



ENRC

Transforming Resources

Eurasian Natural Resources Corporation PLC

Admission to the Official List and to
trading on the London Stock Exchange

Prospectus

Sole Global Coordinator,
Sponsor and Joint Bookrunner:

Deutsche Bank 

Joint Bookrunners:

 **ABN-AMRO**
ROTHSCHILD 

CREDIT SUISSE 

Morgan Stanley

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor or other suitable independent professional adviser who specialises in advising on the acquisition of shares and other securities.

This document (the "Prospectus"), which comprises a prospectus relating to Eurasian Natural Resources Corporation PLC (the "Company"), was prepared in accordance with the Prospectus Rules made under Section 73A of the Financial Services and Markets Act 2000 ("FSMA") and Commission Regulation 809/2004/EC (the "EU Prospectus Regulations") and will be approved as such by the Financial Services Authority of the United Kingdom (the "Financial Services Authority"). A copy of this document will be filed with the Financial Services Authority in accordance with Part 7 of the EU Prospectus Regulations. This document will be made available to the public in accordance with Part 8 of the EU Prospectus Regulations by the same being made available, free of charge, at the Company's registered office and at the London offices of Jones Day, details of which are set out on page 26 of this document.

Application will be made to the Financial Services Authority and the London Stock Exchange for the Ordinary Shares, issued and to be issued in connection with the Global Offer, to be admitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities ("Admission"). Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 7 December 2007. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence at 8.00 a.m. on 12 December 2007. **All dealings before the commencement of unconditional dealings will be on a "when issued" basis and will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.**

The whole of this document should be read. In particular, for a discussion of certain risks and other factors that should be considered in connection with an investment in the Ordinary Shares, see the section of this document headed "Risk factors" beginning on page 8.



EURASIAN NATURAL RESOURCES CORPORATION PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 06023510)

Global Offer of 252,500,000 Ordinary Shares of US\$0.20 each at an Offer Price of 540 pence and admission to the Official List of the Financial Services Authority and to trading on the London Stock Exchange

Sole Global Coordinator, Sponsor and Joint Bookrunner

Deutsche Bank



Joint Bookrunner

Joint Bookrunner

Joint Bookrunner

CREDIT SUISSE



Morgan Stanley



EXPECTED ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Authorised			Issued*	
Number	Amount		Number	Amount
2,000,000,000	US\$400,000,000	Ordinary Shares of US\$0.20 each	1,287,750,000	US\$257,550,000

* assuming full exercise of the Over-allotment Option.

Deutsche Bank, which is authorised under German Banking Law (competent authority: BaFin—Federal Financial Supervising Authority), and with respect to UK commodity derivatives business by the Financial Services Authority; regulated by the Financial Services Authority for the conduct of UK business, is acting as sole global coordinator, sponsor and joint bookrunner in connection with the Global Offer. Credit Suisse, Morgan Stanley and ABN AMRO Rothschild, who are all authorised in the United Kingdom under the FSMA and are regulated by the Financial Services Authority, are acting as joint bookrunners in connection with the Global Offer. None of Deutsche Bank, Credit Suisse, Morgan Stanley or ABN AMRO Rothschild will regard any other person as their client or be responsible to any other person for providing the protections afforded to their clients nor for providing advice in relation to the Global Offer, the contents of this document or any transaction or arrangement referred to herein.

The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "Securities Act"), or under the applicable securities laws of any state of the United States. In the United States, Ordinary Shares are being offered and sold solely to Qualified Institutional Buyers ("QIBs") in reliance on Rule 144A under the Securities Act. Prospective investors that are QIBs are hereby notified that the sellers of the Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Outside the United States, the Global Offer is being made in accordance with Regulation S under the Securities Act. Certain US restrictions on transfers of the Ordinary Shares are described in "The Global Offer and related matters—Securities laws and restrictions on transfer—United States" in Part XI.

The Ordinary Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority nor have any of the foregoing authorities reviewed or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

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The Global Offer being made pursuant to this Prospectus is being made in the United Kingdom by means of an institutional offer. This Prospectus does not constitute an offer, or the solicitation of an offer, to subscribe for or to buy any Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful and, in particular, is not for distribution in Australia, Canada, Japan or the Republic of South Africa. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in Australia, Canada, Japan or the Republic of South Africa, or to any national, resident or citizen of Australia, Canada, Japan or the Republic of South Africa.

The distribution of this Prospectus in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The offer and sale of Ordinary Shares and the distribution of this Prospectus are subject to the restrictions described in the section headed "The Global Offer and related matters" in Part XI.

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been so authorised. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company and each of its subsidiaries (the "Group") since the date hereof, or that the information in this Prospectus is correct as of any time subsequent to the date of this Prospectus, save for such statements as are required by law or regulation to refer to one or more future dates.

The content of this Prospectus is not to be construed as legal, business or tax advice and each prospective investor is advised to consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial and tax advice. In particular, the information in this document is not intended or written to be used, nor may it be used by any person, for the purpose of avoiding United States federal tax penalties, and was written to support the promotion or marketing of the Global Offer. Each prospective investor should seek advice based on its particular circumstances from an independent adviser.

This Prospectus is not a prospectus for purposes of Section 12(a)(2) or any other provision of, or rule under, the Securities Act.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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Summary information

The following summary information should be read as an introduction to this Prospectus. Any decision by a prospective investor to invest in Ordinary Shares should be based on consideration of this Prospectus as a whole and not solely on this summarised information. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each member state of the European Economic Area ("EEA"), civil liability will attach to those persons who have responsibility for this summary in any such member state, including any translation hereof if, but only if, this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court, the claimant investor might, under the national legislation of any of the EEA states, be required to bear the costs of translating this Prospectus before legal proceedings are initiated. Prospective investors should carefully read the entire Prospectus, including the financial statements and related notes, before making an investment decision. In particular, prospective investors should consider carefully the factors set forth in "Risk factors".

Overview

ENRC is a leading diversified natural resources group with integrated mining, processing, energy, logistical and marketing operations. The majority of the Group's assets were acquired in the privatisation process undertaken in Kazakhstan in the mid-1990s. The Company was formed as part of a reorganisation in December 2006 to simplify the ownership structure of the Group's assets and to consolidate them in a single group of companies. The Group's production assets are located in the Republic of Kazakhstan where it employs approximately 62,000 people. In 2006, the Group accounted for approximately 4% of the country's GDP.

The Group has five operating divisions:

The Ferroalloy Division. The Ferroalloy Division produces and sells ferrochrome and other ferroalloys, primarily to steel producers, and sells chrome ore and manganese ore to third party ferroalloy producers and the chemical industry. The Ferroalloy Division's chrome ore reserves are believed to be the largest in the CIS (169.3 million tonnes as at 1 July 2007) and are believed to be of a higher grade (42.1%) than those of other large-scale producers. Furthermore, according to Heinz H. Pariser estimates, based on 2006 data, the Ferroalloy Division is the world's largest producer of ferrochrome on a chrome content basis and has the lowest cash costs of all ferrochrome producers in the world. For the year ended 31 December 2006, the Ferroalloy Division's total third party revenue represented 45.2% of the Group's combined and consolidated revenue.

The Iron Ore Division. The Iron Ore Division produces and sells iron ore concentrate and pellets primarily to steel producers. According to CRU estimates, based on 2006 data, it is the sixth largest iron ore exporter by volume in the world and it is in the lowest third of the industry cost curve for global iron ore pellet production. For the year ended 31 December 2006, the Iron Ore Division's total third party revenue represented 25.5% of the Group's combined and consolidated revenue.

The Alumina and Aluminium Division. The Alumina and Aluminium Division produces and sells alumina to aluminium producers and is constructing a new aluminium smelter that will allow the division to process its alumina into aluminium. According to CRU estimates, based on 2006 data, the Alumina and Aluminium Division is the fifth largest supplier of traded alumina by volume in the world and is in the lowest quartile of the industry cost curve for alumina producers globally. For the year ended 31 December 2006, the Alumina and Aluminium Division's total third-party revenue represented 18.5% of the Group's combined and consolidated revenue.

The Energy Division. The Energy Division is one of the largest electricity providers in Kazakhstan, accounting for approximately 16% of the country's recorded electricity production in 2006. For the year ended 31 December 2006, the Energy Division's total third-party revenue represented 4.7% of the Group's combined and consolidated revenue.

The Logistics Division. The Logistics Division provides effective transportation and logistical services to the Group's principal operating divisions and third parties. For the year ended 31 December 2006, the Logistics Division's total third-party revenue represented 6.1% of the Group's combined and consolidated revenue.

The Group's principal ore reserves and mineral resources as at 1 July 2007 were as follows:

	Reserves ⁽¹⁾		Resources ⁽¹⁾⁽²⁾	
	Tonnage (in millions of tonnes)	Grade (%)	Tonnage (in millions of tonnes)	Grade (%)
Chrome Ore	169	42% Cr ₂ O ₃	334	49% Cr ₂ O ₃
Iron Ore ⁽³⁾	1,505	37% Fe	4,538	39% Fe
Bauxite	162	43% Al ₂ O ₃	175	44% Al ₂ O ₃
Coal	772	(thermal)	2,531	(thermal)

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

(3) Includes only iron ore reserves from the Iron Ore Division, excludes iron ore reserves from the Zhairem Unit.

