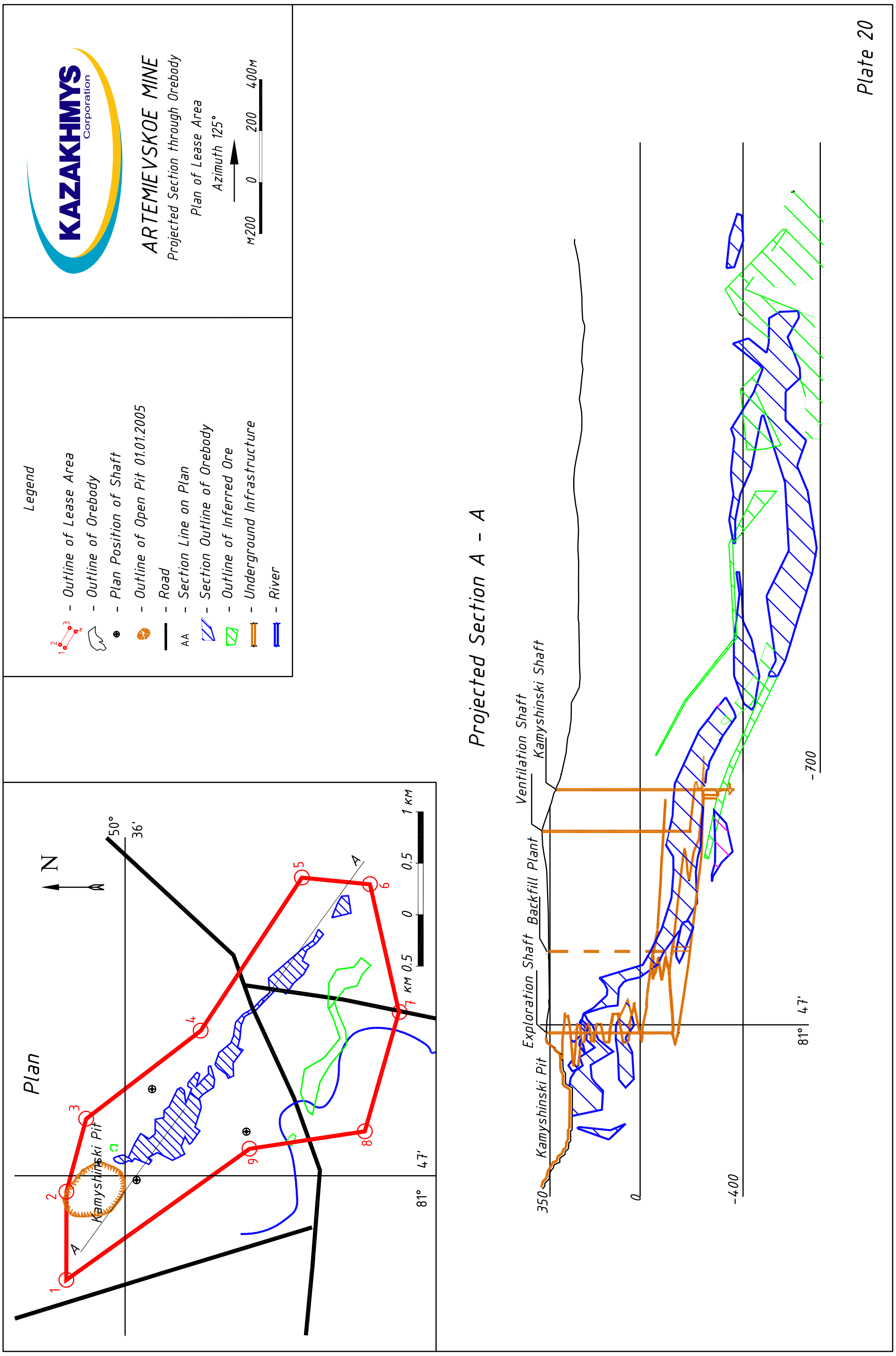

KAZAKHMYS
Corporation
IRTYSHSKOE MINE
Projected Section through Orebody
Plan of Lease Area
M 250
0
500 M
Legend
- Outline of Lease Area
- Outline of Orebody
- Road
- Mine Shaft
A - A - Section Line on Plan
- Worked Out Areas (ignores Safety Pillars)
- Underground Infrastructure
N
50°15'
82°19'
Irtyshskoe Shaft
KM 0.5
0
0.5
1 KM
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
South East
North West
Irtyshskoe Shaft
Ventilation Shaft No.2
Ventilation Shaft
Auxiliary Shaft
Skip Shaft
82°19'
Plate 15

