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"KAZ MINERALS BOZSHAKOL LIMITED LIABILITY PARTNERSHIP"

OFFER DOCUMENT

relating to issue of Senior unsecured coupon bond in an aggregate amount of US$100,000,000 due 30 September, 2024

This document is an Offer Document ("**Offer Document**") that has been prepared in connection with the offering ("**Offering**") by KAZ Minerals Bozshakol LLP ("**Issuer**") of Senior Unsecured Coupon Bonds to Accredited Investors in accordance with 1.1.2(2)(a) of the AIFC Market Rules for an aggregate amount of US$100,000,000 (one hundred million) ("**Bonds or Securities**") valid up until September 30, 2024.

In connection with the Offering, applications have been made to the Astana International Exchange (the "**AIX**") to: (i) admit the issued Securities , to the Official List of the AIX; and (ii) admit the Securities to trading on the AIX (together, "**Admission**").

Warnings:

1. Any decision to invest in the Securities should be based on a consideration of the Offer Document by the investor ("**you**" or "**your**").
2. You could lose all or part of the amount invested.

Responsibility Statement:

The following persons are responsible for this Offer Document:

KAZ Minerals Bozshakol Limited Liability Partnership, registered at: the Republic of Kazakhstan, Pavlodar region, Ekibastuz city, Tort-Kuduk rural district, Tort-Kuduk village, building 13, postal code 141218; and

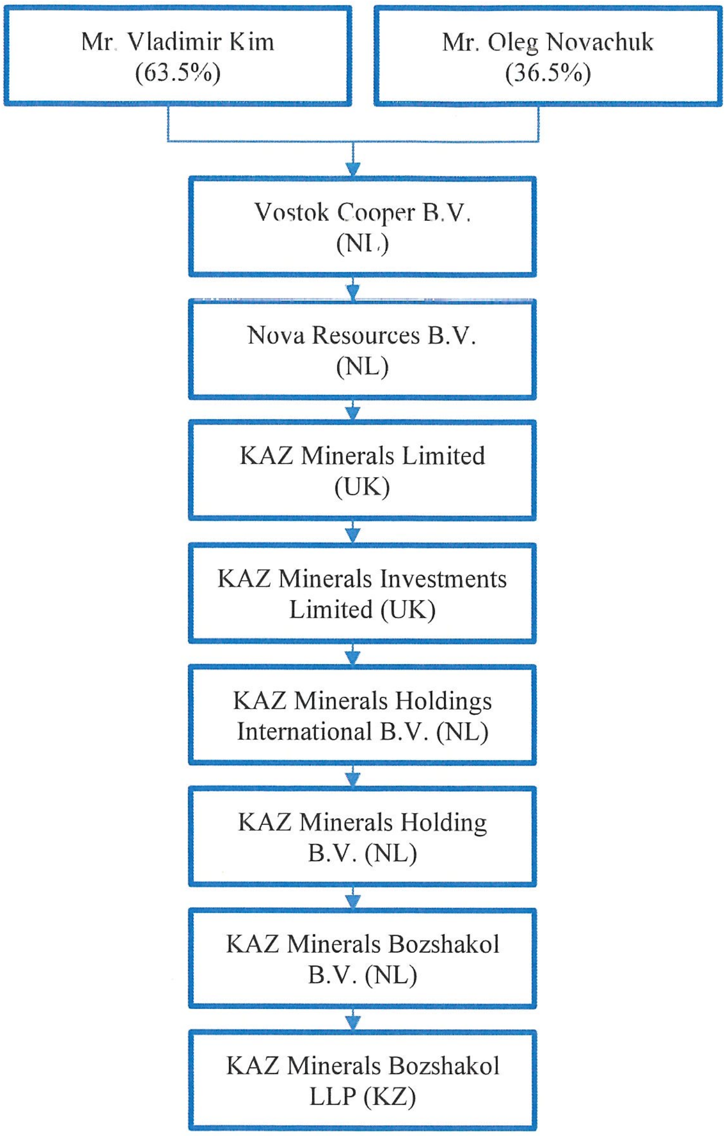
its **Finance Director Gulmira Suleimen;** and

its **Financial Controller Alua Shainova** in relation to all the information herein.

Each such person confirms (having taken all reasonable care to ensure that such is the case) that the information contained in the relevant parts of the Offer Document is, to the best of their knowledge, in accordance with the facts, and the Offer Document omits no information likely to affect its import.

SECTION 1. INTRODUCTION	
Issuer	**KAZ Minerals Bozshakol Limited Liability Partnership.** BIN: 090540005490

Contact details of the Issuer	Address: the Republic of Kazakhstan, Almaty, 85A Dostyk Ave., Building 1 tel: +7 (727) 244 03 53; office_bozshakol@kazminerals.com
Domicile, legal form, country and date of incorporation	the Republic of Kazakhstan, Pavlodar region, Ekibastuz city, Tort-Kuduk rural district, Tort-Kuduk village, building 13, postal code 141218. The Issuer has been incorporated as a Limited Liability Partnership on 12 May, 2009 and is operating under the laws of the Republic of Kazakhstan
Advisors to the Issuer	Whitecliff Investment Management Kazakhstan LLP. Address: the Republic of Kazakhstan, Almaty, 15 Republic square, floor 5, 050013
Purpose of the Offer	Proceeds from the issue of the Bonds are to be used for general corporate purposes and refinancing of the existing debt;
SECTION 2. INFORMATION ABOUT THE ISSUER	
Principal activities and business	The Issuer's principal activity is the mining and processing of copper ore. Its main assets are the Bozshakol large-scale open pit mine and on-site processing facilities in the Pavlodar region of the Republic of Kazakhstan. The Issuer holds the subsoil use rights, a license #15011279 dated as of 15.06.2015 for the extraction of copper ore at the Bozshakol field under contract number 2494 dated 26 November 2007 as transferred from Kazakhmys Corporation LLP on 15 May 2013, the contract is valid for 25 (twenty-five) years from the date of entry into force of the contract. The Issuer confirms that the subsoil use rights are not pledged and there are no encumbrances in relation to them. The Issuer's main products are copper in concentrate with by-products of gold, silver and molybdenum, with some concentrate toll processed at the Balkhash smelter (a related party). The Bozshakol mine and the processing facilities employ around 1,700 people. Bozshakol is a first quartile asset on the global cost curve with an annual ore processing capacity of 30 million tonnes and a remaining mine life of c.40 years at an average copper grade of 0.35%. The mine and processing facilities commenced output in 2016 and will produce an average of 100 kt of copper cathode equivalent and 120 koz of gold in concentrate per year over the first 10 years of operations. The processing facilities include the sulphide concentrator with an annual ore processing capacity of 25 million tonnes and the clay plant with an annual ore processing capacity of 5 million tonnes.

Major shareholders, including whether it is directly or indirectly owned or controlled and by whom	The Issuer is wholly owned by KAZ Minerals Bozshakol B.V. (100%). The ultimate parent of the Issuer is Vostok Cooper B.V. and the ultimate controlling owners are Vladimir Kim (63.5%) and Oleg Novachuk (36.5%).  * *Note: 100% ownership if not stated otherwise.*
Current and proposed directors and senior managers of the Issuer	**Sergey Leu, General Director.** He was appointed General Director of Bozshakol in August 2016 and is responsible for the management of Bozshakol operations. He brings significant mining and metallurgical expertise to the Issuer having spent 20 years at the Navoi Mining & Metallurgical Combinat in Uzbekistan, a large scale open pit mining operation with an annual gold output of over 2.5 million ounces, progressing to hold a number of senior management positions. Sergey is a graduate of the Russian State Geological Prospecting University. **Gulmira Suleimen, Finance Director.** She joined KAZ Minerals Bozshakol LLP in July 2015 as Financial Controller and was appointed Finance Director for Bozshakol and Aktogay Operations in November 2017. Gulmira held previously senior finance positions in Kazakhstan branches of some US, Canada and UK oil and gas companies during 2001-2015, including the group financial controller role in Petrokazakhstan Inc in 2000-2005. Gulmira began her career in 1996 with Deloitte advisory firm in Almaty.

Auditor	KPMG Audit LLC, State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan. Auditor: Sergei Nezdemkovskiy, Certified Auditor of the Republic of Kazakhstan, Auditor's Qualification Certificate No. 0000182 of 2 June 2014, address: 180 Dostyk Avenue, Almaty, A25D6T5, Kazakhstan.

Key financial information covering the latest 2 financial years

Statement of profit or loss and other comprehensive income

	For the year ended 31 December, KZT million	
	2020	**2019**
	(audited)	
Revenue	399,538	302,683
Cost of sales	(163,582)	(145,279)
Gross Profit	**235,956**	**157,404**
Selling and distribution expenses	(5,884)	(5,467)
Administrative expenses	(11,937)	(8,510)
Net other operating income	851	1,005
Impairment losses	(357)	(8)
Profit before finance items and taxation	**218,629**	**144,424**
Finance income	86	46
Finance costs	(29,718)	(42,418)
Net foreign exchange gain/(loss)	6,668	(1,556)
Profit before taxation	**195,665**	**100,496**
Income tax expense	(39,682)	(20,679)
Profit for the year	**155,983**	**79,817**
Total comprehensive income for the year	**155,983**	**79,817**

Statement of financial position

	As at 31 December, KZT, millions	
	2020	**2019**
	(audited)	
Assets		
Non-current assents		
Intangible assets	607	901
Property, plant and equipment	367,148	389,023
Mining assets	19,709	20,482
Other non-current assets	49,130	51,788
	436,594	**462,194**
Current assets		
Inventories	103,936	83,113
Prepayment and other current assets	15,900	10,665
Trade and other receivables	68,063	115,186
Cash and cash equivalents	106,144	2,102
	294,043	**211,066**
Total Assets	**730,637**	**673,260**
Equity and liabilities		

Equity		
Share capital	120,000	120,000
Retained earnings **Total equity**	333,573 **453,573**	177,590 **297,590**
Non-current liabilities		
Borrowings	163,636	253,847
Deferred tax liability	32,700	31,339
Provisions	5,317	4,439
Other liabilities	150 **201,803**	184 **289,809**
Current liabilities		
Trade and other payables	25,714	20,805
Borrowings	47,073	64,976
Income taxes payable	2,423	30
Other liabilities	51	50
	75,261	**85,861**
Total liabilities	**277,064**	**375,670**
Total equity and liabilities	**730,637**	**673,260**

Statement of cash flows

	For the year ended 31 December, KZT, millions	
	2020	2019
	(audited)	
Cash flows from operating activities		
Cash receipts from customers	454,153	275,332
Cash payments to employees, suppliers and taxes other than non-current VAT and income tax	(162,939)	(146,916)
Cash flows from operations before interest and income taxes paid	**291,214**	**128,416**
Interest paid	(37,609)	(45,104)
Income taxes paid	(31,714)	(7,944)
Net cash flows from operating activities	**221,891**	**75,368**
Cash flows from operating activities		
Interest received	82	46
Proceeds from disposal of property, plant and equipment	20	5
Purchase of intangible assets	(36)	(83)
Purchase of property, plant and equipment	(16,196)	(34,208)
Investments in mining assets	(280)	(1,174)
Investments in long-term bank deposits	(43)	(42)
License payment for subsoil contracts	(51)	(51)

Net cash flows used in investing activities	**(16,504)**	**(35,507)**
Cash flow from financing activities		
Repayment of borrowings	(100,000)	(40,000)
Net cash flows used in financing activities	**(100,000)**	**(40,000)**
Net increase/(decrease) in cash and cash equivalents	105,387	(139)
Cash and cash equivalents at the beginning of the year	2,102	2,662
Effect of exchange rate changes on cash and cash equivalents	(1,345)	(421)
Cash and cash equivalents at the end of the year	**106,144**	**2,102**

Historical financial information is available by the following link: *https://opi.dfo.kz/p/ru/DfoObjects/objects/teaser-view/15100704?ElDossierTabId=AuditReports*

Risks specific to the Issuer and the Securities	**These risk factors are not exhaustive and compiled in accordance with the available information and the market situation at the date of this document.** **In the event of one or more of the risks listed below, the Issuer will take all possible measures to minimize the negative consequences. At the same time, the Issuer cannot guarantee that actions aimed at overcoming the negative changes that have arisen can lead to a correction of the situation, since the described factors are beyond the Issuer's control.** **The most material risks specific to the Issuer include**: *Sustainability risks* **Safety and health.** Mining is a hazardous industry. Safety and health incidents could result in harm to people, as well as production disruption, financial loss and reputational damage. The ongoing Covid-19 pandemic presents a risk to the safety and health of employees and contractors. **Community and labour relations.** The Issuer operates in areas where it is a major employer, where employees are represented by labour unions and where it may provide support to the local community. This may impose restrictions on the Issuer's flexibility in taking certain operating decisions. Failure to identify and manage the concerns and expectations of the labour force and local communities could affect the Issuer's reputation and social licence to operate and could result in production disruptions and increases in operating costs and could impact project capital costs and schedule. Wage negotiations could be impacted by higher commodity prices, higher domestic inflation or the continued weakness of the tenge. **Employees.** The Issuer is dependent on its ability to attract and retain highly skilled personnel. Failure to do so could have a negative impact on operations and result in higher operating costs to recruit required staff. The remote location of some operations increases this challenge. **Environmental risks.** Mining operations involve the use of toxic substances and require the storage of large volumes of waste materials in tailings dams, which could result in spillages, loss of life and significant environmental damage. The Issuer is subject to environmental laws and regulations which are continually developing, including those to tackle climate change. Failure to comply with applicable laws could lead to the suspension of operating licences, the imposition of financial penalties or costly compliance costs and reputational damage. Environmental practices face additional scrutiny as societal expectations around responsible investing evolve. This could impact the Issuer's operations or access to capital. *Operational risks* **Business interruption.** Operations are subject to a number of risks not wholly within the Issuer's control, including: geological and technological challenges; weather, pandemic disease or other natural phenomena; damage to or failure of equipment and infrastructure; information technology and cyber risks; loss or interruption to key inputs such as electricity and water; and the availability of key supplies and services, including the Balkhash smelter. Any disruption could impact production, may require the Issuer to incur unplanned expenditure and negatively impact cash flows. **Reserves and resources.** The Issuer's mineral reserves are in part based on an estimation method established by the former Soviet Union. There are numerous uncertainties inherent in estimating mineral reserves, which if changed, could require the need to restate mineral reserves and impact the economic viability of affected operations.

	Political. The Issuer could be affected by political instability or social and economic changes in the country in which it operates. This could include a change in government, the granting and renewal of permits and changes to foreign trade or legislation that could affect the business environment and negatively impact the Issuer's business, financial performance and licence to operate. **Legal and regulatory compliance.** The Issuer is subject to various legal and regulatory requirements including subsoil usage rights in Kazakhstan. Legislation and taxation may be subject to change and uncertainty of interpretation, application and enforcement. Non compliance with legislation could result in regulatory challenges, fines, litigation and ultimately the loss of operating licences. Substantial payments of tax could arise for the Issuer, or tax receivable balances may not be recovered as expected. The Issuer however confirms that the Issuer has never had any court or the Ministry's proceedings concerning its subsoil rights. Nor have there been any tax offences revealed, as a result of the tax audits in the last five years, which could affect the Issuer's standing. *Financial risks* **Commodity price.** The Issuer's results are heavily dependent on the commodity price for copper and to a lesser extent, the prices of gold and silver. Commodity prices can fluctuate significantly and are dependent on several factors, including global supply and demand and investor sentiment. In the first half of 2020, the copper price was adversely affected by the economic impact of the Covid-19 pandemic. The copper price increased significantly during the second half of 2020, following the reporting of positive economic data in China and the roll-out of stimulus packages by governments worldwide. China is the largest consumer of copper globally, and a reduction in China's economic growth, for example as a result of another outbreak of Covid-19 or worsening trade relations with the USA, could have a material adverse impact on the copper price. **Foreign exchange and inflation.** Fluctuations in rates of exchange or inflation in the jurisdictions to which the Issuer is exposed could result in future increased costs. **Exposure to China.** KAZ Minerals purchases the Issuer's products, arranges transportation and markets and sells the output to customers located mainly in China, with some smaller sales volumes into Europe. Treatment and refining charges are dependent upon Chinese smelting capacity and the level of copper concentrate supply in the region. In addition, the Issuer uses contractors, services and materials from China. Whilst the Chinese economy has rebounded strongly from the initial negative impact of the Covid-19 pandemic, any future restrictions on the movement of goods, people and services could impact the Issuer's operations and projects, the availability of Chinese credit and its demand for commodities. **Liquidity.** The Issuer is exposed to liquidity risk if it is unable to meet payment obligations as they fall due or is unable to access acceptable sources of finance. Non-compliance with financial covenants could result in borrowing facilities becoming uncommitted and repayable. Failure to manage liquidity risk could have a material impact on the Issuer's cash flows, earnings and financial position. **Risk related to the Bonds** • The Bonds may not be a suitable investment for all investors; • Each prospective investor must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Bonds is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies,

	guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risk inherent in investing in or holding the Bonds; • Each prospective investor must determine the suitability of that investment considering its own circumstances. • Each prospective investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated herein; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its own financial situation, an investment in the Bonds and the impact that any such investment will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear the risks of an investment in the Bonds, including any currency exchange risk; (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of the financial markets and any relevant indices; (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the risks of such investment; and consult its own advisers as to legal, tax and related aspects of an investment in the Bonds.
Description of the principal markets in which the Issuer operates	The principal market is the Republic of Kazakhstan. 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.

Principal assets of the issuer

Net book value	As at 31 December, KZT million 2020 (audited)	2019
Property, plant and equipment	367,148	389,023
Mining Assets	19,709	20,482
Other non-current assets	49,130	51,788
Inventories	103,936	83,113
Prepayments and other current assets	15,900	10,665
Trade and other receivables	68,063	115,186
Cash and cash equivalents	106,144	2,102

Capital resources/Statement of changes in equity for the year ended 31 December 2020

KZT, million	Share Capital	Retained Earnings	TOTAL
At 1 January 2019	120,000	97,773	217,773
Profit for the year	-	79,817	79,817
Total comprehensive income for the year	-	79,817	79,817
At 31 December 2019	**120,000**	**177,590**	**297,590**
Profit for the year	-	155,983	155,983
Total comprehensive income for the year	-	155,983	155,983
At 31 December 2020	**120,000**	**333,573**	**453,573**

At 31 December 2020, the Issuer had retained earnings of KZT 333,573 million (2019: KZT 177,590 million). No dividends were declared or paid by the Issuer during 2020 and 2019.

