

WORKING DRAFT

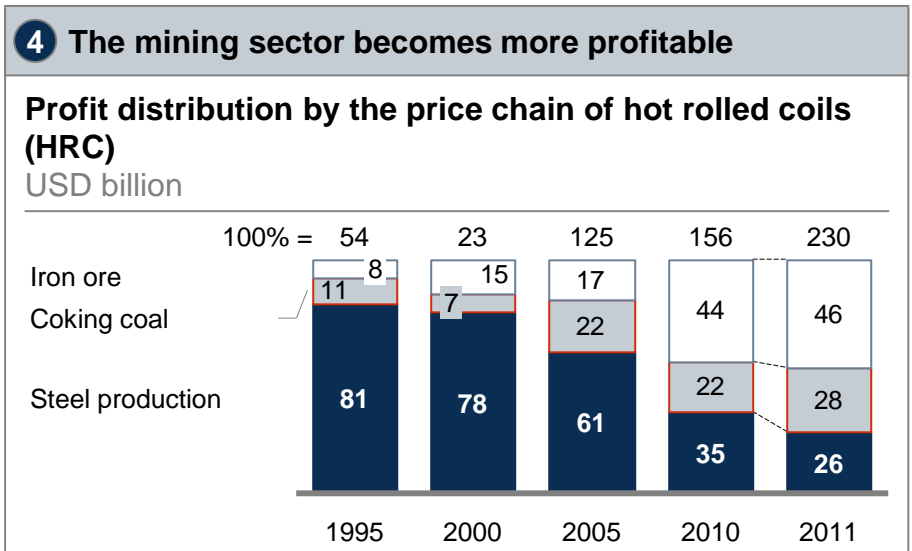
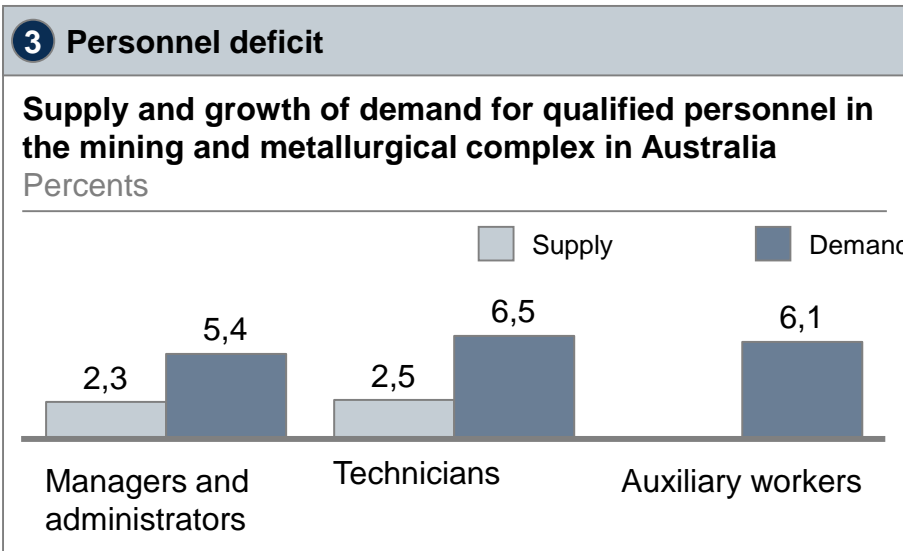
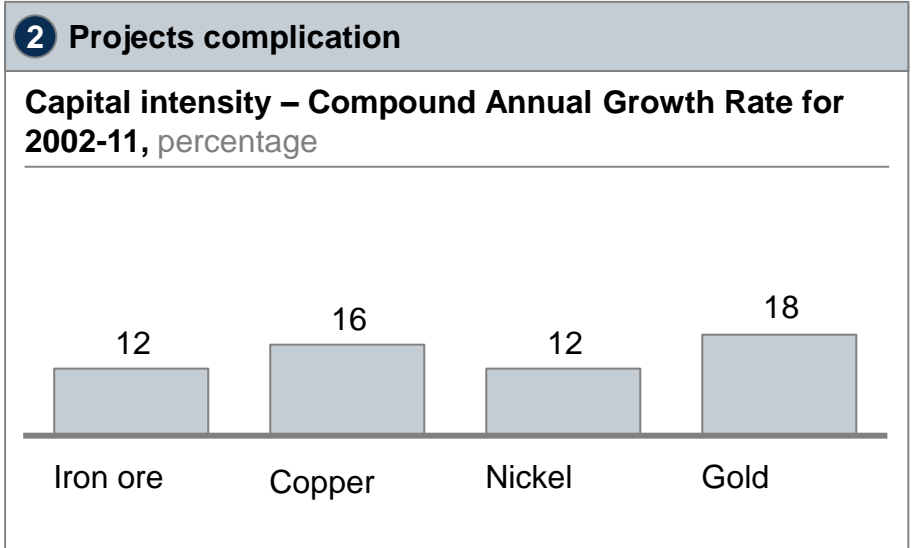
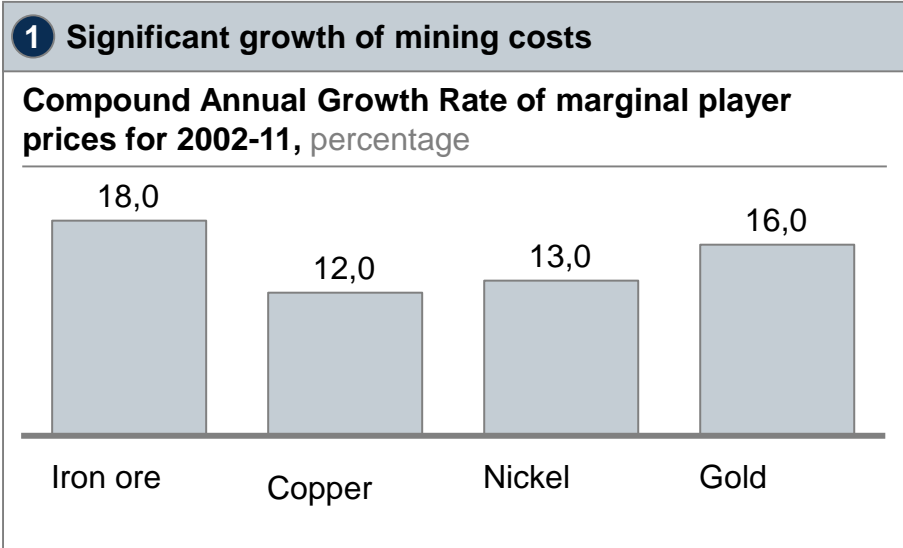
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Strategic plan for the National Mining Company of Kazakhstan AO « Tau-Ken Samruk » for 2013-22

