



11 October 2011

## **Eurasian Natural Resources Corporation PLC**

### **Proposed Exercise of Option to Acquire the Outstanding 75% of Common Stock of Shubarkol Komir JSC (“Shubarkol”)**

London – Eurasian Natural Resources Corporation PLC (‘ENRC’ or, together with its subsidiaries, the ‘Group’), today announces that the Directors of the Company have unanimously approved the exercise of ENRC’s rights under a Call Option to acquire the outstanding shares in Shubarkol and therefore, subject to the approval of Independent ENRC Shareholders, ENRC proposes to acquire up to 2,638,103 common shares in Shubarkol from Eurasian Industrial Company JSC (‘EIC’) for an aggregate purchase price of up to US\$600 million (payable in an equivalent amount of Kazakhstan Tenge) plus assumed debt of approximately US\$50 million. The Acquisition will be effected through the Kazakhstan Stock Exchange by way of an Open Trade involving what is, in effect, an auction held on the stock exchange under applicable Kazakhstan Stock Exchange regulations.

Shubarkol is a thermal coal producer in Kazakhstan with 2010 output of approximately 6.0 million tonnes of coal, which accounted for approximately 5.4% of Kazakhstan’s total coal production. For the year ended 31 December 2010, Shubarkol’s EBITDA was US\$85.3 million and for H1 2011 it was US\$56.4 million. As of 1 January 2011, Shubarkol’s proved and probable JORC-compliant coal reserves totalled 326.2 million tonnes, measured and indicated coal resources (inclusive of reserves) were 1,378 million tonnes and inferred coal resources were 192 million tonnes.

The acquisition aims to bridge the Group’s current position as a leading diversified natural resources group largely based in Kazakhstan with its aspiration of becoming a more international mining company.

The Acquisition enables ENRC to implement its strategy of sustaining its low cost operations and consolidates its position in one of ENRC’s preferred commodities in the Central Asian region. With the inclusion of Shubarkol, ENRC’s coal production capacity in Kazakhstan will exceed 25 million tonnes of coal per annum.

In addition, the acquisition enhances ENRC’s position as one of Kazakhstan’s leading coal producers, providing further product and customer diversification in its Energy Division, as well as a significant increase in the Group’s coal reserve base in Kazakhstan. Completion of the Acquisition will strengthen the Group’s integrated business model by securing a reliable and cost-effective supply of semi-coke and low cost, relatively high quality thermal coal used in the production processes of the Group’s Ferroalloys, Iron Ore and Alumina & Aluminium Divisions, to support future growth.

The Company also announces the proposed launch of a tender offer, subject to completion of the Acquisition and as required under Kazakhstani law, to acquire all the outstanding preference shares of Shubarkol for a consideration of up to approximately US\$12.6 million (the “Tender Offer”, together with the Acquisition, the “Proposed Transaction”). The price to be paid per common share of Shubarkol in the acquisition is the same as that paid in the initial acquisition of 25% of Shubarkol’s common stock in February 2009.



The Proposed Transaction constitutes a related party transaction under the Listing Rules and, as a result, is conditional, amongst other things, on the approval of Independent ENRC shareholders at a general meeting. Shubarkol is currently owned approximately 75% by EIC, a company owned by the founding shareholders of ENRC, and approximately 25% by ENRC. A circular containing further details of the Proposed Transaction and setting out the notice of the General Meeting and the resolution required to approve the Proposed Transaction (the “Circular”) will be sent to ENRC shareholders today.

The Directors of ENRC are recommending that Independent ENRC shareholders vote in favour of the resolution to approve the Proposed Transaction at the General Meeting.

The Acquisition is expected to be broadly earnings neutral in the first full financial year after its completion and earnings enhancing in the following year.

Commenting on the Proposed Transaction, Felix J Vulis, Chief Executive Officer of ENRC, said:

*“This is an important strategic acquisition which secures reliable access to the supply of relatively high quality and low-cost thermal coal. Our increased coal production capacity in Kazakhstan, which will exceed 25 million tonnes per annum, will support our existing operations and expansion plans, enabling us to maintain our advantageous low-cost production position.”*

Mehmet Dalman, the Senior Independent Director of ENRC, said:

*“This is an excellent transaction for ENRC and based on the quality of the asset, strategic importance of the commodity and the price, is incrementally value-enhancing to our shareholders.”*

This summary should be read in conjunction with the full text of the announcement.