Ownership structure (group structure)	Please see annex 1 for detailed information

Ultimate Holding Company[1]	*Vostok Cooper B.V. (NL)*

Share capital

	2020		2019	
	KZT million	**%**	**KZT million**	**%**
KAZ Minerals Bozshakol B.V	120,000	100	120,000	100

SECTION 3. INFORMATION ON SECURITIES

Class, type	Senior Unsecured Coupon Bonds
ISIN	KZX000000864
Currency	U.S. Dollars (US$).
Form of Issuance	The Bonds shall be issued under the AIFC rules and regulations
Maturity of the Bonds	30 September 2024
Interest/Coupon	3.5%- pa, payable on a semiannual basis. The coupon interest due and payable for any period, shall be calculated as the product of the nominal value of the Bonds and the day-count fraction for the relevant period, rounding the resulted figure to the nearest US cent (half a US cent shall be rounded upwards). Coupon interest accrued on the Bonds shall be calculated as follows: Coupon interest accrued on the Bonds = ((k * n * c) / 360) * 180, Where: k - number of Bonds, total amount; n - nominal value of each bond, U.S.$; c - coupon interest rate, %. Final coupon interest shall be paid concurrently with the redemption of nominal value of the Bonds. The coupon interest on the Bonds shall be paid according to the time base of 360 (three hundred sixty) days in a year and 30 (thirty) days in a month during the entire period of circulation.
Ranking	The Bonds shall constitute direct, general and unconditional obligations of the Issuer which will rank pari passu among themselves and rank pari passu, in terms of payment rights, with all other current or future unsubordinated obligations of the Issuer, except for liabilities mandatorily preferred by law.
Restrictions on the Free Transferability	The Bonds are freely transferable and, once admitted to the Official List of the AIX, shall be transferable only in whole in accordance with the applicable rules and regulations of the AIX amended from time to time.
Notices	*To Bondholders* All notices to the Bondholders shall be deemed to have been duly given if, so long as the Bonds are listed on the Official List of AIX and so long as the rules of the AIX so require, by publication (i) via AIX Regulatory Announcement Service or (ii) in writing to the holder of the Bonds by the Issuer. If the Bonds cease to be listed on the AIX, any notice shall be sent to Bondholders by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the register, and any such notice shall be deemed to have been given on the fourth day after the date of mailing. *To the Issuer* Notices to the Issuer will be deemed to be validly given if delivered to the Issuer at the Republic of Kazakhstan, Almaty, 85A Dostyk Ave., Building 1,

[1] Omit if not relevant.

	for the attention of Gulmira Suleimen and will be deemed to have been validly given when delivered.
Rights of the Bondholders	Rights of the Bondholders are the following: - enter into transactions with the Bonds in accordance with applicable law; - receive the nominal value of the Bonds and interest payments on the Bonds in order and in within the terms set forth herein; - obtain the required information on the Issuer and its activity, its financial standing and results of operations subject to the applicable AIFC laws; - attend, participate in and vote at meetings of the Bondholders in accordance with the terms herein; - other rights arising from the right of owning the Bonds in cases and in order subject to the applicable law.
Bondholders Meetings	The bondholders may require the Issuer to convene a meeting of the holders of the Bonds to transact matters concerning the Bonds, including the amendment of any provision of this Offer Document. No amendment to the Offer Document shall be allowed, unless it is approved by a resolution of the holders of at least 75% (seventy-five percent) in principal amount of the Bonds then outstanding. A meeting shall be convened by the Issuer at a written request of the holders of not less than 10% (ten percent) of the total face amount of the unredeemed Bonds upon at least 30 days notice (exclusive of the day on which notice is given and of the day on which the relevant meeting is to be held). The quorum at any meeting of the bondholder(s) convened for voting on any matter in relation to this Offer Document shall constitute two or more Persons holding or representing at least 50% (fifty percent) of the total amount of the unredeemed Bonds, or, in case of a meeting in absentia, two or more Persons acting as holders of the Bonds or representatives thereof, holding or representing at least 50% (fifty percent) of the total amount of the unredeemed Bonds. Any resolution passed at any such meeting shall be binding upon all holders of the Bonds, regardless of whether they present at such meeting or not. If all outstanding Bonds are owned by a single holder, no meeting of the holders of the Bonds shall be held. In this condition, "Person" means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other legal entity, whether or not having separate legal personality.
Redemption	Bonds shall be redeemable at par. The redemption of the Bonds shall be made concurrently with the final payment of interest within 10 (ten) calendar days after and including the Maturity date.
Events of Default	If any of the following events (each an "Event of Default") occurs, the Issuer within 2 (two) business days shall notify the holders of the Bonds about such Event of Default, and any holder of a Bond then outstanding is entitled to give notice to the Issuer that the Bond is, and shall immediately become, due and payable at 100% (one hundred percent) of its principal amount together with accrued interest to the date specified for redemption in such notice: (a) Non-payment: the Issuer fails to pay the principal of any of the Bonds when such principal becomes due and payable at maturity, by declaration or otherwise, or the Issuer is in default with respect to the payment of interest or penalty on the Bonds, and such default continues for a period of at least 10 (ten) business days; or (b) Breach of other obligations: the Issuer is in default of the

	performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement, and such default or breach is not remedied within 30 (thirty) calendar days after a notice thereof has been given to the Issuer by any holder of the Bonds. Any claim against the Issuer in respect of the Bonds other than for payments of principal and interest shall become invalid unless it is filed within 1 (one) year from the date of the nonpayment or breach.
Other Obligations of the Issuer	So long as any of the Bonds remains outstanding: a) the Issuer will not allow any default under its liabilities, including but not limited to, obligations evidenced by bonds, debentures, notes, loans or other similar instruments, for an aggregate amount exceeding 10% (ten percent) of the Issuer's total assets calculated by reference to the Issuer's most recent available financial statements as of the most recent reporting date preceding such a default, b) the Issuer will not allow the occurrence of any of the following events: initiation of bankruptcy proceedings or similar measures by any person in accordance with the legislation of country where it operates, including any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities, moratorium of payments or similar arrangements involving the Issuer, or the appointment of a rehabilitation manager, interim manager, bankruptcy trustee or similar insolvency officer in relation to the Issuer or its assets; c) the Issuer will not terminate a listing of the Bonds in the Official List of the AIX after a listing is granted; d) the Issuer will not amend or substitute any entity in place of the Issuer as the principal debtor in respect of the Bonds, without prior written consent of the holders of at least 75% (seventy-five percent) in principal amount of the Bonds then outstanding; e) the Issuer will not amend the Offer Document without prior written consent of the holders of at least 75% (seventy-five percent) in principal amount of the Bonds then outstanding.
Payments	Interest on the Bonds shall be paid to Bondholders as shown on the register that the Issuer shall procure, to be kept by the AIX Registrar in accordance with AIX Registrar's regulations, at 00:00:00 on the last day of a period in which the interest payment is due (the "Record Date"). Interest on the Bonds shall be paid within 10 (ten) calendar days after (and including) the relevant interest payment dates by a bank wire transfer (in U.S.$ only) to bank accounts of the holders as stated in the register of bondholders at the Record Date. The final payment of interest shall be made concurrently with payment of the principal of the Bonds within 10 (ten) calendar days after (and including) the relevant Maturity Date. All payments in respect of the Bonds shall be made in U.S.$. Each holder shall be responsible for maintaining current, complete, and accurate bank wire instructions in the AIX CSD. The Issuer shall have no liability to a holder for non-payment of interest in a timely manner due to the failure of the holder to provide required bank wire instructions. Bondholder claims for principal or interest shall become void if the Bondholder fails to provide complete and accurate bank wire instructions in the Register within 1 (one) year (in the case of principal) or within 1 (one) year (in the case of interest) of the appropriate Record Date. All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment. No commissions or expenses shall be charged to the Bondholders in respect of such payments. The Bonds are not subject to a trust deed or indenture and there is no paying agent to oversee payments of interest and principal. The Issuer will be directly responsible to affect all payments to be made pursuant to the Bonds' Offer Document.

Taxation	In accordance with the Law "On the Astana International Financial Centre", individuals and legal entities, residents and non-residents of the Republic of Kazakhstan shall be exempt from individual and corporate income taxes on the following: • in respect of their returns representing interest on securities (including bonds) which are included in official listings of a stock exchange as at the date of accrual of such dividends or interest; • in respect of their profit from value growth, received by the bondholders due to disposal, sale, exchange or transfer of the securities which are included in official listings of a stock exchange as at the date of such disposal, sale, exchange or transfer. All payments on debt securities in the form of a discount, increase in value or a coupon not regulated by Law "On the Astana International Financial Centre" are subject to regulation by the Code of the Republic of Kazakhstan "On taxes and other obligatory payments to the budget".
Authorizations	The issue of the Bonds was approved by a shareholder resolution of KAZ Minerals Bozshakol BV, being the sole shareholder of the Issuer, dated 22 September 2021.
Clearing and Settlement	The payment and settlement will be made through the settlement system of the AIX CSD in accordance with the rules and regulations of the AIX CSD (the "AIX CSD Rules"), in particular delivery of the Bonds through the system of the AIX CSD. In order to participate in the offering of the Bonds, take delivery of the Bonds and trade the Bonds on AIX, investors are required to have an account opened with a brokerage company admitted as an AIX Trading Members and AIX CSD Participant. The Bond s will be held on behalf of investors in the relevant AIX Trading Member's custodial account at AIX CSD.
Open Market Purchases	The Issuer may at any time purchase Bonds in the organized or unorganized (over-the-counter) securities markets. The purchase price of Bonds by the Issuer is determined by: (i) When concluding a transaction in the organized securities market, based on the market value on the date of the transaction; (ii) When concluding a transaction in the unorganized securities market by agreement of the parties to the transaction. Any such purchased Bonds will not be considered as redeemed and may be further resold by the Issuer. The purchase of Bonds by the Issuer shall not entail a violation of the rights of other bondholders.
Applicable law and jurisdiction	The Bonds and any non-contractual obligations arising out of, or in connection with, the Bonds shall be governed by, and construed in accordance with, the laws of AIFC. The Issuer has agreed herein the conditions in favor of the Bondholders of the Bonds that any claim, dispute or discrepancy of any nature arising out of, or in connection with, the Bonds (including claims, disputes or discrepancies regarding the existence, termination thereof, or any non-contractual obligations arising out of, or in connection with, the Bonds) shall be brought to, and finally resolved by, the Court of the AIFC in accordance with the rules thereof.

SECTION 4. KEY INFORMATION ON THE ADMISSION TO TRADING

Registrar	Astana International Exchange Registrar Ltd. ("AIX Registrar"). The AIX Registrar shall keep register of holders of securities and record transfer of title to securities between the respective holders thereof pursuant to the Registry Services Agreement between the Issuer and AIX Registrar.
Depository	AIX CSD holds securities for AIX Market Participants and their clients and facilitates the clearance and settlement of securities transactions between these participants through electronic book entry changes in accounts of such participants.
Details of the admission to an Official List of Securities and trading	The Bonds placement date: 30 September 2021 Listing date: 30 September 2021 Admission to trading: 1 October 2021.
Specified Currency	U.S. Dollars (U.S.$)
Nominal Value	U.S.$ 100,000 per Bond
Quantity	1,000 Bonds at U.S.$100,000 each
Aggregate Nominal Amount of Bonds	U.S.$100,000,000
Issue Price	The Issue Price of the Bonds at the Issue Date is expected to be 100% of the Nominal Value
The Offer Period Opening Date	30 September 2021
Interest Commencement Date	30 September 2021
The Offer Period Closing Date	The offer period will close upon expiration of 12 months from the date on which the Offer Document is approved by AIX.
Maturity Date	30 September 2024
Rate of Interest	3.5% per annum payable semi-annually
Notification Process for Investors	Dealings in the Bonds shall not commence prior to admission to trading of the Bonds by the AIX or prior to the said notification.
Interest Payment Dates	March 30 and September 30 in each year, commencing on 30 September 2021. If any of the coupon payment dates fall to non-business days the payment shall be made the next following business day.
Estimated Expenses	Fees associated with admission of the Bonds to the Official List of the AIX and to trading on the AIX pursuant to the AIX Fee Schedule.
Estimated Net Amount of Proceeds	The net proceeds from the issuance are expected to amount to approximately US$99,960,000 (ninety-nine million nine hundred sixty thousand US Dollars) after deduction of AIX fees and expenses related to the issue.
Potential Investors	The Bonds shall be offered under the Section 1.2.2(1)(a) of AIFC MAR to Accredited Investors only (as defined in MAR 1.1.2(6)a)).

Schedule of Payment of Interests on Bonds

Coupon period sequence number	Coupon period commencement date	Coupon period expiry date	Register closing date (Record Date) 00:00:00 time	Interest payment commencement date	Interest payment expiry date
1	September 30, 2021	March 30, 2022	March 30, 2022	March 31, 2022	April 11, 2022
2	March 31, 2022	September 30, 2022	September 30, 2022	October 1, 2022	October 11, 2022
3	October 1, 2022	March 30, 2023	March 30, 2023	March 31, 2023	April 10, 2023
4	March 31, 2023	September 30, 2023	September 30, 2023	October 2, 2023	October 12, 2023
5	October 2, 2023	March 30, 2024	March 30, 2024	April 1, 2024	April 10, 2024
6	March 31, 2024	September 30, 2024	September 30, 2024	October 1, 2024	October 10, 2024

"KAZ Minerals Bozshakol"
(КАЗ Минералз Бозшаколь)

Gulmira Suleimen,
Finance Director

ANNEX 1 to offer document of "KAZ MINERALS BOZSHAKOL LIMITED LIABILITY PARTNERSHIP" relating to issue of Senior unsecured coupon bond in an aggregate amount of US$100,000,000 due 30 September, 2024

KAZ Minerals operates the Aktogay and Bozshakol open pit copper mines in the East Region and Pavlodar region of Kazakhstan, three underground mines and associated concentrators in the East Region of Kazakhstan and the Bozymchak copper-gold mine in Kyrgyzstan. The Group acquired the Baimskaya project in the Chukotka region of Russia in January 2019, one of the world's most significant undeveloped copper assets, with the potential to become a large scale, low cost, open pit copper mine.

Subsidiaries and joint operations

Name of the company	Principal Activity	Operating division	Country of incorporation	Equity interest, %
KAZ Minerals Finance PLC	Group financing company	Corporate services	England and Wales	100
KAZ Minerals Investment Limited	Holding company	Corporate services	England and Wales	100
KAZ Minerals Holdings International B.V.	Holding company	Corporate services	The Netherlands	100
KAZ Minerals Holding B.V.	Holding company	Corporate services	The Netherlands	100
KAZ Minerals Bozshakol B.V.	Holding company	Bozshakol	The Netherlands	100
KAZ Minerals Bozshakol LLP	Copper and Mining concentrating	Bozshakol	Kazakhstan	100

* *Note: for more information, please see **KAZ Minerals Annual report and accounts 2020.***

ANNEX 2

KAZ Minerals Bozshakol Limited Liability Partnership

Financial Statement for the year ended 31 December 2020

and

Financial Statement for the year ended 31 December 2019

KAZ Minerals Bozshakol LLC

Financial Statements

for the year ended 31 December 2020

KAZ Minerals Bozshakol LLC

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«КПМГ Аудит» жауапкершілігі
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KPMG Audit LLC
180 Dostyk Avenue, Almaty,
A25D6T5, Kazakhstan,
E-mail: company@kpmg.kz

Independent Auditors' Report

To Management and sole participant of KAZ Minerals Bozshakol LLC

Opinion

We have audited the financial statements of KAZ Minerals Bozshakol LLC (the "Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors' report is:

Sergey Nezdemkovskiy
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
No. 0000182 of 2 June 2014

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of its Charter

14 April 2021

KAZ Minerals Bozshakol LLC
Statement of profit or loss and other comprehensive income
for the year ended 31 December 2020

KZT million	Notes	**2020**	2019
Revenues	4	**399,538**	302,683
Cost of sales	5(a)	**(163,582)**	(145,279)
Gross profit		**235,956**	157,404
Selling and distribution expenses	5(b)	**(5,884)**	(5,467)
Administrative expenses	5(c)	**(11,937)**	(8,510)
Net other operating income		**851**	1,005
Impairment losses		**(357)**	(8)
Profit before finance items and taxation		**218,629**	144,424
Finance income	6	**86**	46
Finance costs	6	**(29,718)**	(42,418)
Net foreign exchange gain/(loss)		**6,668**	(1,556)
Profit before taxation		**195,665**	100,496
Income tax expense	7(a)	**(39,682)**	(20,679)
Profit for the year		**155,983**	79,817
Total comprehensive income for the year		**155,983**	79,817

The accounting policies and explanatory notes on pages 5 through 31 form an integral part of these financial statements.

KAZ Minerals Bozshakol LLC

Statement of financial position as at 31 December 2020

KZT million	Notes	2020	2019
Assets			
Non-current assets			
Intangible assets		607	901
Property, plant and equipment	8	367,148	389,023
Mining assets	9	19,709	20,482
Other non-current assets	10	49,130	51,788
		436,594	462,194
Current assets			
Inventories	11	103,936	83,113
Prepayments and other current assets	12	15,900	10,665
Trade and other receivables	13	68,063	115,186
Cash and cash equivalents	14	106,144	2,102
		294,043	211,066
Total assets		730,637	673,260
Equity and liabilities			
Equity			
Share capital	15	120,000	120,000
Retained earnings		333,573	177,590
Total equity		453,573	297,590
Non-current liabilities			
Borrowings	7(b)	163,636	253,847
Deferred tax liability	16	32,700	31,339
Provisions	17	5,317	4,439
Other liabilities		150	184
		201,803	289,809
Current liabilities			
Trade and other payables	18	25,714	20,805
Borrowings	7(b)	47,073	64,976
Income taxes payable		2,423	30
Other liabilities		51	50
		75,261	85,861
Total liabilities		277,064	375,670
TOTAL EQUITY AND LIABILITIES		730,637	673,260

Signed on 14 April 2020 on behalf of management:

S.V. Leu
Director

"KAZ Minerals Bozshakol" (КАЗ Минералз Бозшаколь)
Қазақстан Республикасы Екібастұз қаласы Жауапкершілігі шектеулі серіктестігі * Республика Казахстан г. Экибастуз Товарищество с ограниченной ответственностью *

T.N. Kim
Chief Accountant

The accounting policies and explanatory notes on pages 5 through 31 form an integral part of these financial statements.

KAZ Minerals Bozshakol LLC

Statement of cash flows for the year ended 31 December 2020

KZT million	Notes	2020	2019
Cash flows from operating activities			
Cash receipts from customers		**454,153**	275,332
Cash payments to employees, suppliers and taxes other than non - current VAT and income tax		**(162,939)**	(146,916)
Cash flows from operations before interest and income taxes paid	19	**291,214**	128,416
Interest paid	16	**(37,609)**	(45,104)
Income taxes paid		**(31,714)**	(7,944)
Net cash flows from operating activities		**221,891**	75,368
Cash flows from investing activities			
Interest received	6	**82**	46
Proceeds from disposal of property, plant and equipment		**20**	5
Purchase of intangible assets		**(36)**	(83)
Purchase of property, plant and equipment		**(16,196)**	(34,208)
Investments in mining assets		**(280)**	(1,174)
Investments in long-term bank deposits		**(43)**	(42)
License payments for subsoil contracts		**(51)**	(51)
Net cash flows used in investing activities		**(16,504)**	(35,507)
Cash flow from financing activities			
Repayment of borrowings	16	**(100,000)**	(40,000)
Net cash flows used in financing activities		**(100,000)**	(40,000)
Net increase/(decrease) in cash and cash equivalents		**105,387**	(139)
Cash and cash equivalents at the beginning of the year		**2,102**	2,662
Effect of exchange rate changes on cash and cash equivalents		**(1,345)**	(421)
Cash and cash equivalents at the end of the year	14	**106,144**	2,102

During the year the Company had the following non-cash transactions, which were excluded from the statement of cash flows:

- A non-cash decrease in the prepayments and other current assets of KZT 9,704 million, as VAT refund was offset against KZT 4,215 million corporate income tax payable, KZT 3,489 million mineral extraction tax payable and KZT 2,000 million withholding tax payable (2019: KZT 4,112 million VAT refund offset against income tax payable).
- A non-cash increase in the provision for site restoration of KZT 673 million (2019: increase of KZT 2,027 million) included within property, plant and equipment.

KAZ Minerals Bozshakol LLC

Statement of changes in equity for the year ended 31 December 2020

KZT million	Share capital	Retained earnings	Total
At 1 January 2019	120,000	97,773	217,773
Profit for the year	–	79,817	79,817
Total comprehensive income for the year	–	79,817	79,817
At 31 December 2019	120,000	177,590	297,590
Profit for the year	**–**	**155,983**	**155,983**
Total comprehensive income for the year	**–**	**155,983**	**155,983**
At 31 December 2020	**120,000**	**333,573**	**453,573**

The accounting policies and explanatory notes on pages 5 through 31 form an integral part of these financial statements.

1. Corporate information

(a) Organisation and operations

KAZ Minerals Bozshakol LLC (the "Company") was established and registered as a limited liability partnership on 12 May 2009 in the Republic of Kazakhstan as Kazakhmys Bozshakol LLP and was reregistered and renamed as KAZ Minerals Bozshakol LLC on 10 December 2014. The Company's registered office is Building 13, Tort-Kuduk Village, Tort-Kuduk rural district, Ekibastuz city, Pavlodar region, 141218, Republic of Kazakhstan. The Company is wholly owned by KAZ Minerals Bozshakol B.V. The ultimate controlling entity of the Company is KAZ Minerals PLC (the "Group").

The Company's principal activity is the mining and processing of copper ore. Its main assets are the Bozshakol large-scale open pit mine and on-site processing facilities in the Pavlodar region of the Republic of Kazakhstan. The Company holds the subsoil use rights for the extraction of copper ore at the Bozshakol field under contract number 2494 dated 26 November 2007 as transferred from Kazakhmys Corporation LLC on 15 May 2013. The Company's main products are copper in concentrate with by-products of gold, silver and molybdenum, with some concentrate toll processed at the Balkhash smelter (a related party). The Bozshakol mine and the processing facilities employ around 1,700 people.

Bozshakol is a first quartile asset on the global cost curve with an annual ore processing capacity of 30 million tonnes and a remaining mine life of c.40 years at an average copper grade of 0.35%. The mine and processing facilities commenced output in 2016 and will produce an average of 100 kt of copper cathode equivalent and 120 koz of gold in concentrate per year over the first 10 years of operations. The processing facilities include the sulphide concentrator with an annual ore processing capacity of 25 million tonnes and the clay plant with an annual ore processing capacity of 5 million tonnes.

(b) Kazakhstan business environment

The Company's operations are conducted in the Republic of Kazakhstan and is thus subject to country specific risks including economic, political and social risks inherent in doing business therein. 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. Depreciation of the Kazakhstan Tenge, volatility in the global price of oil and the COVID-19 coronavirus pandemic have also increased the level of uncertainty in the business environment. The financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2. Basis of preparation

(a) Going concern

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

At 31 December 2020, the Company had outstanding borrowings of KZT 200,000 million under the KAZ Minerals Project Finance Limited ("KPFL") loan facility, which amortises over the period to 2025. Management has considered the Company's cash flow forecasts, including the outlook for commodity prices, production levels from the Company's operations, its future capital requirements, the principal and interest repayments due under the Company's debt facility and reasonably possible impacts as a result of the outbreak of the Covid-19 pandemic.

Management is satisfied that the Company's forecasts show that the Company has adequate liquidity to continue in operational existence for the foreseeable future. Accordingly, it is appropriate to adopt the going concern basis of accounting in the preparation of these financial statements.

(b) Basis of accounting

These financial statements were prepared on a historical cost basis, except for metal-related trade receivables which have been measured at fair value. The financial statements are presented in Kazakhstan tenge ("KZT") and all financial information was rounded to the nearest million ("KZT million") except where otherwise indicated.

(c) Statement of compliance

These financial statements of the Company were prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB.