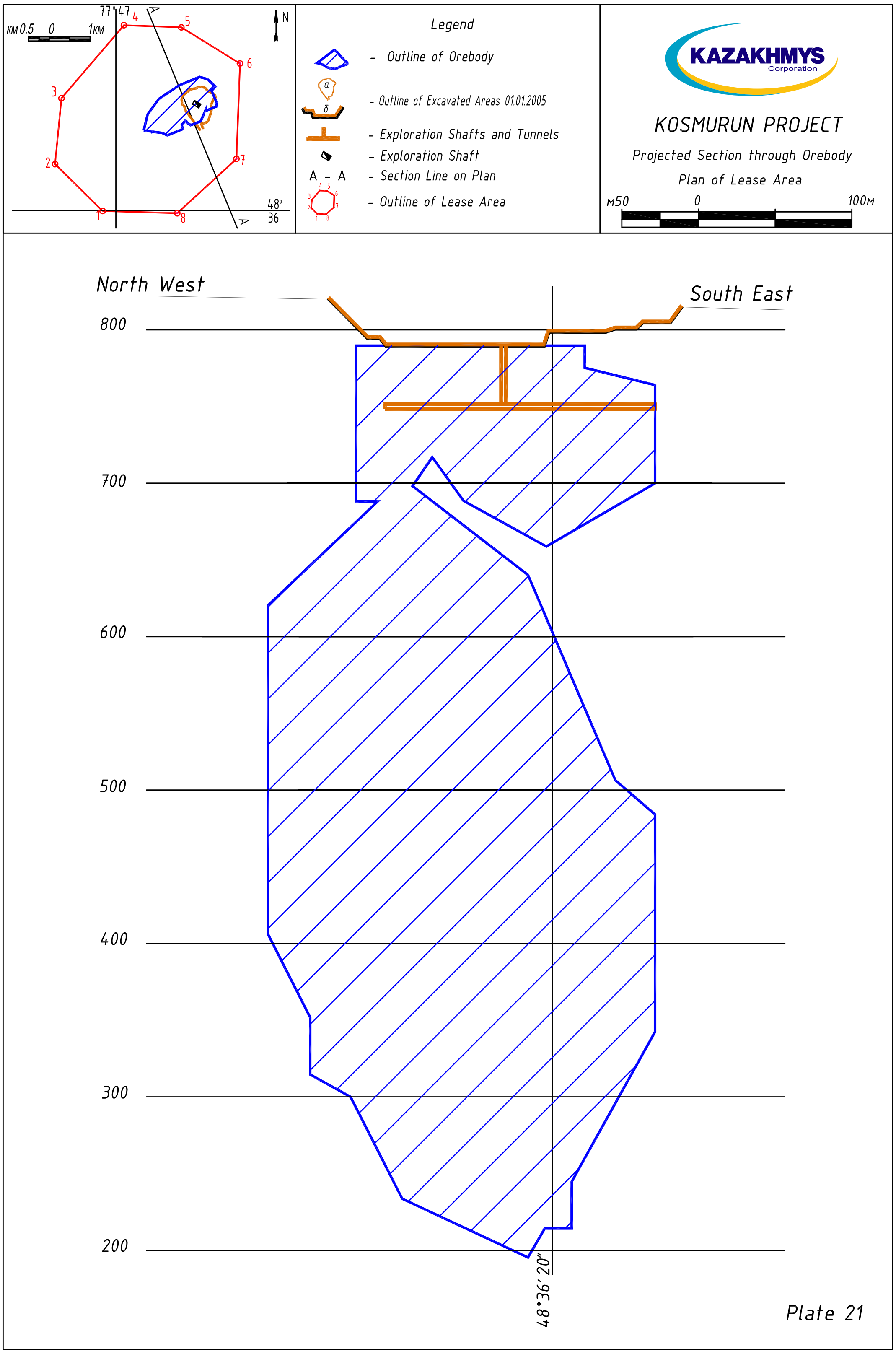

BELOUSOVSKOE MINE
Projected Section through Orebody
Plan of Lease Area
M 250
0
500 M
Legend
- Outline of Lease Area
- Outline of Orebody
- Road
- Mine Shaft
A - A
- Section Line on Plan
- Worked Out Area (ignores Safety Pillars)
- Underground Infrastructure
KM 1
0
1
2 KM
N
82°30'
East
West
Kapitalnaya Shaft
New Shaft
300
200
100
0
-100
-200
-300
Plate 16