Key strengths

The Directors believe that the Group has the following competitive strengths, which will enable it to retain and strengthen its position as a leading natural resources group:

- Its diversified operations and reserves enable it to sell a wide range of commodity products, reducing its vulnerability to the price volatility of individual commodities.
- It has substantial high quality assets and low costs of production.
- It is geographically well positioned to benefit from attractive growth markets.
- Its vertically integrated operations from mine-to-market ensure it has significant control over the supply of its raw materials and access to other required services.
- It has a proven track record of successfully implementing and managing a continuing programme of significant capital investment.
- Its experienced management team has a proven track record of generating growth.

Strategy

The Group's strategy is to achieve growth and to enhance overall value for its shareholders. The key elements of this strategy are as follows:

- Maintain and improve upon the Group's low cost operations through a continued focus on improved efficiency, cost control, economies of scale and investment in new technologies.
- Continue expansion and development of the Group's existing reserves and capacity.
- Expand the Group's asset portfolio and footprint in the region's natural resources sector.
- Add value and increase customer diversity by expanding the Group's production portfolio.
- Commit to high standards of corporate responsibility.

Summary financial information

The table below sets out ENRC's summary financial information for the periods indicated. Neither Adjusted EBITDA nor Adjusted EBITDA Margin is a measure of financial performance under IFRS:

US\$ in millions	Ferroalloy Division	Iron Ore Division	Alumina and Aluminium Division	Energy Division	Logistics Division	Group and unallocated items	Intra- Group Eliminations	Total
Segment Revenue								
2004	1,287	883	384	211	57	—	(131)	2,691
2005	1,377	857	460	205	195	—	(144)	2,950
2006	1,473	829	612	263	277	—	(198)	3,256
Six months ended								
30 June 2007	917	457	325	157	102	—	(102)	1,856
30 June 2006 (unaudited)	687	402	311	123	83	—	(92)	1,514
Adjusted EBITDA ⁽¹⁾								
2004	669	576	186	66	19	(14)	—	1,502
2005	606	479	182	67	47	(18)	—	1,363
2006	547	323	277	77	54	(22)	—	1,256
Six months ended								
30 June 2007	405	197	132	65	23	(25)	—	797
30 June 2006 (unaudited)	212	151	156	44	26	(14)	—	575
Adjusted EBITDA Margin ⁽²⁾								
2004	52.0%	65.2%	48.4%	31.3%	33.3%	—	—	55.8%
2005	44.0%	55.9%	39.6%	32.7%	24.1%	—	—	46.2%
2006	37.1%	39.0%	45.3%	29.3%	19.5%	—	—	38.6%
Six months ended								
30 June 2007	44.2%	43.1%	40.6%	41.4%	22.5%	—	—	42.9%
30 June 2006 (unaudited)	30.1%	37.6%	50.2%	35.8%	31.3%	—	—	38.0%

(1) Adjusted EBITDA represents profit before finance income, finance costs, income tax expense and depreciation and amortisation (including negative goodwill), as further adjusted to add back exceptional items. Exceptional items (costs incurred in relation to the initial public offering) amounted to US\$6 million for 2006 and US\$20 million for the six months ended 30 June 2007.

(2) Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of revenue.

Summary of the Global Offer

The Global Offer comprises an offer to institutional investors and certain “friends and family” of the Company of 252,500,000 New Ordinary Shares (representing approximately 20% of the expected issued ordinary share capital of the Company immediately following Admission and assuming no exercise of the Over-allotment Option).

All shares issued pursuant to the Global Offer will be issued at the Offer Price. The Offer Price has been determined following a bookbuilding process and is 540p per Ordinary Share.

Admission is expected to take place, and unconditional dealings in the Ordinary Shares are expected to commence, on the London Stock Exchange at 8.00 a.m. (London time) on 12 December 2007.

In connection with the Global Offer, the Stabilising Manager may over-allot or effect other transactions which stabilise or maintain the market price of the Ordinary Shares or any options, warrants or rights with respect to, or interests in, the Ordinary Shares, in each case at a higher level than might otherwise prevail in the open market. Such transactions may commence on or after the date of publication of the Offer Price and will end no later than 30 days thereafter. Such transactions may be effected on the London Stock Exchange, the over-the-counter market or otherwise. There is no assurance that such transactions will be undertaken and, if commenced, they may be discontinued at any time. Save as required by law, it is not intended that the Stabilising Manager will disclose the extent of any over-allotments and/or stabilisation transactions under the Global Offer.

Use of proceeds

Assuming no exercise of the Over-allotment Option, the net proceeds from the Global Offer receivable by the Company will be approximately £1,280.0 million (approximately US\$2,592.1 million), after deduction of estimated expenses payable by the Company of £83.5 million (approximately US\$169.0 million).

The principal use of the proceeds of the Global Offer, supplemented by the cash resources generated by the Group and (if appropriate) external or project or other financing, is to grow the Group both organically and through strategic acquisitions and, in particular, to provide funding for the following:

- approximately US\$1.7 billion will be allocated to the Group's US\$2.8 billion short- to medium-term investment programme.
- approximately US\$110 million will be used to satisfy the balance of the consideration payable in respect of the Group's acquisition of a controlling interest in the Serov Group and certain related entities.
- US\$500 million will be used to fund the pre-IPO dividend.
- the balance will be used to reduce the Group's leverage and/or to fund acquisition opportunities which may arise.

Pending investment, the net proceeds will be placed on deposit.

Current trading and prospects

Since 30 June 2007, the Group has continued to trade in line with the Directors' expectations. The Group's production and sales volumes have progressed in line with expectations, with consolidated revenue higher than for the comparable period in 2006, mainly as a result of the continued strength of commodity prices, and in particular in respect of the Ferroalloy Division and Iron Ore Division. Operating costs have continued to increase, principally in line with the increases experienced in the first half of 2007, due to continued inflationary pressures and the impact of adverse currency movements. These inflationary pressures are being monitored to enable the Group to mitigate their effects on unit costs where possible.

The Directors believe that the financial and trading outlook for the remainder of the year is in line with the Group's expectations.

Risk factors

An investment in shares involves a high degree of risk. Accordingly, before making a decision on whether to invest in the Ordinary Shares, prospective investors should carefully consider the specific risks and uncertainties listed below:

The Group could face enhanced risk and uncertainty upon a change in government or a change in the political climate in Kazakhstan

- Since the acquisition of the Group's assets through the privatisation process in the mid-1990s, the Group and its Founders have had, and continue to have, close links with the Government of Kazakhstan (including the President). The Group could face enhanced risk and uncertainty upon a change in government or a change in the political climate. For example, a new government with whom the Group may not have as close links may be more likely to seek to re-nationalise the Group's assets, terminate the Group's subsurface contracts and attempt to re-open or challenge the tax, legal or other arrangements affecting the Group's operations, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks relating to the Group's business and industry

- The actual volume and grade of the Group's ore reserves and its rate of production may not conform to current expectations.

Summary information

- The Group may be unable to acquire or retain the subsurface contracts, mining licences, contracts, permits and other regulatory approvals necessary to extract the Group's reserves on satisfactory terms or at all.
- Commodity prices are volatile and a substantial or extended decline in commodity prices would materially and adversely affect the Group's business, financial condition, results of operations and prospects.
- An increase in the Group's production costs could reduce its ability to compete and achieve long-term profitability.
- The Group's business requires substantial capital expenditures.
- The Group's growth projects require substantial capital expenditures, and the Group may be unable to complete the relevant projects on schedule and within budget. While the Directors believe that, having regard to the bank facilities available to the Group and the net proceeds receivable under the Global Offer, the working capital available to the Group is sufficient for its present requirements, that is for at least the next twelve months, after the expiry of this twelve month period, the Group may be unable to adequately fund its expansion plans.
- The Group may be unable to identify or complete any potential acquisitions or may not be able to acquire such interests on satisfactory terms or at all.
- If the Group fails to integrate future acquisitions successfully, its rate of expansion could slow.
- The Group's operations are highly dependent on transport services and sources of power that may be disrupted or interrupted.
- The Group may be subject to increased transport costs, rail tariffs and custom duties.
- The Group depends on certain key customers for a significant portion of its revenue. The loss of any one of these customers or group of customers could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.
- The Group depends on the Russian and Chinese markets for a significant portion of its revenue and an economic slowdown in these markets may negatively impact the Group's business, financial condition, results of operations and prospects.
- The Group's purchase of an equity ownership in Aluminium of Kazakhstan from the Republic of Kazakhstan is subject to certain conditions. If the conditions are not met, ownership of the shares will not be fully transferred to the Group and the consideration and costs and expenses associated with construction of the aluminium smelter and the transfer of the equity ownership will not be reimbursed.
- Mining, smelting and metals refining are inherently dangerous and subject to conditions or events beyond the Group's control, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.
- Compliance with environmental laws and regulations requires ongoing expenditures, considerable current capital commitments and uncertain capital requirements in the future, which the Group may be unable to adequately fund or complete on schedule.
- A violation of health and safety requirements and the occurrence of accidents could disrupt the Group's operations and increase operating costs.
- Fluctuations in exchange rates and appreciation in the rate of inflation may materially and adversely affect the Group's business, financial condition, results of operations and prospects.
- The Group depends on certain key personnel, including its senior management. The failure to attract and retain qualified personnel could materially and adversely affect its business, financial condition, results of operations and prospects.
- The Group's business may be affected by slowdowns, stoppages and other disruptions due to labour-related developments.

