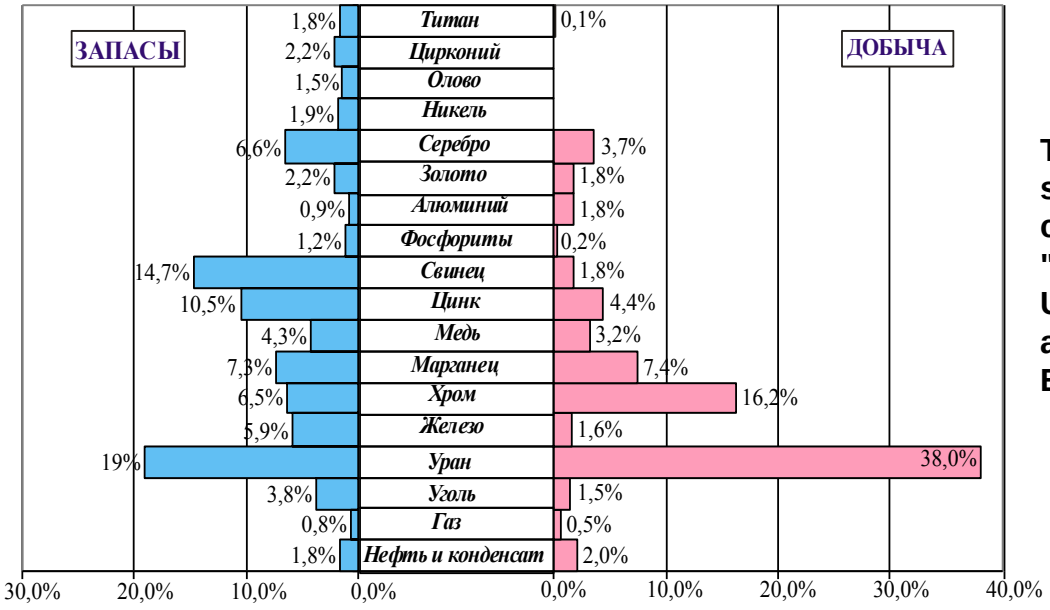
THE MINISTRY FOR INVESTMENTS AND DEVELOPMENT
REPUBLIC OF KAZAKHSTAN

Development of the Kazakhstani Mineral Resources Sector

ноябрь- 2015

Mineral resources base of Kazakhstan

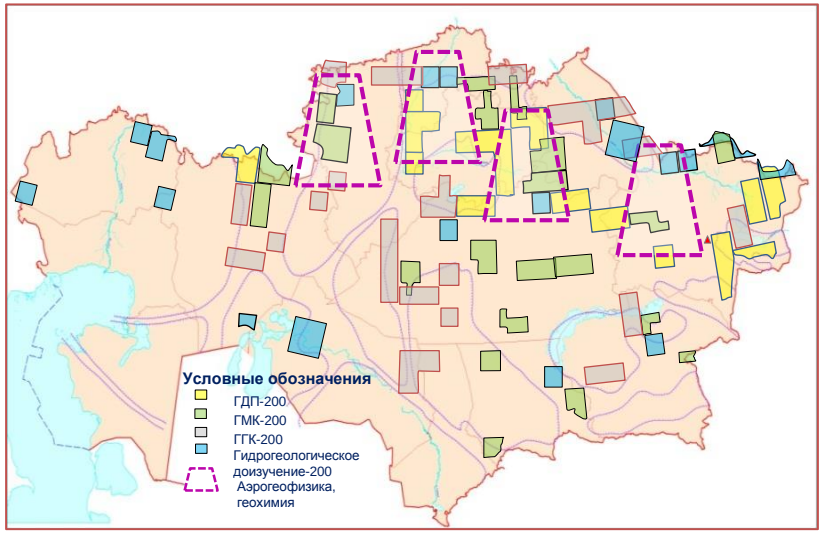
Solid minerals	AU, т.	Cu, mln.т.	Pb, mlnн.т.	Z, mln.т.	Fe, mln.т	Cr, mln.т	Mn, mln.т	Mb, thd.т	Bauxires, mln.т	Ni, mln.т	Tin, thd. т.
Number of deposits	330	120	96	93	60	17	36	46	27	41	15
Reserves (A+B+C1)	1140,3	30,3	12,2	24,7	9,9	259,5	412,9	973,6	258,6	1,43	69,26
reserves (C2)	1288,4	10,3	3,93	9,1	8,8	101,6	269,5	138,2	77,2	0,6	69 ,16