2. Basis of preparation, continued

(d) Adoption of new standards and interpretations

The following accounting standards, amendments and interpretations, which had no significant impact on these financial statements, became effective in the current reporting period:

- *'Definition of Material (Amendments to IAS 1 and IAS 8)'* was adopted on 1 January 2020. The amendment revises the definition of material stating that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. The application of this amendment had no impact on the amounts reported in the Company's financial statements.
- *'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)'* was adopted on 1 January 2020. The amendment requires that for interest rate hedges affected by Interbank Offered Rate ('IBOR') reform, the interest rate benchmark is not altered when considering whether a forecast transaction is highly probable, or whether there is an economic relationship between the hedged cash flow and the hedging instrument. This would apply for a limited period until there is no longer uncertainty relating to IBOR reform. The application of this amendment had no impact on the amounts reported in the Company's financial statements.
- *'Covid-19 Related Rent Concessions (Amendment to IFRS 16)'* was adopted on 9 October 2020. The amendment exempts lessees from considering individual lease contracts to determine whether rent concessions occurring as a direct consequence of Covid-19 are 'lease modifications'. A uniform accounting policy may be applied to account for the effect of those concessions in profit or loss, as if they were not modifications of the original terms. The application of this amendment had no impact on the amounts reported in the Company's financial statements.

(e) New standards and interpretations not yet adopted

The key new standards, interpretations and amendments, as issued by the IASB and presented below, are expected to be adopted by the Company in the accounting period of when they become effective.

- *'Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)'*: the IASB effective date is 1 January 2021. The amendment provides certain reliefs to maintain accounting continuity as agreements are transitioned to alternative benchmark rates, under which accounting for a change in interest rate basis would be akin to accounting for a movement in the market rates of interest. The scope of these reliefs is limited to change which is necessary as a result of IBOR reform and where the new basis is 'economically equivalent' to the previous basis. Whilst the Company's borrowings contain fallback clauses for the designation of replacement benchmark rates in the event that LIBOR is no longer provided for, management is of the view that these clauses are not intended to be a long-term replacement for LIBOR. Management will therefore monitor the adoption of an alternative market standard and will review the impact of these amendments on its financial statements to the extent its contracts are updated in 2021.
- There are a number of other amendments which are not yet effective and which are not expected to have a material impact on the Company's financial statements.

The Company has not early adopted any new standards or interpretations in its financial statements for the year ended 31 December 2020.

(f) Comparative information

Where a change in the presentation format of the financial statements has been made during the year, comparative figures have been restated accordingly. Net foreign exchange gain/(loss) disclosed separately within statement of profit or loss and other comprehensive income.

3. Significant accounting judgements and key sources of estimation uncertainty

In the course of preparing these financial statements, management makes necessary judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Judgements are based on management's best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

3. Significant accounting judgements and key sources of estimation uncertainty, continued

The estimates and underlying assumptions applied are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgements and the key assumptions and sources of estimation uncertainty concerning the future which management believes are likely to have the most significant effect on the amounts recognised in the financial statements. However, management does not expect a significant risk of a material change to the Company's carrying value of the assets and liabilities affected by these factors in the next 12 months, within a reasonably possible range. The qualitative disclosures regarding these sources of estimation uncertainty are presented because management considers these to be relevant to the mining industry and useful in understanding the financial statements of the Company. These disclosures go beyond the minimum requirements of IAS 1 'Presentation of Financial Statements' which only requires disclosure of estimation uncertainty where changes in estimates, within a reasonably possible range, could have a significant risk of a material effect, within the next 12 months, on the amounts recognised in the financial statements.

Impairment of assets

Significant accounting judgements

Management reviews the carrying value of the Company's assets to determine whether there are any indicators of impairment such that the carrying values of the assets or that of the cash generating unit ('CGU') may not be recoverable. The assessment of whether an indicator of impairment or reversal thereof has arisen requires considerable judgement, taking account of future operational and financial plans, commodity prices and the competitive environment.

Where such indicators exist, the carrying value of the assets of the CGU is compared with the recoverable amount of those assets, that is, the higher of its fair value less costs to sell and value in use, which is typically determined on the basis of discounted future cash flows.

The Covid-19 pandemic has had a significant impact on the global macroeconomic environment and may continue to affect markets in the future. There was a negative impact on market prices for copper during the first half of 2020, however prices recovered to pre-pandemic levels and were trading above $7,750/t as at 31 December 2020. Management does not consider fluctuations in short-term commodity prices to be an indicator of impairment, given the relatively long life of the Company's assets. Management monitors external copper price forecasts and for the purpose of assessing commodity prices for indicators of impairment, consideration was given to a range of equity analysts' long-term copper price forecasts with a median price of around $6,700/t.

The Company took measures to mitigate risks presented by Covid-19 and was able to continue operations without significant impact during 2020. As a result of additional checks at the Kazakhstan-China border, there were some minor delays to the export of some of the Company's products which resulted in a modest increase in inventory at the end of the year. An assessment of the key external and internal factors affecting the Company and its assets at 31 December 2020 did not identify any indicators of impairment.

Non-current inventories

Significant accounting judgements

Mining activities may result in the stockpiling of ore. Ore which is not expected to be processed within 12 months of the balance sheet date and is considered to fall outside of the normal operating cycle of the operation is classified as a non-current asset. The classification of stockpiled ore between non-current and current assets is based on judgements as to the expected timing of processing and on future production plans

Key sources of estimation uncertainty

The stockpiled ore is reflected at the lower of cost or net realisable value, with net realisable value subject to estimates of further processing, delivery costs and future commodity prices. Commodity prices applied in assessing the net realisable value fall within the range of equity analyst commodity price expectations. Changes to commodity prices in the next 12 months within a reasonably possible range are not expected to significantly impact the carrying value of non-current inventories.

3. Significant accounting judgements and key sources of estimation uncertainty, continued

Determination of mineral reserves and useful lives of property, plant and equipment

Key sources of estimation uncertainty

Mineral reserves are estimates of the amount of product that can be economically and legally extracted from the Company's mining properties. In order to estimate reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. The Company estimates its mineral reserves and mineral resources based on information compiled and reviewed by independent competent persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (the 'JORC Code').

In assessing the life of a mine for accounting purposes, mineral reserves are taken into account where there is a high degree of confidence of economic extraction. Since the economic assumptions used to estimate reserves change from period to period, and as additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including the following:

- asset recoverable amounts may be affected due to changes in estimated future cash flows;
- deferral of stripping costs which are determined using a waste to ore stripping ratio;
- depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the unit of production basis, or where the useful economic lives of assets change;
- decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities; and
- the carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of tax benefits.

There are numerous uncertainties inherent in estimating mineral reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being revised. Management does not expect significant changes in the carrying value of the Company's mining properties; property, plant and equipment; closure liabilities and deferred taxes to arise from changes in mineral reserve estimates within a reasonably possible range in the next 12 months. Revisions to mineral reserve estimates in 2020 did not result in a material change to the carrying value of these assets and liabilities. For property, plant and equipment depreciated on a straight-line basis over its useful economic life, the appropriateness of the asset's useful economic life is reviewed at least annually, and any changes could affect prospective depreciation rates and asset carrying values.

Decommissioning and site restoration costs

Significant accounting judgements

Management uses judgement and experience in determining the expected timing, closure and decommissioning methods, which can vary in response to changes in the relevant legal requirements or decommissioning technologies.

Key sources of estimation uncertainty

The ultimate cost of decommissioning and rehabilitation is uncertain and cost estimates can vary in response to many factors including the emergence of new restoration techniques and costs of materials and labour. Therefore, the Company periodically reviews the closure cost estimate at its operations. The expected timing and extent of expenditure can also change in response to revisions in mineral reserve estimates, processing levels and commodity prices. Future costs are discounted using forecast discount rates for which sensitivities are outlined in note 17.

3. Significant accounting judgements and key sources of estimation uncertainty, continued

Taxes

Significant accounting judgements

Management makes judgements in relation to the recognition of various taxes levied on the Company, which are both payable and recoverable. Judgement applies particularly to corporate income taxes, transfer pricing, VAT and outcomes of tax disputes which would affect recognition of tax liabilities and deferred tax assets. Judgement over recognition also applies to taxes which are recoverable by the Company, principally VAT paid, for which the recoverability and timing of recovery is assessed. In making judgements related to taxes, management believes that the tax positions it adopts are in line with the applicable legislation and reflect the probable outcome. Estimates are made to determine the amount of taxes payable or recoverable, including deferred tax assets. The tax obligations and receivables, upon audit by the tax authorities at a future date, may differ as a result of differing interpretations. These interpretations may impact the expected timing and quantum of taxes payable and receivable and are discussed further in note 21.

Key sources of estimation uncertainty

The Company is constantly on track on receiving VAT refunds in cash or in form of non-cash offset with other taxes payable. Changes in these estimates within a reasonably possible range in the next 12 months are not expected to significantly alter the carrying value of the Company's taxes that are recoverable.

4. Revenues

(a) Revenues by product

Revenues by product are as follows:

KZT million	**2020**	2019
Copper in concentrate	**238,723**	193,632
Gold in concentrate	**87,247**	63,229
Copper cathodes	**44,340**	21,498
Gold bar	**19,919**	18,726
Silver in concentrate	**6,304**	3,935
Silver in granules	**1,409**	367
Molybdenum in concentrate	**840**	1,191
Other revenues including other by-products	**756**	105
	399,538	302,683

Most of the Company's sales agreements are based on provisional pricing with the final pricing usually determined by the average market price of the respective metal in the month (for gold bar and silver), the month following (for copper cathode) or the second month following (for copper concentrate including by-products) dispatch to the customer.

At 31 December, the Company's provisionally priced volumes and their respective average provisional prices were as follows:

	At 31 December 2020		At 31 December 2019	
	Provisionally priced volumes	**Weighted average provisional price**	Provisionally priced volumes	Weighted average provisional price
Copper in concentrate[1]	**15,427 t**	**7,092 $/t**	16,999 t	5,130 $/t
Silver in concentrate[1]	**120,335 oz**	**23 $/oz**	120,016 oz	14 $/oz
Gold in concentrate[1]	**15,178 oz**	**1,805 $/oz**	22,700 oz	1,414 $/oz
Copper cathodes	**126 t**	**7,156 $/t**	1,362 t	5,473 $/t

[1] Payable metal in concentrate. Typically priced after deduction of a processing charge.

4. Revenues, continued

(a) Revenues by product, continued

The final prices for the provisionally priced volumes shown above will be determined during the quarter after the year end. At 31 December 2020, sales contracts which had not been finally priced, were marked to market to reflect the expected settlement price based on the appropriate forward metal price (typically one month for copper cathode and two months for copper concentrate including by-products). This adjustment increased revenue by KZT 9,901 million (2019: KZT 4,121 million increase). The cumulative commodity pricing adjustments recorded during 2020 between the final price and the forward price at the expected settlement date, at the time of the sale, resulted in a KZT 6,790 million increase (2019: KZT 1,681 million increase) which was included within revenue.

(b) Revenues by destination

Revenues by destination are as follows:

KZT million	**Total**	Total
China	**285,850**	192,139
Europe	**76,578**	91,713
Kazakhstan and Asia	**37,110**	18,831
	399,538	302,683

Most of the Company's sales were to a related party, KAZ Minerals Sales Limited (see note 20(e)), for onward sale to third party customers. Sales from the Company to KAZ Minerals Sales Limited comprise 95% (378,023 KZT million) of revenues (2019: 93% or KZT 282,661 million).

5. Cost of sales, selling and distribution expenses and administrative expenses

(a) Cost of sales

KZT million	**2020**	2019
Raw materials	**50,257**	46,873
Depreciation, depletion and amortisation	**38,276**	38,388
Mineral extraction tax	**34,274**	29,295
Employee salaries and payroll taxes	**17,054**	10,366
Production overheads	**13,044**	11,747
Utilities	**10,226**	8,303
Refining services	**5,862**	3,779
Other taxes	**3,846**	3,511
Change in work in progress and finished goods	**(9,257)**	(6,983)
	163,582	145,279

(b) Selling and distribution expenses

KZT million	**2020**	2019
Transportation expenses	**5,462**	5,150
Employee salaries and payroll taxes	**113**	64
Other selling expenses	**309**	253
	5,884	5,467

5. Cost of sales, selling and distribution expenses and administrative expenses, continued

(c) Administrative expenses

KZT million	2020	2019
Management services	**5,405**	4,553
Social responsibility costs	**4,138**	2,124
Employee salaries and payroll taxes	**1,264**	831
Legal and professional	**552**	661
Levies and charges	**208**	170
Depreciation and amortisation	**95**	93
Supplies	**8**	34
Business travel	**6**	21
Other administrative expenses	**261**	23
	11,937	8,510

6. Finance income and finance costs

KZT million	2020	2019
Interest income	**86**	46
Finance income	**86**	46

KZT million	Notes	2020	2019
Interest expense	16	**29,495**	42,220
Unwinding of discount on provisions and other liabilities	17	**223**	198
Finance costs		**29,718**	42,418

KZT million	2020	2019
Net foreign exchange gains/(losses)	**6,668**	(1,556)

7. Income tax

(a) Income tax expense

The major components of income tax expense are:

KZT million	2020	2019
Current income tax		
Corporate income tax – current period	**38,645**	13,491
Corporate income tax – prior periods	**(324)**	108
	38,321	13,599
Deferred income tax		
Deferred income tax – current period temporary differences	**1,109**	7,231
Deferred income tax – prior periods temporary differences	**252**	(151)
	1,361	7,080
	39,682	20,679

7. Income tax, continued

(a) Income tax expense, continued

A reconciliation of the income tax expense applicable to the accounting profit before taxation at the statutory income tax rate, to the income tax expense at the effective income tax rate, is as follows:

KZT million	2020	2019
Profit before taxation	195,665	100,496
At the statutory income tax rate of 20%	39,133	20,099
Overprovided in prior periods – current income tax	(324)	108
Underprovided in prior periods – deferred income tax	252	(151)
Non-deductible items:		
Transfer pricing	518	396
Other non-deductible expenses	104	227
	39,682	20,679

Corporate income tax is calculated at 20% of the taxable profit for the period for the Company. The effective tax rate was 20.3% (2019: 20.6%).

(b) Recognised deferred tax assets and liabilities

The amounts of deferred tax assets/(liabilities) provided in the financial statements are as follows:

KZT million	At 1 January 2019	Charged to income statement	At 1 January 2020	Charged to income statement	At 31 December 2020
Property, plant and equipment, Intangible assets and Mining assets	(31,342)	(2,247)	(33,589)	(1,021)	(34,610)
Inventories	(6)	94	88	51	139
Trade and other receivables	25	(485)	(460)	(1,543)	(2,003)
Provisions and other liabilities	447	441	888	224	1,112
Trade and other payables	1,400	334	1,734	928	2,662
Tax losses	5,217	(5,217)	–	–	–
Deferred tax liability, net	**(24,259)**	**(7,080)**	**(31,339)**	**(1,361)**	**(32,700)**

8. Property, plant, and equipment

KZT million	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Cost					
At 1 January 2019	131,460	335,501	9,558	6,768	483,287
Additions	2,033	7,706	178	16,178	26,095
Transfers	7,553	4,895	(107)	(12,341)	–
Reclassification	8,694	(16,814)	8,120	–	–
Transfers from mining assets	–	–	–	18	18
Disposals	(11)	(5)	(30)	–	(46)
At 31 December 2019	149,729	331,283	17,719	10,623	509,354
Additions	**62**	**2,079**	**337**	**12,336**	**14,814**
Transfers	**8,168**	**4,555**	**614**	**(13,337)**	**–**
Reclassification	**1**	**(110)**	**109**	**–**	**–**
Transfers to mining assets	**–**	**–**	**–**	**(2)**	**(2)**
Disposals	**–**	**(2,651)**	**(2,115)**	**–**	**(4,766)**
Change in estimates, site restoration provisions	**673**	**–**	**–**	**–**	**673**
At 31 December 2020	**158,633**	**335,156**	**16,664**	**9,620**	**520,073**
Depreciation and impairment					
At 1 January 2019	12,844	65,864	4,538	–	83,246
Depreciation charge	6,828	27,519	2,774	–	37,121
Reclassification	954	(2,097)	1,143	–	–
Disposals	(5)	(4)	(27)	–	(36)
At 31 December 2019	20,621	91,282	8,428	–	120,331
Depreciation charge	**6,958**	**28,162**	**1,866**	**–**	**36,986**
Impairment	**–**	**–**	**–**	**324**	**324**
Disposals	**–**	**(2,642)**	**(2,074)**	**–**	**(4,716)**
At 31 December 2020	**27,579**	**116,802**	**8,220**	**324**	**152,925**
Net book value					
At 31 December 2019	129,108	240,001	9,291	10,623	389,023
At 31 December 2020	**131,054**	**218,354**	**8,444**	**9,296**	**367,148**

At 31 December 2020, machinery and equipment with the net carrying value of KZT 9,541 million (2019: KZT 11,584 million) was pledged as security under a USD 100 million loan facility between Caterpillar Financial Services Limited and KAZ Minerals Finance PLC, a related party of the Company.

9. Mining assets

KZT million	Licences	Mine development costs	Mine stripping costs	Total
Cost				
At 1 January 2019	296	14,206	9,903	24,405
Additions	(1)	883	292	1,174
Capitalised depreciation, depletion and amortisation	–	–	107	107
Transfers to property, plant and equipment	–	(18)	–	(18)
At 31 December 2019	295	15,071	10,302	25,668
Additions	**1**	**65**	**214**	**280**
Capitalised depreciation, depletion and amortisation	**–**	**–**	**74**	**74**
Transfers from property, plant and equipment	**–**	**2**	**–**	**2**
At 31 December 2020	**296**	**15,138**	**10,590**	**26,024**
Depletion and impairment				
At 1 January 2019	51	1,760	2,269	4,080
Depletion charge	16	576	514	1,106
At 31 December 2019	67	2,336	2,783	5,186
Depletion charge	**15**	**628**	**486**	**1,129**
At 31 December 2020	**82**	**2,964**	**3,269**	**6,315**
Net book value				
At 31 December 2019	228	12,735	7,519	20,482
At 31 December 2020	**214**	**12,174**	**7,321**	**19,709**

10. Other non-current assets

KZT million	**2020**	2019
Non-current inventories[1]	**48,198**	51,307
Advances paid for property, plant and equipment	**758**	361
Long-term bank deposits[2]	**174**	120
	49,130	51,788

[1] Non-current inventories comprise clay and transitional ore stockpiles that does not fall under normal operating cycle.

[2] Long-term bank deposits reflect cash placed in escrow accounts with financial institutions in Kazakhstan as required by the subsoil licence and to be utilised for future site restoration and rehabilitation.

11. Inventories

KZT million	**2020**	2019
Raw materials and consumables	**68,960**	60,167
Work-in-progress	**23,507**	17,915
Finished goods	**12,198**	5,424
Gross value of inventories	**104,665**	83,506
Provision for obsolete inventories	**(729)**	(393)
	103,936	83,113

12. Prepayments and other current assets

KZT million	2020	2019
VAT reclaimable	**11,649**	7,938
Advances paid for goods and services	**2,581**	943
Advances paid to related parties	**798**	840
Other	**872**	944
	15,900	10,665

13. Trade and other receivables

KZT million	2020	2019
Trade receivables - KAZ Minerals Sales Limited[1]	**67,402**	114,784
Trade receivables - third parties[1]	**249**	22
Trade receivables - Other related parties	**242**	187
Other receivables	**170**	193
	68,063	115,186

[1] At 31 December 2020, KZT 67,651 million of trade receivables related to provisionally priced contracts measured at fair value through profit and loss (2019: KZT 114,806 million), as outlined in note 20(a), including an increase of KZT 9,901 million (2019: increase of KZT 4,121 million) arising from marked to market adjustments at 31 December 2020.

14. Cash and cash equivalents

KZT million	**2020**	2019
Cash deposits with maturities less than three months	**105,177**	–
Cash at bank	**967**	2,102
	106,144	2,102

15. Equity

(a) Charter capital

	2020		2019	
	KZT million	%	KZT million	%
KAZ Minerals Bozshakol B.V.	**120,000**	**100**	120,000	100

(b) Dividends

In accordance with legislation in Kazakhstan, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's financial statements prepared in accordance with IFRS or income for the period if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Company's insolvency.

At 31 December 2020 the Company had retained earnings of KZT 333,573 million (2019: KZT 177,590 million).

No dividends were declared or paid by the Company during 2020 and 2019.

16. Borrowings

KZT million	**2020**	2019
Loan payable to related party - KPFL	**200,000**	300,000
Interest payable	**10,709**	18,823
	210,709	318,823
Current	**47,073**	64,976
Non-current	**163,636**	253,847
	210,709	318,823

16. Borrowings, continued

KAZ Minerals Project Finance Limited (KPFL) debt facility

The Company has a long-term uncollateralised loan from KPFL for KZT 350,000 million which was entered into in 2010 and amended in 2016. The facility accrues interest at USD 6-month LIBOR plus 11%. Principal repayments commenced in 2019 and continue in semi-annual instalments in January and July until final maturity in 2025. During 2020, the Company made principal repayments of KZT 100,000 million and interest repayments of KZT 37,609 million (2019: principal repayments of KZT 40,000 million and interest repayments of KZT 45,104 million). At 31 December 2020 KZT 47,073 million was due to be repaid within 12 months of the balance sheet date.