ENRC will host a live conference call for analysts and investors to discuss the Transaction at 10:00 am London time today. The dial-in number is +44 (0)20 7136 2055 and the pass code is 6437575.

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### **About ENRC**

ENRC is a leading diversified natural resources group, performing integrated mining, processing, energy, logistics and marketing operations. The operations comprise: the mining and processing of chrome, manganese and iron ore; the smelting of ferroalloys; the production of iron ore concentrate and pellet; the mining and processing of bauxite for the extraction of alumina and the production of aluminium; the production of copper and cobalt; coal extraction and electricity generation; and the transportation and sales of the Group's products. The Group's production assets are largely located in the Republic of Kazakhstan; other assets, notably the Other Non-ferrous Division, are mainly located in Africa; the Group also has iron ore assets in Brazil. The Group's entities in H1 2011 employed on average 75,050 (2010: 74,098) people. In 2010, the Group accounted for approximately 4% of Kazakhstan's GDP. The Group currently sells the majority of its products to Russia, China, Japan, Western Europe and the United States. For the six months ended June 30 2011, the Group had revenue of US\$4,011 million (2010: US\$6,605 million) and profit attributable to equity shareholders of the Group of US\$1,182 million (2010: US\$2,185 million). ENRC has six operating Divisions: Ferroalloys, Iron Ore, Alumina and Aluminium, Other Non-ferrous, Energy and Logistics. ENRC is a UK company with its registered office in London. ENRC's shares are quoted on the London Stock Exchange ('LSE') and the Kazakhstan Stock Exchange ('KASE'). For more information on ENRC visit the Group's website at [www.ENRC.com](http://www.ENRC.com).

### **Forward-looking Statements**

*This announcement includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'estimates', 'plans', 'projects', 'anticipates', 'expects', 'intends', 'may', 'will', or 'should' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include matters that are not historical facts or are statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects,*



*growth, strategies, and the industries in which the Group operates. Forward-looking statements are based on current plans, estimates and projections, and therefore too much reliance should not be placed upon them. Such statements are subject to risks and uncertainties, most of which are difficult to predict and generally beyond the Group's control. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. The Group cautions you that forward-looking statements are not guarantees of future performance and that if risks and uncertainties materialise, or if the assumptions underlying any of these statements prove incorrect, the Group's actual results of operations, financial condition and liquidity and the development of the industry in which the Group operates may materially differ from those made in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the Group's results of operations, financial condition and liquidity and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in future periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in regulation, currency fluctuations, changes in business strategy, political and economic uncertainty. Subject to the requirements of the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules or any applicable law or regulation, the Group expressly disclaims any obligation or undertaking publicly to review or confirm analysts' expectations or estimates or to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any changes in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Nothing in this announcement should be construed as a profit forecast. The forward looking statements contained in this document speak only as at the date of this document.*

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**Proposed Exercise of Option to Acquire the Outstanding 75% of Common Stock of Shubarkol Komir JSC ("Shubarkol")**



## 1. Introduction

On 16 February 2009, ENRC announced that the Group had acquired shares representing approximately 25% of the issued common share capital of Shubarkol Komir JSC from Eurasian Finance-Industrial Company JSC ("**EFIC**") and certain minority shareholders of Shubarkol, for a cash consideration of US\$200 million (the "**Initial Acquisition**"). EFIC was, at the time of the acquisition, a private company wholly-owned by Mr. Ibragimov, Mr. Chodiev and Mr. Machkevitch (the "**Founder Shareholders**"), who are significant shareholders of ENRC with an aggregate shareholding of approximately 43.8% of ENRC's issued ordinary share capital.

