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KAZAKHMYS ANNOUNCES DEVELOPMENT OF THE MAJOR COPPER PROJECT AT BOZSHAKOL

Kazakhmys PLC ("Kazakhmys" or the "Group") announces that the Board has approved the development of the major copper growth project at Bozshakol, following the successful completion of its feasibility study.

Bozshakol, located in northern Kazakhstan, is a green-field development project, close to existing power, transportation and other infrastructure. The deposit has a Mineral Resource of 1,173 million tonnes at an average copper grade of 0.35%, including 832 million tonnes of Measured and Indicated Resource with an average copper grade of 0.37%. The ore body contains valuable by-products of gold and molybdenum.

Bozshakol will have a production life of over 40 years, with average output of 75 kt of copper in concentrate per annum, although the production will average 100 kt for the first 14 years. At current prices, Bozshakol has a highly competitive operating cost, in the second quartile for copper mines globally.

Bozshakol will have a three year development phase, which will start by the end of 2011, slightly ahead of schedule. Pre-production mining will begin in 2014, with the first ore to be processed at the associated concentrator during 2015. The project has a capital cost in the region of \$1.8 billion, and is being funded from the existing \$2.7 billion financing facility provided by the China Development Bank and Samruk-Kazyna.

Bozshakol is the largest single mine development in Kazakhstan by both volume and value and will employ around 1,500 people at peak construction activity in the development stage, and slightly over 1,500 people when operational.

Oleg Novachuk, Chief Executive Officer of Kazakhmys said: "I am delighted to announce that Bozshakol, the first of our major growth projects, is commencing development. This timing is ahead of the target set last year and I should like to thank all those involved for their assistance in bringing the project to this stage. This is the largest mining project in Kazakhstan, equivalent to a third of our current production and completion will be a substantial achievement for both Kazakhmys and the mining industry in Kazakhstan."

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NOTES TO EDITORS

Bozshakol Mine and Concentrator Project

Mine location and geology

The Bozshakol mine is located in northern Kazakhstan, in the Pavlodar Oblast approximately 250 km east of the capital Astana. The nearest population centres are the villages of Tort-Kuduk (approximately 20 km to the south west), Bozshakol (approximately 20 km to the south) and Shiderty (approximately 30 km to the east). The nearest major population centre is Ekibastuz, approximately 75 km to the east. The Russian border is approximately 180 km to the north.

Bozshakol is a porphyry copper deposit, typical of the calc-alkaline I-granite series associated with ancient island arcs common in Kazakhstan.

Bozshakol is an open pit mine consisting of two pits, with a total mine life of approximately 39 years. It has a Mineral Resource of 1,173 Mt with an average copper grade of 0.35%. The main Central pit will be the first to be developed with an estimated mine life of 33 years (2015 – 2047). The East pit has a mine life of around 20 yrs (2033 – 2053). A further 4 years of concentrator production will continue at the end of mine life, recovering stockpiled low grade ore.

BOZSHAKOL MINERAL RESOURCE – In accordance with JORC Code											
Deposit	Zone	Description	Measured			Indicated			Inferred		
			Mt	%Cu	g/t Au	Mt	%Cu	g/t Au	Mt	%Cu	g/t Au
Central	Weathered	Oxide Gold only resource							0.7		0.46
		Oxide				10.3	0.62	0.26	21.4	0.32	0.17
		Sulphide in saprolite				18.4	0.68	0.21	26.8	0.39	0.22
	Sulphide	Primary/secondary sulphide	115.7	0.40	0.13	418.6	0.38	0.17	234.8	0.31	0.13
East	Weathered	Oxide				5.9	0.35	0.11	2.7	0.30	0.12
	Sulphide	Primary sulphide				263.0	0.31	0.11	55.0	0.29	0.11
TOTAL			115.7	0.40	0.13	716.1	0.37	0.15	341.4	0.31	0.14

Notes:

- 1) Mineral Resource estimated by AMC Consultants at a 0.2% copper cut-off.
- 2) All Gold grades classified as Inferred.
- 3) Average inferred Molybdenum grades: 0.004% at Central Bozshakol and 0.008% at East Bozshakol.
- 4) Average inferred Silver grades: 1.1 g/t at Central Bozshakol.
- 5) Total tonnes including inferred 1,173 Mt.

Mining

Mining will be a standard drill, blast, truck and shovel operation delivering ore at a rate of 25 Mt per annum to a primary gyratory crusher which will feed the concentrator stockpile via an overland conveyor. The stockpile has a total volume of 300,000 tonnes with a live volume equivalent to approximately one day of operation of 70,000 tonnes. Additionally, for the first 14 years of operation, the mine will deliver weathered material (ore in clay), at a rate of 5 Mt per annum to a separate clay washing plant. Hence, a total of 30 Mt per annum will be mined for the first 14 years of operations.