Summary information

- The Group does not insure against certain risks, and its insurance coverage may be insufficient to cover losses.
- Adjustments to transfer pricing and other tax legislation by the Kazakhstan tax authorities may significantly increase the Group's historic tax liability and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.
- The Group and its Founders may incur additional liabilities as a result of certain historic trading arrangements in Russia.
- The Group is proposing to upgrade the financial IT systems used by its operating entities and there is no guarantee that this upgrade will be successful.
- Title to the Group's mineral properties or production facilities may be challenged, which may prevent or severely curtail the Group's use of the affected properties.

Risks relating to operating in Kazakhstan

- The Group is exposed to the general risks associated with operating in an emerging market.
- The Group is exposed to certain specific risks relating to Kazakhstan, including the risk of adverse sovereign action by the Kazakh government such as the re-nationalisation of privatised assets.
- The exact scope of Article 71 of the Kazakhstan Subsurface Law, which provides the Republic of Kazakhstan with a pre-emption right in relation to the transfer of the Group's subsurface use rights, is uncertain and no precedent exists to indicate how it may be applied.
- The laws and regulations of Kazakhstan relating to foreign investment, subsurface use, licensing, companies, tax, customs, currency, banking and competition are still developing, and uncertainties or changes in the law could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.
- The Group's operations are subject to extensive government regulation and legislation, as well as political pressure that may materially and adversely affect the Group's business, financial condition, results of operations and prospects.
- The taxation system in Kazakhstan is at an early stage of development. The interpretation and application of tax laws and regulations are evolving, which significantly increases the risks with respect to the Group's operations and investment in Kazakhstan.
- The Kazakh judiciary's lack of experience and perceived lack of independence, the difficulty of enforcing court decisions and governmental discretion in enforcing claims could prevent the Group or holders of the Ordinary Shares from obtaining effective redress in a court proceeding.
- The Group provides social programmes for the benefit of local communities, the costs of which may increase.

Risks relating to the Group's structure

- The Founders will exercise significant influence over the Group after the Global Offer.
- The holding company structure means that the Company's ability to pay dividends is dependent on distributions received from its subsidiaries.
- The Group has undertaken a significant number of related party transactions and will continue to do so.
- The Group is a newly consolidated entity without an established operating history.
- The Group has significant deposits with Eurasian Bank, and there can be no assurance that it will be able to withdraw these deposits on a timely basis or at all.

Risks relating to the Ordinary Shares

- The Republic of Kazakhstan may be entitled to exercise pre-emptive rights over certain issuances or sales of Ordinary Shares or asset sales by the Group.
- Adverse media speculation and other public statements about the Group and the Founders could materially and adversely affect the Group's reputation and the trading price of the Ordinary Shares.
- The Founders are involved in an ongoing investigation in Belgium relating to tax evasion.
- There has been no prior public trading market for the Ordinary Shares.
- The price of the Ordinary Shares may fluctuate significantly.
- Pre-emptive rights may be unavailable to US and other non-UK holders of Ordinary Shares.

Risk factors

An investment in the Ordinary Shares involves a high degree of risk. Prospective investors should carefully consider the risk factors set out below as well as the other information contained in this Prospectus before making a decision whether to invest in the Ordinary Shares. The risks described below are not the only risks that the Group faces. Additional risks and uncertainties that the Group is not aware of or that the Group currently believes are immaterial may also impair the Group's operations. Any of these risks may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In that case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

The Group could face enhanced risk and uncertainty upon a change in government or a change in the political climate in Kazakhstan.

Since the acquisition of the Group's assets through the privatisation process in the mid-1990s, the Group and its Founders have had, and continue to have, close links with the Government of Kazakhstan (including the President). The Group could face enhanced risk and uncertainty upon a change in government or a change in the political climate. For example, a new government with whom the Group may not have as close links may be more likely to seek to re-nationalise the Group's assets, terminate the Group's subsurface contracts and attempt to re-open or challenge the tax, legal or other arrangements affecting the Group's operations, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks relating to the Group's business and industry

The actual volume and grade of the Group's ore reserves and its rate of production may not conform to current expectations.

The Group's ore reserves and mineral resources, as described in this Prospectus, are estimates only and no assurance can be given that the estimated quantities or grades of minerals will be available to extract, or that any particular level of recovery of minerals will in fact be realised. Reserves and resources estimates are imprecise and depend on assumptions about operating costs and commodity prices and geological analysis based partly on statistical inferences drawn from drilling and sample analysis, which may prove unreliable. Valid estimates may change significantly when new information becomes available. Therefore, the actual deposits and the grade of mineralisation encountered may differ materially from the estimates disclosed in this document.

There can be no guarantee that an identified reserve or resource will continue to qualify as a commercially mine-able deposit that can be economically exploited over the medium to long term. Production of mineral resources can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. The estimated mineral resources and ore reserves described in this Prospectus should not be interpreted as an assurance of the commercial viability, potential or profitability of any future operations. The Group's historical production levels may not be representative of its future production levels. The Group has engaged SRK Consulting (UK) Limited ("SRK"), an independent technical consultant, to provide advice as to ore reserves and mineral resources estimates, and all such estimates contained in this Prospectus are extracted without adjustment from SRK's "MER" in Annex A. The Directors believe that SRK is competent and that it has carried out its work in accordance with internationally recognised industry standards. Investors should refer to the explanation of the basis of preparation of SRK's "MER" in Annex A, in particular section 1. There are inherent uncertainties involved in estimating mineral resources and ore reserves and the actual quantities or grades of the Group's mineral resources and ore reserves may vary materially from such estimates.

The Group may be unable to acquire or retain the subsurface contracts, mining licences, contracts, permits and other regulatory approvals necessary to extract the Group's reserves on satisfactory terms or at all.

The Group's exploration and mining activities depend on the grant, renewal or continuance in force of various exploration and production contracts, licences, permits and other regulatory approvals that are valid only for a finite time period and may provide for early termination. In Kazakhstan, the

State owns subsoil resources and grants exploration and production rights through subsurface licences, mining licences, contracts, permits and other regulatory approvals. These rights are not granted in perpetuity, with the majority of the Group's subsurface use contracts due to expire within the next ten years. There can be no assurance that the Group will be able to retain such rights on acceptable terms or at all. Moreover, entering into new subsurface use contracts or extending existing subsurface use contracts in Kazakhstan is time-consuming and requires the review and approval of several Kazakh government ministries. The relevant laws and regulations are often unclear and, at times, are inconsistently applied by the authorities.

The Group's subsurface use contracts and related working programmes contain a range of obligations. If the Group breaches these obligations, it may suffer adverse consequences, such as penalties and/or suspension or termination of the Group's subsurface use contracts. The Directors are aware that there have been past breaches by the Group of the obligations in its subsurface use contracts. While the Directors believe that these breaches are unlikely to be considered material or to lead to a suspension or withdrawal of the relevant rights or the termination of the relevant subsurface use contract, there can be no assurance of this. In addition, changing circumstances may require the Group to amend its subsurface use contracts or related working programmes. There can be no assurance, however, that the responsible Kazakh regulators will agree to future amendments of the Group's obligations. The loss of the Group's subsurface use contracts would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

To the extent the Group has acquired subsidiaries with existing licences or subsurface use contracts, the acquisition of, or entrance into, such licences or subsurface use contracts was beyond the Group's control. The Group cannot be certain that the licences were properly obtained or that the previous beneficiary of such licence or contract did not violate its terms in a manner which would cause the Kazakh government or a third party to challenge the validity of these licences or contracts.

Commodity prices are volatile and a substantial or extended decline in commodity prices would materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group generates most of its revenue from the sale of commodity products, primarily ferrochrome, chrome ore, iron ore and alumina. Historically, the prices for these products have been volatile and have fluctuated widely in response to relatively minor changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicity in industries that purchase these products. Prices also may be affected by government actions, including the imposition of tariffs and import duties, speculative trades, the development of product substitutes or replacements, recycling practices, an increase in capacity or an oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices. The Group does not hedge its exposure to the risk of fluctuations in the prices of its commodity products. A substantial or extended decline in commodity prices would materially and adversely affect the Group's business, financial condition, results of operations and prospects.

An increase in the Group's production costs could reduce its ability to compete and achieve long-term profitability.

The Group's competitiveness and long-term profitability substantially depend upon its ability to maintain a low cost base, including transport and labour costs. There can be no assurance that the Group's cost inputs will be maintained at current levels. The Group's most significant cost inputs include materials, fuel, transport, rental expenses and labour, which has increased significantly over the last two years partly due to increased competition for skilled labour. Any increase in these costs could materially and adversely affect the Group's business, financial condition, results of operations and prospects. The Group's unit production costs are also significantly affected by production volumes given the relatively fixed nature of the Group's cost base in the short term, and any inability by the Group to maximise capacity utilisation could impair its overall cost competitiveness.