In connection with the Initial Acquisition, the Group was granted a call option (the "**Call Option**") to acquire all or part of the remaining common shares in Shubarkol held by EFIC on the basis of a total equity valuation of Shubarkol of US\$800 million. The Call Option was initially exercisable (at ENRC's discretion) at any time until 31 January 2011 but, as announced by ENRC on 31 January 2011, the exercise period of the Call Option was extended by 12 months and now expires on 31 January 2012.

The Call Option was originally entered into between ENRC and EFIC, however, following a reorganisation of EFIC which was completed in May 2009, EFIC ceased to exist as a legal entity and its assets were distributed amongst two successor entities, Eurasian Industrial Company JSC ("**EIC**") and Eurasian Finance Company JSC. As part of this reorganisation, the common shares in Shubarkol held by EFIC and the obligations of EFIC under the Call Option were transferred to EIC. EIC, being the owner of all of the issued common shares in Shubarkol not already owned by the Group, is a private company which is also wholly-owned by the Founder Shareholders.

Today ENRC announces that the Directors of the Company have approved the exercise of ENRC's rights under the Call Option and, subject to the approval of Independent ENRC Shareholders, ENRC proposes to acquire up to 2,638,103 common shares in Shubarkol (representing approximately 75% of the issued common share capital of Shubarkol) from EIC for an aggregate purchase price of up to US\$600 million (payable in an equivalent amount of Kazakhstan Tenge). The Acquisition will be effected through the Kazakhstan Stock Exchange by way of an Open Trade involving what is, in effect, an auction held on the stock exchange under applicable Kazakhstan Stock Exchange regulations. Further details are set out in the circular published today.

As set out in more detail in section 5 "Terms of the Proposed Transaction" below, under the Open Trade, there can be no guarantee that ENRC will ultimately be able to acquire all or any of the common shares of Shubarkol which it does not already own. If ENRC is unable to acquire at least 50% of the common share capital of Shubarkol through the Open Trade (which would lead to ENRC owning in aggregate over 75% of Shubarkol's issued common shares), it intends to withdraw its participation in the Open Trade and will not proceed with the Proposed Transaction.

The total consideration payable by ENRC for common shares in Shubarkol pursuant to the Open Trade and tender offer will be determined pro rata to the US\$800 million aggregate consideration payable if 100% of the common shares of Shubarkol are successfully acquired by ENRC.



If the Acquisition is completed, ENRC will be required in accordance with Kazakhstan law to make a tender offer to all preference shareholders to acquire the issued preference shares in Shubarkol. While Kazakhstan legislation does not prescribe the terms upon which the Tender Offer must be made or the price that must be offered for the preference shares, ENRC has commissioned Expert Appraisal Centre in Almaty, Kazakhstan to conduct an independent valuation of the preference shares, which values the entire issued preference share capital of Shubarkol at KZT 1,849,322,499 (approximately US\$12.6 million). Accordingly, if the Acquisition is completed, the Tender Offer will be made at a price of KZT 15,537 per preference share (approximately US\$106 per preference share).

In connection with the Acquisition, ENRC proposes to enter into the Amendment Agreement and the Indemnity Agreement, further details of which are set out in section 5 "Terms of the Proposed Transaction" below.

The Proposed Transaction constitutes a related party transaction under the Listing Rules and, as a result, its completion requires the approval of Independent ENRC Shareholders in accordance with the resolution contained in the notice of General Meeting set out in the circular published today.

In accordance with the Listing Rules, the Founder Shareholders will not vote (and have undertaken to take all reasonable steps to ensure that their respective associates will not vote) on the Resolution to be proposed at the General Meeting to consider and, if thought fit, approve the Proposed Transaction.

The principal terms and conditions of the Proposed Transaction are summarised in the circular published today.

## **2. Reasons and Strategy for the Acquisition**

The Group's strategy is to achieve growth as a leading natural resources company. The five strategic goals of the Group are to:

- maintain and improve on its low-cost operations;
- continue expansion and development of its existing reserves and capacity;
- add value and customer diversity by expanding its product portfolio;
- expand its asset portfolio and footprint in the natural resources sector, both within the region and worldwide; and
- continue to commit to high standards of corporate responsibility, with particular emphasis on health and safety.