ASTANA 2013

The external environment in the global mining and metallurgical complex is changing



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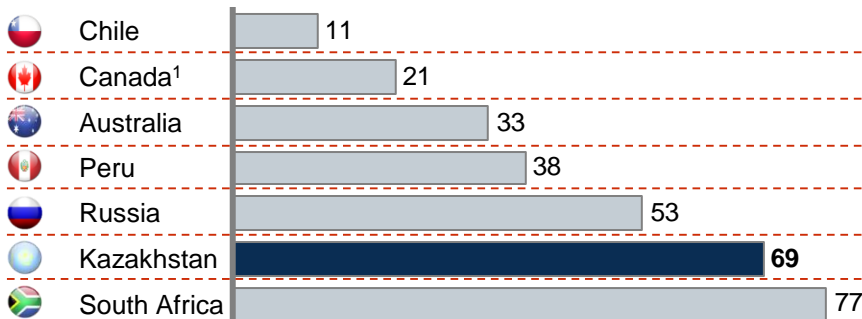
SOURCE: Team analysis

Deterrents in development of Kazakhstan Mining and Metallurgy Complex

1 Apprehension by investors as unattractive country for investment into the Mining and Metallurgy Complex

Classification as per Fraser Institute inquiry, 2012-13

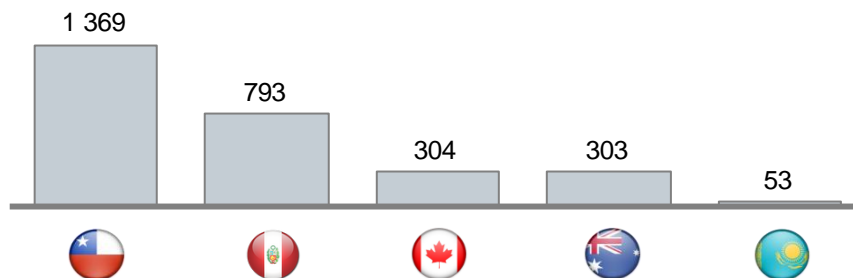
Number for 96 countries



2 Insufficient investment in RK geological exploration

Countries investing in geological exploration of non-ferrous metals (except for uranium)¹