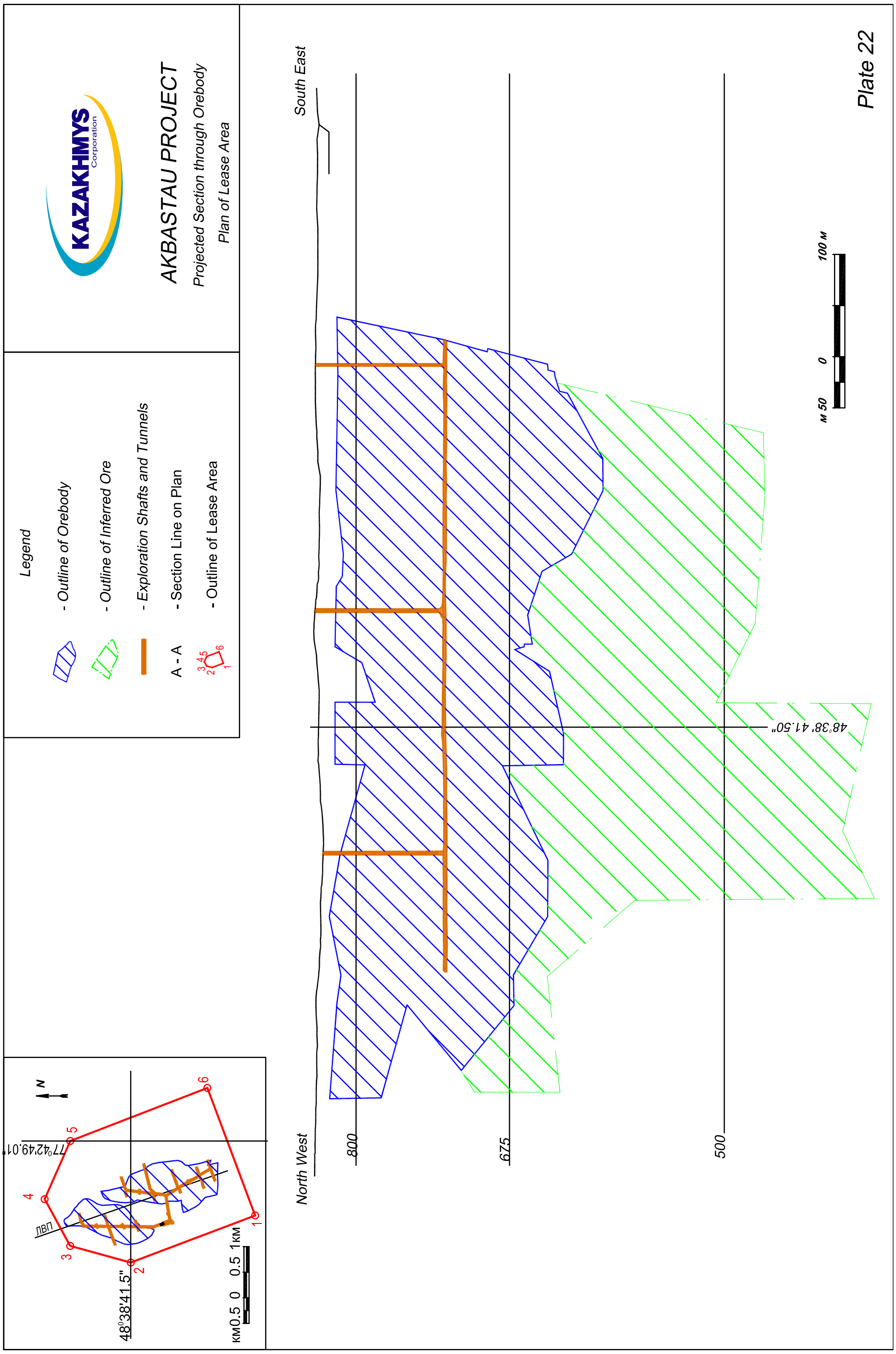

NIKOLAEVSKOE OPEN PIT MINE
Section through Orebody
M 20 0 20 40M
Legend
- Outline of Lease Area
- Towns and Villages
- Road
A - A
- Section Line on Plan
a
б
- Outline of Excavation 01.01.2005
- Outline of Orebody
N
77
2
-73
50° 32'
81° 52'
KM 0.5 0 0.5 1 KM
Plate 17


KAZAKHMYS
Corporation
ABYZ MINE
Projected Section through Orebody
Plan of Lease Area
50 0 100 м
Legend
- Outline of Orebody
- Ouline of Excavated Areas
- Exploration Shafts and Tunnels
- Exploration Shaft
A - A - Section Line on Plan
- Outline of Lease Area
N
49°25'15.0"
76°29'38.0"
250 0 500 м
790
670
550
49°25'25"
49°25'05"
Plate 18


YUBILEYNO SNEGIRIKHINSKOE MINE
Projected Section through Orebody
Plan of Lease Area
100м 0 200м
Legend
- Outline of Lease Area
A - A - Section Line on Plan
- Outine of Mined Out Area 01.01.2005
- Outline of Orebody
- Underground Infrastructure
N
50°35'
82°58'
км 0.5 0 0.5 1 км
South West
North East
West
East
900
600
82°58'49"
Plate 19


KAZAKHMYS
Corporation
ARTEMIEVSKOE MINE
Projected Section through Orebody
Plan of Lease Area
Azimuth 125°
M200 0 200 400M
Legend
- Outline of Lease Area
- Outline of Orebody
- Plan Position of Shaft
- Outline of Open Pit 01.01.2005