The Group's business requires substantial capital expenditures.

The Group's mining operations are capital intensive. The development and exploitation of mineral reserves and the acquisition of machinery and equipment require substantial capital expenditures. The Group's expenditure for property, plant and equipment have risen from US\$356 million in 2004 to US\$563 million in 2006, and were US\$428 million for the six months ended 30 June 2007. Additionally, a substantial portion of the Group's operational assets are over 20 years old and, consequently, significant investment will be required in the future to improve efficiency and refurbish equipment.

The Group must continue to invest capital to maintain its reserves and production volumes. Some of the Group's projects may require greater investment than currently planned. While the Directors believe that, having regard to the bank facilities available to the Group and the net proceeds receivable under the Global Offer, the working capital available to the Group is sufficient for its present requirements, that is, for at least the next twelve months from the date of publication of this Prospectus, there is no assurance that, after the expiry of this twelve-month period, the Group will be able to maintain its production levels and generate sufficient cash flow, or that the Group will have access to sufficient loans or other financing alternatives, to continue its exploration, exploitation, development and processing activities at or above present levels.

The Group's growth projects require substantial capital expenditures, and the Group may be unable to adequately fund such expansion plans or complete the relevant projects on schedule and within budget.

The Group has several planned growth projects that require significant capital expenditures, including the expansion of the Group's iron ore mining and processing capacity, construction of a DRI plant and construction of an aluminium smelter. The Group currently estimates that total investment in its growth and development programmes from 2008 to 2011 will be approximately US\$2.8 billion. For a description of the Group's capital expenditures and commitments, see "Part IV: Operating and Financial Review—Capital expenditures". The Group's growth projects (which are, by their nature, discretionary) may require greater investment than currently expected and, while the Directors believe that, having regard to the bank facilities available to the Group and the net proceeds receivable under the Global Offer, the working capital available to the Group is sufficient for its present requirements, that is, for at least the next twelve months from the date of publication of this Prospectus, after the expiry of this twelve-month period the Group may be unable to satisfactorily fund these investments from its operations or external financing sources. In this circumstance, the Group may not be able to fulfil these growth projects without reducing its investment in ongoing operations. If the Group were to incur significant additional indebtedness to fund its future capital investments, it may have to dedicate a substantial portion of its cash flow to service the debt and the terms of any financing may restrict the Company's ability to pay dividends. If the Group were to issue additional Ordinary Shares to fund planned capital expenditures, all other shareholdings would be diluted. The Group may fail to complete the projects on time, which could cause cost over-runs. There can be no assurance that the Group's expected operational improvements will be fully realised as currently envisaged. Any delay, interruption or cost overruns in implementing the Group's planned capital investments could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may be unable to identify or complete any potential acquisitions or may not be able to acquire such interests on satisfactory terms or at all.

The Group intends to continue expanding and developing its existing reserves and asset portfolio in its region's natural resources sector through acquisitions. The Group may face significant competition in acquiring additional mining properties, and many of its competitors may have greater financial resources and larger technical staffs than the Group has. There can be no assurance that the Group will be able to continue to identify suitable acquisitions and strategic investment opportunities, acquire interests on satisfactory terms or obtain the financing necessary to complete and support such acquisitions. It is likely that businesses acquired by the Group in the future will be located in emerging markets, such as Russia. Emerging markets are generally subject to greater risks, including legal, regulatory, economic and political risks, than more developed

markets. For more information, see “—Risks related to operating in Kazakhstan—The Group is exposed to the general risks associated with operating in an emerging market”. The Group may face political and legal obstacles in consummating acquisitions in its region of operations outside of Kazakhstan, such as in Russia. New legislation limiting foreign ownership of strategic sectors may be adopted, which could present difficulties for the Group in acquiring new assets or restricting the Group’s ability to form strategic partnerships. Any failure to identify and execute future acquisitions successfully could adversely impact the Group’s growth strategy. In addition, acquisitions and investments involve a number of risks, including possible adverse effects on the Group’s operating results, diversion of management’s attention, failure to retain key personnel, risks associated with unanticipated events or liabilities and difficulties in the assimilation and integration of the operations.

If the Group fails to integrate future acquisitions successfully, its rate of expansion could slow.

The assimilation and integration of acquired businesses, including the Serov Group, requires significant time and effort of the Group’s senior management. Integration of new businesses can be difficult, and potential problems may include, but would not be limited to, differences in the measurement of reserves and resources, integration of management, integration of common financial reporting procedures and accounting policies, the assumption of disclosed and undisclosed liabilities, including in relation to tax and environmental matters relating to the acquired assets or businesses, the possibility that indemnification agreements with the sellers of those assets may be unenforceable or insufficient to cover potential tax or other liabilities, and implementation of agreed headcount reductions. The Group could experience difficulties in integrating future acquisitions, which could materially and adversely affect its rate of expansion.

The Group’s operations are highly dependent on transport services and sources of power that may be disrupted or interrupted.

The Group operates separate facilities in central, eastern and north-eastern Kazakhstan which are difficult to access. Accordingly, the Group’s products must be transported over long distances to reach customers, and raw materials must be transported over long distances from mines to processing facilities. The Group depends on the Kazakhstan national railway system and the Logistics Division’s railway systems. The Directors believe that the Group has access to adequate transport networks and sufficient rolling stock capacity and maintenance capabilities, but no assurance can be given that this will continue.

The Group depends on the transportation infrastructure of Kazakhstan, Russia and China for the delivery of a significant portion of the Group’s international sales. In some cases, Kazakhstan’s and, to a lesser extent, Russia’s and China’s state-owned physical infrastructure suffers from a lack of funding and maintenance. The deterioration of the transport infrastructure in these countries could disrupt the transportation of goods and supplies, and interrupt business operations. The failure to maintain adequate transport services and networks or a disruption in transport services could cause transportation delays for the Group’s products and impair the Group’s ability to supply its customers, which could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

The Group is also dependent on intra-Group sources for its power supply. Any disruption in the supply of electricity or coal could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

The Group may be subject to increased transport costs, rail tariffs and custom duties.

The Group’s competitiveness and profitability depend in part on low transportation costs. The Group’s transportation costs have significantly increased over the last two years, rising from US\$197 million in 2004 to US\$309 million in 2006 and were US\$147 million for the six months ended 30 June 2007. Transport costs per tonne have been impacted by increased sales to China, which incur higher transport costs than sales to Russia and within Kazakhstan. In addition, Kazakhstan, China and Russia exercise significant control over their transport systems. The Kazakhstan national railway system is a national monopoly and, currently, the National Monopolies Regulation Agency

must approve its rail tariffs. The Kazakhstan and Russian national railway systems are undergoing fundamental reorganisations, and the long-term effect on rail tariffs and services is uncertain. The Chinese rail system is also a state-owned monopoly responsible for setting prices. Chinese rail tariff increases in recent years have generally outpaced inflation, and such tariffs may continue to rise in the future. The Group may also become subject to customs duties in Russia and China. Increases in the Group's transportation costs, including rail and road tariffs and customs duties, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group depends on certain key customers for a significant portion of its revenue. The loss of any one of these customers or group of customers could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group generates a significant portion of its revenue from certain key customers. In particular, UC RUSAL accounted for 85.4% of the revenue of the Alumina and Aluminium Division and 16.1% of the Group's combined and consolidated revenue in 2006. In addition, Magnitogorsk Metallurgical Kombinat ("MMK") accounted for 49.2% of the revenue of the Iron Ore Division and 12.5% of the Group's combined and consolidated revenue in 2006. As a result of a commercial dispute with MMK, the Group's iron ore sales declined significantly in 2005, 2006 and the first quarter of 2007. Please see "Part IV: Operating and financial review—Factors Affecting Comparability—Relationship with MMK" in Part IV of this Prospectus for a discussion of the effect of the Group's historic trading relationship with MMK on its results of operations. Although the Group has entered into long term contracts with UC RUSAL and MMK, there can be no assurance that the counter-parties to such contracts will fulfil their contractual obligations or that, on expiration, such contracts will be renewed. If any of the Group's key customers fails to meet its contractual obligations or discontinues or reduces the level of its purchases from the Group, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group depends on the Russian and Chinese markets for a significant portion of its revenue and an economic slowdown in these markets may negatively impact the Group's business, financial condition, results of operations and prospects.

With the exception of products within the Ferroalloy Division, the Group's sales of products are predominantly to customers based in Russia and China. In 2006, the Group sold 93.1% of its products in the Iron Ore Division, 100% of its products in the Alumina and Aluminium Division and 11.8% of its products in the Energy Division to customers in Russia and China. While these economies are currently experiencing high rates of growth, there can be no assurance that these growth rates will continue. An overall slowdown in the economies of these countries could bring about a decrease in demand for the Group's products, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's purchase of an equity ownership in Aluminium of Kazakhstan from the Republic of Kazakhstan is subject to certain conditions. If the conditions are not met, ownership of the shares will not be fully transferred to the Group and the consideration and costs and expenses associated with construction of the aluminium smelter and the transfer of the equity ownership will not be reimbursed.