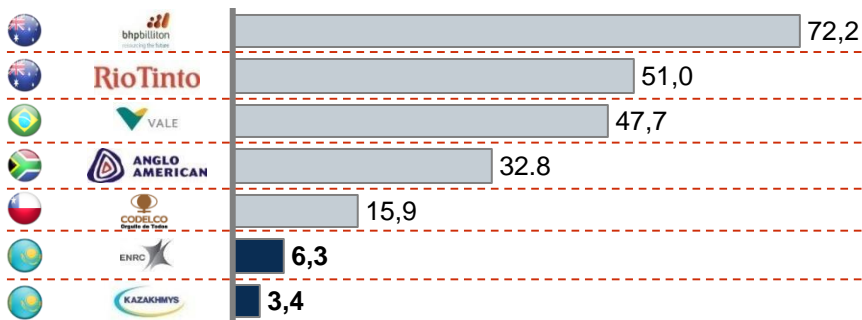
USD per km² of territory in 2012



3 Absence of national champion

Revenue, 2012

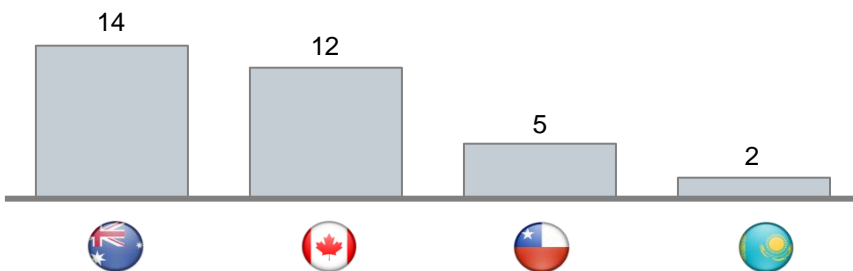
USD billion



4 Lack of experience in implementation of large projects in RK

Number of large completed projects (> 500 USD million) for the last 10 years

Number of projects



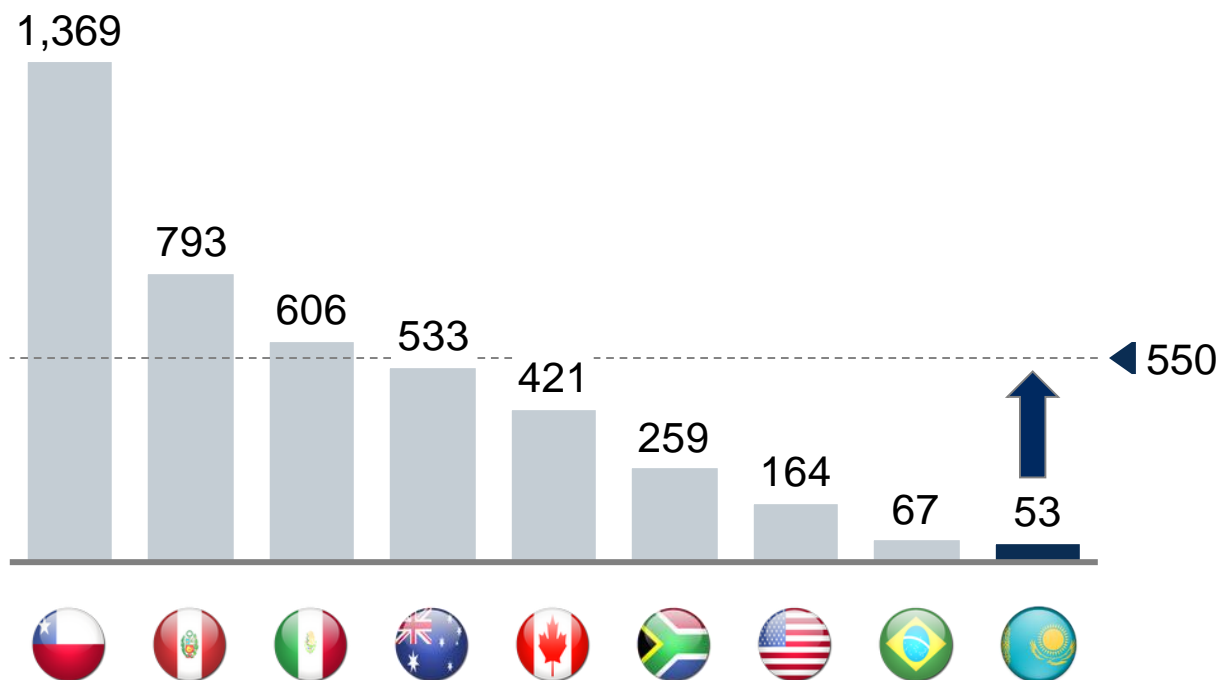
SOURCE: Bloomberg; Metals Economics Group; Fraser Institute; annual reports