Undrawn facilities

The Company's KPFL debt facility was fully drawn at 31 December 2020 and 2019.

Movement in borrowings

Changes in borrowings arising from cash flow and other movements are as follows:

KZT million	2020	2019
At 1 January	318,823	361,707
Interest charged for the period	29,495	42,220
Borrowing costs paid	(37,609)	(45,104)
Principal paid	(100,000)	(40,000)
	210,709	318,823

17. Provisions

KZT million	2020	2019
At 1 January	4,439	2,233
Arising during the year	414	–
Arising due to change in estimate[1]	259	2,027
Unwinding of discount	205	179
At 31 December	5,317	4,439

[1]In 2020, a KZT 673 million increase in the provision (2019: KZT 2,027 million increase) was capitalised to property, plant and equipment.

The costs of decommissioning and reclamation of the mine and processing facilities are based on the current obligations under Kazakhstan legislation governing closure and rehabilitation. The provision represents the discounted values of the estimated costs to decommission and reclaim of the mine based on the current estimated life of mine of the deposit. The liability usually becomes payable after the end of the useful life of each facility, which ranges from 10 years to around 34 years.

In order to reflect current market assessments of the time value of money and the risks specific to the liability, the present value of the provision has been calculated using discount rates of 4.94% (2019: 4.95%). Management estimates the discount rate for its provisions in Kazakhstan based on sovereign bond yields denominated in US dollars adjusted for the differential inflation between the tenge and the US dollar, which is lower in the long term.

Management has not calculated its provisions using Kazakhstan sovereign bond yields denominated in tenge, as these bonds have largely been purchased by local institutions and there are limited bonds with maturities which are comparable to the remaining life of each mine. Management therefore concluded that using estimates based on a more established market for bonds with yields denominated in US dollars was a more appropriate basis to assess the time value of money and risks specific to the liability. As a sensitivity, discounting the provisions at each mine using a discount rate of around 10%, based on Kazakhstan sovereign bond yields denominated in tenge, in isolation, would result in a reduction in the present value of the liability by approximately KZT 4,218 million to KZT 1,098 million. This is a simple sensitivity holding all other variables constant.

In 2020, the increase in the provision arose mainly from the use of a higher inflation rate to determine the obligation.

18. Trade and other payables

KZT million	2020	2019
Trade payables	**8,520**	7,271
Amounts payable for long-term assets	**2,304**	3,291
Salaries and related payables	**865**	405
Amounts payable to related parties	**496**	930
Payables regarded as financial instruments for disclosure purposes – note 20	**12,185**	11,897
Mineral extraction tax payable	**12,222**	7,982
Other taxes payable	**1,307**	926
	25,714	20,805

19. Reconciliation of profit before taxation to net cash inflow from operating activities

KZT million	Notes	2020	2019
Profit before tax		**195,665**	100,496
Interest income	6	**(86)**	(46)
Interest expense and unwinding of discount on provisions and other liabilities	6	**29,718**	42,418
Depreciation, depletion and amortisation		**38,371**	38,481
Impairment losses		**357**	8
Loss on disposal of property, plant and equipment		**29**	5
Unrealised foreign exchange loss		**1,332**	183
Operating cash flows before changes in working capital and provisions		**265,386**	181,545
Increase in inventories		**(17,714)**	(26,020)
Increase in prepayments and other current assets		**(14,939)**	(5,045)
Decrease/(increase) in trade and other receivables		**47,095**	(26,085)
Increase in trade and other payables		**11,386**	4,021
Cash flows from operations before interest and income taxes paid		**291,214**	128,416

During 2020, the Company recovered VAT receivable of KZT 9,704 million through offset with corporate income tax payable of KZT 4,215 million, mineral extraction tax payable of KZT 3,489 million and withholding tax payable of KZT 2,000 million (2019: through offset with corporate income tax payable of KZT 4,112 million).

20. Financial risk management objectives and policies

The main risks arising from the Company's financial instruments are liquidity risk, credit risk, interest rate risk, foreign exchange risk and commodity price risk. These risks arise from exposures that occur in the normal course of business and are managed by the Group Treasury department in close cooperation with the Company under oversight of a Treasury Committee, which is chaired by the Chief Financial Officer of KAZ Minerals PLC. The responsibilities of the Treasury Committee include the monitoring of financial risks, management of the Company's cash resources, debt funding programmes and capital structure, approval of treasury counterparties and relevant transaction limits, and oversight of all significant treasury activities undertaken by the Company.

A Group Treasury Policy was approved by the KAZ Minerals PLC Board and is periodically updated to reflect developments in the financial markets and the financial exposures facing the Group. The Treasury Policy covers specific areas of financial risk management, in particular liquidity risk, credit risk, interest rate risk, foreign exchange risk and commodity price risk. The Group's Treasury Committee and the Group's Internal Audit department monitor compliance with the Treasury Policy on a regular basis.

The Group's Treasury department prepares monthly treasury reports for senior management which monitor all major financial exposures and treasury activities undertaken by the Group. In addition, a treasury report is prepared for each KAZ Minerals PLC Board meeting which includes a summary of the credit markets and their impact on the implementation of the Group's strategy, progress on the Group's financing initiatives and the significant financial exposures faced by the Group.

The Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables, long-term bank deposits, trade and other payables, borrowings and other liabilities, which arise directly from its operations. The Company's accounting policies with regard to financial instruments are detailed in note 23.

20. Financial risk management objectives and policies, continued

(a) Categories and fair values of financial assets and financial liabilities

The carrying amounts of financial assets and liabilities by categories are as follows:

KZT million	Notes	2020	2019
Financial assets at amortised cost			
Long-term bank deposits	10	**174**	120
Trade and other receivables not subject to provisional pricing	13	**412**	380
Cash and cash equivalents	14	**106,144**	2,102
		106,730	2,602
Financial assets at fair value through profit or loss[1]			
Trade receivables subject to provisional pricing[1]	13	**67,651**	114,806
Financial liabilities at amortised cost			
Borrowings[2]	16	**(210,709)**	(318,823)
Other liabilities		**(201)**	(234)
Trade and other payables	18	**(12,185)**	(11,897)
		(223,095)	(330,954)

[1] Trade receivables subject to provisional pricing, include a KZT 9,901 million favourable adjustment (2019: KZT 4,121 million) arising from the marked to market valuation on provisionally priced contracts at the year end. These are measured according to quoted forward prices in a market that is not considered active, which is a level 2 valuation method within the fair value hierarchy.

[2] The fair value of borrowings approximates its carrying value and is measured by discounting future cash flows using currently available interest rates for debt of similar maturities, which is a level 3 valuation method within the fair value hierarchy.

The fair values of each category of financial asset and liability are not materially different from their carrying values as presented.

(b) Foreign currency risk

The Company has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the Company's functional currency. The functional currency of the Company is the Kazakhstan tenge. The currency giving rise to the majority of the foreign currency risk is the US dollar. Exchange gains and losses arise principally from bank deposits, trade and other receivables, borrowings, trade and other payables. The Company generally does not enter into hedging positions in respect of its exposure to foreign currency risk.

No foreign exchange hedge transactions were entered into during 2020 and 2019.

(i) Foreign currency exposure by statement of financial position account profile

The Company's exposure to foreign currency risk based on gross amounts is shown below.

KZT million	USD	Other
At 31 December 2020		
Cash and cash equivalents	**105,630**	**1**
Trade and other receivables	**67,489**	**2**
Long-term bank deposits	**143**	**–**
Trade and other payables	**(2,743)**	**(66)**
	170,519	**(63)**
At 31 December 2019		
Cash and cash equivalents	1,525	1
Trade and other receivables	114,809	1
Long-term bank deposits	105	–
Trade and other payables	(1,571)	(205)
	114,868	(203)

20. Financial risk management objectives and policies, continued

(b) Foreign currency risk, continued

(ii) Foreign currency sensitivity analysis

The estimated impact of a movement in foreign currencies was determined based on the balances of financial assets and liabilities at 31 December 2020 that are not denominated in the functional currency of the Company. This sensitivity does not represent impact on the statement of comprehensive income that would be expected from a movement in exchange rates over the course of a period of time and assumes that all other variables, in particular interest rates, remain constant. A 10% weakening of the Kazakhstan tenge against the following currencies at 31 December 2020 would have increased/(decreased) profit after tax by the amounts shown below.

KZT million	**2020**	2019
USD	**13,642**	9,189
Other	**(5)**	–

A 10% strengthening of the Kazakhstan tenge against the above currencies at 31 December would have an equal and opposite effect, on the basis that all other variables remain constant.

(c) Commodity price risk

The Company's revenues and earnings are directly impacted by fluctuations in the prices of the commodities it produces. The Company's principal commodities (copper, gold and silver) are priced via reference to global metal exchanges, upon which pricing is derived from global demand and supply and influenced by macroeconomic considerations and financial investment cash flows. The pricing of the Company's principal commodities may also include a pre-determined margin or discount depending on the terms of sales contracts. Commodity prices, particularly those derived from global metal exchanges, may fluctuate significantly and may have a material impact on the Company's financial results.

Management closely monitors the impact of fluctuations in commodity prices on the business and uses conservative pricing assumptions and sensitivity analysis for its forecasting and investment appraisals.

In accordance with IFRS 7, the impact of commodity prices was determined based on the balances of financial assets and liabilities at 31 December 2020. This sensitivity does not represent the impact on comprehensive income that would be expected from a movement in commodity prices over the course of a period of time. In addition, the analysis assumes that all other variables remain constant.

A 10% increase/(decrease) in commodity prices after the year end would impact the Company's provisionally priced sales volumes and increase/(decrease) profit after tax by the amounts shown below.

KZT million	**2020**	2019
Copper in concentrate	**5,168**	3,630
Gold in concentrate	**721**	1,241
Silver in concentrate	**127**	77

(d) Interest rate risk

The Company has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates primarily impact borrowings by changing their future cash flows (floating rate debt) or their fair value (fixed rate debt) and deposits. The Company's interest rate management policy is generally to borrow and invest at floating rates of interest. In some circumstances, an element of fixed rate funding may be considered appropriate.

20. Financial risk management objectives and policies, continued

(d) Interest rate risk, continued

The exposure of the Company's financial assets and liabilities to interest rate risk is as follows:

KZT million	Floating rate	Fixed rate	Non-interest bearing	Total
At 31 December 2020				
Long-term bank deposits	**–**	**143**	**31**	**174**
Trade and other receivables	**–**	**–**	**68,063**	**68,063**
Cash and cash equivalents	**105,177**	**–**	**967**	**106,144**
Borrowings	**(200,000)**	**–**	**(10,709)**	**(210,709)**
Trade and other payables	**–**	**–**	**(12,185)**	**(12,185)**
Other liabilities	**–**	**–**	**(201)**	**(201)**
	(94,823)	**143**	**45,966**	**(48,714)**
At 31 December 2019				
Long-term bank deposits	–	105	15	120
Trade and other receivables	–	–	115,186	115,186
Cash and cash equivalents	–	684	1,418	2,102
Borrowings	(300,000)	–	(18,823)	(318,823)
Other liabilities	–	(234)	–	(234)
Trade and other payables	–	–	(11,897)	(11,897)
	(300,000)	555	85,899	(213,546)

[1]Trade and other payables exclude mineral extraction tax payable and other taxes payable that are not regarded as financial instruments.

The interest charged on floating rate financial liabilities is based on the relevant benchmark rate (such as LIBOR). Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

In accordance with IFRS 7, the impact of interest rates was determined based on the balances of financial assets and liabilities at 31 December 2020. This sensitivity does not represent the income statement impact that would be expected from a movement in interest rates or outstanding borrowings over the course of a period of time. In addition, the analysis assumes that all other variables remain constant. The effect on profit after tax of a 1% upward movement in USD LIBOR rates, based on the year-end net debt position (defined as the excess of borrowings over cash and cash equivalents) and with all other variables held constant, is estimated to result in a loss of KZT 759 million (2019: KZT 2,400 million).

(e) Credit risk

Exposure to credit risk arises as a result of transactions in the Company's ordinary course of business and is applicable to all financial assets. The Company has adopted policies and procedures to control and monitor these exposures to minimise the risk of loss in the event of non-performance by counterparties. The maximum exposure with respect to credit risk is represented by the carrying amount of each financial asset on the statement of financial position and as reflected in note 20(a).

Credit risk relating to trade receivables

The Company sells copper concentrate and copper cathodes to KAZ Minerals Sales Limited ("KSL"), which is related party of the Company and wholly owned subsidiary of KAZ Minerals PLC, the Company's ultimate parent. KSL purchases the Company's products, arranges transportation and markets and sells the output to customers located mainly in China, with some smaller sales volumes into Europe. Sales by KSL are made either on receipt of cash prior to delivery and transfer of title of goods, cash on delivery and transfer of title of goods or through letters of credit which are received from the customer's bank. The Group monitors the credit quality of its significant customers on an ongoing basis and receivables that are neither past due nor impaired are considered of good credit quality.

Sales are subject to provisional pricing and then final pricing adjustments. The Group and by extension the Company is therefore exposed to the residual final pricing adjustment for each sales transaction although such amounts are not considered material in the context of the Company's overall revenues. The Company believes that the credit risk relating to balances receivable from KSL is limited to the overall credit exposure of the KAZ Minerals PLC Group on customer receivables. The impairment requirements of IFRS 9 do not apply to the Company's trade receivables subject to provisional pricing, which are measured at fair value through profit or loss.

20. Financial risk management objectives and policies, continued

(e) Credit risk, continued

Credit risk relating to trade receivables, continued

Risk for trade receivables by geographical regions

As at 31 December 2020, one customer (2019: one customer) accounted for 99.0% (2019: 99.7%) of the trade and other receivables balance of the Company's business.

The maximum exposure to credit risk for trade receivables at 31 December by geographic areas was:

KZT million	2020	2019
Europe	**67,403**	114,784
Kazakhstan	**581**	376
Other	**79**	26
	68,063	115,186

Most of the Company's trade receivables are not past due and expected to be received during normal course of business. No expected credit loss was recognised during 2020 and 2019.

Credit risk related to cash and cash equivalents and long-term deposits

Credit risk relating to the Company's other financial assets, comprising principally cash and cash equivalents and long-term bank deposits, arises from the potential default of counterparties. Credit risk arising from balances with banks and financial institutions is managed by the KAZ Minerals PLC Group Treasury department in accordance with approved Treasury Policy. The Group's cash management policies emphasise security and liquidity ahead of investment return. Investments of cash and deposits are made only with approved counterparties of high credit worthiness and within credit limits assigned to each counterparty.

Exposures are measured against maximum credit limits assigned to each approved counterparty to ensure credit risk is effectively managed. The limits are set to minimise the concentration of risks and therefore mitigate any financial loss through potential counterparty failure

Kazakhstan banks (mainly Halyk Bank) with credit ratings of Standard & Poor's 'BB' and Moody's 'Ba1' are considered for working capital cash management along with local branches of international financial institutions. The surplus funds in the United Kingdom are held primarily with major European and US financial institutions with minimum ratings of Standard & Poor's 'A+' and Moody's 'Aa3' rated liquidity funds. These limits are reviewed on a regular basis to take account of developments in financial markets and updated accordingly.

Expected credit losses take into account the maturities of deposits and changes in observable inputs, such as the spread on credit default swaps, which may indicate changes in the probability of potential default of counterparties. There were no significant increases in credit risk since initial recognition and possible default events were considered over a period of 12 months after the reporting date. At 31 December 2020, an estimate under the expected credit losses method in respect of cash and cash equivalents and long-term deposits was found to be immaterial and no adjustment was made (2019: none).

(f) Liquidity risk

The Company's objective is to maintain a balance between availability of funding and maximising investment return on its liquid resources through the use of liquid cash investments and debt facilities of varying maturities. Management regularly reviews the funding requirements of the Company in selecting appropriate maturities for its liquid cash investments.

The Company's policy is to centralise debt and surplus cash balances to the maximum extent possible.

20. Financial risk management objectives and policies, continued

(f) Liquidity risk, continued

Maturity of financial liabilities

The table below analyses the Company's financial instruments, which will be settled on a gross basis, into relevant maturity groups based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

KZT million	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
At 31 December 2020					
Borrowings[1]	**(29,828)**	**(28,464)**	**(210,270)**	**–**	**(268,562)**
Other liabilities	**(12)**	**(38)**	**(191)**	**–**	**(241)**
Trade and other payables[2]	**(12,185)**	**–**	**–**	**–**	**(12,185)**
	(42,025)	**(28,502)**	**(210,461)**	**–**	**(280,988)**
At 31 December 2019					
Borrowings[1]	(43,441)	(41,371)	(276,087)	(78,259)	(439,158)
Other liabilities	(13)	(38)	(203)	(38)	(292)
Trade and other payables[2]	(11,897)	–	–	–	(11,897)
	(55,351)	(41,409)	(276,290)	(78,297)	(451,347)

[1] Borrowings include expected future interest payments based on contracted margins and effective LIBOR rate at the balance sheet date.

[2] Trade and other payables exclude mineral extraction tax payable and other taxes payable that are not regarded as financial instruments.

(g) Capital management

The overriding objectives of the Company's capital management policy are to safeguard and support the business as a going concern through the commodity cycle, to maximise returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure in order to reduce the Company's cost of capital.

At 31 December 2020, total capital employed (which comprises equity holders' funds and loan payable to related party, excluding unpaid interest accrued thereon) of the Company amounted to KZT 653,573 million (2019: KZT 597,590 million). Total capital employed is the measure used by management in managing capital.

21. Commitments and contingencies

(a) Legal claims

In the ordinary course of business, the Company 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 Company. As of 31 December 2020 and 2019, the Company was not involved in any significant legal proceedings, including arbitration, which may crystallise a material financial loss for the Company.

(b) Taxation contingencies

(i) Inherent uncertainties in interpreting tax legislation

The Company is subject to uncertainties relating to the determination of its tax liabilities and the timing of recovery of tax refunds. Kazakhstan tax and customs legislation are in a state of continuous development and therefore are subject to frequent changes and varying interpretations. Management's interpretation of tax legislation as applied to the transactions and activities of the Company may not coincide with that of the tax authorities. As a result, the tax authorities may challenge transactions and the Company may be assessed with additional taxes, penalties and fines, or refused refunds, which could have a material adverse effect on the Company's financial performance or position.

(ii) Tax audits

Historical tax years remain open for inspection during a tax audit. The tax authorities in Kazakhstan are able to raise additional tax assessments for five years after the end of the relevant tax period in respect of all taxes. The Company is expected to undergo routine tax audits which could give rise to substantial tax assessments. As such, additional tax payments could arise for the Company.

21. Commitments and contingencies, continued

(b) Taxation contingencies, continued

(iii) Transfer pricing

Kazakhstan transfer pricing legislation provides clarity on various aspects of transfer pricing, including the use of LME and LBMA prices as the basis of market prices, quotation periods to be used for the sale and purchase of traded commodities and the acceptability of discounts with reference to LME/LBMA prices when transacting in traded commodities. Notwithstanding these amendments, management have recognised a provision for the amounts that represent management's best estimate of the probable cash payments that will be required to settle any residual transfer pricing exposures based on management's interpretation of the transfer pricing legislation and the prevailing status of discussions with the tax authorities. The risk remains that the tax authorities may take a different position with regard to the interpretation of the transfer pricing legislation, and amendments thereof, and the outcome of discussions with the Kazakhstan tax authorities may be materially different from management's expectations.

(iv) Possible additional tax liabilities

Management believes that the Company is in substantial compliance with the tax laws promulgated in Kazakhstan and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional material tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant tax authorities may take a differing position with regard to the interpretation of contractual provisions or tax law (inclusive of corporate income taxes, withholding tax, value added tax and subsoil use taxes).

The resulting effect of any positions taken by the tax authorities that differ from those of management is that additional tax liabilities may arise or the timing of refunds due may take longer than expected or may be refused. However, due to the inherent nature of uncertain tax positions despite the approach adopted by the Company, as described above, it is not practical for management to estimate the financial effect of the timing of tax refunds and of additional tax liabilities, if any, together with any associated penalties and charges for which the Company may be liable that may arise from different interpretations applied by the tax authorities.

Management does not believe that there are material uncertain tax positions at 31 December 2020.

(c) Environmental contingencies

Environmental regulations, including emissions legislation, in Kazakhstan are continually evolving. The outcome of environmental regulations under proposal or any future environmental legislation cannot be reliably estimated at present. As obligations are determined, they will be provided for in accordance with the Company's accounting policies. Management believes that there are no significant liabilities under current legislation not accrued for in the Company's financial statements, however, they recognise that the environmental regulators in Kazakhstan may take a differing position with regard to the interpretation of environmental legislation. The resulting effect is that additional environmental liabilities may arise however, due to the range of uncertainties, it is not practical for management to estimate any further potential exposures.

The provision that was made for costs associated with restoration and abandonment of mine sites upon depletion of deposits (note 17), is based upon the estimation of the Company's specialists or external consultants. Where events occur that change the level of estimated future costs for these activities, the provision will be adjusted accordingly.

(d) Use of subsoil and exploration rights

In Kazakhstan, all subsoil reserves belong to the State, with the Ministry of Investments and Infrastructure Development (the 'Ministry') granting exploration and production rights to third party bodies. Subsoil and exploration rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or license. These rights may be terminated by the Ministry if the Company does not satisfy its contractual obligations.