- Road
AA - Section Line on Plan
- Section Outline of Orebody
- Outline of Inferred Ore
- Underground Infrastructure
- River
Plan
N
50°
36'
81°
47'
Kamyshinski Pit
KM 0.5 0 0.5 1 KM
Projected Section A - A
Kamyshinski Pit
Exploration Shaft
Backfill Plant
Ventilation Shaft
Kamyshinski Shaft
350
0
-400
-700
81° 47'
Plate 20


Legend
- Outline of Orebody
- Outline of Excavated Areas 01.01.2005
- Exploration Shafts and Tunnels
- Exploration Shaft
A - A - Section Line on Plan
- Outline of Lease Area
KAZAKHMYS
Corporation
KOSMURUN PROJECT
Projected Section through Orebody
Plan of Lease Area
м50
0
100м
км 0.5
0
1км
77°47'
48°
36'
N
North West
South East
800
700
600
500
400
300
200
48°36'20"
Plate 21


KAZAKHMYS Corporation
AKBASTAU PROJECT
Projected Section through Orebody
Plan of Lease Area
Legend
- Outline of Orebody
- Outline of Inferred Ore
- Exploration Shafts and Tunnels
A - A - Section Line on Plan
- Outline of Lease Area
South East
North West
800
675
500
48°38' 41.50"
M 50 0 100 M
Plate 22
77°42'49.01"
48°38'41.5"
ЛВП
1
2
3
4
5
6
N
KM0.5 0 0.5 1KM

Part XIII

Definitions and glossary of technical terms

The following definitions apply throughout this Prospectus unless the context requires otherwise:

"Admission"	the admission of the Ordinary Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities in accordance with paragraph 7.1 of the Listing Rules and paragraph 2.1 of the Admission and Disclosure Standards of the London Stock Exchange
"Apro"	Apro Limited, a company in which Mr Cha, one of the Directors, was interested
"Articles"	the articles of association of the Company which have been adopted conditional upon Admission and are described in "Additional information—Summary of the memorandum and articles of association" in paragraph 3 of Part XI
"Associated Undertakings"	has the meaning ascribed to it in paragraph 20(1) of Schedule 4A to the Companies Act
"Board"	the board of directors of the Company
"Brook Hunt"	Brook Hunt and Associates Ltd.
"CA 1985" or the "Act"	the United Kingdom Companies Act 1985, as amended
"CESR"	the Committee of European Securities Regulation
"Combined Code"	the principles of good governance and code of best practice appended to the Listing Rules
"Company"	Kazakhmys PLC, a public company incorporated in England and Wales with limited liability
"Consortium"	consortium of certain major Shareholders of Kazakhmys, with which Kazakhmys entered into exclusive purchasing right agreements from 2002 to 2004
"Credit Suisse First Boston"	Credit Suisse First Boston (Europe) Limited
"CREST"	the system for the paperless settlement of trades in listed securities, of which CRESTCo Limited is the operator
"CREST Regulations"	The Uncertificated Securities Regulations 2001
"Deutsche Bank"	Deutsche Bank AG
"Directors"	the Executive Directors and Non-executive Directors as listed in "Information on the Group—Directors and senior management" in Part II.
"Enlarged Share Capital"	the issued share capital of the Company as enlarged by the issue of the New Ordinary Shares

"EU"	European Union as established by the Treaty on European Union
"Exchange Act"	the US Securities Exchange Act of 1934, as amended
"Executive Directors"	the executive directors of the Company
"Existing Ordinary Shares"	existing Ordinary Shares of 20p each in the Company
"Financial Services Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of the FSMA
"FSMA"	the United Kingdom Financial Services and Markets Act 2000, as amended
"Global Offer"	the opportunity to acquire Ordinary Shares being made available to institutional and certain other investors described in Part V
"Glencore"	Glencore International AG, or any of its affiliates or subsidiaries (one of Kazakhmys' major customers)
"Group"	the Company and its subsidiaries, including Kazakhmys and MKM
"HSBC"	HSBC Bank plc
"HSE"	health, safety and environmental
"Haicheng"	the affiliated entities Tacheng International Boundary Trade Center and Orient International Holding Shanghai Foreign Trade Co. Ltd. (one of Kazakhmys' major customers)
"IFRS"	International Financial Reporting Standards
"Joint Global Co-ordinators" or "Joint Bookrunners"	Credit Suisse First Boston and JPMorgan Cazenove
"JPMorgan Cazenove"	JPMorgan Cazenove Limited
"JPMorgan"	J.P. Morgan Securities Ltd.
"KAZ Kupfer"	KAZ Kupfer GmbH, a wholly-owned subsidiary of Kazakhmys created to acquire MKM
"Kazakhmys"	TOO Kazakhmys Corporation, or its predecessor legal entity, and its subsidiaries excluding MKM
"Listing Rules"	the listing rules of the Financial Services Authority, made under Section 74 of the FSMA
"London Stock Exchange"	London Stock Exchange plc

"Major Shareholders"	Perry Partners S.A., Harper Finance Limited and Cuprum Holding B.V., and/or (as the context may require) the principal beneficial holders thereof
"Managers' Option"	the option to be granted by the Option Shareholder to the Joint Global Co-ordinators (on behalf of the Underwriters) to require the Option Shareholder to sell up to the maximum extent permitted of additional Existing Ordinary Shares at the Offer Price to cover over-allotments in connection with the Global Offer and to cover short positions resulting from such over-allotments
"MKM"	MKM Mansfelder Kupfer and Messing GmbH, a member of the Group, and/or all or any of its subsidiaries
"Model Code"	the model code on Directors' dealings in securities as set out in the appendix to chapter 9 of the Listing Rules
"New Ordinary Shares"	the 58,434,025 new Ordinary Shares of 20p each in the Company to be issued pursuant to the Global Offer
"Non-executive Directors"	the non-executive directors of the Company
"Offer Price"	the price at which each Ordinary Share is to be issued or sold under the Global Offer
"Official List"	the official list maintained by the Financial Services Authority for the purposes of Part VI of the FSMA
"Option Shares"	the 18,371,657 Existing Ordinary Shares proposed to be sold by the Option Shareholder pursuant to the Managers' Option
"Option Shareholder"	Perry Partners S.A.
"Ordinary Shares"	ordinary shares of 20p each in the Company
"Prospectus"	this document relating to the Company and the Ordinary Shares prepared in accordance with the Listing Rules and the Prospectus Rules
"Prospectus Rules"	the prospectus rules made by the Financial Services Authority, for the purposes of Part VI of the FSMA
"Qualified Institutional Buyer" or "QIB"	qualified institutional buyer as defined in Rule 144A under the Securities Act
"Redeemable Preference Shares"	redeemable preference shares of £1 each in the share capital of the Company
"Regulation S"	Regulation S under the Securities Act
"Regulations"	the Uncertificated Securities Regulations 2001, as amended from time to time
"Rule 144A"	Rule 144A under the Securities Act