On 25 April 2003, the Group signed an agreement with the State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan (the "Committee") for the purchase of 31.76% of the issued share capital of Aluminium of Kazakhstan and paid the full purchase price. The transfer of legal title to the shares was subject to the fulfilment of certain conditions. The primary condition is the first stage commissioning by 31 December 2007 of an aluminium smelter in Kazakhstan with a production capacity of at least 60,000 tonnes of aluminium per annum. Although the Group currently holds the shares, if these conditions are not satisfied, the legal title of the shares will revert to the Committee and the purchase price paid by the Group, as well as its costs and expenses incurred in connection with the purchase of the shares and the construction of the aluminium smelter, will not be reimbursed.

Mining, smelting and metals refining are inherently dangerous and subject to conditions or events beyond the Group's control, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Mining, smelting and refining metals involve operational risks and hazards that are generally outside of the Group's control. These risks include industrial accidents (especially mine collapses, fires and explosions), equipment failure, unusual or unexpected geological conditions, environmental hazards, labour disputes and extreme weather conditions and other natural phenomena. Any of the above risks may result in destruction of, or damage to, the Group's properties or production facilities, mine or plant shutdowns or periods of reduced production. Any disruption of the Group's production or its ability to supply its customers could have a material adverse effect on the Group's profitability and cash flows, and, if production equipment is damaged, may require the Group to make large capital expenditures. Long-term disruptions could result in a loss of customers and a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Operational risks could also result in human exposure to pollution, personal injury or death, environmental and natural resource damage, delays in mining, monetary losses and possible legal liability, any of which could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Compliance with environmental laws and regulations requires ongoing expenditures, considerable current capital commitments and uncertain capital requirements in the future, which the Group may be unable to adequately fund or complete on schedule.

The Group is required to obtain environmental permits to conduct its operations. Government authorities and the courts enforce compliance. Violations may result in civil or criminal penalties, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and orders to take preventative steps against possible future violations. In certain situations, the issuing authority may modify, renew or revoke the permits.

As an industrial business in Kazakhstan, the Group is required to undertake programmes to minimise its impact on the environment and to protect natural resources. Existing compliance requirements for which the Group expects to incur material costs include the need to reduce dust and nitrous oxide emissions and the management of wastes and wastewater. The Group must actively monitor specific parameters such as air emissions, wastewater discharge, ambient air quality, quality of nearby surface water, soil and groundwater quality and the generation of solid waste. The Group must submit an annual statistical report on these monitoring results to the Kazakh environmental authorities. The authorities from time to time conduct independent tests to validate the Group's results.

If the Group's emissions exceed certain levels established in the site permits it could be subject to monetary penalties. Moreover, in the course, or as a result, of an environmental investigation, regulatory authorities in Kazakhstan can issue an order reducing or halting production at a facility that has violated environmental standards. If production is reduced or halted at one or more of the Group's facilities, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The environmental impact of the Group's historical operations has not been fully quantified or appropriately allocated to responsible parties. Under Kazakh law and certain privatisation contracts, responsibility for pre-privatisation environmental liabilities lies with the State, but there can be no assurance that the law will not change or that any pre- and post-privatisation liability can be clearly delineated. If the Group were found liable for the environmental impact of operations during the pre-privatisation period, the Group could be required to incur significant costs for remediation, which could materially and adversely affect its business, financial condition, results of operations and prospects.

The Group currently aims to comply with the Kazakh standards for asset retirement obligations. These standards are below international standards, which additionally include, for example, the demolition and rehabilitation of plant areas. If the Group chooses, or becomes required, to meet

international standards, the Group would incur significant additional costs, which could materially and adversely affect its business, financial condition, results of operations and prospects.

As a condition to its subsurface use contracts and licences, the Group must set aside at least 0.1% of annual operating expenses for the eventual rehabilitation of its mines (other than coal mines), and at least 1% of annual sales revenue derived from its coal mines for such mines' rehabilitation. These amounts may be insufficient, however, to meet the actual rehabilitation expenses for which the Group may be responsible under its subsurface use contracts and licences.

A potential expenditure may be incurred with respect to addressing historical settlements (potentially affecting thousands of inhabitants) who currently reside within restricted buffer zones surrounding the Group's operations. Any enforcement action by the authorities requiring re-settlement programmes would involve significant capital expenditure.

Kazakhstan is a signatory to the United Nations Framework Convention on Climate Changes (the "Kyoto Protocol"), which took effect in February 2005. The Kyoto Protocol's objective is to limit or capture emissions of greenhouse gases such as carbon dioxide and methane. Even though the Parliament of Kazakhstan has not yet ratified the Kyoto Protocol and no decisions have been undertaken concerning emission targets for the country, the government of Kazakhstan may nevertheless enact new environmental requirements as well as other legislation to address carbon emissions. These requirements could oblige the Group to incur significant capital expenditures and pay emission fees, levies, etc. Failure to comply with any new legislation could result in fines and other penalties.

The new 2007 Kazakhstan Environmental Code requires companies operating in Kazakhstan to use Best Available Techniques ("BAT"), as determined by the Ministry of Environmental Protection of Kazakhstan. Under Article 16 of the Code, the list of BAT are to be authorised by the Government, which will issue a special regulatory act. As yet, the Government has not issued such an act. The applicable BAT for the natural resources industry are currently unknown but are expected to be determined during 2007. The BAT requirements could require the Group to incur significant capital expenditures.

The Group may not be able satisfy any of its remediation, rehabilitation and other obligations under environmental laws and regulations which could result in financial or other penalties and or the suspension or loss of the Group's subsurface use contracts. To the extent that these fines are material, the Group's cash flows may be insufficient to meet the Group's obligations. In addition, the Group may fail to complete on schedule programmes and projects intended to meet its environmental obligations. The occurrence of any of these risks could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

A violation of health and safety requirements and the occurrence of accidents could disrupt the Group's operations and increase operating costs.

A violation of health and safety laws or failure to comply with the instructions of the relevant health and safety authorities could lead to, among other things, a temporary shut down of all, or a portion of, the Group's mines and processing facilities and the imposition of costly compliance procedures. If health and safety authorities shut down all, or a portion of, the Group's mines and processing facilities or impose costly compliance measures, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The nature of the Group's operations creates a risk of accidents and fatalities among its workforce, and the Group may be required to pay compensation or suspend operations as a result of such accidents or fatalities, which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

Fluctuations in exchange rates and appreciation in the rate of inflation may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group produces commodities that typically are priced by reference to prices expressed in US Dollars and, accordingly, payments to the Group are typically made in US Dollars. The Group's principal expenses are incurred in Tenge. From the introduction of the Tenge in 1993 until 2002, the

value of the Tenge declined against the US Dollar by 2,366%. From 2004 to 30 June 2007, however, the value of the Tenge increased against the US Dollar by 21% (see “Presentation of information and general disclosures—Exchange Rates”), which increased the Group’s expenses in US Dollar terms. Future appreciation of the Tenge compared to the US Dollar would further increase the Group’s costs relative to its revenue and could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

Only an underdeveloped forward market in the Tenge exists. The Group has entered into a limited number of hedging arrangements and may enter into additional arrangements in the future in order to reduce its exposure to exchange rate volatility. There can be no assurance that any additional hedging arrangements will be entered into on favourable terms or at all. Despite its current and planned hedging activities, the Group may be exposed to other risks, including the risk that the exchange rate moves against the Group’s hedged positions and the risk of default by the Group’s transaction counter-parties to the Group’s hedging arrangements. Any hedging activity in which the Group engages may not adequately protect the Group from future changes in exchange rates and could increase the Group’s costs relative to its revenue, thus reducing the Group’s profit.

The Group depends on certain key personnel, including its senior management. The failure to attract and retain qualified personnel could materially and adversely affect its business, financial condition, results of operations and prospects.

The Group’s growth and future success depend significantly upon its continued ability to attract, retain and motivate key senior management. The loss of the services of one or more of the Group’s key personnel could have a material adverse effect on its business, financial condition, results of operations and prospects. The Group does not currently maintain “key man” insurance with respect to any member of its senior management. Furthermore, the Company does not currently have a formal succession plan in place with respect to its key executives and there can be no assurance that the Company will be able to recruit or retain appropriate personnel to replace any such key executives when required.

The Group currently needs additional finance personnel to prepare the Group’s annual accounts and implement the Group’s controls over financial reporting. There is significant competition in Kazakhstan for personnel with relevant financial expertise. The Group may be unable to successfully recruit the necessary qualified finance personnel.

The Group relies significantly on its skilled and unskilled workforce. In particular, the Group relies on skilled in-house personnel to perform a majority of the Group’s complex repairs due in part to a lack of qualified external service providers. The Group faces significant competition from other companies in and outside of Kazakhstan (particularly, natural resource companies) for its skilled and unskilled labour force. Such competition contributed to an increase in Group employee, payroll and benefit expenses from US\$238 million in 2004 to US\$394 million in 2006. Ongoing competition for personnel and the Group’s mining licence obligations to hire employees from certain of the regions in which it operates could result in additional increases in labour costs or an inability to recruit or retain necessary personnel, each of which could materially and adversely affect the Group’s business, financial condition, results of operations and prospects. In several towns where it operates, the Group is the only significant employer, which may limit the Group’s ability to release or restructure its workforce.