The share of Kazakhstan in the structure of world mineral complex,% (compiled using data of "VNIIZARUBEZHGEOLOGIA", the US Geological Survey and BP Statistical Review of World Energy)

The State Geological Survey

After the Soviet collapse in 1991, government funding SGS in Kazakhstan resumed in 2003.
Currently, the development of the geological industry in Kazakhstan is the responsibility of MID.
Management and coordination of the SGS are conducted by the Committee of Geology and Subsoil Use (KGiN), which is part of the MID.
The Committee organizes the systematic regional geological mapping (GMA-200. GMM-200, DGM-200), prospecting, hydrogeological survey, subsoil monitoring, expertize and registration of reserves (GKZ).
MID is responsible for implementing of The Concept of the geological industry development until 2030 , which was approved by the Government in 2012 and for the realization of 5-year sector programs of SGS.



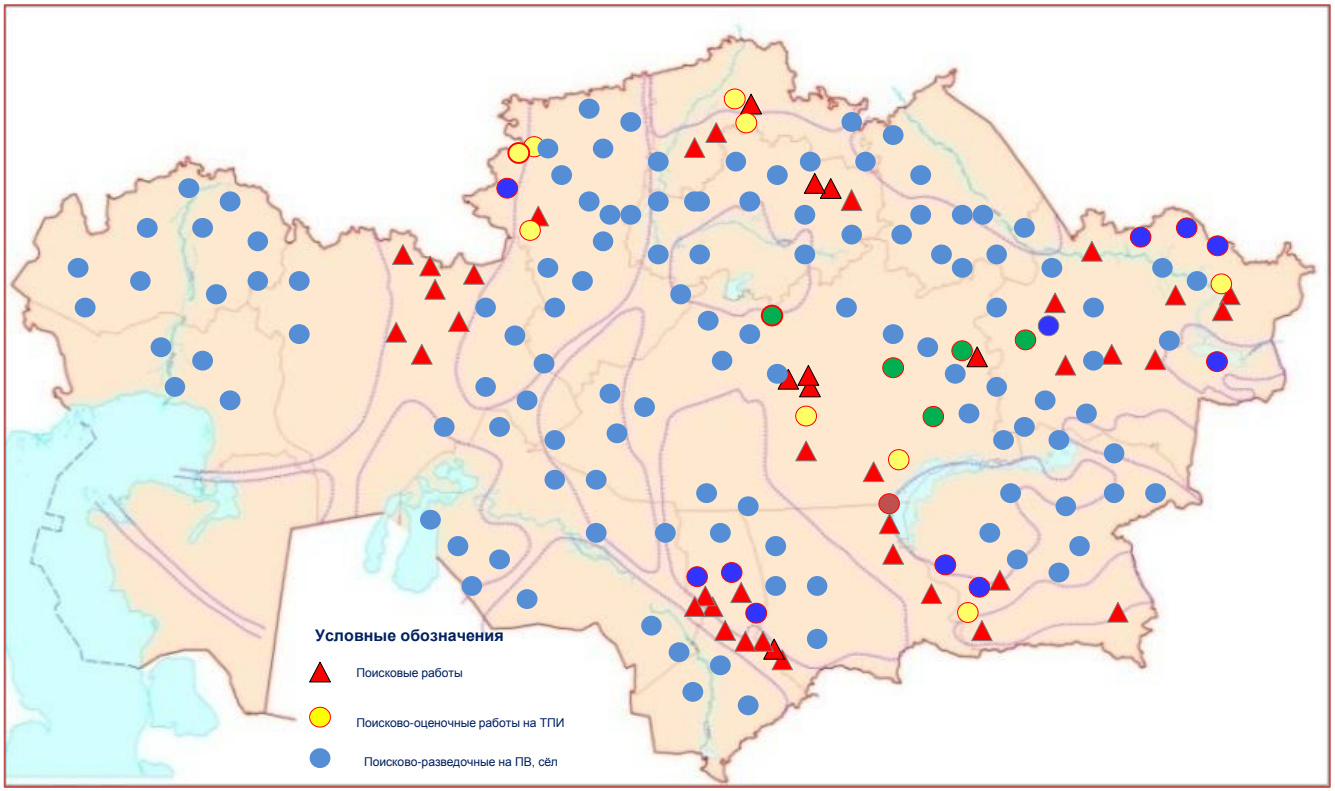
Sector program for 2015-2019 гг