"Sale Shares"	the 64,043,691 Ordinary Shares proposed to be sold by the Selling Shareholders pursuant to the Global Offer (assuming no exercise of the Managers' Option)
"Samsung"	Samsung Corporation Ltd., or any of its affiliates or subsidiaries
"SEC"	the US Securities and Exchange Commission
"Securities Act"	the US Securities Act of 1933, as amended
"Selling Shareholders"	Kinton Trade Limited and Perry Partners S.A.
"Senior Managers"	Ruslan Yun and Friedrich Flemming
"Share Exchange Agreements"	share exchange agreements between the Company and the former shareholders of Kazakhmys pursuant to which such shareholders agreed to transfer their shares in Kazakhmys to the Company
"Shareholders"	holders of Ordinary Shares of the Company
"Sponsor"	JPMorgan Cazenove
"Stabilisation Regulation"	Commission Regulation No. 2273/2003 of 22 December 2003 relating to exemptions for buy-back programmes and stabilisation of financial instruments
"Stabilising Manager"	the Stabilising Manager, to be determined prior to announcement of the Offer Price
"Suntime"	Suntime International Group, or any of its subsidiaries (one of Kazakhmys' major customers)
"Underwriters"	Credit Suisse First Boston, JPMorgan Cazenove, Deutsche Bank, HSBC, JPMorgan
"Underwriting Agreement"	the underwriting agreement entered into among, *inter alia*, the Company, the Sponsor and the Underwriters as further described in "Additional information—Underwriting Agreement" in paragraph 8 of Part XI
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"US GAAP"	generally accepted accounting principles as used in the United States

Glossary of technical terms

The following definitions shall apply to the technical terms used herein:

"adit"	a horizontal or nearly horizontal entrance/access to an underground mine from the surface, which often starts from the side of a hill
"anode"	the electrode by which current enters the cell. For copper refining, impure copper is used as an anode. For zinc refining, lead anodes are used
"assay"	valuable metals test
"beresitised"	the Soviet term for hydrothermal alteration characterised by the presence of pyrite, sericite and carbonate
"blister copper"	an impure form of copper produced by blowing air through molten copper matte to oxidise sulphur, iron and other impurities. It is the product of a converting furnace. The copper content is normally about 98% by weight
"C1 cash cost"	direct cash cost of production, per unit of paid metal. Includes the costs of mining and onsite processing, concentrate freight, smelting and refining costs, net of by-product credits
"cathode"	the cathode is the conductor through which electricity leaves the cell. For copper refining the cathode is where the refined copper is deposited
"caving"	a low-cost bulk method of mining where the orebody is either undercut to encourage it to collapse naturally (block caving), or loosened by blasting (sub-level caving), and then loaded from drawpoints on a safe level
"cells"	cells are the containers in which the electrolytic process for formation of metal takes place
"concentrate"	material which has been processed to increase the percentage of the valuable mineral to facilitate transportation and downstream processing
"copper concentrate"	product of the floatation process with a copper content typically ranging between 24% and 40%
"dilution"	waste or sub-economic mineralised material that is mined with the ore as an undesired consequence of mining
"dip"	the angle at which layered rocks, foliation, a fault, or other planar structures are inclined from the horizontal
"drawpoint"	a connection to a mining stope from which broken ore is loaded by front-end loader
"electrowinning"	recovery of metal from solution by electrolysis