The Group’s business may be affected by slowdowns, stoppages and other disruptions due to labour-related developments.

Nearly all of ENRC’s employees in Kazakhstan are members of labour unions, which are primarily organised around the Group’s operating facilities. While ENRC has, in recent years, enjoyed good relations with its employees’ trade unions, there can be no assurance that a work slowdown, work stoppage or strike will not occur prior to or upon the expiration of the Group’s current labour agreements. Work slowdowns, stoppages and other labour-related developments could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

The Group does not insure against certain risks, and its insurance coverage may be insufficient to cover losses.

Although the Group maintains insurance in accordance with applicable Kazakh legal requirements, Kazakh law requires mining companies to insure only against certain limited risks. Because Kazakh law prohibits foreign insurance companies from operating directly in Kazakhstan, the insurance market in Kazakhstan is underdeveloped and offers only limited opportunities for insuring risks associated with the Group's business. The Group insures its operations with a company beneficially owned by the Founders, Eurasia Insurance Company JSC ("Eurasia Insurance"). For further information see "Part X: Related party transactions". The Group may incur liabilities for which it is not adequately insured or not insured at all.

The Group does not have full coverage for all risks facing its operations and facilities. In particular, the Energy Division is not currently adequately insured, the Zhairem Unit and the Logistics Division do not currently maintain property damage or business interruption insurance and no "delay in start-up" insurance, which may not be available in Kazakhstan, is maintained in respect of the Group's aluminium smelter. In addition, the Group does not currently maintain adequate insurance for certain of its operations outside Kazakhstan. Losses and liabilities arising from uninsured or inadequately insured risks could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Adjustments to transfer pricing and other tax legislation by the Kazakhstan tax authorities may significantly increase the Group's historic tax liability and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Since January 2001, Kazakh transfer pricing rules have required tax authorities to make transfer pricing adjustments in a wide range of situations involving cross border transactions, most typically among related parties. Among parties that are not related, cross-border trading prices may be subject to adjustment if, among other factors, they deviate by more than 10% from market prices. The Group has received guidance from the relevant authorities that certain trading relationships between its entities may be eligible to be treated in the same way as unrelated parties and therefore able to apply the 10% deviation from market price standard. Kazakhstan is in the process of developing its transfer pricing legislation and practice, and as a consequence, there are ambiguities in the application of the legislation such that the guidance received by the Group may potentially be open to challenge by the tax authorities in the future. The Directors expect an audit of the tax affairs of the Group for the three years ended 31 December 2006 to be commenced by the Kazakh tax authorities by the end of December 2008. Under Kazakh tax law, following the conclusion of this audit, these three years will remain open to further audit and transfer pricing reviews until the end of 2009, 2010 and 2011, respectively. If substantial transfer pricing adjustments were imposed by the relevant Kazakh authorities, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected. See "—Risks relating to operating in Kazakhstan—The taxation system in Kazakhstan is at an early stage of development and experience. The interpretation and application of tax laws and regulations are evolving, which significantly increases the risks with respect to the Group's operations and investments in Kazakhstan".

The Group and its Founders may incur additional liabilities as a result of certain historic trading arrangements in Russia.

Through 2006, certain sales made by Kazakh operating companies that are now part of the Group to customers in Russia were made through a system organised by an agency that the Company and the Directors believe was neither owned or legally controlled by the Group or its shareholders. The precise structure of the system then operated by the agency is not known to the Group but the Directors believe that the agency arranged for the products sold by the operating companies to be on-sold through a series of intermediary companies and then finally to the end-customers. This system is referred to as the "Russian Trading System" or "RTS". The profits generated by this series of sales through the RTS to end customers (after deduction of the expenses and a commission payable to the agency) were received by the Founders in cash form. These arrangements were voluntarily

terminated by the Group in the second half of 2006, following which the Group has made such sales to customers in Russia via its newly established Moscow sales office.

Although the Company and the Directors believe that the RTS companies were neither owned or legally controlled by the Group or its shareholders, the results of the trading through the RTS have been combined into the financial track record of the Group for the three years ended 31 December 2006 because the agency received only a fixed commission of approximately 3% of sales, and the residual profits of the structure were received by the Founders. In addition, the beneficial interest in the profits of the RTS companies for 2006 was transferred to, and included within the results of, ENRC Marketing AG ("ENRC Marketing"). Revenues arising from the sales through the RTS were US\$309 million in 2004, US\$385 million in 2005 and US\$178 million in 2006 (representing approximately 11.5%, 13.1% and 5.5% of the Group's aggregate revenues in 2004, 2005 and 2006 respectively) and profits of US\$111 million in the period from 2004 through 2006 relating to the RTS were distributed to the Founders.

The Company is not aware of the precise nature of the structure operated by the RTS. The Directors understand that the commission deducted by the RTS included an amount for the payment of taxes. However, the Directors cannot verify that applicable taxes were paid by the RTS. The Company believes that no additional taxes are payable in Kazakhstan in respect of the additional revenue generated through the sales via the RTS to end customers, other than in relation to sales of coal in respect of which certain additional Kazakh taxes, amounting to US\$20 million, were paid in November 2007, but no assurance can be given of this.

As noted above, the Group is unable to ascertain whether the transactions undertaken through the RTS complied with applicable law or whether taxes were adequately reported and paid on the amounts generated by these arrangements. Accordingly, it is possible, for example, that the Russian authorities might conclude that additional taxes or penalties are payable in Russia, and whether or not the Group has a legal obligation to pay any such taxes or penalties, there can be no assurance that the relevant authorities will not seek to recover these amounts from the Group, nor can there be any assurance that sanctions will not be imposed on the Group or the Founders.

Moreover, further Kazakh tax may be payable in respect of the intermediary arrangements described above, in addition to the US\$20 million referred to above which was paid in November 2007 (and represented the full provision of US\$20 million that was included in the Group's combined and consolidated financial statements as of 30 June 2007). The imposition of significant tax adjustments, fines or penalties could materially and adversely affect the Group's business, financial condition, results of operations and prospects. The Company has not made a provision for any non-Kazakh liabilities in respect of the RTS structure. Furthermore, the Founders have agreed to indemnify the Group for certain liabilities that may be incurred by it as a result of the use of the RTS by the Founders. See "Part XIII: Additional information—Material Contracts".

The Group is proposing to upgrade the financial IT systems used by its operating entities and there is no guarantee that this upgrade will be successful.

ENRC relies on IT systems for financial reporting purposes. The financial IT systems used by ENRC's operating divisions in Kazakhstan are based on operating systems that are no longer supported and the Group intends to upgrade these systems as soon as practicable following Admission.

Implementing a new IT system across the Group's operating divisions is a significant project that is likely to take at least three years to complete. This implementation may cause considerable disruption to the Group's business and operations and there can be no guarantee that the new IT system will be implemented on schedule. The costs of implementing this new system are expected to be significant and the project costs may exceed budget. Furthermore, there can be no assurance that the planned upgrade will be successful in delivering the increased efficiencies and reliability sought by the Group.

Title to the Group's mineral properties or production facilities may be challenged, which may prevent or severely curtail the Group's use of the affected properties.

Some of the Group's properties may be subject to prior claims or unregistered agreements, and title may be affected by undetected defects. Title to some of the Group's properties may be challenged or impugned, which may prevent or severely curtail the Group's use of the affected properties.

Risks relating to operating in Kazakhstan

The Group is exposed to the general risks associated with operating in an emerging market.

Emerging markets, such as Kazakhstan, are generally subject to greater risks, including legal, regulatory, economic and political risks, than more developed markets. Emerging economies, such as Kazakhstan's, are generally subject to rapid change and the information set out in this Prospectus may quickly become outdated. Accordingly, investors should exercise particular care in evaluating the risks involved and should consider whether, in light of these risks, investing in the shares of a company whose assets and operations are based in an emerging market is appropriate. Investment in a company whose assets and operations are located in an emerging market is generally suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisors before making an investment in the Company.

Financial problems or an increase in the perceived risks associated with investing in emerging economies could reduce foreign investment in Kazakhstan and adversely affect Kazakhstan's economy. At such times, emerging markets may face severe liquidity constraints because foreign funding resources are withdrawn. The Kazakh economy is affected by developments in other emerging market economies. Even if the Kazakh economy remains relatively stable, financial turmoil in any emerging market country, especially countries in the CIS or the Caspian Sea or Central Asian regions, which recently have experienced significant political instability, including terrorism and internal conflicts, could negatively affect the Kazakh economy. Recently, Kazakhstan's economy, and particularly its banking sector, has encountered a period of instability. Inflation has increased beyond expectations and the credit ratings of a number of major banks in Kazakhstan have been downgraded. No assurance can be given that the crisis in the Kazakh banking sector will not continue or worsen, or that inflation will not continue to rise. A decline in the Kazakh economy could substantially disrupt the Group's business, which would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to certain specific risks relating to Kazakhstan, including the risk of adverse sovereign action by the Kazakh government such as the re-nationalisation of privatised assets.

All of the Group's mining operations are conducted in Kazakhstan. Accordingly, the Group is substantially dependent on the economic and political conditions prevailing in Kazakhstan.