The total area of the Общая площадь regional geological mapping
1128 тыс.кв.км.

The total length of geo travers- 4720 km.
The total amount of drilling appraisal wells- 15 thd.m

The State Geological Survey

Prospecting areas 2015 - 2019



The total prospecting area 2015-2109 - 1774 km2

Attraction of Investments

Investments 2003-2014гг	mln. $ US
	203
Разведка и добыча всего	331,9
	52
в т.ч. ТПИ	922,8
Разведка всего	507,1
в т.ч. ТПИ	**56,0**

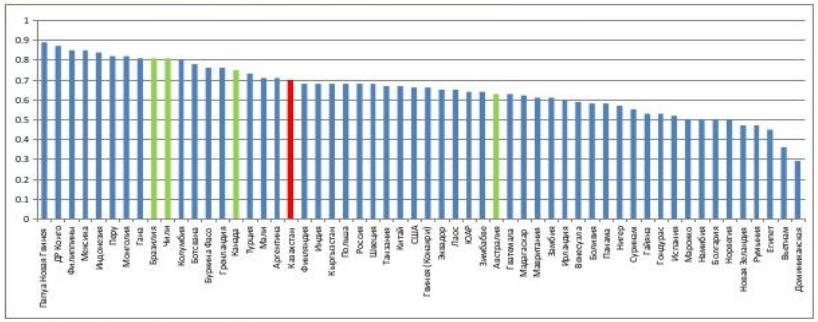
For comparison:

30 billion. US dollars in Canada in 2012 spent for exploration of minerals.

In Kazakhstan same period 989 million$ - 30 times less.

2007-2014.- there was moratorium on contracting in Kazakhstan.

Потенциал ГМК Казахстана*



- Данный график отображает потенциал стран при условии создания наиболее благоприятного инвестиционного климата в горнодобывающей отрасли.
- Казахстан имеет потенциал, чтобы находиться на одной ступени с такими странами как Канада, Чили, Бразилия.