"footwall"	geological or mining term meaning the rock below the orebody, or underlying a natural feature
"FSU classification"	former Soviet Union classification system
"GWh"	gigawatt hours
"High Grade"or "HG"	a zinc grade where zinc content is greater than 99.95% zinc. Used for a range of uses including corrosion protection, batteries and in making brass
"indicated resources"	that proportion of a mineral resource for which quantity and quality can only be estimated with a lower degree of certainty than for measured mineral resource
"inferred resources"	mineral resource inferred from geoscientific evidence, drill holes, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability
"JORC Code"	Report of the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute as of Geoscientists and Minerals Council of Australia, dated 2004
"kg"	kilogramme
"kt"	kilotonnes
"ktpa"	kilotonnes per annum
"kw"	kilowatt
"kWh"	kilowatt hour
"leaching"	extracting a soluble metallic compound from an ore by selectively dissolving it in a suitable solvent
"lead concentrate"	product of the floatation process with a lead content typically ranging between 50% and 70%
"life of mine" or "LoM"	the remaining life of the mine in years calculated by deducting the scheduled production rates (i.e., the rate at which material will be removed from the mine to the current defined reserves)
"LME"	London Metal Exchange
"m"	metres
"M"	million
"m^3"	cubic metre
"mm"	millimetre

"Mt"	million tonnes
"Mtpa"	million tonnes per annum
"MVA"	megavolt ampere
"MW"	megawatt
"measured resources"	the mineral resources for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence
"metamorphic"	term applied to pre-existing sedimentary and igneous rocks which have been altered in composition, texture, or internal structure by processes involving pressure, heat and/or the introduction of new chemical substances
"mineral"	a natural, inorganic, homogeneous material that can be expressed by a chemical formula
"mineral resource"	a tonnage or volume of rock or mineralisation of intrinsic economic interest
"mineralisation"	the process by which minerals are introduced into a rock. More generally, a term applied to accumulations of potentially economic or related minerals in quantities ranging from anomalous to economically recoverable.
"mining dilution"	the mining of some waste material with the ore megawatt
"open pit" or "open cut"	surface mining in which the ore is extracted from a pit or quarry
"ore"	a mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination to make extraction economic
"ounce" or "oz"	a troy ounce
"plant"	fixed or moveable equipment required in the process of winning or processing the ore
"probable reserves"	those measured and/or indicated mineral resources which are not yet "proved", but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of the determination and under specified economic conditions
"proved reserves"	measured mineral resources of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions
"refining"	the final process of upgrading the metal quality

"reserves"	those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable
"resources"	all of the potential minerals in a defined area based on points of observation and extrapolations from those points. Potential minerals are defined as minerals which have been or could be beneficiated to give a quality acceptable for commercial usage in the foreseeable future
"reverts"	copper-bearing materials which arise from the smelting process and are returned to it for reprocessing, such as the material that freezes on the walls of the ladles used to transport molten copper or material that is recovered when furnace linings are replaced.
"shrinkage stoping"	a labour-intensive mining method for narrow steeply dipping orebodies
"slag"	solid waste matter left when metal has been separated from ore by smelting
"slurry"	suspension of solids in a liquid
"smelting"	thermal process whereby molten metal is liberated from a concentrate, with impurities separating into a lighter slag
"spot price"	the current price of a metal for immediate delivery
"stope"	a three-dimensional area of ore defined for mining
"strike"	the direction or bearing of a bed or layer of rock measured along a horizontal line along the bed or layer
"strip ratio"	the ratio between the amount of waste rock that must be removed in order to access the ore. Usually a ratio of tonnes of waste to tonnes of ore. Also given as a ratio of volume of waste to tonnes of ore for coal and some flat-lying deposits
"t" or "tonne"	metric tonne, equivalent to 2,204.62 pounds
"tailings"	the waste material produced from ore after economically recoverable metals or minerals have been extracted. Changes in metal prices and improvements in technology can sometimes make the tailings economic to process at a later date
"tankhouse"	a building in which an electrolytic refinery is housed; the refinery consists of tanks in which electrolytic refining takes place
"tolling"	the process by which a customer supplies concentrate to a smelter and the smelter invoices the customer the smelting charge, and possibly a refining charge, and then returns the metal to the customer.

"ton"	a US short ton, equal to 0.9072 metric tonnes
"tpa"	tonnes per annum
"tpd"	tonnes per day
"Vanyukov furnace"	type of primary copper smelting furnace presently used only in the FSU that employs oxygen injection to promote partial oxidation in the iron in the concentrate to generate the heat required to melt the concentrate, giving the furnace the unusual capability to adjust the grade of the copper matte to suit the needs of the converter (the secondary smelting furnace).
"zinc concentrate"	product of the floatation process with a zinc content typically ranging between 45% and 60%.

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