The work program related to subsoil use contract № 2494 dated 26 November 2007 on extraction of copper ore was approved by the Ministry on 27 December 2017. At 31 December 2020, the minimum spending requirements under the new work program established in the subsoil use contract were achieved.

(e) Capital expenditure commitments

The Company has capital expenditure commitments for the purchase of property, plant and equipment. The total commitments for property, plant and equipment as at 31 December 2020 amounted to KZT 10,144 million (2019: KZT 2,951 million).

21. Commitments and contingencies, continued

(f) Lease commitments

The Company has elected not to recognise right-of-use assets and lease liabilities for leases which have low value, or short-term leases with a duration of 12 months or less. The payments associated with such leases are charged directly to the income statement on a straight-line basis over the lease term. During the year, the expense associated with the Company's short-term contracts for leased assets within the scope of IFRS 16 'Leases', including certain mining related equipment and vehicles, as well as the associated commitment for short-term lease contracts at 31 December 2020, was not material.

22. Related party transactions

(a) Control relationships

The Company's immediate parent company is KAZ Minerals Bozshakol B.V., an entity incorporated and registered at Strawinskylaan 453, Amsterdam, Netherlands.

The ultimate controlling party is the ultimate parent undertaking, KAZ Minerals PLC, which is incorporated in the United Kingdom and heads the Group in which the results of the Company are consolidated. The consolidated financial statements of this Group are publicly available and may be obtained from:

Company Secretary

KAZ Minerals PLC

6th Floor

Cardinal Place

100 Victoria Street

London

SW1E 5JL

United Kingdom

(b) Transactions with related parties

The following table provides the total amount of transactions, excluding long term borrowings (note 16), which were entered into with related parties for the relevant financial period:

KZT million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
2020				
KAZ Minerals PLC Group entities	**380,206**	**7,112**	**68,244**	**502**
Other related parties	**5**	**5,862**	**197**	**496**
2019				
KAZ Minerals PLC Group entities	282,765	4,788	115,421	701
Other related parties		3,779	390	229

KAZ Minerals PLC Group entities

KSL enters into sales contracts with end customers. The Company, in turn, enters into contracts with KSL to provide the products being sold. The price at which sales are made by the Company to KSL is based on the prevailing price of commodities as determined by the LME market prices.

Other related parties

The Company also enters into tolling arrangements with Kazakhmys Smelting, a related party of the KAZ Minerals PLC Group, for the tolling of some of its concentrate into copper cathodes, gold and silver bars.

22. Related party transactions, continued

(c) Key management personnel

Compensation for key management personnel comprises the following:

KZT million	2020	2019
Salaries	**328**	232
Annual bonuses	**35**	28
Benefits	**175**	160
	538	420

23. Summary of significant accounting policies

The following significant accounting policies were applied in the preparation of the financial statements. These accounting policies were applied consistently to all periods presented in these financial statements.

(a) Foreign currency translation

The functional currency for the Company is determined as the currency of the primary economic environment in which it operates. The functional currency of the Company is Kazakhstan tenge ('KZT') as the majority of the operating activities are conducted in Kazakhstan tenge. Transactions in currencies other than the functional currency are initially recorded at the functional currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position 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 statement of total comprehensive income.

Transactions denominated in foreign currencies and that result in the recognition of non-monetary assets and liabilities are translated to the functional currency at the foreign exchange rate ruling at the date of each transaction.

The following foreign exchange rates against the Kazakhstan tenge were used in the preparation of the financial statements:

	2020		2019	
	Spot	**Average**	Spot	Average
US dollar (USD)	**420.71**	**412.95**	381.18	382.75
EUR	**516.13**	**471.44**	426.85	428.51
Russian rouble	**5.65**	**5.73**	6.17	5.92

(b) Property, plant and equipment

(i) Initial measurement

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

(ii) Depreciation

The cost of each item of property, plant and equipment is depreciated over its useful life to its estimated residual value. Each item's estimated useful life has due regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located. Estimates of remaining useful lives and residual values are made on a regular basis for all mine buildings, plant and equipment, with annual reassessments for major items. Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life of the individual asset to its estimated residual value.

Depreciation commences on the date the assets are ready for use within the business. Freehold land is not depreciated.

The expected useful lives are as follows:

Buildings	15-40 years;
Plant and equipment	4-25 years;
Other	3-15 years.

23. Summary of significant accounting policies, continued

(b) Property, plant and equipment, continued

(iii) Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category.

Construction in progress is not depreciated.

(iv) Repairs and maintenance

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Repairs and maintenance expenditure, including major overhauls which are infrequent, are capitalised if additional future economic benefits will arise from the expenditure. All other repairs and maintenance expenditure is recognised in the statement of comprehensive income as incurred.

(c) Mining assets

(i) Mineral licenses and properties

Costs of acquiring mineral licenses and properties are capitalised on the statement of financial position in the year in which they are incurred. Costs associated with a start-up period for significant developments are capitalised during the commissioning period (development expenditure) where the asset is incapable of operating at normal levels without a commissioning period. Mineral licenses and properties are amortised over the remaining life of the mine using a unit of production method.

The unit of production method is the ratio of commodity production in the period to the estimated quantities of commercial reserves over the life of the mine (using proved and probable mineral reserves as determined by JORC on an annual basis) based on the estimated economically recoverable reserves to which they relate. Changes in estimates, which affect unit of production calculations, are accounted for prospectively.

(ii) Mine development costs

Mine development costs are incurred to obtain access to proved reserves or mineral-bearing ore deposits and to provide facilities for extracting, lifting, and storing minerals. Such costs are, upon commencement of production, amortised over the remaining life of the mine using a unit of production method.

(iii) Mine stripping costs

Mine stripping costs incurred in order to access the mineral-bearing ore deposits are deferred prior to the commencement of production. Such costs are amortised over the remaining life of the mine using a unit of production method. The ongoing mining and development of the open-pit mines is generally performed via a succession of individual phases. The costs of extracting material from an open-pit mine are generally allocated between ore and waste stripping in proportion to the tonnes of waste and ore material extracted (the stripping ratio). The waste stripping costs are generally absorbed into inventory and expensed as that inventory is processed and sold. Where the stripping costs relate to a waste stripping campaign which is expected to provide improved access to an identifiable component of the ore body, the costs of removing waste in order to improve access to that part of the ore body will be capitalised within mining assets. The capitalised costs will then be amortised in a systematic manner over the reserves that directly benefit from the specific stripping activity. Changes to the stripping ratio arising from changes to mine plans or mineral reserves are regarded in changes in estimates and are accounted for prospectively.

(d) Impairment

The carrying values of mining assets and property, plant and equipment are assessed for impairment when indicators of such impairment exist. In performing impairment reviews, assets are categorised into the smallest identifiable groups (cash generating units) that generate cash flows independently. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to the statement of comprehensive income so as to reduce the carrying amount to its recoverable amount. Impairment losses are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount.

23. Summary of significant accounting policies, continued

(d) Impairment, continued

(i) Calculation of recoverable amount

The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows of the asset or CGU in its present condition, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, consideration will be given to whether the value of the asset or CGU can be determined from an active market (e.g. recognised exchange) or from a binding sale agreement which are classified as level 1 in the fair value hierarchy under IFRS 13 'Fair Value Measurements'. Where this is not determinable, fair value less costs to sell for a CGU is usually estimated with reference to a discounted cash flow model, similar to the method used for value in use, but may include estimates of future production, revenues, costs and capital expenditure not currently included in the life of mine plan.

Additionally, cash flow estimates include the impact of tax and are discounted using a post-tax discount rate. An estimate made on this basis is classified as level 3 in the fair value hierarchy.

(ii) Reversals of impairment

A previously recognised impairment loss is reversed only if there was a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior years. Such reversals are recognised in the statement of comprehensive income.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. Cost is determined on the following bases:

- raw materials and consumables are valued at cost on a first-in, first-out (FIFO) basis; and
- work in progress and finished goods are valued at the cost of production, including the appropriate proportion of depreciation, labor and overheads based on normal operating capacity. The cost of work in progress and finished goods is based on the weighted average cost method.

Net realisable value represents estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal. Inventory, usually stockpiled ore that was extracted, which is not expected to be processed within 12 months of the balance sheet date and is considered to fall outside of the normal operating cycle of the operation, is included within non-current assets.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits held on call or with original maturities which on inception are three months or less, and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(g) Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

(h) Social responsibility costs

The Company contributes towards social programmes for the benefit of the local community at large. The Company's contributions towards these programmes are expensed to the statement of comprehensive income at the point when the Company is committed to the expenditure.

(i) Provisions

Provisions are recognised when the Company 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.

23. Summary of significant accounting policies, continued

(i) Provisions, continued

(i) Site restoration costs

Site restoration provisions are made in respect of the estimated future costs of closure and restoration, and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted where material and the unwinding of the discount is included in finance costs. Over time, the discounted provision is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over from the remaining life of the mine to which it relates using a unit of production method. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Any change in restoration costs or assumptions will be recognised as additions or charges to the corresponding asset and provision when they occur. For permanently closed sites, changes to estimated costs are recognised immediately in the statement of comprehensive income.

(ii) Other

Other provisions are accounted for when the Company has a legal or constructive obligation for which it is probable there will be an outflow of resources and for which the amount can be reliably estimated.

(j) Revenue

Revenue mainly represents the income arising from the sale of Company's mineral products and is measured at the transaction price it expects to receive. The Company's products are priced with reference to LME for copper, or LBMA, for gold and silver, market prices. The prices achieved for the sale of copper and silver are reduced by contractually determined treatment and refining charges (TC/RCs), which are usually agreed annually in advance and with reference to market rates.

Revenue is recognised when the Company has satisfied its contractual performance obligations to customers, which generally require the delivery of an agreed quantity of a metal product to a specified location. Revenue is recognised as control of the material, including legal title and the risks and rewards of ownership have transferred to the customer and the Company has no other performance obligations. Delivery contractual terms to customers, which are in line with Incoterms are usually denoted as Free-on-Board (FOB) or Deliver-at-Place (DAP). Under these Incoterms, the Company's performance obligation ends with the delivery of material to the named location. For the majority of the sales, the Company is entitled to receipt of amounts on delivery of the product to the customer.

Most of the sales agreements for the Company's mineral products are provisionally priced, whereby the selling price is subject to final adjustment at the end of a quotation period (typically one to three months), based on the average LME/LBMA market price for the period stipulated in the contract. At each reporting date, provisionally priced metal sales are marked-to-market using forward prices aligned with the quotation period (up to a maximum of two months), with any gains and losses are recorded in revenue in the statement of total comprehensive income and in trade receivables in the balance sheet.

Copper concentrate (including any contained by-products) is subject to final volume adjustments based on independent laboratory confirmation of volumes produced, compared to volumes estimated at the time of pricing. Revenue recognised from the sale of copper concentrate is restricted to the extent that a material reversal in revenue resulting from final volume adjustments will not occur in a subsequent period. In applying the restriction, the Company uses its experience in assessing whether material negative volume adjustments are likely to occur in the next reporting period.

(k) Finance income

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues, calculated in accordance with the effective interest rate method.

(l) Finance costs

Finance costs comprise interest on borrowings which are not capitalised under the Company's borrowing costs policy (see note 23(o) below), the unwinding of discount on provisions and other liabilities and foreign exchange losses.

23. Summary of significant accounting policies, continued

(m) Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time as the assets are considered substantially ready for their intended use, i.e. when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short period of time from money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing costs. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the year.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred using the effective interest rate method.

Borrowing costs that represent avoidable costs not related to the financing arrangements of the development projects and are therefore not directly attributable to the construction of these respective assets are expensed in the period as incurred. These borrowing costs generally arise where the funds are drawn down under the Company's financing facilities, whether specific or general, which are in excess of the near term cash flow requirements of the development projects for which the financing is intended, and the funds are drawn down ahead of any contractual obligation to do so.

(n) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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 date of the statement of financial position.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and in combination with other deferred tax assets. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred income tax balances are based on the tax legislation. Where tax legislation may not be clear or result in uncertainty, the Company will determine its tax obligations and resulting income tax expense using an approach which it believes has a probable chance of being accepted by the tax authorities based on historical experience, legal advice and communication with the tax authorities, where appropriate. Where the Company adopts an approach to an uncertain tax position that it regards as having a less than probable chance of being accepted by the tax authorities, the income tax expense and resulting income and deferred tax balances are adjusted to reflect this uncertainty using either the most likely outcome method or the expected value method.

(o) Financial instruments

The Company recognises financial assets and liabilities on its statement of financial position when it becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Classification and initial measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at amortised cost, fair value through profit or loss or fair value through other comprehensive income. The Company determines this classification at initial recognition depending on the business model for managing the financial asset and the contractual terms of the cash flows.

23. Summary of significant accounting policies, continued

(o) Financial instruments, continued

(i) Financial assets, continued

The Company's financial assets include cash and cash equivalents, trade and other receivables and long-term bank deposits.

When financial assets are initially recognised, they are measured at fair value being the consideration given or received plus directly attributable transaction costs. Any gain or loss at initial recognition is recognised in the statement of total comprehensive income.

The Company's financial assets measured at amortised cost are held for the collection of contractual cash flows where those cash flows have specified dates and represent solely payments of principal and interest, such as cash and cash equivalents or trade receivables that are not based on listed commodity metal prices or subject to provisional pricing.

Classification and initial measurement, continued

The Company's financial assets measured at fair value through profit or loss are those financial assets where the contractual cash flows do not represent solely payments of principal and interest, such as trade receivables which are priced with reference to LME or LBMA prices and are subject to provisional pricing.

Subsequent measurement

Financial assets held for the collection of contractual cash flows that are solely payments of principal and interest (and classified as amortised cost) are subsequently measured at amortised cost using the effective interest rate method ('EIR'). Amortised cost is calculated by any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Allowance for impairment is estimated on a case-by-case basis.

Almost all sales agreements for the Company's mineral products are provisionally priced based on the LME/LBMA market price for the relevant quotation period stipulated in the contract (refer to the revenue accounting policy). At each reporting date, provisionally priced metal sales are marked-to-market using the relevant forward prices aligned with the quotation period. A gain or loss on a trade receivable which is priced based on listed metal prices, being a financial asset measured at fair value through profit or loss, is recognised in within revenue in the statement of total comprehensive income in the period in which it arises.

Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses that might arise on financial assets measured at amortised cost. This assessment considers the probability of a default event occurring that could result in the expected cash flows due from a counterparty falling short of those contractually agreed.

Expected credit losses are estimated for default events possible over the lifetime of a financial asset measured at amortised cost. However, where the financial asset is not a trade receivable measured at amortised cost and there were no significant increases in that financial asset's credit risk since initial recognition, expected credit losses are estimated for default events possible within 12 months of the reporting date.

(ii) Financial liabilities

Classification and initial measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortised cost or fair value through profit or loss. The Company determines the classification of its financial liabilities at initial recognition.

The Company's financial liabilities include borrowings, trade and other payables and other liabilities, which are classified as amortised cost. Trade payables may be designated and measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis.

All financial liabilities are recognised initially at fair value while financial liabilities at amortised cost additionally include directly attributable transaction costs.

23. Summary of significant accounting policies, continued

(o) Financial instruments, continued

(ii) Financial liabilities, continued

Subsequent measurement

Borrowings, trade and other payables and other financial liabilities are subsequently measured at amortised cost using the EIR method after initial recognition. Gains and losses are recognised in the statement of total comprehensive income through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of total comprehensive income.

A gain or loss on a financial liability measured at fair value through profit or loss is recognised in the statement of total comprehensive income in the period in which it arises.

Subsequent measurement, continued

Where the Company enters into derivative contracts that are not hedging instruments in hedge relationships as defined by IFRS 9, these are carried on the balance sheet at fair value with subsequent changes recognised in finance income or finance costs in the statement of total comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of total comprehensive income.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iv) Fair value of financial instruments

At each reporting date, the fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm’s length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

KAZ Minerals Bozshakol LLC

Financial Statements

for the year ended 31 December 2019

CONTENTS

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Independent Auditors' Report

To Management and to sole participant of KAZ Minerals Bozshakol LLC

Opinion

We have audited the financial statements of KAZ Minerals Bozshakol LLC (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors' report is:

Sergey Nezdemkovskiy
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No. 0000182 of 2 June 2014

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of the Charter

28 May 2020

KAZ Minerals Bozshakol LLC

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2019

KZT million	Notes	2019	2018
Revenues	4	**302,683**	242,240
Cost of sales	5(a)	**(145,279)**	(123,395)
Gross profit		**157,404**	**118,845**
Selling and distribution expenses	5(b)	**(5,467)**	(3,873)
Administrative expenses	5(c)	**(8,510)**	(6,488)
Other operating income		**1,005**	453
Impairment losses		**(8)**	(28)
Profit before finance items and taxation		**144,424**	**108,909**
Finance income	6	**5,772**	14,701
Finance costs	6	**(49,700)**	(55,707)
Profit before taxation		**100,496**	**67,903**
Income tax expense	7(a)	**(20,679)**	(13,955)
Profit for the year		**79,817**	**53,948**
Total comprehensive income for the year		**79,817**	**53,948**

The accounting policies and explanatory notes on pages 5 through 30 form an integral part of these financial statements.

KAZ Minerals Bozshakol LLC

Statement of financial position as at 31 December 2019

KZT million	Notes	2019	2018
Assets			
Non-current assets			
Intangible assets		**901**	1,179
Property, plant and equipment	8	**389,023**	400,041
Mining assets	9	**20,482**	20,325
Other non-current assets	10	**51,788**	43,712
		462,194	**465,257**
Current assets			
Inventories	11	**83,113**	65,794
Prepayments and other current assets	12	**10,665**	9,710
Income tax prepaid		**-**	1,513
Trade and other receivables	13	**115,186**	89,105
Cash and cash equivalents	14	**2,102**	2,662
		211,066	**168,784**
TOTAL ASSETS		**673,260**	**634,041**
Equity and liabilities			
Equity			
Charter capital	15	**120,000**	120,000
Retained earnings		**177,590**	97,773
Total equity		**297,590**	**217,773**
Non-current liabilities			
Deferred tax liability	7(b)	**31,339**	24,259
Borrowings	16	**253,847**	294,667
Provisions	17	**4,439**	2,233
Other liabilities		**184**	216
		289,809	**321,375**
Current liabilities			
Trade and other payables	18	**20,805**	27,804
Borrowings	16	**64,976**	67,040
Income taxes payable		**30**	-
Other liabilities		**50**	49
		85,861	**94,893**
Total liabilities		**375,670**	**416,268**
TOTAL EQUITY AND LIABILITIES		**673,260**	**634,041**

Signed on 28 May 2020 on behalf of management:

S.V. Leu

Director

Қазақстан Республикасы Екібастұз қаласы Жауапкершілігі шектеулі серіктестігі * Республика Казахстан г. Экибастуз Товарищество с ограниченной ответственностью *
"KAZ Minerals Bozshakol"
(КАЗ Минералз Бозшаколь)

T.N. Kim

Chief Accountant

The accounting policies and explanatory notes on pages 5 through 30 form an integral part of these financial statements.

KAZ Minerals Bozshakol LLC

Statement of cash flows for the year ended 31 December 2019

KZT million	Notes	2019	2018
Cash flows from operating activities			
Cash receipts from customers		275,332	191,458
Net proceeds on non-current VAT		-	154
Cash payments to employees, suppliers and taxes other than non-current VAT and income tax		(146,916)	(127,066)
Cash flow from operations before interest and income taxes paid	19	128,416	64,546
Interest paid	16	(45,104)	(78,851)
Income taxes paid		(7,944)	(852)
Net cash flows from/(used in) operating activities		75,368	(15,157)
Cash flows from investing activities			
Interest received	6	46	114
Proceeds from disposal of property, plant and equipment		5	4
Purchase of intangible assets		(83)	(115)
Purchase of property, plant and equipment		(34,208)	(8,581)
Investments in mining assets		(1,174)	(1,451)
Investment in long-term bank deposits		(42)	(18)
License payments for subsoil contracts		(51)	(51)
Net cash flows used in investing activities		(35,507)	(10,098)
Cash flows from financing activities			
Repayment of borrowings	16	(40,000)	-
Net cash flows used in financing activities		(40,000)	-
Net decrease in cash and cash equivalents		(139)	(25,255)
Cash and cash equivalents at the beginning of the year		2,662	28,706
Effect of exchange rate changes on cash and cash equivalents		(421)	(789)
Cash and cash equivalents at the end of the year	14	2,102	2,662

During the year the Company had the following non-cash transactions, which were excluded from the statement of cash flows:

- A non-cash decrease in the prepayments and other current assets of KZT 4,112 million (2018: KZT nil), as income tax payments due were offset against VAT refunds in the second half of 2019.
- A non-cash decrease in the inventories of KZT 189 million due to reclassification to property, plant and equipment.
- A non-cash increase in the provision for site restoration of KZT 2,027 million (2018: decrease of KZT 755 million) included within property, plant and equipment.
- A non-cash adjustment for NFC Kazakhstan LLP indexation of KZT 238 million.