5 low level of investment into development, transfer and implementation of new technologies

If Kazakhstan increases its exploration spend to USD1.5 b dollars, then the overall level of investments would be similar to Australia and Canada

Country spending in mineral exploration, 2012

USD per km² of area



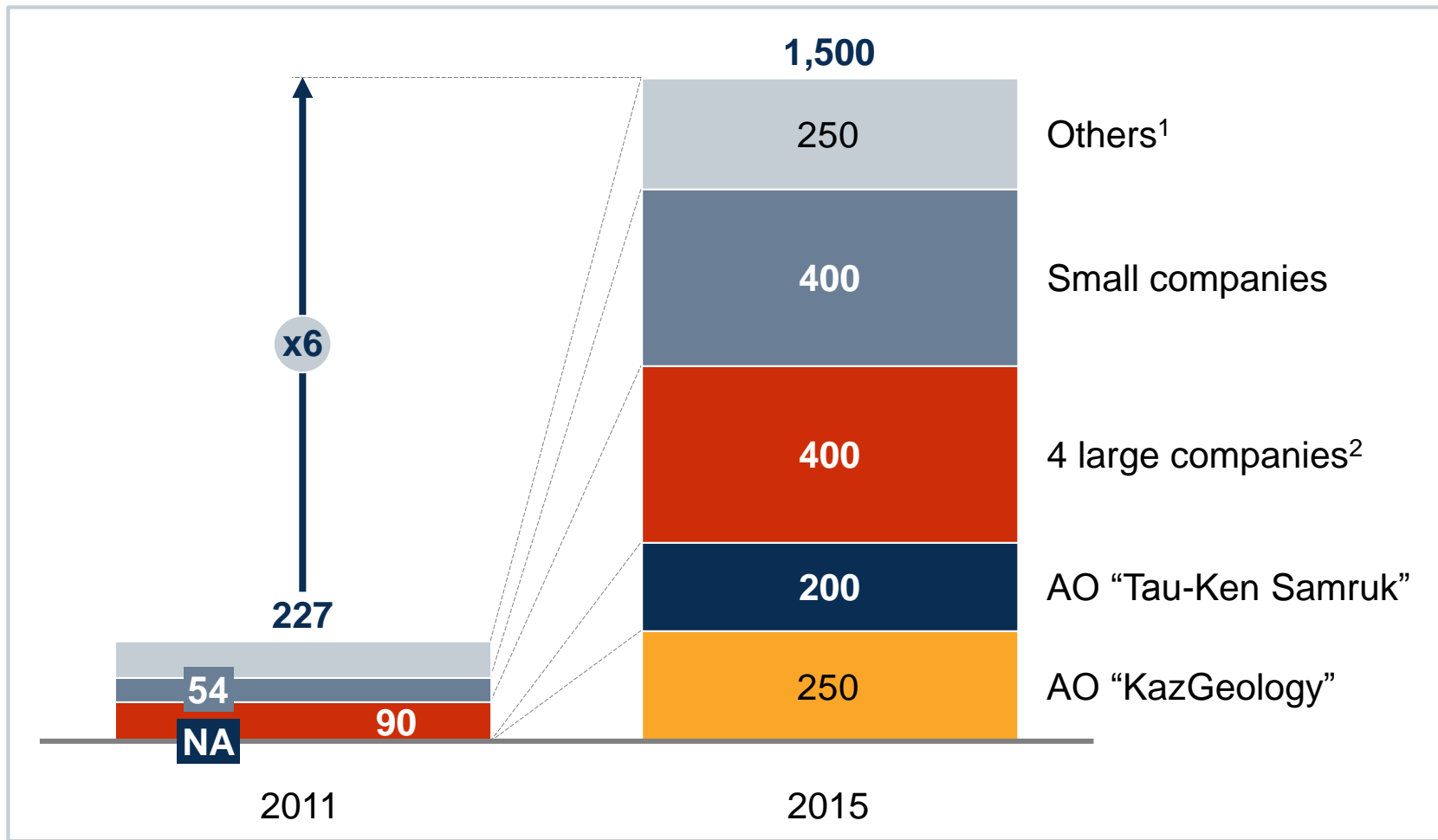
“Kazakhstan is one of the world’s most promising emerging markets for natural resources”
– Australian Trade Commission