Processing facilities

The processing facilities at the mine will produce copper in concentrate, which may then be processed to copper cathode at the Group's existing smelting and refining facilities, where there is sufficient spare capacity.

Primary crushed ore will be reclaimed from the concentrator stockpile via underground feeders and transported to the primary and secondary grinding section of the concentrator, where a 12.2 metre diameter, 28 MW gearless drive SAG Mill and two 8.5 metre diameter gearless drive ball mills will process the ore into slurry prior to delivery to the flotation section of the concentrator. Copper concentrate will be gradually separated from the waste tailings as it passes through the flotation process. Molybdenum will be extracted as a separate product at the end of the flotation process. The copper concentrate will then be pumped to the filter facility where it will be de-watered and stockpiled in powder form prior to loading into rail wagons and shipped for smelting. The molybdenum product will also be de-watered, dried and packaged ready for shipment to the designated customer.

Tailings will be thickened and pumped to a starter tailings impoundment approximately 6 km north west of the concentrator. The starter impoundment will operate for around the first 9 years of concentrator operation. Tailings will then be switched to the final tailings impoundment, approximately 6 km to the south west of the concentrator, for the rest of the mine life. The overflow water from the tailings thickeners will be reclaimed and reused in the concentrator process to minimise water consumption, as will the overflow return from the tailings impoundments.

Infrastructure requirements

Power will be supplied from the 50% owned power plant at Ekibastuz GRES-1 located east of the project site. Both temporary and permanent power lines and a water supply are currently under construction, having been previously approved as early-works activities. The water supply will be provided from the Satpayev Canal located approximately 25 km east of the concentrator facility close to Shiderty village. The permanent power supply connections and an upgrade of the water supply for operational purposes will be made as part of the main project construction contract.

A new rail spur to the site will be built from the existing Bozshakol railway station to provide transport for supplies together with a new road that will connect the site to the existing Astana – Pavlodar road.

Phasing of capital expenditure

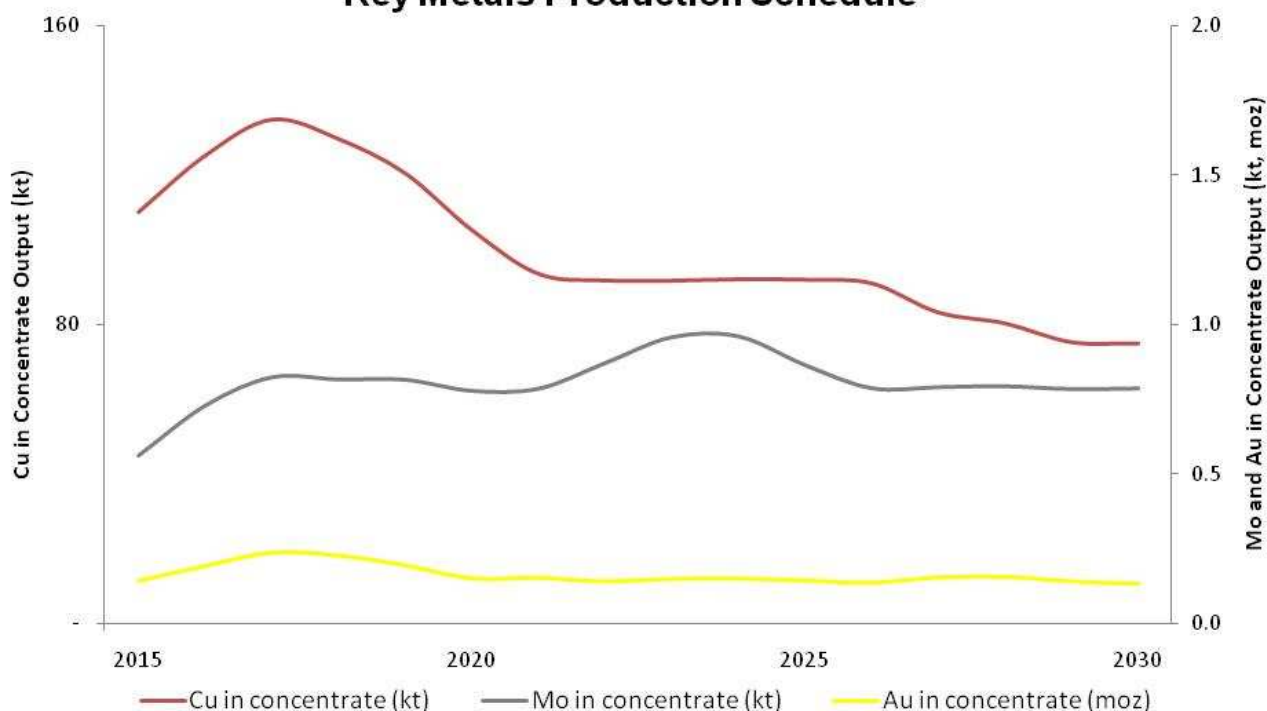
The capital cost for construction of the mine and associated processing and infrastructure facilities is in the region of \$1.8 billion. This capital cost includes sunk costs of \$120 million for basic engineering and purchased long lead items (including mills and gearless mill drives) and \$50 million for early-works activities to provide power, water and fibre optic communications for the EPC contractor to use in early 2012. The power transmission lines for the operations will also be installed as part of early-works activities.