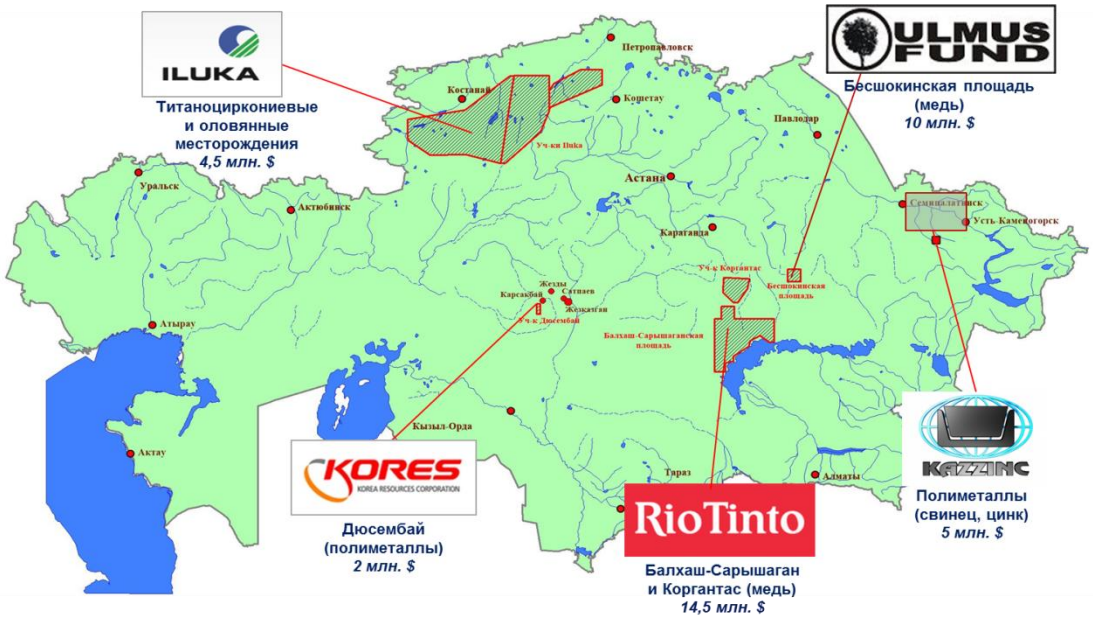
*Источник: Институт Фрэзэра (Fraser Institute)

4

Today, Kazakhstan is only 87 out of 112 countries on the attractiveness of the state regulation of the industry, and 31 out of 112 countries on the geological attractiveness.
However, Kazakhstan has significant potential to attract investment into mineral sector.

Legislation

There is the Law "On Subsoil and Subsoil Use" in Kazakhstan regulating relations in mineral sector .
The system of mineral rights - contracts on the basis of tenders.
There are benefits (direct negotiations) for the National companies, as well as the companies included in to the Map of Industrialization/
Example: JSC NGK "Kazgeology"