1 Only largest countries shown, compared to Kazakhstan

Source: MEG Corporate Exploration Survey 2012, Mining Engineering Magazine

The proposed exploration budget in Kazakhstan is USD 1.5 bn by 2015 split over the different players

USD mn



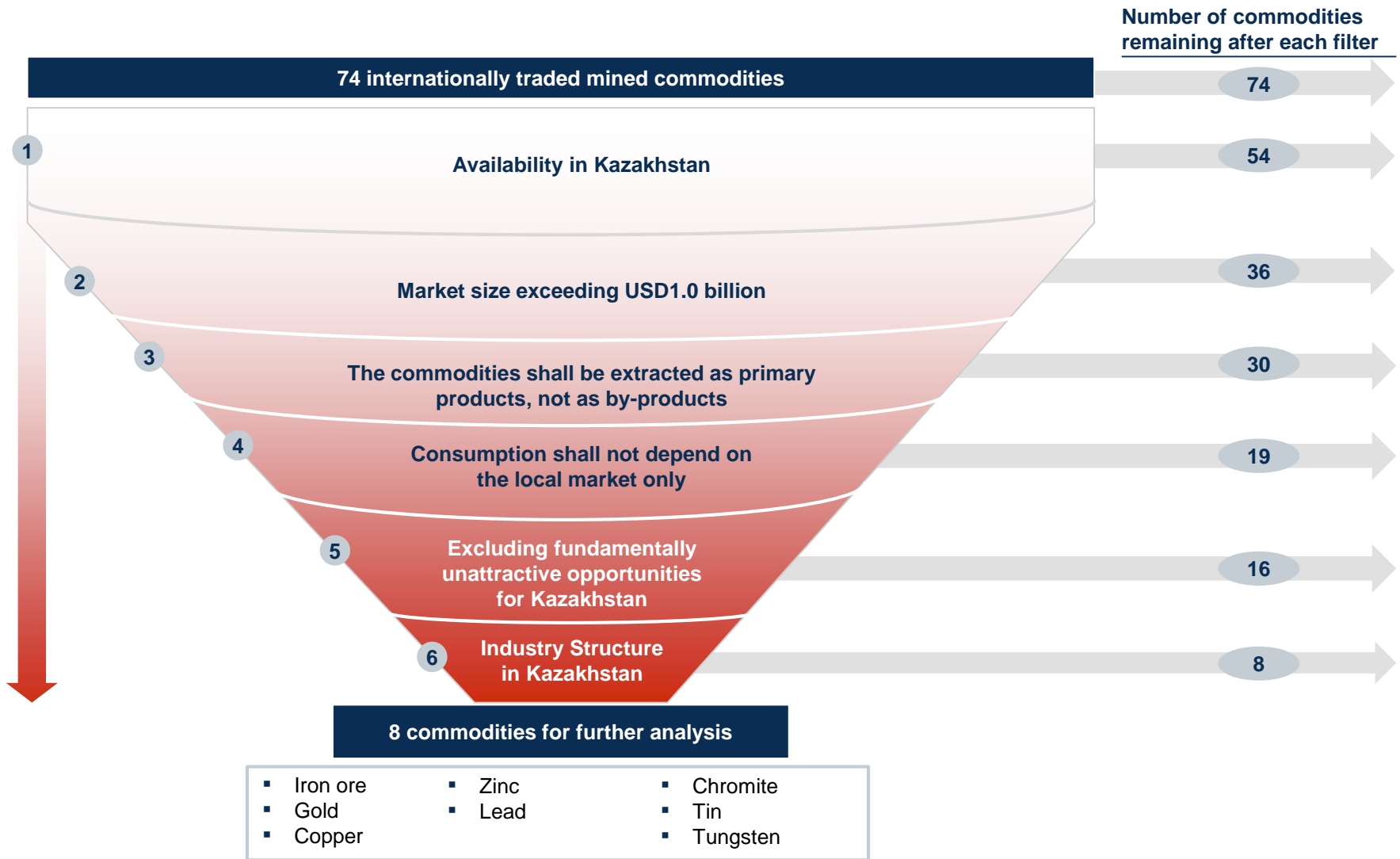
1 SPK, Kazatomprom, others mining and enrichments except for ENRC, ENRC, Kazakhmys, Kazzinc and ArselorMittal Temirtau