The Group believes that its strategy is a balanced and flexible combination of enhancing existing assets, organic expansion and acquisitions, of which it has completed a number since its admission to trading on the London Stock Exchange in December 2007.

The strategy also aims to bridge the Group's current position as a leading, diversified natural resource group largely based in Kazakhstan with its aspiration to become a more international mining group.

The Initial Acquisition strengthened the Group's integrated business model by securing a



reliable and cost-effective supply of semi-coke and relatively high quality thermal coal. It also enhanced the Group's position as a low cost producer whilst preserving cash resources for organic investments and other acquisition opportunities and maintaining the ability to secure full ownership of Shubarkol at a future date.

The Directors believe that Shubarkol is an increasingly important strategic asset and that the Acquisition will create value for ENRC Shareholders by:

- expanding ENRC's coal reserves to supplement its coal extraction operations;
- providing ENRC with reliable access to additional low-cost coal for its existing operations and expansion plans;
- providing ENRC with access to relatively high quality thermal coal, semi-coke and low phosphorus coke used as feedstock in its ferrochrome and other operations;
- enabling ENRC to further benefit from favourable fundamentals in the coal market;
- providing ENRC with relatively high quality thermal coal to supply additional markets in Kazakhstan, Russia and other countries;
- consolidating ENRC's position as one of Kazakhstan's leading coal producers as well as its strategic position in Kazakhstan in the thermal coal market; and
- providing relatively high quality assets with significant resource potential.

Furthermore, following completion of the Acquisition, the Directors anticipate that approximately 50% of the semi-coke and the majority of the coke produced by the Shubarkol Group will be used in ENRC's operations, with the balance being sold to third parties. It is anticipated that the majority of the thermal coal produced by the Shubarkol Group will be sold to third party customers.

Accordingly, for the reasons set out above, the Directors believe that it is in the best interests of the Shareholders as a whole that ENRC exercises the Call Option and seeks to acquire full control of Shubarkol.

### **3. Information on Shubarkol**

Shubarkol is primarily engaged in open pit coal mining in Kazakhstan. Shubarkol produces coal with low ash content (approximately 4.9% in 2010, as compared to over 42.5% at ENRC's Vostochny mine). In 2010, Shubarkol accounted for approximately 5.4% of Kazakhstan's total coal extraction, totalling approximately 6.0 million tonnes.

Shubarkol's principal operations involve mining coal from the Shubarkol coal field. The Coal Resources and Reserves of Shubarkol were reviewed and reclassified by SRK using the terms and guidelines of the JORC Code and, as at 1 January 2011, SRK reported that the Shubarkol coal field had total Proved and Probable Coal Reserves of approximately 326.2 million tonnes and total Measured and Indicated Coal Resources suitable for open pit mining of approximately 1.378 billion tonnes.

The details of Shubarkol's coal resources and reserves, reported by SRK, are provided below.

*Proved and Probable Coal Reserves as at 1 January 2011* <sup>(1)(3)</sup>

Deposit	Resource Category	Coal quality					
		Tonnage (Mt)	Ash ad (%)	Inherent Moisture ad (%)	Total Moisture ar (%)	Sulphur ad (%)	Net calorific value (nar) kcal/kg
Zapad'ny	Proved Reserve	-	-	-	-	-	-
	Probable Reserve	81.6	5.21	6	14.2	0.5	5,682
	<b>Subtotal Proved &amp; Probable Reserve</b>	<b>81.6</b>	<b>5.21</b>	<b>6</b>	<b>14.2</b>	<b>0.5</b>	<b>5,682</b>
Central'ny	Proved Reserve	-	-	-	-	-	-
	Probable Reserve	244.6	4.84	6	14.0	0.5	5,779
	<b>Subtotal Proved &amp; Probable Reserve</b>	<b>244.6</b>	<b>4.84</b>	<b>6</b>	<b>14.0</b>	<b>0.5</b>	<b>5,779</b>
<b>TOTAL</b>	<b>Proved Reserve</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Probable Reserve</b>	<b>326.2</b>	<b>4.9</b>	<b>6</b>	<b>14.0</b>	<b>0.5</b>	<b>5,756</b>
	<b>Total Proved &amp; Probable Reserve</b>	<b>326.2</b>	<b>4.9</b>	<b>6</b>	<b>14.0</b>	<b>0.5</b>	<b>5,756</b>