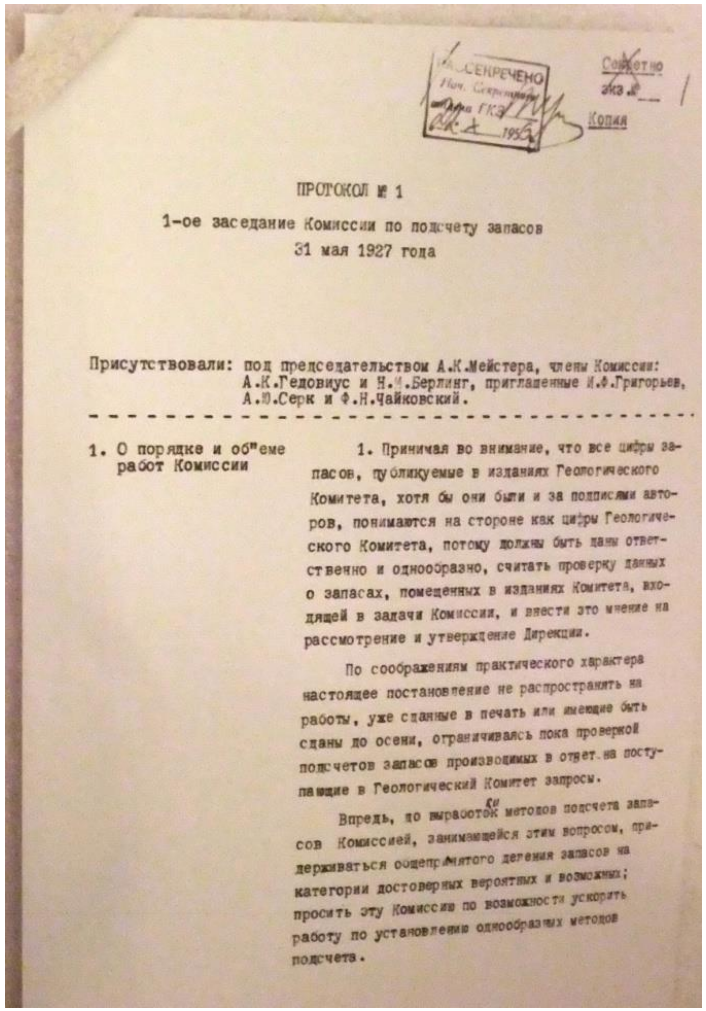


JSC "Kazgeology" creates a joint venture with the world's leading companies on terms of technology transfer and investment.
The total volume of attracted investments for the next 6 years: 36 million. Dollars. US

Legislation.
The classification system of the mineral resources and reserve

- Since 1927: Development of Soviet system on solid mineral Resources and Reserves
- 1990-2009 : Chaos in international reporting systems due to inconsistency

USSR system: 1927



ПРОТОКОЛ № 1

1-ое заседание Комиссии по подсчету запасов
31 мая 1927 года

Присутствовали: под председательством А.К.Мейстера, члены Комиссии: А.К.Гедовиус и Н.Ч.Берлинг, приглашенные И.Ф.Григорьев, А.Ю.Серк и Ф.Н.Чайковский.

1. О порядке и об"еме работ Комиссии

1. Принимая во внимание, что все цифры запасов, публикуемые в изданиях Геологического Комитета, хотя бы они были и за подписями авторов, понимаются на стороне как цифры Геологического Комитета, потому должны быть даны ответственно и однообразно, считать проверку данных о запасах, помещенных в изданиях Комитета, входящей в задачи Комиссии, и внести это мнение на рассмотрение и утверждение Дирекции.

По соображениям практического характера настоящее постановление не распространять на работы, уже сданные в печать или имеющие быть сданы до осени, ограничиваясь пока проверкой подсчетов запасов производимых в ответ на поступающие в Геологический Комитет запросы.

Впредь, до выработок методов подсчета запасов Комиссией, занимающейся этим вопросом, придерживаться общепринятого деления запасов на категории достоверных вероятных и возможных; просить эту Комиссию по возможности ускорить работу по установлению однообразных методов подсчета.

- Established State committee of Reserves (GKZ)
- Minutes #1 31 may 1927
- Specified Reserves categories “Proved”, “Probable” and “Possible”.
- A task of Resource calculation assigned

USSR reporting system: after 1945

- Development Resources/Reserves classification system for centralised planning
- The system based on common manual methods: blocks and sections, polygonal/prismatic models
- Clear guidance for exploration methods: drill holes/channels spacing based on deposit complexity
- Clear guidance for classification

State balance

- National/state mineral wealth balance
- All reserves must be registered in GKZ prior obtaining mining permit
- Recoverable reserves included in State balance
- Marginal or uneconomic material classifies as “ off-balance”

Modernization of mining legislation

Kazakhstan adopted the State Plan of the Nation "100 steps" to join the top 30 developed countries of the WORLD.

The task of increasing the investment attractiveness of the natural resources sector and the transition to international standards in the sphere of subsoil use also included in the Plan of the Nation (steps 74 and 75).

The main directions of modernization in the sphere of subsoil use:
development and implementation of the Code on Subsoil
Development and implementation of international standards for reporting of Exploration Results, Mineral Resources and Reserves.

The Mining Code is developing with the involvement of industry associations, business representatives, independent research institutes, specialized consulting companies and international experts (OECD, Institute of Dundee, the World Bank, and others.).