2 ENRC, Kazakhmys, Kazzinc and ArselorMittal Temirtau

Source: Team analysis

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As a result of selection based on six objective criteria, 8 commodities have been identified as the most attractive in terms of investments



Value creation chain in the priority commodities

✓ Focus on one-off opportunities only, based on positive business plan and a case by case mandate

	Mining	Beneficiation	Metallurgical processing	Manufacture of end products	End users
Chromium ore	✓	✓	<ul style="list-style-type: none"> Cr and FeCr production ✓ 	<ul style="list-style-type: none"> Stainless steel ✓ 	<ul style="list-style-type: none"> Automobile industry, large household appliances etc.
Copper	✓	✓	<ul style="list-style-type: none"> Melting and refining ✓ 	<ul style="list-style-type: none"> Manufacture ✓ 	<ul style="list-style-type: none"> Construction, electronics
Zinc	✓	✓	<ul style="list-style-type: none"> Melting and refining ✓ 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Alloy element in carbon steel
Lead	✓	✓	<ul style="list-style-type: none"> Melting and refining ✓ 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Batteries
Gold	✓	✓	<ul style="list-style-type: none"> Gold production ✓ 	<ul style="list-style-type: none"> Technical products ✓ 	<ul style="list-style-type: none"> Investment market, jewelry, industry, high technologies
Tungsten	✓	✓		<ul style="list-style-type: none"> ✓ 	<ul style="list-style-type: none"> Industry, high-technology telecommunications
Tin	✓	✓	<ul style="list-style-type: none"> Melting and refining ✓ 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Industry, construction
Iron ore	✓	✓	<ul style="list-style-type: none"> Conversion to cast iron / direct iron reduction ✓ 	<ul style="list-style-type: none"> Processed and semi-processed steel products ✓ 	<ul style="list-style-type: none"> Construction, automobile industry

SOURCE: Team analysis

To ensure mining & mineral sector development changes in the following directions are needed

Element

Rationale

1

Roll out best practice regulation including efficient permitting procedures for exploration and mining works

- Attract international investors (especially junior miners) whose presence is essential in order to achieve the USD1.5bn target in exploration to generate future pipeline of growth projects

2

Establish a clear institutional blue print with clear roles and dedicated areas of responsibilities for each of the Government Actors

- Development of division of responsibilities mechanism between SPK and Tau Ken Samruk
- Provide transparency in order to attract to the investment community

3

Invest in building up the required human capital

- Creation of environment that promotes skills and knowledge development among employees (expert groups, trainings, incl. abroad)

4

Transfer and implementation of newest technology through the whole value chain in priority areas.

- Development of innovative technical base for pilot plant testing of mineral resources

In order to change the trajectory of the sector AO "Tau-Ken Samruk" should aspire to become the largest National Champion in mining & metals sector that implements newest technology and industry best practice (**vision**)



Mission

To fundamentally improve the trajectory of the mining & metals sector in Kazakhstan



Goal

Achieving quality - new level of development of the mining and metals industry of Kazakhstan through increased exploration, growth programs and efficient operation of assets

Key Characteristics of the large scale national champion

- 1 Have an enterprise value of roughly USD20bn with maximum 40% debt

- 2 Possess a “company maker”, i.e., attractive assets with a long lifetime and stable cash flow after Stay-In-Business Capex of USD1.5-2.0bn per annum

- 3 Owns minimum two large-scale greenfield projects (USD1.0-2.0bn each)

- 4 Invests in exploration pipeline that makes a USD0.2-0.4bn p.a. contribution to a USD1.5bn p.a total exploration in Kazakhstan

- 5 Attracts newest technology and industry best practice for every project across the whole value chain from exploration to final product production.