Statement of changes in equity for the year ended 31 December 2019

KZT million	Charter capital	Retained earnings	Total
At 1 January 2018	**120,000**	**43,825**	**163,825**
Profit for the year	-	53,948	53,948
Total comprehensive income for the year	**-**	**53,948**	**53,948**
At 31 December 2018	**120,000**	**97,773**	**217,773**
Profit for the year	**-**	**79,817**	**79,817**
Total comprehensive income for the year	**-**	**79,817**	**79,817**
At 31 December 2019	**120,000**	**177,590**	**297,590**

1. Corporate information

(a) Organisation and operations

KAZ Minerals Bozshakol LLC (the "Company") was established and registered as a limited liability partnership on 12 May 2009 in the Republic of Kazakhstan as Kazakhmys Bozshakol LLP and was reregistered and renamed as KAZ Minerals Bozshakol LLC on 10 December 2014. The Company's registered office is Building 13, Tort-Kuduk Village, Tort-Kuduk rural district, Ekibastuz city, Pavlodar region, 141218, Republic of Kazakhstan. The Company is wholly owned by KAZ Minerals Bozshakol B.V. The ultimate controlling entity of the Company is KAZ Minerals PLC (the "Group").

The Company's principal activity is the mining and processing of copper ore. Its main assets are the Bozshakol large-scale open pit mine and on-site processing facilities in the Pavlodar region of the Republic of Kazakhstan. The Company holds the subsoil use rights for the extraction of copper ore at the Bozshakol field under contract number 2494 dated 26 November 2007 as transferred from Kazakhmys Corporation LLC on 15 May 2013. The Company's main products are copper in concentrate with by-products of gold, silver and molybdenum, with some concentrate toll processed at the Balkhash smelter (a related party). The Bozshakol mine and the processing facilities employ around 1,700 people.

Bozshakol is a first quartile asset on the global cost curve with an annual ore processing capacity of 30 million tonnes and a remaining mine life of c.40 years at an average copper grade of 0.36%. The mine and processing facilities commenced output in 2016 and will produce an average of 100 kt of copper cathode equivalent and 120 koz of gold in concentrate per year over the first 10 years of operations. The processing facilities include the sulphide concentrator with an annual ore processing capacity of 25 million tonnes and the clay plant with an annual ore processing capacity of 5 million tonnes.

(b) Kazakhstan business environment

The Company's operations are conducted in the Republic of Kazakhstan and is thus subject to country specific risks including economic, political and social risks inherent in doing business in therein. 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. 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 financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2. Basis of preparation

(a) Going concern

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

At 31 December 2019, the Company had outstanding borrowings of KZT 300,000 million under the KAZ Minerals Project Finance Limited ("KPFL") loan facility, which amortises over the period to 2025.

Management has considered the Company's cash flow forecasts for the period to 31 May 2021, including the outlook for commodity prices, production levels from the Company's operations, its future capital requirements, the principal and interest repayments due under the Company's debt facility and reasonably possible impacts as a result of the outbreak of the COVID-19 pandemic.

Management is satisfied that the Company's forecasts show that the Company has adequate liquidity to continue in operational existence for the foreseeable future. Accordingly, it is appropriate to adopt the going concern basis of accounting in the preparation of these financial statements.

(b) Basis of accounting

These financial statements were prepared on a historical cost basis, except for metal-related trade receivables which have been measured at fair value. The financial statements are presented in Kazakhstan tenge ("KZT") and all financial information was rounded to the nearest million ("KZT million") except where otherwise indicated.

2. Basis of preparation, continued

(c) Statement of compliance

These financial statements of the Company were prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB.

(d) Adoption of new standards and interpretations

The following accounting standards, amendments and interpretations, which had no significant impact on these financial statements, became effective in the current reporting period:

- IFRS 16 *'Leases'* was adopted on 1 January 2019, replacing IAS 17 *'Leases'*. The new standard was applied using the 'modified retrospective approach', which did not result in a classification or measurement adjustment to retained earnings on transition or a restatement of comparative information, and there was no material impact on opening equity at 1 January 2019. The standard changes the identification of leases and how they will be recognised, measured and disclosed by lessees, requiring the recognition of a right-of-use asset and liability for the future lease payments on the balance sheet. The standard requires the right-of-use asset to be depreciated over the duration of the lease term and shown within operating profit in the income statement, with the interest cost associated with the financing of the asset included within interest expense. In applying the transition requirements and provisions of the new standard, the Company reviewed its lease contracts, which mainly related to certain leased equipment and payments for land, and the right-of-use asset and related liability was found to be immaterial. The standard does not apply to leases to explore for or use natural resources, such as mining licences and rights.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases which have low value, or short-term leases with a duration of 12 months or less. The payments associated with such leases are charged directly to the income statement on a straight-line basis over the lease term.

In assessing the application of IFRS 16, the Company considered the following practical expedients:

- the previous determination of whether a contract is, or contains, a lease pursuant to IAS 17 *'Leases'* and IFRIC 4 *'Determining whether an Arrangement Contains a Lease'* was maintained for existing contracts;
- right-of-use assets or lease liabilities for leases where the lease term ends within 12 months of the date of initial application have not been recognised;
- initial direct costs from right-of-use assets were excluded; and
- hindsight was used when assessing the lease term;
- IFRIC 23 *'Uncertainty over Income Tax Treatments'* was adopted on 1 January 2019. The interpretation clarifies that income tax and deferred tax assets and liabilities should be measured reflecting the uncertainty of any positions adopted under IAS 12 *'Income Taxes'*, where acceptance of such position by the tax authorities is considered as less than probable. The application of this interpretation had no material impact on the amounts reported in the Company's financial statements;
- The application of a number of minor amendments, including those from the 2015-2017 annual improvement cycle which became effective on 1 January 2019, had no impact on the Company's financial statements due to the nature of its operations. This includes *'Borrowing Costs Eligible for Capitalisation (Amendments to IAS 23)'*, *'Previously Held Interests in a Joint Operation (Amendments to IFRS 3 and IFRS 11)'*, *'Income Tax Consequences of Payments on Instruments Classified as Equity (Amendments to IAS 12)'*, *'Prepayment Features with Negative Compensation (Amendments to IFRS 9)'*, *'Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)'*, and *'Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)'*.

(e) New standards and interpretations not yet adopted

The key new standards, interpretations and amendments, as issued by the IASB and presented below, are expected to be adopted by the Company in the accounting period of when they become effective:

- *'Definition of Material (Amendments to IAS 1 and IAS 8)'*: the IASB effective date is 1 January 2020. The amendment revises the definition of material stating that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. This amendment is not expected to have an impact on the Company's financial statements.

2. Basis of preparation, continued

(e) New standards and interpretations not yet adopted, continued

- IFRS 17 *'Insurance Contracts'*: the IASB effective date is 1 January 2021. IFRS 17 will replace IFRS 4 *'Insurance Contracts'* and applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. This standard is not expected to have an impact on the Company's financial statements due to the nature of its operations.
- There are a number of other standards which are not yet effective, and which are not expected to have a material impact on the Company's financial statements.

The Company has not early adopted any new standards or interpretations.

3. Significant accounting judgements and key sources of estimation uncertainty

In the course of preparing these financial statements, management makes necessary judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Judgements are based on management's best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the financial statements.

Estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions applied are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgements and the key assumptions and sources of estimation uncertainty concerning the future which management believes are likely to have the most significant effect on the amounts recognised in the financial statements. However, management does not expect a significant risk of a material change to the Company's carrying value of the assets and liabilities affected by these factors in the next 12 months, within a reasonably possible range. The qualitative disclosures regarding these sources of estimation uncertainty are presented because management considers these to be relevant to the mining industry and useful in understanding the financial statements of the Company. These disclosures go beyond the minimum requirements of IAS 1 'Presentation of Financial Statements' which only requires disclosure of estimation uncertainty where changes in estimates, within a reasonably possible range, could have a significant risk of a material effect, within the next 12 months, on the amounts recognised in the financial statements.

Impairment of assets

Significant accounting judgements

Management reviews the carrying value of the Company's assets to determine whether there are any indicators of impairment such that the carrying values of the assets or that of the cash generating unit ('CGU') may not be recoverable. The assessment of whether an indicator of impairment or reversal thereof has arisen requires considerable judgement, taking account of future operational and financial plans, commodity prices and the competitive environment.

Where such indicators exist, the carrying value of the assets of the CGU is compared with the recoverable amount of those assets, that is, the higher of its fair value less costs to sell and value in use, which is typically determined on the basis of discounted future cash flows. For the purpose of assessing commodity prices as potential indicators of impairment, consideration was given to a range of equity analyst long-term copper prices with a median price of around USD 6,700 per tonne.

An assessment of the key external and internal factors affecting the Company and its assets at 31 December 2019 did not identify any indicators of impairment.

Non-current inventories

Significant accounting judgements

Mining activities may result in the stockpiling of ore. Ore which is not expected to be processed within 12 months of the balance sheet date and is considered to fall outside of the normal operating cycle of the operation is classified as a non-current asset. The classification of stockpiled ore between non-current and current assets is based on judgements as to the expected timing of processing and on future production plans.

3. Significant accounting judgements and key sources of estimation uncertainty, continued

Non-current inventories, continued

Key sources of estimation uncertainty

The stockpiled ore is reflected at the lower of cost or net realisable value, with net realisable value subject to estimates of further processing, delivery costs and future commodity prices. Commodity prices applied in assessing the net realisable value fall within the range of equity analyst commodity price expectations. Changes to commodity prices in the next 12 months within a reasonably possible range are not expected to significantly impact the carrying value of non-current inventories.

Determination of mineral reserves and useful lives of property, plant and equipment

Key sources of estimation uncertainty

Mineral reserves are estimates of the amount of product that can be economically and legally extracted from the Company's mining properties. In order to estimate reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. The Company estimates its mineral reserves and mineral resources based on information compiled and reviewed by competent persons as defined in accordance with the Kazakhstan Code for the public reporting of Mineral Reserves ('KAZRC') and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (the 'JORC Code').

In assessing the life of a mine for accounting purposes, mineral reserves are taken into account where there is a high degree of confidence of economic extraction. Since the economic assumptions used to estimate reserves change from period to period, and as additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including the following:

- asset recoverable amounts may be affected due to changes in estimated future cash flows;
- deferral of stripping costs which are determined using a waste to ore stripping ratio;
- depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the unit of production basis, or where the useful economic lives of assets change;
- decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities; and
- the carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of tax benefits.

There are numerous uncertainties inherent in estimating mineral reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being revised. Management does not expect significant changes in the carrying value of the Company's mining properties; property, plant and equipment; closure liabilities and deferred taxes to arise from changes in mineral reserve estimates within a reasonably possible range in the next 12 months. Revisions to mineral reserve estimates in 2019 did not result in a material change to the carrying value of these assets and liabilities.

For property, plant and equipment depreciated on a straight-line basis over its useful economic life, the appropriateness of the asset's useful economic life is reviewed at least annually, and any changes could affect prospective depreciation rates and asset carrying values.

Decommissioning and site restoration costs

Significant accounting judgements

Management uses judgement and experience in determining the expected timing, closure and decommissioning methods, which can vary in response to changes in the relevant legal requirements or decommissioning technologies.

3. Significant accounting judgements and key sources of estimation uncertainty, continued

Decommissioning and site restoration costs, continued

Key sources of estimation uncertainty

The ultimate cost of decommissioning and rehabilitation is uncertain and cost estimates can vary in response to many factors including the emergence of new restoration techniques and costs of materials and labour. Therefore, the Company periodically reviews the closure cost estimate at each operation. The expected timing and extent of expenditure can also change in response to revisions in mineral reserve estimates, processing levels and commodity prices whilst future costs are inflated using expected inflation rates and discounted using forecast discount rates. Due to the relatively long life of the Company's assets, changes in estimates within a reasonably possible range in the next 12 months are not expected to significantly impact the carrying value of the Company's provisions for decommissioning and site restoration costs.

Taxes

Significant accounting judgements

Management makes judgements in relation to the recognition of various taxes levied on the Company, which are both payable and recoverable. Judgement applies particularly to corporate income taxes, transfer pricing, VAT and outcomes of tax disputes which would affect recognition of tax liabilities and deferred tax assets. Judgement over recognition also applies to taxes which are recoverable by the Company, principally VAT paid, for which the recoverability and timing of recovery is assessed. In making judgements related to taxes, management believes that the tax positions it adopts are in line with the applicable legislation and reflect the probable outcome. Estimates are made to determine the amount of taxes payable or recoverable, including deferred tax assets. The tax obligations and receivables, upon audit by the tax authorities at a future date, may differ as a result of differing interpretations. These interpretations may impact the expected timing and quantum of taxes payable and recoverable and are discussed further in note 21.

Key sources of estimation uncertainty

Estimates may be made to determine the amount of taxes recoverable, principally VAT and deferred tax assets. The recognition of deferred tax assets mainly relates to tax losses which may be utilised in the future, giving consideration to future profitability, estimates of commodity prices, interest rate and operating costs and any statute of limitation period. Changes in these estimates within a reasonably possible range in the next 12 months are not expected to significantly alter the carrying value of the Company's taxes that are recoverable.

4. Revenues

(a) Revenues by product

Revenues by product are as follows:

KZT million	2019	2018
Copper in concentrate	**193,632**	172,913
Gold in concentrate	**63,229**	43,839
Copper cathodes	**21,498**	21,449
Gold bar	**18,726**	-
Silver in concentrate	**3,935**	2,683
Molybdenum in concentrate	**1,191**	578
Silver in granules	**367**	661
Other by-products	**105**	117
Total revenue	**302,683**	**242,240**

Most of the Company's sales agreements are based on provisional pricing with the final pricing usually determined by the average market price of the respective metal in the month (for gold bar and silver), the month following (for copper cathode) or the second month following (for copper concentrate including by-products) dispatch to the customer.

4. Revenues, continued

(a) Revenues by product, continued

At 31 December, the Company's provisionally priced volumes and their respective average provisional prices were as follows:

	At 31 December 2019		At 31 December 2018	
	Provisional priced volumes	**Weighted average provisional price**	Provisional priced volumes	Weighted average provisional price
Copper in concentrate[1]	**16,999 t**	**5,130 USD/t**	15,627 t	5,510 USD/t
Silver in concentrate[1]	**120,016 oz**	**14 USD/oz**	96,751 oz	12 USD/oz
Gold in concentrate[1]	**22,700 oz**	**1,414 USD/oz**	20,629 oz	1,156 USD/oz
Copper cathodes	**1,362 t**	**5,473 USD/oz**	-	-

[1] Payable metal in concentrate. Typically priced after deduction of a processing charge.

The final prices for the provisionally priced volumes shown above will be determined during the quarter after the year end. At 31 December 2019, sales contracts which had not been finally priced, were marked to market to reflect the expected settlement price based on the appropriate forward metal price (typically one month for copper cathode and two months for copper concentrate including by-products). This adjustment increased revenue by KZT 4,121 million (2018: KZT 185 million decrease in gross revenues and revenues). The cumulative commodity pricing adjustments recorded during 2019 between the final price and the forward price at the expected settlement date, at the time of the sale, resulted in a KZT 1,681 million increase (2018: KZT 6,488 million reduction) which was included within revenue.

(b) Revenues by destination

Revenues by destination are as follows:

KZT million	2019	2018
China	**192,139**	76,098
Europe	**91,713**	165,362
Kazakhstan and Central Asia	**18,831**	780
Total revenues	**302,683**	**242,240**

Most of the Company's sales were to a related party, KAZ Minerals Sales Limited (see note 20(e)), for onward sale to third party customers. Sales from the Company to KAZ Minerals Sales Limited comprise 93% (KZT 282,661million) of revenues (2018: 99% or KZT 240,883 million).

5. Cost of sales, selling and distribution expenses and administrative expenses

(a) Cost of sales

KZT million	2019	2018
Raw materials	**46,873**	37,097
Depreciation, depletion and amortisation	**38,388**	35,078
Mineral extraction tax	**29,295**	24,773
Production overheads	**11,747**	9,949
Employee salaries and payroll taxes	**10,366**	8,448
Utilities	**8,303**	8,293
Refining services	**3,779**	3,057
Other taxes	**3,511**	3,326
Change in work-in-progress and finished goods	**(6,983)**	(6,626)
Total cost of sales	**145,279**	**123,395**

(b) Selling and distribution expenses

KZT million	2019	2018
Transportation expenses	**5,150**	3,665
Employee salaries and payroll taxes	**64**	47
Other selling expenses	**253**	161
Total selling and distribution expenses	**5,467**	**3,873**

5 Cost of sales, selling and distribution expenses and administrative expenses, continued

(c) Administrative expenses

KZT million	2019	2018
Management services	4,553	3,578
Social responsibility costs	2,124	1,112
Employee salaries and payroll taxes	831	791
Legal and professional	661	847
Levies and charges	170	(33)
Depreciation and amortisation	93	68
Supplies	34	10
Business travel	21	22
Other administrative expenses	23	93
Total administrative expenses	**8,510**	**6,488**

6. Finance income and finance costs

KZT million	2019	2018
Finance income		
Interest income	46	114
Foreign exchange gains	5,726	14,587
Total finance income	**5,772**	**14,701**

KZT million	Notes	2019	2018
Finance costs			
Interest expense	16	(42,220)	(46,921)
Unwinding of discount on provisions and other liabilities	17	(198)	(190)
Foreign exchange losses		(7,282)	(8,596)
Total finance costs		**(49,700)**	**(55,707)**

7. Income tax

(a) Income tax expense

Major components of income tax expense are:

KZT million	2019	2018
Current income tax		
Corporate income tax – current period	13,491	260
Corporate income tax – prior periods	108	(1)
	13,599	259
Deferred income tax		
Deferred income tax – current period temporary differences	7,231	13,489
Deferred income tax – prior periods temporary differences	(151)	207
	7,080	13,696
	20,679	13,955

A reconciliation of the income tax expense applicable to the accounting profit before taxation at the statutory income tax rate, to the income tax expense at the effective income tax rate, is as follows:

KZT million	2019	2018
Profit before taxation	100,496	67,903
At the statutory income tax rate of 20%	20,099	13,581
Underprovided / (overprovided) in prior periods – deferred income tax	(151)	207
Underprovided / (overprovided) in prior periods – current income tax	108	(1)
Non-deductible items:		
Transfer pricing	396	161
Non-deductible expenses	227	7
Total	**20,679**	**13,955**

Corporate income tax is calculated at 20% of the taxable profit for the period for the Company. The effective tax rate was 20.6 % (2018: 20.6%).

7. Income tax, continued

(b) Recognised deferred tax assets and liabilities

The amounts of deferred tax assets/(liabilities) provided in the financial statements are as follows:

KZT million	2019	2018
Property, plant, and equipment, Intangible assets and Mining assets	(33,589)	(31,342)
Inventories	88	(6)
Trade and other receivables	(460)	25
Provisions and other liabilities	888	447
Trade and other payables	1,734	1,400
Tax losses	-	5,217
Deferred tax liability, net	**(31,339)**	**(24,259)**

The movement in the net deferred tax assets/(liabilities) in the financial statements is as follows:

KZT million	2019	2018
Opening balance	(24,259)	(10,563)
Recognised in profit and loss	(7,080)	(13,696)
At 31 December	**(31,339)**	**(24,259)**

8. Property, plant, and equipment

KZT million	Land and buildings	Plant and equipment	Other	Construction in process	Total
Cost					
At 1 January 2018	135,126	324,697	9,676	4,653	474,152
Additions	(608)	2,424	203	7,035	9,054
Transfers	(3,052)	8,394	65	(5,407)	-
Transfers from mining assets	-	-	-	487	487
Disposals	(6)	(14)	(386)	-	(406)
At 31 December 2018	**131,460**	**335,501**	**9,558**	**6,768**	**483,287**
Additions	2,033	7,706	178	16,178	26,095
Transfers	7,553	4,895	(107)	(12,341)	-
Reclassification	8,694	(16,814)	8,120	-	-
Transfers from mining assets	-	-	-	18	18
Disposals	(11)	(5)	(30)	-	(46)
At 31 December 2019	**149,729**	**331,283**	**17,719**	**10,623**	**509,354**
Depreciation and impairment					
At 1 January 2018	8,170	38,401	2,845	-	49,416
Depreciation charge	4,674	27,483	2,040	-	34,197
Disposals	-	(20)	(347)	-	(367)
At 31 December 2018	**12,844**	**65,864**	**4,538**	**-**	**83,246**
Depreciation charge	6,828	27,519	2,774	-	37,121
Reclassification	954	(2,097)	1,143	-	-
Disposals	(5)	(4)	(27)	-	(36)
At 31 December 2019	**20,621**	**91,282**	**8,428**	**-**	**120,331**
Net book value					
At 31 December 2018	**118,616**	**269,637**	**5,020**	**6,768**	**400,041**
At 31 December 2019	**129,108**	**240,001**	**9,291**	**10,623**	**389,023**

At 31 December 2019, machinery and equipment with the net carrying value of KZT 11,584 million (2018: KZT nil) was pledged as security under a USD 100 million loan facility between Caterpillar Financial Services Limited and KAZ Minerals Finance PLC, a related party of the Company.