In July 2015. The Government approved the Concept of Mining Code.
By the end of 2016 it is expected to adopt the Mining Code and development of sub-documents for its implementation

The Mining Code

The main innovations:

1. The availability of geological information

2. Simplicity and transparency of procedures for granting rights

3. The principle of "first come, first served"

4. The license for the solid minerals

5. Lease payments

6. Non-discrimination for foreign investment

7. Stability of contracts

8. The ability to hold contracts for technical and economic conditions

9. The possibility of transfer of subsoil use rights at any stage (except GGIN)

10. Freedom in the choice of technological and methodological solutions

11. Compliance with the balance of public and private interests,

12. The development of self-regulation principals,

13. Exception of incremental state supervision and control with the elimination of unnecessary administrative barriers

the expected effect of the adoption of the Mining Code

- Bringing the mining legislation in line with the practice of successful countries
- Increasing the investment attractiveness of the sphere of the natural resources sector
- The increase in the volume of financing and exploration
- Development market of junior companies
- Development of venture financing exploration
- Introduction of new technologies
- The introduction of international standards for public reporting of exploration results, mineral resources and reserves
- Development of professionalism
- The opening of new (deeper) deposits
- The increase in jobs
- Addressing socio-economic problems of the regions
- Rising government revenues

Внедрение международных стандартов

In order to implement international reporting standards (step 74) to meet the requirements CRIRSCO with support of the Committee of Geology and Subsoil MID the National Organization for Public Reporting (NRO) - Kazakhstan Association of Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves «KAZRC» was recently established.

KAZRC founders :
Association of industrial geological organizations of the Republic of Kazakhstan, the Republican Association of Mining and Metallurgical Enterprises ", JSC NGK" Kazgeology. "

KAZRC Association created and registered as the ULE. It is a nonprofit, self-regulatory organization carries out its activities through contributions from members of the Association KAZRC.

CRIRSCO Template was taken as basis for the standards of KAZRC.

Clauses on uranium were added, because Kazakhstan is the most important form of the mineral.

Внедрение международных стандартов

The commitment of the state to increase the investment attractiveness of the mineral sector was confirmed by the high status of the event at which the Memorandum of Understanding (MOU) between the Republic of Kazakhstan and (CRIRSCO) was signed on 3rd of November in London.

London. 03/11/2015. II-th session of the Kazakh-British Intergovernmental Commission on Trade and Economic Cooperation

OECD Eurasia week
Paris Nov 2015

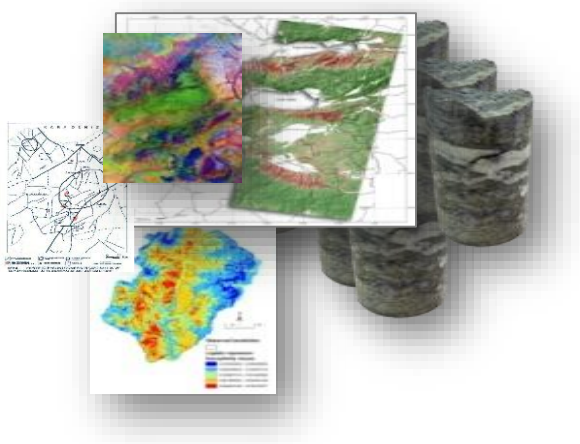
Structure of the KAZRC Association

1 • General meeting

2 • Coordinating Council

3 • Executive Director

Principles of interaction between KAZRC and PONEN and other public associations/societies



- PONEN will be a member of the Association of KAZRC and will participate in the development and updating of the Code.
- KAZRC Association will contribute to the process of introducing standards KAZRC through training, publication.
- Association KAZRC will assist PONEN to develop training programs and conduct training at different venues in the Republic of Kazakhstan

- KAZRC Association will monitor the process of public reporting standards implementation.
- KAZRC Association will receive, examine and record complaints from the public, including from the companies subsoil users and KASE
- Decisions regarding Competent Persons will be taken independently by PONEN.
- Similar principles to other public professional associations.