Kazakhstan's existence as an independent state resulted from the dissolution of the Soviet Union. As such, it has a relatively short history as an independent nation and has the potential for social, political, economic, legal and fiscal instability. Kazakhstan is moving from a command to a market-driven economy. While this change is establishing a more developed business environment, substantial differences persist between Kazakhstan and western market economies. Specific risks include, among other things, local currency instability, civil disturbances, changes in exchange controls, lack of availability of hard currency, changes in energy price tariffs, taxes, royalty rates (including withholding taxes on distributions to foreign investors), anti-monopoly legislation, nationalisation or expropriation of property, and interruptions or blockages of exports, including minerals, hydrocarbons and other strategic materials. The occurrence of any of these events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Some of the Group's assets were acquired through privatisation. Privatisations in certain other former Soviet republics have been subject to political controversy and legal challenge. If privatisations in Kazakhstan were to be successfully challenged, or if the Kazakh government

sought to re-nationalise any privatised assets, the Group could lose its ownership interest in its mineral properties or production facilities.

Nursultan Nazarbayev has been president of Kazakhstan since independence in 1991. His current term expires in 2012. Under President Nazarbayev's leadership, the foundations of a market economy have taken hold, including privatisation of certain state assets, liberalisation of capital controls, tax reforms and pension system development. Kazakhstan has actively pursued a programme of economic reform and foreign investment designed to establish a free market economy, but these and similar reforms may not continue. The country has been largely free from political violence and the Group's operations have benefited from these stable conditions. There can be no assurance, however, that these stable conditions will continue. Since the break-up of the Soviet Union, a number of former Soviet republics have experienced periods of political instability, civil unrest, military action or incidents of violence. Future political instability, civil unrest or continued violence in the region could affect the political or economic stability of Kazakhstan and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Kazakh economy is highly dependent on the export of oil, gas, and other commodities. As such, the economy could be adversely affected by volatility, or a sustained drop, in oil, gas and other commodity prices. In addition, fluctuations in the value of the US Dollar relative to other currencies may cause volatility on earnings from US Dollar-denominated oil, gas and commodity exports. An oversupply of oil, gas or other commodities in the world markets, a general downturn in the economies of any significant markets for oil, or other commodities, or a weakening of the US Dollar relative to other currencies could have a material adverse effect on the Kazakh economy, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The exact scope of Article 71 of the Kazakhstan Subsurface Law, which provides the Republic of Kazakhstan with a pre-emption right in relation to the transfer of the Group's subsurface use rights, is uncertain and no precedent exists to indicate how it may be applied.

Article 71 of the Kazakhstan Subsurface Law, as amended on 1 December 2004 and 14 October 2005, entitles the Republic of Kazakhstan to a pre-emptive right to purchase certain subsurface rights or direct or indirect interests in companies having subsurface rights for sale. This pre-emptive right permits the Republic of Kazakhstan to purchase any such subsurface use rights or equity interests being sold on terms no less favourable than those offered by other purchasers. The relevant government authority may terminate a subsurface use contract if a transaction takes place in violation of this law. These provisions apply to Kazakh and overseas entities. The exact scope of the law is uncertain and no precedent exists to indicate how it may be applied. There can be no guarantee that the Group's interpretation of this law in the context of past transfers will be upheld. It is unclear whether the right of pre-emption can be exercised on transfers that have occurred without notice to the relevant authority and whether such prior transactions can be unwound.

The pre-emptive right has been waived by the Government of Kazakhstan with respect to the issue by the Company of the Ordinary Shares pursuant to the Global Offer and to subsequent sales of such Ordinary Shares. However, the pre-emptive right has not been waived with respect to any other issuances or sales of Ordinary Shares and therefore any other future issuance or sale of Ordinary Shares or the sale of, or granting of security over, the Group's assets will require a pre-emptive waiver from the Kazakhstan government. Such a waiver may not be granted in a timely manner or at all. This requirement could adversely affect the liquidity of the Ordinary Shares and the ability of the Company to raise future capital through equity fundraisings. While the Directors believe that, having regard to the bank facilities available to the Group and the net proceeds receivable under the Global Offer, the working capital available to the Group is sufficient for its present requirements, that is, for at least the next twelve months from the date of publication of this Prospectus, there can be no assurance that this requirement will not adversely affect the Group's ability to raise equity capital after the expiry of this twelve-month period. It may also hinder the Group's ability to dispose of its assets or raise secured debt finance. The pre-emptive right may also deter potential acquirers from making an offer for the Company or the Group's assets. For more information on the Republic of Kazakhstan's pre-emptive right,

see “Part I: Information on Kazakhstan—Mining regulatory regime in Kazakhstan—Relevant legislation—Assignment, transfer and amendments of subsurface use rights”.

The laws and regulations of Kazakhstan relating to foreign investment, subsurface use, licensing, companies, tax, customs, currency, banking and competition are still developing, and uncertainties or changes in the law could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

The laws and regulations of Kazakhstan relating to foreign investment, subsurface use, licensing, companies, tax, customs, currency, capital markets, pensions, insurance, banking and competition are still developing. Many laws provide regulators and officials with substantial discretion in their application, interpretation and enforcement. New legislation adopted in November 2007 grants the Kazakh government the right to require amendments to or to terminate subsurface use contracts of strategic importance if it is determined that the operations thereof have a material impact on the economic position of the Republic. In addition, because the statutes on subsurface use do not restrict the course of action available to the government by reference to the gravity of the violation, a minor violation could conceivably lead to harsh consequences, such as suspension or termination of the subsurface use rights. The subsurface use legislation is relatively new and little precedent exists to predict the consequences of a violation. As a condition of certain of its subsurface use licences and contracts, the Group is obliged to maintain certain social programmes for the benefit of local communities and to invest in training the local workforce. These obligations may increase or become more burdensome in the future, upon a change in the government or political climate or otherwise, which may have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

The Kazakh government has stated that it believes in continued reform of the corporate governance processes and will promote discipline and transparency in the corporate sector. There can be no assurance that the Kazakh government will continue this policy. Given Kazakhstan’s relatively short independent legislative, judicial and administrative history, the effect of current and future legislation on the Group’s business is unpredictable. The ongoing rights of the Group under its subsurface use contracts, licences and other agreements may be susceptible to revision or cancellation, and legal redress may be unavailable.

The Group’s operations are subject to extensive government regulation and legislation, as well as political pressure that may materially and adversely affect the Group’s business, financial condition, results of operations and prospects.

Mining operations in Kazakhstan are subject to significant laws and regulations concerning, among other things, the issuance and renewal of contracts and licences. Kazakh regulatory authorities exercise considerable discretion in the interpretation and enforcement of local laws and regulations. At times, authorities use this discretion to enforce rights in a manner that is inconsistent with the relevant legislation, particularly with respect to licence issuance, renewal and compliance. Requirements imposed by regulatory authorities may be costly and time-consuming and may result in delays in the commencement or continuation of production operations.

The licensing process is also influenced by outside commentary and political pressure. A competing applicant for a subsurface use contract or licence may bring a direct claim against the issuing authority if the applicant believes that the contract or licence was issued in violation of applicable law or regulation. If successful, such proceedings and claims may result in the revocation or invalidation of the contract or licence, the refusal to issue or renew a contract or licence or the issuance or renewal of a contract or licence in an untimely fashion or with conditions that impair the Group’s ability to conduct its operations profitably.

Regulatory authorities may impose more onerous requirements and obligations than those currently in effect. Although the Group is unable to predict the costs to comply with such amended laws, regulations and permits, the costs could be substantial and could materially and adversely affect the Group’s business, financial condition, results of operations and prospects.

The taxation system in Kazakhstan is at an early stage of development. The interpretation and application of tax laws and regulations are evolving, which significantly increases the risks with respect to the Group's operations and investment in Kazakhstan.

As tax legislation in Kazakhstan has been in effect for only a relatively short time, tax risks in Kazakhstan are substantially greater than the tax risks in countries with more developed tax systems. The Group pays generally applied business taxes, as well as taxes on subsurface use, including excess profit tax and royalty tax, and has made, and expects to continue to make, contributions to various social and governmental funds. Tax regulation and compliance is subject to review and investigation by authorities who may impose severe fines, penalties and interest charges.

Kazakh tax laws are not always clearly determinable and have not always been applied in a consistent manner. In addition, the tax laws continue to evolve. The uncertain application and evolution of tax laws create the risk of additional and substantial tax payments by the Group, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The tax authorities have the right to impose additional tax assessments for five years after the end of the relevant fiscal period. Accordingly, the calendar years 2002 to 2006 remain open to further assessments. Although the majority of the Group's Kazakh subsidiaries have been subject to audits for periods prior to and including 2003, an audit of a particular period by the tax authorities does not prevent them from revisiting that period and raising an additional assessment.

The Kazakh judiciary's lack of experience and perceived lack of independence, the difficulty of enforcing court decisions and governmental discretion in enforcing claims could prevent the Group or holders of the Ordinary Shares from obtaining effective redress in a court proceeding.