9. Mining assets

KZT million	Licences	Mine development costs	Mine stripping costs	Total
Cost				
At 1 January	295	14,007	8,863	23,165
Additions	1	686	765	1,452
Transfers from property, plant and equipment	-	(487)	-	(487)
Capitalised depreciation, depletion and amortisation	-	-	275	275
At 31 December 2018	**296**	**14,206**	**9,903**	**24,405**
Additions	**(1)**	**883**	**292**	**1,174**
Transfers to property, plant and equipment	**-**	**(18)**	**-**	**(18)**
Capitalised depreciation, depletion and amortisation	**-**	**-**	**107**	**107**
At 31 December 2019	**295**	**15,071**	**10,302**	**25,668**
Depletion and impairment				
At 1 January 2018	35	1,280	1,842	3,157
Depletion charge	16	480	427	923
At 31 December 2018	**51**	**1,760**	**2,269**	**4,080**
Depletion charge	**16**	**576**	**514**	**1,106**
At 31 December 2019	**67**	**2,336**	**2,783**	**5,186**
Net book value				
At 31 December 2018	**245**	**12,446**	**7,634**	**20,325**
At 31 December 2019	**228**	**12,735**	**7,519**	**20,482**

10. Other non-current assets

KZT million	**2019**	2018
Non-current inventories[1]	**51,307**	42,795
Advances paid for property, plant and equipment	**361**	838
Long-term deposits[2]	**120**	79
	51,788	**43,712**

[1] Non-current inventories comprise ore stockpiles that relate mainly to clay ore and does not fall under normal operating cycle.

[2] Long-term bank deposits reflect monies placed in escrow accounts with financial institutions in Kazakhstan as required by the subsoil licence and to be utilised for site restoration and rehabilitation.

11. Inventories

KZT million	**2019**	2018
Raw materials and consumables	**60,167**	40,953
Work-in-progress	**17,915**	11,638
Finished goods	**5,424**	13,231
Gross value of inventories	**83,506**	**65,822**
Provision for obsolete inventories	**(393)**	(28)
	83,113	**65,794**

12. Prepayments and other current assets

KZT million	**2019**	2018
VAT reclaimable	**7,938**	6,661
Advances paid for goods and services	**943**	2,758
Advances paid to related parties	**840**	-
Other	**944**	291
	10,665	**9,710**

13. Trade and other receivables

KZT million	2019	2018
Trade receivables – KAZ Minerals Sales Limited[1]	114,784	88,791
Trade receivables – other related parties	187	148
Trade receivables – third parties[1]	22	45
Other receivables	193	121
	115,186	89,105

[1] At 31 December 2019, KZT 114,806 million of trade receivables related to provisionally priced contracts measured at fair value through profit and loss (2018: KZT 88,836 million), as outlined in note 20(a), including an increase of KZT 4,121 million (2018: reduction of KZT 185 million) arising from marked to market adjustments at 31 December 2019.

14. Cash and cash equivalents

KZT million	2019	2018
Cash at bank[1]	2,102	2,662
	2,102	2,662

[1] At 31 December 2018, cash at bank of KZT 384 million was restricted by contractual arrangements.

15. Equity

(a) Charter capital

	2019		2018	
	KZT million	%	KZT million	%
KAZ Minerals Bozshakol B.V.	120,000	100	120,000	100

(b) Dividends

In accordance with legislation in Kazakhstan, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's financial statements prepared in accordance with IFRS or income for the period if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Company's insolvency.

At 31 December 2019 the Company had retained earnings of KZT 177,590 million (2018: KZT 97,773 million).

No dividends were declared or paid by the Company during 2019 and 2018.

16. Borrowings

KZT million	2019	2018
Loan payable to a related party – KPFL	300,000	340,000
Interest payable	18,823	21,707
	318,823	361,707
Current	64,976	67,040
Non-current	253,847	294,667
	318,823	361,707

KAZ Minerals Project Finance Limited (KPFL) debt facility

The Company has a long-term uncollateralised loan from KPFL for KZT 350,000 million which was entered into in 2010 and amended in 2016. The facility accrues interest at USD 6-month LIBOR plus 11%. Principal repayments commenced in 2019 and continue in semi-annual instalments in January and July until final maturity in 2025. During 2019, the Company made principal repayments of KZT 40,000 million and interest repayments of KZT 45,104 million (2018: interest repayments of KZT 78,851 million). At 31 December 2019, KZT 67,040 million was due to be repaid within 12 months of the balance sheet date.

Undrawn facilities

The Company's KPFL debt facility was fully drawn at 31 December 2019 and 2018.

16. Borrowings, continued

Movement in borrowings

Changes in borrowings arising from cash flow and other movements are as follows:

KZT million	2019	2018
At 1 January	361,707	393,637
Interest charged for the period	42,220	46,921
Principal paid	(40,000)	-
Borrowing costs paid	(45,104)	(78,851)
At 31 December	**318,823**	**361,707**

17. Provisions

KZT million	2019	2018
At 1 January	2,233	2,820
Arising during the year	-	9
Arising due to change in estimates[1]	2,027	(764)
Unwinding of discount	179	168
At 31 December	**4,439**	**2,233**

[1] In 2019, a KZT 2,027 million increase in the provision (2018: KZT 764 million decrease) was capitalised to property, plant and equipment.

The costs of decommissioning and reclamation of the mine and processing facilities are based on the current obligations under Kazakhstan legislation governing closure and rehabilitation. The provision represents the discounted values of the estimated costs to decommission and reclaim of the mine based on the current estimated life of mine of the deposit. The present value of the provision has been calculated using an inflation rate of 3.10% per year (2018: 3.11% per year) and a discount rate of 4.95% (2018: 6.82%). The discount rate used in the estimation of these provisions are determined by reference to long-term bond yields and other factors. The liability usually becomes payable after the end of the useful life of the mine. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives, the levels of discount and inflation rates and the estimated timing of closure and decommissioning. The increase in the provision in 2019 was caused mainly from the use of a lower discount rate used to determine the obligation.

18. Trade and other payables

KZT million	2019	2018
Trade payables	7,271	5,804
Amounts payable for long-term assets	3,291	14,311
Amounts payable to related parties	930	758
Salaries and related payables	405	435
Payables regarded as financial instruments for disclosure purposes – note 20	**11,897**	**21,308**
Mineral extraction tax payable	7,982	5,898
Other taxes payable	926	598
	20,805	**27,804**

19. Reconciliation of profit before taxation to net cash inflow from operating activities

KZT million	Notes	2019	2018
Profit before taxation		**100,496**	**67,903**
Interest income	6	**(46)**	(114)
Interest expense and unwinding of discount on provisions and other liabilities	6	**42,418**	47,111
Depreciation, depletion and amortisation		**38,481**	35,146
Impairment losses		**8**	28
Loss on disposal of property, plant and equipment		**5**	33
Unrealised foreign exchange gains		**183**	2,149
Operating cash flows before changes in working capital and provisions		**181,545**	**152,256**
Increase in inventories		**(26,020)**	(24,777)
Increase in prepayments and other current assets		**(5,045)**	(1,995)
Increase in trade and other receivables		**(26,085)**	(59,179)
Decrease in non-current VAT receivable		**-**	154
(Decrease)/increase in trade and other payables		**4,021**	(1,913)
Cash flows from operations before interest and income taxes paid		**128,416**	**64,546**

20. Financial risk management objectives and policies

The main risks arising from the Company's financial instruments are liquidity risk, credit risk, interest rate risk, foreign exchange risk and commodity price risk. These risks arise from exposures that occur in the normal course of business and are managed by the Group Treasury department in close cooperation with the Company under oversight of a Treasury Committee, which is chaired by the Chief Financial Officer of KAZ Minerals PLC. The responsibilities of the Treasury Committee include the monitoring of financial risks, management of the Company's cash resources, debt funding programmes and capital structure, approval of treasury counterparties and relevant transaction limits, and oversight of all significant treasury activities undertaken by the Company.

A Group Treasury Policy was approved by the KAZ Minerals PLC Board and is periodically updated to reflect developments in the financial markets and the financial exposures facing the Group. The Treasury Policy covers specific areas of financial risk management, in particular, liquidity risk, credit risk, interest rate risk, foreign exchange risk and commodity price risk. The Group's Treasury Committee and the Group's Internal Audit department monitor compliance with the Treasury Policy on a regular basis.

The Group's Treasury department prepares monthly treasury reports for senior management which monitor all major financial exposures and treasury activities undertaken by the Group. In addition, a treasury report is prepared for each KAZ Minerals PLC Board meeting which includes a summary of the credit markets and their impact on the implementation of the Group's strategy, progress on the Group's financing initiatives and the significant financial exposures faced by the Group.

The Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables, long-term bank deposits, trade and other payables, borrowings and other liabilities, which arise directly from its operations.

The Company's accounting policies with regard to financial instruments are detailed in note 23.

(a) Categories and fair values of financial assets and financial liabilities

The carrying amounts of financial assets and liabilities by categories are as follows:

KZT million	Notes	2019	2018
Financial assets at amortised cost			
Long-term bank deposits[1]	10	**120**	79
Trade and other receivables not subject to provisional pricing	13	**380**	269
Cash and cash equivalents	14	**2,102**	2,662
		2,602	**3,010**
Financial assets at fair value through profit and loss[2]			
Trade receivables subject to provisional pricing[2]	13	**114,806**	88,836
		114,806	**88,836**
Financial liabilities measured at amortised cost			
Borrowings[3]	16	**(318,823)**	(361,707)
Other liabilities		**(234)**	(265)
Trade and other payables[4]	18	**(11,897)**	(21,308)
		(330,954)	**(383,280)**

20. Financial risk management objectives and policies, continued

(a) Categories and fair values of financial assets and financial liabilities, continued

[1] Long-term bank deposits reflect amounts in escrow accounts with financial institutions in Kazakhstan as required by the Company's restoration obligations.

[2] Trade receivables subject to provisional pricing, include positive KZT 4,121 million (2018: negative KZT 185 million) movements arising from marked to market adjustments on provisionally priced contracts at the year end. These are measured according to quoted forward prices in a market that is not considered active, which is a level 2 valuation method within the fair value hierarchy.

[3] The fair value of borrowings approximates its carrying value and is measured by discounting future cash flows using currently available interest rates for debt of similar maturities, which is a level 3 valuation method within the fair value hierarchy.

[4] Trade and other payables exclude mineral extraction tax payable and other taxes payable that are not regarded as financial instruments.

The fair values of each category of financial asset and liability are not materially different from their carrying values as presented.

(b) Foreign currency risk

The Company has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the Company's functional currency. The functional currency of the Company is the Kazakhstan tenge. The currency giving rise to the majority of the foreign currency risk is the US dollar. Exchange gains and losses arise principally from bank deposits, trade and other receivables, borrowings, trade and other payables. The Company generally does not enter into hedging positions in respect of its exposure to foreign currency risk.

No foreign exchange hedge transactions were entered into during 2019 and 2018.

(i) Foreign currency exposure by statement of financial position account profile

The Company's exposure to foreign currency risk based on gross amounts is shown below.

KZT million	USD	EUR	Other
At 31 December 2019			
Long-term bank deposits	**105**	**-**	**-**
Trade and other receivables	**114,809**	**-**	**1**
Cash and cash equivalents	**1,525**	**-**	**1**
Trade and other payables	**(1,571)**	**-**	**(205)**
	114,868	**-**	**(203)**
At 31 December 2018			
Long-term bank deposits	64	-	-
Cash and cash equivalents	88,842	1	-
Trade and other receivables	2,495	-	-
Trade and other payables	(14,552)	(84)	(83)
	76,849	**(83)**	**(83)**

(ii) Foreign currency sensitivity analysis

The estimated impact of a movement in foreign currencies was determined based on the balances of financial assets and liabilities at 31 December 2019 that are not denominated in the functional currency of the Company. This sensitivity does not represent impact on the statement of comprehensive income that would be expected from a movement in exchange rates over the course of a period of time and assumes that all other variables, in particular interest rates, remain constant. A 10% weakening of the Kazakhstan tenge against the following currencies at 31 December 2019 would have increased/(decreased) profit after tax by the amounts shown below.

KZT million	2019	2018
USD	**9,189**	6,148
EUR	**-**	(7)

A 10% strengthening of the Kazakhstan tenge against the above currencies at 31 December would have an equal and opposite effect, on the basis that all other variables remain constant.

20. Financial risk management objectives and policies, continued

(c) Commodity price risk

The Company's revenues and earnings are directly impacted by fluctuations in the prices of the commodities it produces. The Company's principal commodities (copper, gold and silver) are priced via reference to global metal exchanges, upon which pricing is derived from global demand and supply and influenced by macroeconomic considerations and financial investment cash flows. The pricing of the Company's principal commodities may also include a pre-determined margin or discount depending on the terms of sales contracts. Commodity prices, particularly those derived from global metal exchanges, may fluctuate significantly and may have a material impact on the Company's financial results.

Management closely monitors the impact of fluctuations in commodity prices on the business and uses conservative pricing assumptions and sensitivity analysis for its forecasting and investment appraisals.

In accordance with IFRS 7, the impact of commodity prices was determined based on the balances of financial assets and liabilities at 31 December 2019. This sensitivity does not represent the impact on comprehensive income that would be expected from a movement in commodity prices over the course of a period of time. In addition, the analysis assumes that all other variables remain constant.

A 10% increase/(decrease) in commodity prices after the year end would impact the Company's provisionally priced sales volumes and increase/(decrease) profit after tax by the amounts shown below.

KZT million	**2019**	2018
Copper in concentrate	**3,630**	2,586
Silver in concentrate	**77**	40
Gold in concentrate	**1,241**	1,048

(d) Interest rate risk

The Company has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates primarily impact borrowings by changing their future cash flows (floating rate debt) or their fair value (fixed rate debt) and deposits. The Company's interest rate management policy is generally to borrow and invest at floating rates of interest. In some circumstances, an element of fixed rate funding may be considered appropriate.

The exposure of the Company's financial assets and liabilities to interest rate risk is as follows:

KZT million	Floating rate	Fixed rate	Non-interest bearing	Total
At 31 December 2019				
Long-term bank deposits	**-**	**105**	**15**	**120**
Trade and other receivables	**-**	**-**	**115,186**	**115,186**
Cash and cash equivalents	**-**	**684**	**1,418**	**2,102**
Borrowings	**(300,000)**	**-**	**(18,823)**	**(318,823)**
Other liabilities	**-**	**(234)**	**-**	**(234)**
Trade and other payables[1]	**-**	**-**	**(11,897)**	**(11,897)**
	(300,000)	**555**	**85,899**	**(213,546)**
At 31 December 2018				
Long-term bank deposits	-	64	15	**79**
Trade and other receivables	-	-	89,105	**89,105**
Cash and cash equivalents	-	1,505	1,157	**2,662**
Borrowings	(340,000)	-	(21,707)	**(361,707)**
Other liabilities	-	(265)	-	**(265)**
Trade and other payables[1]	-	-	(21,308)	**(21,308)**
	(340,000)	**1,304**	**47,262**	**(291,434)**

[1] Trade and other payables exclude mineral extraction tax payable and other taxes payable that are not regarded as financial instruments.

The interest charged on floating rate financial liabilities is based on the relevant benchmark rate (such as LIBOR). Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

20. Financial risk management objectives and policies, continued

(d) Interest rate risk, continued

In accordance with IFRS 7, the impact of interest rates was determined based on the balances of financial assets and liabilities at 31 December 2019. This sensitivity does not represent the income statement impact that would be expected from a movement in interest rates or outstanding borrowings over the course of a period of time. In addition, the analysis assumes that all other variables remain constant. The effect on profit after tax of a 1% movement in USD LIBOR rates, based on the year-end net debt position (defined as the excess of borrowings over cash and cash equivalents) and with all other variables held constant, is estimated to be KZT 2,400 million (2018: KZT 2,720 million).

(e) Credit risk

Exposure to credit risk arises as a result of transactions in the Company's ordinary course of business and is applicable to all financial assets. The Company has adopted policies and procedures to control and monitor these exposures to minimise the risk of loss in the event of non-performance by counterparties. The maximum exposure with respect to credit risk is represented by the carrying amount of each financial asset on the statement of financial position and as reflected in note 20(a).

Credit risk relating to trade receivables

The Company sells copper concentrate and copper cathodes to KAZ Minerals Sales Limited ("KSL"), which is related party of the Company and wholly owned subsidiary of KAZ Minerals PLC, the Company's ultimate parent. KSL purchases the Company's products, arranges transportation and markets and sells the output to customers located mainly in China, with some smaller sales volumes into Europe. Sales by KSL are made either on receipt of cash prior to delivery and transfer of title of goods, cash on delivery and transfer of title of goods or through letters of credit which are received from the customer's bank. The Group monitors the credit quality of its significant customers on an ongoing basis and receivables that are neither past due nor impaired are considered of good credit quality.

Sales are subject to provisional pricing and then final pricing adjustments. The Group and by extension the Company is therefore exposed to the residual final pricing adjustment for each sales transaction although such amounts are not considered material in the context of the Company's overall revenues. The Company believes that the credit risk relating to balances receivable from KSL is limited to the overall credit exposure of the KAZ Minerals PLC Group on customer receivables. The impairment requirements of IFRS 9 do not apply to the Company's trade receivables subject to provisional pricing, which are measured at fair value through profit or loss.

Risk for trade receivables by geographical regions

As at 31 December 2019, one customer (2018: one customer) accounted for 99.7% (2018: 99.6%) of the trade and other receivables balance of the Company's business.

The maximum exposure to credit risk for trade receivables at 31 December by geographic areas was:

KZT million	**2019**	2018
Europe	**114,784**	88,792
Kazakhstan	**376**	265
Other	**26**	48
	115,186	**89,105**

Of the above, KZT 114,806 million relates to trade receivables measured at fair value through profit or loss and KZT 380 million is measured at amortised cost (2018: KZT 88,836 million and KZT 269 million respectively).

Most of the Company's trade receivables are not past due and expected to be received during normal course of business. No expected credit loss was recognised during 2019 and 2018.

Credit risk related to cash and cash equivalents and long-term deposits

Credit risk relating to the Company's other financial assets, comprising principally cash and cash equivalents and long-term bank deposits, arises from the potential default of counterparties. Credit risk arising from balances with banks and financial institutions is managed by KAZ Minerals PLC Treasury Committee in accordance with approved Treasury Policy. The Group's cash management policies emphasise security and liquidity ahead of investment return. Investments of cash and deposits are made only with approved counterparties of high credit worthiness and within credit limits assigned to each counterparty. Exposures are measured against maximum credit limits assigned to each approved counterparty to ensure credit risk is effectively managed. The limits are set to minimise the concentration of risks and therefore mitigate any financial loss through potential counterparty failure.

20. Financial risk management objectives and policies, continued

(e) Credit risk, continued

Credit risk related to cash and cash equivalents and long-term deposits, continued

Kazakhstan banks (mainly Halyk Bank) with credit ratings of Standard & Poor's 'BB' and Moody's 'Ba1' are considered for working capital cash management along with local branches of international financial institutions. The surplus funds in the United Kingdom are held primarily with major European and US financial institutions with minimum ratings of Standard & Poor's 'A+' and Moody's 'Aa3' rated liquidity funds. These limits are reviewed on a regular basis to take account of developments in financial markets and updated accordingly. Expected credit losses take into account the maturities of deposits and changes in observable inputs, such as the spread on credit default swaps, which may indicate changes in the probability of potential default of counterparties. There were no significant increases in credit risk since initial recognition and possible default events were considered over a period of 12 months after the reporting date. At 31 December 2019, an estimate under the expected credit losses method in respect of cash and cash equivalents and long-term deposits was found to be immaterial and no adjustment was made (2018: none).

(f) Liquidity risk

The Company's objective is to maintain a balance between availability of funding and maximising investment return on its liquid resources through the use of liquid cash investments and debt facilities of varying maturities. Management regularly reviews the funding requirements of the Company in selecting appropriate maturities for its liquid cash investments.

The Company's policy is to centralise debt and surplus cash balances to the maximum extent possible.

Maturity of financial liabilities

The table below analyses the Company's financial instruments, which will be settled on a gross basis, into relevant maturity groups based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

KZT million	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
At 31 December 2019						
Borrowings[1]	**-**	**(43,441)**	**(41,371)**	**(276,087)**	**(78,259)**	**(439,158)**
Other liabilities	**-**	**(13)**	**(38)**	**(203)**	**(38)**	**(292)**
Trade and other payables[2]	**-**	**(11,897)**	**-**	**-**	**-**	**(11,897)**
	-	**(67,274)**	**(39,367)**	**(263,413)**	**(74,840)**	**(444,894)**
At 31 December 2018						
Borrowings[1]	-	(46,411)	(44,237)	(299,553)	(136,581)	(526,782)
Other liabilities	-	(13)	(38)	(254)	(38)	(343)
Trade and other payables[2]	-	(21,308)	-	-	-	(21,308)
	-	**(67,732)**	**(44,275)**	**(299,807)**	**(136,619)**	**(548,433)**

[1] Borrowings include expected future interest payments based on contracted margins and effective LIBOR rate at the balance sheet date.

[2] Trade and other payables exclude mineral extraction tax payable and other taxes payable that are not regarded as financial instruments.

(g) Capital management

The over-riding objectives of the Company's capital management policy are to safeguard and support the business as a going concern through the commodity cycle, to maximise returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure in order to reduce the Company's cost of capital.

At 31 December 2019, total capital employed (which comprises equity holders' funds and loan payable to related party, excluding unpaid interest accrued thereon) of the Company amounted to KZT 597,590 million (2018: KZT 557,773 million). Total capital employed is the measure used by management in managing capital.