*Measured, Indicated and Inferred Coal Resources as at 1 January 2011* <sup>(2)(3)</sup>

Deposit	Resource Category	Tonnage (Mt)	Coal quality				
			Ash ad (%)	Inherent Moisture ad (%)	Total Moisture ar (%)	Sulphur ad (%)	Net calorific value (nar) kcal/kg
Zapad'ny mine	Measured Resources	317					
	Indicated Resources	158					
	<b>Subtotal Measured &amp; Indicated Resources</b>	<b>475</b>	<b>11.1</b>	<b>6</b>	<b>15.3</b>	<b>0.4</b>	<b>5,250</b>
	Inferred Resources	14	11.1	6	15.3	0.4	5,250
Central'ny mine	Measured Resources	454					
	Indicated Resources	235					
	<b>Subtotal Measured &amp; Indicated Resources</b>	<b>689</b>	<b>11.5</b>	<b>6</b>	<b>14.5</b>	<b>0.4</b>	<b>5,250</b>
	Inferred Resources	129	11.5	6	14.5	0.4	5,250
Vostochny Project	Measured Resources	105					
	Indicated Resources	109					
	<b>Subtotal Measured &amp; Indicated Resources</b>	<b>213</b>	<b>11.5</b>	<b>6</b>	<b>14.5</b>	<b>0.4</b>	<b>5,250</b>
	Inferred Resources	48	11.5	6	14.5	0.4	5,250
<b>TOTAL Shubarkol BASIN</b>	Total Measured Resources	876					
	Total Indicated	502					





Resources							
<b>Total Measured &amp; Indicated Resources</b>	<b>1,378</b>	<b>11.4</b>	<b>6</b>	<b>14.7</b>	<b>0.4</b>	<b>5,250</b>	
Total Inferred Resources	192	11.4	6	14.7	0.4	5,250	

- (1) Mr. Jon Woolliscroft, BEng (Tech), MICE, CEng, is the Competent Person responsible for the Coal Reserve audit and estimation. He has more than 30 years' relevant experience in the coal mining industry.
- (2) Mr Paul Bright, BSc, MIOm3, C.Eng, is the Competent Person responsible for the Coal Resource audit and reclassification. He has more than 30 years' relevant experience in the coal mining industry.
- (3) The reported Coal Resources and Reserves are based on the following key assessments and assumptions: (i) SRK has modified and translated Shubarkol's GKZ 'reserve' statements for reporting in accordance with the JORC Code without recourse to fundamental recalculation; (ii) Resources are inclusive of Coal Reserves; (iii) Coal Reserves are based on a detailed Mine Plan up to the end of 2033, with production increasing steadily from the current 6.0 million tonnes to 20 million tonnes per annum in 2029; (iv) Coal Resources can support operations continuing beyond 2033; (v) the long term prices used to support the Coal Reserves are domestic coal sales at US\$24/t and US\$28/t for export coal; (vi) Coal Reserves are economic at a breakeven price of US\$11/t; (vii) SRK expects that Shubarkol would have the first rights for developing those parts of the Central'ny and Zapad'ny sections of the deposit that are currently outside their Mining Contract areas (all of Vostoch'ny being included within the Mining Contract area), and that, subject to gaining the rights to these areas, the Mine Plan and further mining operations can be achieved.

Shubarkol's operations also include the production of semi-coke, and the production of coke in China. Shubarkol owns 100% of Sary-Arka, which owns and operates a semi-coke production plant at the site of the Shubarkol mine. Sary-Arka is primarily engaged in the production of semi-coke from coal supplied by Shubarkol. Approximately half of the semi-coke produced by Sary-Arka is supplied to ENRC's operations for use in ferroalloy, iron ore pellet and other production.