	H2 2011	2012	2013	2014	2015
Approx capex \$ million	100	500	600	350	80

Expected production profile

The mine will produce an average of 30 Mt of ore per annum for the first 14 years of operations, which will reduce to 25 Mt per annum, once all weathered zone material has been exhausted. Bozshakol has a strip ratio of 1.55. This output is equivalent to 100 kt per year of copper in concentrate for the first 14 years of operation with an average over the production life of 75 kt per annum. Output of copper and by-products will vary over the life of mine.

Key Metals Production Schedule



Sustaining capital expenditure

Annual operational capital expenditure is estimated to be \$25 million once the mine is in production.

Health, safety & environment

The HSE policy for the construction phase of the project will be “Zero Harm” with the focus on personnel, assets and the environment. All personnel will receive training in order for them to undertake their duties plus a project specific safety induction/training prior to entering the project site. Refresher courses and further training will continue for the entire duration of the project.

Following recruitment, operations personnel will receive the necessary job and safety training in order to undertake their duties prior to entering their workplace. A policy of continuous improvement for all employees will ensure that safety and job training will maintain their skill levels to international standards.

Following a review of the pre-feasibility study, the Committee for Environment Control and Regulation of the Ministry for Environment Protection of the Government has approved the Preliminary Environmental Impact Assessment for the project. Final environmental permitting will take place in accordance with Kazakhstan law, as detailed engineering progresses. The Department of Culture of the Pavlodar Oblast has approved mining of the Bozshakol site following investigations of all known archeological sites in the vicinity of the project site.

Environmental monitoring will be undertaken by a dedicated team through all phases of the project.

All Government permits and authorisations will be obtained prior to construction and operation of the plant. Permits to install the construction power and water supplies for early-works have already been obtained from the state authorities.

Employment

The main operational workforce, around 1,500 people, will be recruited from the local region and country-wide for the necessary skills required to operate a modern concentrator applying international standards. An expatriate team, 80 people, will provide leadership to the national workforce for initial training, through project commissioning, ramp up and the first years until full operational capacity is achieved.

Funding

The funding for the project comes from a 15 year debt facility signed in December 2009 with China Development Bank and Samruk-Kazyna and forms part of the \$2.7 billion financing package agreed for financing the Group's major projects. The Bozshakol facility has an availability period of 3 years commencing from March 2010 and incurs interest at 480 basis points over US\$ LIBOR.

Kazakhmys PLC is a leading international natural resources group with significant interests in copper, gold, zinc, silver, power generation.

It is the largest copper producer in Kazakhstan and one of the top worldwide with 17 operating mines, 10 concentrators and 2 copper smelters. Kazakhmys Mining operations are fully integrated from mining ore through to the production of finished copper cathode and rod. Total copper cathode equivalent produced in 2010 from own ore was 303 thousand tonnes. Production is backed by a captive power supply and significant rail infrastructure.

Kazakhmys Mining produces significant volumes of other metals, including zinc, silver and gold. In 2010, it produced 167 thousand tonnes of zinc in concentrate. The Group is in the top ten largest silver producers in the world (14 million ounces produced in 2010).

Kazakhmys Power has a 50% interest in the coal fired Ekibastuz GRES-1 plant, the largest in Kazakhstan with a nameplate capacity of 4,000 MW. Kazakhmys Power also operates the captive coal mines and power stations which supply power to the Mining Division.

The Group is part of the FTSE-100 index of companies listed on the London Stock Exchange and is also listed on the Kazakhstan and Hong Kong Stock Exchanges. It had revenues of \$3.2 billion in 2010 with Group EBITDA (excluding special items) of \$2.8 billion. The Group employs some 61,000 people, principally in Kazakhstan. The Group's strategic aim is to optimise its current operations, deliver its major growth projects and to diversify and participate in the development of the significant natural resource opportunities in Central Asia.