21. Commitments and contingencies

(a) Legal claims

In the ordinary course of business, the Company 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 Company. As of 31 December 2019 and 2018, the Company was not involved in any significant legal proceedings, including arbitration, which may crystallise a material financial loss for the Company.

(b) Taxation contingencies

(i) Inherent uncertainties in interpreting tax legislation

The Company is subject to uncertainties relating to the determination of its tax liabilities and the timing of recovery of tax refunds. Kazakhstan tax and customs legislation are in a state of continuous development and therefore are subject to frequent changes and varying interpretations. Management's interpretation of tax legislation as applied to the transactions and activities of the Company may not coincide with that of the tax authorities. As a result, the tax authorities may challenge transactions and the Company may be assessed with additional taxes, penalties and fines, or refused refunds, which could have a material adverse effect on the Company's financial performance or position.

(ii) Tax audits

Historical tax years remain open for inspection during a tax audit. The tax authorities in Kazakhstan are able to raise additional tax assessments for five years after the end of the relevant tax period in respect of all taxes. The Company is expected to undergo routine tax audits which could give rise to substantial tax assessments. As such, additional tax payments could arise for the Company.

(iii) Transfer pricing

Kazakhstan transfer pricing legislation provides clarity on various aspects of transfer pricing, including the use of LME and LBMA prices as the basis of market prices, quotation periods to be used for the sale and purchase of traded commodities and the acceptability of discounts with reference to LME/LBMA prices when transacting in traded commodities. Notwithstanding these amendments, management have recognised a provision for the amounts that represent management's best estimate of the probable cash payments that will be required to settle any residual transfer pricing exposures based on management's interpretation of the transfer pricing legislation and the prevailing status of discussions with the tax authorities. The risk remains that the tax authorities may take a different position with regard to the interpretation of the transfer pricing legislation, and amendments thereof, and the outcome of discussions with the Kazakhstan tax authorities may be materially different from management's expectations.

(iv) Possible additional tax liabilities

Management believes that the Company is in substantial compliance with the tax laws promulgated in Kazakhstan and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional material tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant tax authorities may take a differing position with regard to the interpretation of contractual provisions or tax law (inclusive of corporate income taxes, value added tax and subsoil use legislation).

The resulting effect of any positions taken by the tax authorities that differ from those of management is that additional tax liabilities may arise or the timing of refunds due may take longer than expected or may be refused. However, due to the inherent nature of uncertain tax positions despite the approach adopted by the Company, as described above, it is not practical for management to estimate the financial effect of the timing of tax refunds and of additional tax liabilities, if any, together with any associated penalties and charges for which the Company may be liable that may arise from different interpretations applied by the tax authorities.

Management does not believe that there are material uncertain tax positions at 31 December 2019.

(v) Introduction of new Tax Code in 2018

On 25 December 2017, the Government of Kazakhstan introduced a new Tax Code, which came into force on 1 January 2018. The new Tax Code is aimed at optimising the Government's fiscal policy in line with the structural reforms proposed by the President in November 2015. The key aspects of the new tax code have resulted in the abolishment of Excess Profit Tax ('EPT') for mining companies; and the abolishment of withholding taxes on dividends paid to foreign shareholders of subsoil use entities, subject to various conditions including further processing of output within Kazakhstan.

The provisions of the new Tax Code were analysed by the Company and were not expected to have a significant impact on the Company.

21. Commitments and contingencies, continued

(c) Environmental contingencies

Environmental regulations, including emissions legislation, in Kazakhstan are continually evolving. The outcome of environmental regulations under proposal or any future environmental legislation cannot be reliably estimated at present. As obligations are determined, they will be provided for in accordance with the Company's accounting policies. Management believes that there are no significant liabilities under current legislation not accrued for in the Company's financial statements, however, they recognise that the environmental regulators in Kazakhstan may take a differing position with regard to the interpretation of environmental legislation. The resulting effect is that additional environmental liabilities may arise however, due to the range of uncertainties, it is not practical for management to estimate any further potential exposures.

The provision that was made for costs associated with restoration and abandonment of mine sites upon depletion of deposits (see note 17), is based upon the estimation of the Company's specialists or external consultants. Where events occur that change the level of estimated future costs for these activities, the provision will be adjusted accordingly.

(d) Use of subsoil and exploration rights

In Kazakhstan, all subsoil reserves belong to the State, with the Ministry of Investments and Infrastructure Development (the 'Ministry') granting exploration and production rights to third party bodies. Subsoil and exploration rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or license. These rights may be terminated by the Ministry if the Company does not satisfy its contractual obligations.

The work program related to subsoil use contract № 2494 dated 26 November 2007 on extraction of copper ore was approved by the Ministry on 27 December 2017. At 31 December 2019, the minimum spending requirements under the new work program established in the subsoil use contract were achieved.

(e) Capital expenditure commitments

The Company has capital expenditure commitments for the purchase of property, plant and equipment. The total commitments for property, plant and equipment as at 31 December 2019 amounted to KZT 2,951 million (2018: KZT 3,259 million).

(f) Lease commitments

The Company has elected not to recognise right-of-use assets and lease liabilities for leases which have low value, or short-term leases with a duration of 12 months or less. The payments associated with such leases are charged directly to the income statement on a straight-line basis over the lease term. During the year, the expense associated with the Company's short-term contracts for leased assets within the scope of IFRS 16 '*Leases*', including certain mining related equipment and vehicles, as well as the associated commitment for short-term lease contracts at 31 December 2019, was not material.

22. Related party transactions

(a) Control relationships

The Company's immediate parent company is KAZ Minerals Bozshakol B.V, an entity incorporated and registered at Strawinskylaan 453, Amsterdam, Netherlands.

The ultimate controlling party is the ultimate parent undertaking, KAZ Minerals PLC, which is incorporated in the United Kingdom and heads the only Group in which the results of the Company are consolidated. The consolidated financial statements of this Group are publicly available and may be obtained from:

Company Secretary

KAZ Minerals PLC

6th Floor

Cardinal Place

100 Victoria Street

London

SW1E 5JL

United Kingdom

22. Related party transactions, continued

(b) Transactions with related parties

The following table provides the total amount of transactions, excluding long term borrowings (see note 16), which were entered into with related parties for the relevant financial period:

KZT million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
2019				
KAZ Minerals PLC Group entities	**282,765**	**4,788**	**115,421**	**701**
Other related parties	**-**	**3,779**	**390**	**229**
2018				
KAZ Minerals PLC Group entities	241,679	3,553	88,939	735
Other related parties	-	3,061	-	23

Group entities – other subsidiaries

KSL enters into sales contracts with end customers. The Company, in turn, enters into contracts with KSL to provide the products being sold. The price at which sales are made by the Company to KSL is based on the prevailing price of commodities as determined by the LME market prices.

Other related parties

The Company also enters into tolling arrangements with Kazakhmys Smelting, a related party of the KAZ Minerals PLC Group, for the tolling of some of its concentrate into copper cathodes, gold and silver bars.

(c) Key management personnel

Compensation for key management personnel comprises the following:

KZT million	2019	2018
Salaries	**232**	207
Annual bonuses	**28**	16
Benefits	**160**	133
	420	**356**

23. Subsequent events

There has been significant global market turmoil from the beginning of 2020 triggered by the outbreak of the COVID-19 pandemic. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a continuing depreciation of the Kazakhstan Tenge. As a preventive measure to mitigate the spread of coronavirus in the country, in March 2020 the government of the Republic of Kazakhstan declared a state of emergency on the territory of the Republic of Kazakhstan with a series of strict quarantine measures, including the transportation and migration of citizens across the country. The Company meets all the requirements and recommendations of the relevant state authorities. Pre-emptive measures have been taken to protect the site from the impact of Covid-19 including restricted access, health screening, re-organisation of shifts and increased stocking of critical spares and consumables. At the date of issuance of these financial statements the Company has been able to maintain operations and sales to customers have continued with only minor delays. Potential risks to our operations include further restrictions on the movement of goods or people, supply chain interruptions or cases of infection occurring on site.

24. Summary of significant accounting policies

The following significant accounting policies were applied in the preparation of the financial statements. These accounting policies were applied consistently to all periods presented in these financial statements.

(a) Foreign currency translation

The functional currency for the Company is determined as the currency of the primary economic environment in which it operates. The functional currency of the Company is Kazakhstan tenge ('KZT') as the majority of the operating activities are conducted in Kazakhstan tenge. Transactions in currencies other than the functional currency are initially recorded at the functional currency rate ruling at the date of the transaction.

24. Summary of significant accounting policies, continued

(a) Foreign currency translation, continued

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position 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 statement of total comprehensive income.

Transactions denominated in foreign currencies and that result in the recognition of non-monetary assets and liabilities are translated to the functional currency at the foreign exchange rate ruling at the date of each transaction.

The following foreign exchange rates against the Kazakhstan tenge were used in the preparation of the financial statements:

		2019		2018
	Year-end	Average	Year-end	Average
US dollar (USD)	381.18	382.75	384.20	344.71
Euro (EUR)	426.85	428.51	439.37	406.66
Russian rouble (RUB)	6.17	5.92	5.52	5.50

(b) Property, plant and equipment

(i) Initial measurement

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

(ii) Depreciation

The cost of each item of property, plant and equipment is depreciated over its useful life to its estimated residual value. Each item's estimated useful life has due regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located. Estimates of remaining useful lives and residual values are made on a regular basis for all mine buildings, plant and equipment, with annual reassessments for major items. Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life of the individual asset to its estimated residual value.

Depreciation commences on the date the assets are ready for use within the business. Freehold land is not depreciated.

The expected useful lives are as follows:

Buildings	15-40 years;
Plant and equipment	4-25 years;
Other	3-15 years.

(iii) Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment. Construction in progress is not depreciated.

(iv) Repairs and maintenance

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Repairs and maintenance expenditure, including major overhauls which are infrequent, are capitalised if additional future economic benefits will arise from the expenditure. All other repairs and maintenance expenditure is recognised in the statement of comprehensive income as incurred.

24. Summary of significant accounting policies, continued

(c) Mining assets

(i) Mineral licenses and properties

Costs of acquiring mineral licences and properties are capitalised on the statement of financial position in the year in which they are incurred. Costs associated with a start-up period for significant developments are capitalised during the commissioning period (development expenditure) where the asset is incapable of operating at normal levels without a commissioning period. Mineral licences and properties are amortised over the remaining life of the mine using a unit of production method.

The unit of production method is the ratio of commodity production in the period to the estimated quantities of commercial reserves over the life of the mine (using proved and probable mineral reserves as determined by KAZRC/JORC on an annual basis) based on the estimated economically recoverable reserves to which they relate. Changes in estimates, which affect unit of production calculations, are accounted for prospectively.

(ii) Mine development costs

Mine development costs are incurred to obtain access to proved reserves or mineral-bearing ore deposits and to provide facilities for extracting, lifting, and storing minerals. Such costs are, upon commencement of production, amortised over the remaining life of the mine using a unit of production method.

(iii) Mine stripping costs

Mine stripping costs incurred in order to access the mineral-bearing ore deposits are deferred prior to the commencement of production. Such costs are amortised over the remaining life of the mine using a unit of production method.

The ongoing mining and development of the open-pit mines is generally performed via a succession of individual phases. The costs of extracting material from an open pit mine are generally allocated between ore and waste stripping in proportion to the tonnes of waste and ore material extracted (the stripping ratio). The waste stripping costs are generally absorbed into inventory and expensed as that inventory is processed and sold. Where the stripping costs relate to a waste stripping campaign which is expected to provide improved access to an identifiable component of the ore body, the costs of removing waste in order to improve access to that part of the ore body will be capitalised within mining assets. The capitalised costs will then be amortised in a systematic manner over the reserves that directly benefit from the specific stripping activity. Changes to the stripping ratio arising from changes to mine plans or mineral reserves are regarded in changes in estimates and are accounted for prospectively.

(d) Impairment

The carrying values of mining assets and property, plant and equipment are assessed for impairment when indicators of such impairment exist. In performing impairment reviews, assets are categorised into the smallest identifiable groups (cash generating units) that generate cash flows independently. If any indication of impairment exists, the estimated recoverable amount of the asset or cash generating unit ('CGU') is calculated.

If the carrying amount of the asset or CGU exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to the statement of comprehensive income so as to reduce the carrying amount to its recoverable amount.

Impairment losses are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows of the asset or CGU in its present condition, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, consideration will be given to whether the value of the asset or CGU can be determined from an active market (e.g. recognised exchange) or from a binding sale agreement which are classified as level 1 in the fair value hierarchy under IFRS 13 'Fair Value Measurements'. Where this is not determinable, fair value less costs to sell for a CGU is usually estimated with reference to a discounted cash flow model, similar to the method used for value in use, but may include estimates of future production, revenues, costs and capital expenditure not currently included in the life of mine plan.

24. Summary of significant accounting policies, continued

(d) Impairment, continued

(i) Calculation of recoverable amount, continued

Additionally, cash flow estimates include the impact of tax and are discounted using a post-tax discount rate. An estimate made on this basis is classified as level 3 in the fair value hierarchy.

(ii) Reversals of impairment

A previously recognised impairment loss is reversed only if there was a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior years. Such reversals are recognised in the statement of comprehensive income.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. Cost is determined on the following bases:

- raw materials and consumables are valued at cost on a first-in, first-out (FIFO) basis; and
- work in progress and finished goods are valued at the cost of production, including the appropriate proportion of depreciation, labour and overheads based on normal operating capacity. The cost of work in progress and finished goods is based on the weighted average cost method.

Net realisable value represents estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal. Inventory which is not expected to be processed within 12 months of the balance sheet date and is considered to fall outside of the normal operating cycle of the operation, is included within non-current assets.

(f) Cash and cash equivalents

Cash and cash equivalents, held for the purpose of meeting short-term commitments, comprise cash at bank and in hand, short-term deposits held on call or with original maturities of three months or less and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(g) Social responsibility costs

The Company contributes towards social programmes for the benefit of the local community at large. The Company's contributions towards these programmes are expensed to the statement of comprehensive income at the point when the Company is committed to the expenditure.

(h) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Site restoration costs

Site restoration provisions are made in respect of the estimated future costs of closure and restoration, and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted where material and the unwinding of the discount is included in finance costs. Over time, the discounted provision is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over from the remaining life of the mine to which it relates using a unit of production method. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Any change in restoration costs or assumptions will be recognised as additions or charges to the corresponding asset and provision when they occur. For permanently closed sites, changes to estimated costs are recognised immediately in the statement of comprehensive income.

24. Summary of significant accounting policies, continued

(h) Provisions, continued

(ii) Other

Other provisions are accounted for when the Company has a legal or constructive obligation for which it is probable there will be an outflow of resources and for which the amount can be reliably estimated.

(i) Revenue

Revenue mainly represents the income arising from the sale of Company's mineral products and is measured at the transaction price it expects to receive. The Company's products are priced with reference to LME for copper, or LBMA, for gold and silver, market prices. The prices achieved for the sale of copper, gold and silver are reduced by contractually determined treatment and refining charges (TC/RCs), which are usually agreed annually in advance and with reference to market rates.

Revenue is recognised when the Company has satisfied its contractual performance obligations to customers, which generally require the delivery of an agreed quantity of a metal product to a specified location. Revenue is recognised as control of the material, including legal title and the risks and rewards of ownership have transferred to the customer and the Company has no other performance obligations. Delivery contractual terms to customers, which are in line with Incoterms are usually denoted as Deliver-at-Place (DAP). Under these Incoterms, the Company's performance obligation ends with the delivery of material to the named location. For the majority of the sales, the Company is entitled to receipt of amounts on delivery of the product to the customer.

Most of the sales agreements for the Company's mineral products are provisionally priced, whereby the selling price is subject to final adjustment at the end of a quotation period (typically one to three months), based on the average LME/LBMA market price for the period stipulated in the contract. At each reporting date, provisionally priced metal sales are marked-to-market using forward prices aligned with the quotation period (up to a maximum of two months), with any gains and losses are recorded in revenue in the statement of total comprehensive income and in trade receivables in the balance sheet.

Copper concentrate (including any contained by-products) is subject to final volume adjustments based on independent laboratory confirmation of volumes produced, compared to volumes estimated at the time of pricing. Revenue recognised from the sale of copper concentrate is restricted to the extent that a material reversal in revenue resulting from final volume adjustments will not occur in a subsequent period. In applying the restriction, the Company uses its experience in assessing whether material negative volume adjustments are likely to occur in the next reporting period.

(j) Finance income

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues, and is calculated in accordance with the effective interest rate method.

(k) Finance costs

Finance costs comprise interest on borrowings which are not capitalised under the Company's borrowing costs policy (see note 24(n)), the unwinding of interest costs on provisions and other liabilities and foreign exchange losses.

(l) Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time as the assets are considered substantially ready for their intended use, i.e. when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short period of time from money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing costs. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the year. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred using the effective interest rate method.

Borrowing costs that represent avoidable costs not related to the financing arrangements of the development projects and are therefore not directly attributable to the construction of these respective assets are expensed in the period as incurred. These borrowing costs generally arise where the funds are drawn down under the Company's financing facilities, whether specific or general, which are in excess of the near term cash flow requirements of the development projects for which the financing is intended, and the funds are drawn down ahead of any contractual obligation to do so.

24. Summary of significant accounting policies, continued

(m) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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 were enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and in combination with other deferred tax assets. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred income tax balances are based on the current tax legislation. Where tax legislation may not be clear or result in uncertainty, the Company will determine its tax obligations and resulting income tax expense using an approach which it believes has a probable chance of being accepted by the tax authorities based on historical experience, legal advice and communication with the tax authorities, where appropriate. Where the Company adopts an approach to an uncertain tax position that it regards as having a less than probable chance of being accepted by the tax authorities, the income tax expense and resulting income and deferred tax balances are adjusted to reflect this uncertainty using either the most likely outcome method or the expected value method.

(n) Financial instruments

The Company recognises financial assets and liabilities on its statement of financial position when it becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Classification and initial measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at amortised cost, fair value through profit or loss or fair value through other comprehensive income. The Company determines this classification at initial recognition depending on the business model for managing the financial asset and the contractual terms of the cash flows.

The Company's financial assets include cash and cash equivalents, trade and other receivables and long-term bank deposits.

When financial assets are initially recognised, they are measured at fair value being the consideration given or received plus directly attributable transaction costs. Any gain or loss at initial recognition is recognised in the statement of total comprehensive income.

The Company's financial assets measured at amortised cost are held for the collection of contractual cash flows where those cash flows have specified dates and represent solely payments of principal and interest, such as cash and cash equivalents or trade receivables that are not based on listed commodity metal prices or subject to provisional pricing.

The Company's financial assets measured at fair value through profit or loss are those financial assets where the contractual cash flows do not represent solely payments of principal and interest, such as trade receivables which are priced with reference to LME or LBMA prices and are subject to provisional pricing.

Subsequent measurement

Financial assets held for the collection of contractual cash flows that are solely payments of principal and interest (and classified as amortised cost) are subsequently measured at amortised cost using the effective interest rate method ('EIR'). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Allowance for impairment is estimated on a case-by-case basis.

24. Summary of significant accounting policies, continued

(n) Financial instruments, continued

(i) Financial assets, continued

Subsequent measurement, continued

Almost all sales agreements for the Company's mineral products are provisionally priced based on the LME/LBMA market price for the relevant quotation period stipulated in the contract (refer to the revenue accounting policy). At each reporting date, provisionally priced metal sales are marked-to-market using the relevant forward prices aligned with the quotation period. A gain or loss on a trade receivable which is priced based on listed metal prices, being a financial asset measured at fair value through profit or loss, is recognised in within revenue in the statement of total comprehensive income in the period in which it arises.

Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses that might arise on financial assets measured at amortised cost on a forward-looking basis. This assessment considers the probability of a default event occurring that could result in the expected cash flows due from a counterparty falling short of those contractually agreed.

Expected credit losses are estimated for default events possible over the lifetime of a financial asset measured at amortised cost. However, where a financial asset is not a trade receivable measured at amortised cost and there were no significant increases in that financial asset's credit risk since initial recognition, expected credit losses are estimated for default events possible within 12 months of the reporting date.

(ii) Financial liabilities

Classification and initial measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortised cost or fair value through profit or loss. The Company determines the classification of its financial liabilities at initial recognition.

The Company's financial liabilities include borrowings, trade and other payables and other liabilities, which are classified as amortised cost. Trade payables may be designated and measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis.

All financial liabilities are recognised initially at fair value while financial liabilities at amortised cost additionally include directly attributable transaction costs.

Subsequent measurement

Borrowings, trade and other payables and other financial liabilities are subsequently measured at amortised cost using the EIR method after initial recognition. Gains and losses are recognised in the statement of total comprehensive income through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of total comprehensive income.

Subsequent measurement, continued

A gain or loss on a financial liability measured at fair value through profit or loss is recognised in the statement of total comprehensive income in the period in which it arises. Where the Company enters into derivative contracts that are not hedging instruments in hedge relationships as defined by IFRS 9, these are carried on the balance sheet at fair value with subsequent changes recognised in finance income or finance costs in the statement of total comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of total comprehensive income.

24. Summary of significant accounting policies, continued

(n) Financial instruments, continued

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iv) Fair value of financial instruments

At each reporting date, the fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.