In October 2010, Shubarkol acquired 100% of the shares of Asmare BV, which owns a 70% stake in Asmare JV, a joint venture company incorporated in the PRC. The other 30% of Asmare JV is owned by Alashankou Xinke Co., Ltd. Asmare JV owns and operates a coke plant in Fukang in the Xinjiang region of the PRC, and is primarily engaged in the production and sale of ferroalloy coke and coke by-products. Asmare JV is the primary supplier to ENRC of coke with low phosphorus content, which is essential for ENRC's production of low phosphorus ferroalloys.

In addition to its principal activities, Shubarkol is also engaged in certain ancillary activities including the provision of shunting services and the production of gravel.

Shubarkol's processing facilities are located in the Nurinskiy District and adjacent regions of the Karaganda region. These facilities include:

- a crushing and sorting plant for coal processing;
- vehicle and mining equipment repair and maintenance facilities;
- workshops and warehouses; and
- office, utility and residential buildings.

The table below sets out summary consolidated financial information for the Shubarkol Group for the years ended 31 December 2009 (audited) and 31 December 2010 (audited) and the six month period ended 30 June 2011 (unaudited), prepared in accordance with IFRS:



	Year ended 31 December 2009 <sup>(1)</sup> (Audited)		Year ended 31 December 2010 <sup>(1)(3)</sup> (Audited)		Six month period ended 30 June 2011 <sup>(1)(3)</sup> (Unaudited)	
	KZT	US\$ <sup>(4)</sup>	KZT	US\$ <sup>(4)</sup>	KZT	US\$ <sup>(4)</sup>
<b>Revenue</b>	16,533	112.0	19,383	131.5	12,025	82.4
<b>EBITDA<sup>(2)</sup></b>	10,636	72.0	12,565	85.3	8,239	56.4
<b>Profit after tax</b>	4,029	27.3	5,837	39.6	3,894	26.7

(1) In millions of Kazakhstan Tenge or US Dollars, as the case may be.

(2) EBITDA means Earnings before Interest, Taxes, Depreciation and Amortisation.

(3) Attributable share of the profits generated by Asmare JV for the period ended 31 December 2010 and the six month period ended 30 June 2011 is included in the EBITDA and profit after tax figures, but not revenue. Asmare JV has been accounted for as an equity associate since its acquisition by Shubarkol in October 2010.

(4) For the years ended 31 December 2009 and 2010, figures have been converted for illustrative purposes from Kazakhstan Tenge to US Dollars based on the daily average closing price of the Kazakhstan Tenge against the US Dollar from 1 January to 31 December in the relevant year, being US\$1.00 : KZT 147.65 (2009) and US\$1.00 : KZT 147.37 (2010) and, for the six month period ended 30 June 2011, based on the daily average closing price of the Kazakhstan Tenge against the US Dollar from 3 January 2011 to 30 June 2011, being US\$1.00 : KZT 146.00.

The gross assets of Shubarkol as at 30 June 2011 were US\$213.2 million.

#### 4. Financial effects of the Acquisition

The Acquisition is expected to be broadly earnings neutral in the first full financial year following completion of the Acquisition and earnings enhancing in the following year. It is expected that the Proposed Transaction will not have a material effect on the net assets of the Group.

#### 5. Terms of the Proposed Transaction

##### *The Acquisition*

The Call Option was originally entered into between ENRC and EFIC, however, following a reorganisation of EFIC which was completed in May 2009, EFIC ceased to exist as a legal entity and its assets were distributed amongst two successor entities, EIC and EFC. As part of this reorganisation, the common shares in Shubarkol held by EFIC and the obligations of EFIC under the Call Option were transferred to EIC. EIC, being the owner of all of the common shares in Shubarkol not already owned by the Group, is a private company which is also wholly-owned by the Founder Shareholders.

ENRC notified EIC today that it has exercised its rights under the Call Option and, subject to the approval of Independent ENRC Shareholders at the General Meeting, the Group proposes to acquire up to 2,638,103 common shares in Shubarkol (representing approximately 75% of the issued common share capital of Shubarkol) from EIC for an aggregate purchase price of up to US\$600 million (payable in an equivalent amount of Kazakhstan Tenge). ENRC's bid to acquire the Shubarkol Shares is capped at US\$600 million and ENRC will not be obliged to increase its bid. For operational reasons, ENRC



has nominated that its wholly-owned subsidiary, ENRC NV, will acquire the Shubarkol Shares.

The common shares in Shubarkol were admitted to listing on the Kazakhstan Stock Exchange on 31 October 2008. However, since the only holders of the common shares currently are EIC and ENRC and there have been a minimal number of trades in the common shares on KASE in the last twelve months, this is a listing in the technical (formal) sense only. Subject to the passing of the Resolution, the Acquisition will be effected through the Kazakhstan Stock Exchange by way of an Open Trade involving what is, in effect, an auction held on the stock exchange under applicable Kazakhstan Stock Exchange regulations. The purchase of shares by way of an Open Trade on KASE is a customary method of acquiring shares in Kazakh joint stock companies that are listed on KASE.

During the Open Trade, ENRC will make a bid (or a series of bids) to acquire up to 2,638,103 common shares in Shubarkol (representing approximately 75% of the issued common share capital of Shubarkol) for an aggregate purchase price of up to US\$600 million (payable in an equivalent amount of Kazakhstan Tenge). Under the Open Trade, the identity of bidders for the Shubarkol Shares will be anonymous and, in accordance with Kazakhstan Stock Exchange regulations, EIC would not be permitted to sell to ENRC unless, among other things, ENRC's was the highest bid submitted. There can be no assurance that ENRC's bid will ultimately be the highest bid submitted or that ENRC will be able to acquire any or all of the Shubarkol Shares, and there is therefore a risk that third parties will acquire some or all of the Shubarkol Shares pursuant to the Open Trade.

As set out in the circular published today, under the Open Trade, there can be no guarantee that ENRC will ultimately be able to acquire all or any of the common shares of Shubarkol which it does not already own. If ENRC is unable to acquire at least 50% of the common share capital of Shubarkol through the Open Trade (which would lead to ENRC owning in aggregate over 75% of Shubarkol's issued common shares), it intends to withdraw its participation in the Open Trade and will not proceed with the Proposed Transaction.

The total consideration payable by ENRC for common shares in Shubarkol pursuant to the Open Trade and tender offer will be determined pro rata to the US\$800 million aggregate consideration payable if 100% of the common shares of Shubarkol are successfully acquired by ENRC.

It is expected that the Open Trade on the Kazakhstan Stock Exchange will take place within 10 business days of the passing of the resolution at the General Meeting and that, assuming ENRC's bid is successful, the Open Trade will settle and the shares will be transferred to ENRC within 3 days of the date of the relevant trade.

If the Group does not acquire all of the issued common shares pursuant to the Open Trade, the Group will make a tender offer to acquire any outstanding common shares in Shubarkol at a price based on a total equity valuation of Shubarkol of US\$800 million. This tender offer will be made concurrently with the Tender Offer to acquire the preference shares in Shubarkol described below.

Any common shares in Shubarkol not acquired pursuant to the Open Trade or subsequently pursuant to this tender offer will remain outstanding as a minority stake in Shubarkol, and the Group will have no right to compulsorily acquire them.



### *The Tender Offer*

In addition to the issued common shares, Shubarkol also has 119,027 preference shares in issue (representing approximately 3.3% of its total issued share capital). Approximately 15.6% of the issued preference shares in Shubarkol are held by affiliates of EIC and the Founder Shareholders, and the remaining 84.4% is held by a group of approximately 1,350 individuals, many of whom are employees or former employees of members of the Shubarkol Group. The preference shares in Shubarkol were de-listed from the Kazakhstan Stock Exchange on 23 December 2010 because trades in the preference shares were not initiated within the required period of time under KASE regulations.

If the Acquisition is completed, ENRC will be required in accordance with Kazakhstan law to make a tender offer to all preference shareholders to acquire the issued preference shares in Shubarkol. The tender offer must be made within 30 calendar days of completion of the Acquisition and specify the offer price. While Kazakhstan legislation does not prescribe the terms upon which the Tender Offer must be made or the price that must be offered for the preference shares, ENRC has commissioned Expert Appraisal Centre in Almaty, Kazakhstan to conduct an independent valuation of the preference shares, which values the entire issued preference share capital of Shubarkol at KZT 1,849,322,499 (approximately US\$12.6 million). Accordingly, if the Acquisition is completed, the Tender Offer will be made at a price of KZT 15,537 per preference share (approximately US\$106 per preference share).

The number of preference shares ultimately acquired by the Group pursuant to the Tender Offer will depend on the number of valid acceptances received from preference shareholders. Any preference shares not tendered pursuant to the Tender Offer will remain outstanding and the Group will have no right to compulsorily acquire them.

### *The Amendment Agreement*

The terms of the Call Option include a mechanism intended to adjust the consideration payable under the Call Option to reflect any outstanding net debt owed by the Shubarkol Group (however incurred) when the Call Option is exercised. In October 2010, Shubarkol acquired an interest in a strategic coke production company, Asmare BV, from International Mineral Resources II BV (a company also controlled by the Founder Shareholders) for a total consideration of US\$50 million. This acquisition was financed by a KZT 7.38 billion loan (approximately US\$50 million as at the date of the loan) from Subsidiary Bank JSC Sberbank of Russia (the "**Asmare Facility**").

Net amounts outstanding under the Asmare Facility would, under the original terms of the Call Option, operate to reduce the total consideration payable by ENRC pursuant to the Acquisition. However, the parties did not contemplate debt incurred in connection with acquisitions when the original net debt adjustment mechanism was negotiated. Accordingly, subject to the passing of the Resolution at the General Meeting, ENRC and EIC propose to enter into the Amendment Agreement to amend the terms of the Call Option so that amounts outstanding under the Asmare Facility (being a principal amount of approximately KZT 7.38 billion (approximately US\$50 million as at the date of the loan)) do not operate to reduce the consideration payable upon completion of the Acquisition, and in terms of mechanics, propose that any remaining net debt of the Shubarkol Group be dealt with via indemnification under the Indemnity Agreement referred to below, rather than operating as a reduction to the consideration payable on completion of the Acquisition.

### *The Indemnity Agreement*



Subject to the passing of the Resolution at the General Meeting, EIC proposes to enter into an indemnity and warranty agreement with ENRC pursuant to which it will provide certain warranties and indemnities to ENRC in connection with the Acquisition. This agreement includes an undertaking from EIC to indemnify ENRC for 75% of the amount of any net debt of the Shubarkol Group which is outstanding as at the date of completion of the Acquisition (other than amounts outstanding under the Asmare Facility). The amount of any such net debt of the Shubarkol Group will be determined following completion of the Acquisition.

A summary of the principal terms of the Proposed Transaction is set out in the circular published today.

## **6. Financing of the Acquisition and Tender Offer**

ENRC intends to finance the cash purchase price of the Acquisition and the consideration for the Tender Offer from its available cash reserves and/or existing debt facilities. The potential total cost to the Group of the Proposed Transaction is detailed in the table below.

Maximum price payable for the outstanding common shares of Shubarkol	US\$600 million <sup>(1)</sup>
Maximum price payable for the preference shares in Shubarkol pursuant to the Tender Offer (assuming full acceptance of the Tender Offer)	KZT 1,849,322,499 (approximately US\$12.6 million)
Assumption of amounts outstanding under the Asmare Facility <sup>(2)</sup>	KZT 7,382,800,000 (approximately US\$50 million as at the date of the loan) plus any accrued but unpaid interest <sup>(3)</sup>

(1) Payable in an equivalent amount of Kazakhstan Tenge.

(2) As described in the circular published today, EIC will indemnify the Group for 75% of the amount of any net debt of the Shubarkol Group which is outstanding as at the date of completion of the Acquisition (other than amounts outstanding under the Asmare Facility).

(3) Interest is payable at an effective rate of 13% per annum. Interest is paid monthly and has been paid up to 30 September 2011.

## **7. Financial advice**

Credit Suisse Securities (Europe) Limited is acting as financial adviser to the Board of ENRC, and Lazard & Co., Limited is acting as financial adviser to the independent non-executive directors of ENRC.

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