The independence of the judicial system and its immunity from economic, political and nationalistic influences in Kazakhstan cannot be guaranteed. The judicial system is often understaffed and underfunded. Judges are generally inexperienced in business and corporate law. Not all Kazakh legislation and court decisions are readily available to the public or organised in a manner that facilitates understanding. The Kazakh judicial system can be slow and court orders are not always enforced or followed by law enforcement agencies. All of these shortcomings may affect the ability of the Group or holders of the Ordinary Shares to obtain effective legal redress in Kazakh courts. In addition, the press has reported that court claims and government prosecutions are often used to further political aims that the courts support. The Group may be subject to such political claims and may not receive a fair hearing. These uncertainties make judicial decisions in Kazakhstan difficult to predict and effective redress uncertain and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and the price of the Ordinary Shares.

The Group provides social programmes for the benefit of local communities, the costs of which may increase.

As a condition of certain of its subsurface use licences and contracts and pursuant to certain agreements with governmental authorities, the Group is obliged to maintain certain social programmes. These obligations include funding the construction of medical, cultural, recuperation and rehabilitation facilities, community centres, athletic facilities, housing and infrastructure in the areas in which the Group operates. Furthermore, the Group is obliged under its subsurface use licences and contracts to invest in training the local workforce, upgrading the qualifications of its employees and providing educational grants.

In addition, at its own initiative and at the request of governmental authorities, the Group has provided and continues to provide social support in the areas where it operates and in other areas in Kazakhstan.

These obligations, as well as additional social projects, may increase or become more burdensome in the future and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks relating to the Group's structure

The Founders will exercise significant influence over the Group after the Global Offer.

Historically, the Founders have exercised significant control and influence over the Group's operations and employees. Immediately following Admission (assuming no exercise of the Over-allotment Option) the Founders collectively will own 44.7% of the issued Ordinary Shares and, as a result, will be able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and significant corporate transactions. In addition, each of the Founders has appointed a representative to the Board. Although the Company has entered into a relationship agreement with each of the Founders to enable the Group to carry on its business independently (details of which are set out in Part IX of this Prospectus), there can be no assurance that the Founders will not continue to exert significant influence over the Group's operations and employees.

The holding company structure means that the Company's ability to pay dividends is dependent on distributions received from its subsidiaries.

Since the Company is a holding company, its operating results and financial condition are entirely dependent on the performance of members of the Group. The Company's ability to pay dividends will depend on the level of distributions, if any, received from the Company's subsidiaries. The ability of the Company's subsidiaries to make distributions to the Company may, from time to time, be restricted as a result of several factors, including restrictive covenants in loan agreements, foreign exchange limitations, the requirements of applicable law and regulatory, fiscal or other restrictions. The Company's rights to participate in a distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency is generally subject to prior claims of the subsidiaries' creditors, including any trade creditors and preferred shareholders.

The Group has undertaken a significant number of related party transactions and will continue to do so.

The Group has engaged and may continue to engage in a significant number of transactions with related parties, primarily with other entities beneficially owned by the Founders. Such transactions may not have been on arm's length terms and may not have complied with applicable procedural or governance requirements and there can be no assurance that the legitimacy of any such related party transactions will not be challenged. In particular, the Directors are aware that the necessary approvals were not obtained for certain historic related party transactions, and the validity of such transactions could be subject to challenge under Kazakh law. The Founders have a number of other business interests in Kazakhstan and it is likely that the Group will continue to transact with entities affiliated with the Founders. The Company is aware of its obligations under the Listing Rules with respect to related party transactions and the Group has procedures in place to ensure that potential related party transactions are properly reported and approved, including by the shareholders where necessary. Despite compliance with the Listing Rules (including, in certain circumstances, the requirement for shareholder approval and confirmation that the relevant related party transaction is fair and reasonable), there can be no guarantee that better terms would not have been achieved by the Group in other circumstances. See "Part X: Related party transactions".

The Group is a newly consolidated entity without an established operating history.

As described in Part II, the Group's principal assets were acquired by the Founders in the mid-1990s and only became part of a single corporate structure as a result of the Group's Reorganisation in December 2006. Prior to this Reorganisation, the Group's current operating units functioned as independent entities, with their own management structures and minority shareholders (including the Committee, which held an interest directly in certain of the principal operating subsidiaries). The Founders ultimately controlled these operating units. Additionally, as part of the Reorganisation, the Group internalised certain of its sales and marketing efforts.

The Group has encountered certain challenges in its efforts to consolidate its activities and financial reporting. In connection with the audit of the Group's consolidated accounts for the three years ended 31 December 2006, PricewaterhouseCoopers LLP informed the Company that it suspected

that certain audit confirmations purported to have been given by the end customers of the Russian Trading System had been falsified and that the independent agency involved in the former trading structure, referred to above, had been unable to substantiate certain payments which may have related to irregular business practices. See “Part XIII: Additional Information—Reorganisation and Formation of the Group—Introduction”.

Prior to the Reorganisation, the Group did not have a formalised system of central management and did not operate on a consolidated basis. The Group only recently established a central executive committee, management structure and formal reporting lines. The Group has also recently implemented a series of internal systems and controls designed to ensure that the Group has adequate financial reporting procedures and is able to comply with appropriate corporate governance standards. Despite these efforts, there can be no assurance that the Group will not experience further challenges relating to the management of their activities on a consolidated basis, which could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

The Group has significant deposits with Eurasian Bank, and there can be no assurance that it will be able to withdraw these deposits on a timely basis or at all.

The Group has historically used Eurasian Bank (which is beneficially owned by the Founders) for all its day-to-day banking transactions in Kazakhstan. As at 30 June 2007, the net liability of Eurasian Bank to the Group shown in the Group’s accounts was US\$279 million. In November 2007, the Group agreed to maintain pre-existing term deposits (amounting to US\$158 million) until 30 November 2008. The Directors consider this amount to be material in the context of Eurasian Bank’s financial position and operations. The Directors believe that Eurasian Bank may be reliant on the Group’s deposits and that this could restrict the ability of the Group to withdraw cash at short notice or at all. Although the Group’s arrangements, including those governing term deposits, with Eurasian Bank entitle the Group to withdraw its deposits on notice, there can be no assurance that Eurasian Bank will honour these arrangements. The Directors understand that Eurasian Bank was recently unsuccessful in raising additional finance and this, together with the recent uncertainties in the financial markets generally, could result in Eurasian Bank defaulting on its contractual arrangements with the Group. Any such default could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects. Although the Group is currently seeking to diversify its banking providers in Kazakhstan, there can be no assurance that it will be able to do so on acceptable terms or at all, and therefore the Group’s exposure to Eurasian Bank may continue to be significant.

Risks relating to the Ordinary Shares

The Republic of Kazakhstan may be entitled to exercise pre-emptive rights over certain issuances or sales of Ordinary Shares or asset sales by the Group.

Article 71 of the Kazakhstan Subsurface Law provides that the Republic of Kazakhstan has a pre-emptive right to purchase certain subsurface use rights or indirect or direct interests in companies having subsurface use rights for sale. This pre-emptive right permits the Republic of Kazakhstan to purchase any such subsurface use rights or equity interests being offered for sale on terms no less favourable than those offered by other purchasers. The relevant government authority may terminate a subsurface use contract if a transaction takes place in violation of this law. These provisions apply to Kazakh and overseas entities. The exact scope of the law is uncertain and no precedent exists to indicate how it may be applied. It is unclear whether the right of pre-emption can be exercised on transfers that have occurred without notice to the relevant authority and whether such prior transactions can be unwound. The pre-emptive right has been waived by the Government of Kazakhstan with respect to the issue by the Company of the Ordinary Shares pursuant to the Global Offer and to subsequent sales of such Ordinary Shares. However, the pre-emptive right has not been waived with respect to any other issuances or sales of Ordinary Shares and therefore any other future issuance or sale of Ordinary Shares or the sale of, or granting of security over, the Group’s assets will require a waiver of such pre-emption rights from the Kazakhstan government. Such a waiver may not be granted in a timely manner or at all. This requirement could adversely affect the liquidity of the Ordinary Shares and the ability of the

Company to raise future capital through equity fundraisings. While the Directors believe that, having regard to the bank facilities available to the Group and the net proceeds receivable under the Global Offer, the working capital available to the Group is sufficient for its present requirements, that is, for at least the next twelve months from the date of publication of this Prospectus, there can be no assurance that this requirement will not adversely affect the Group's ability to raise equity capital after the expiry of this twelve-month period. It may also hinder the Group's ability to dispose of its assets or raise secured debt finance. The pre-emptive right may also deter potential acquirers from making an offer for the Company or the Group's assets. For more information on the Republic of Kazakhstan's pre-emptive right, see "Part I: Information on Kazakhstan—Mining regulatory regime in Kazakhstan—Relevant legislation—Assignment, transfer and amendments of subsurface use rights".

Adverse media speculation and other public statements about the Group and the Founders could materially and adversely affect the Group's reputation and the trading price of the Ordinary Shares.

The media and others have speculated publicly from time to time about various matters relating to the Group, its shareholders and/or beneficial owners (including the Founders). In particular, the investigation involving the Founders described in Part IX has attracted, and may continue to attract, widespread adverse publicity, and the reputation of the Group may be adversely affected by its association with the Founders. There can be no assurance that the Group, its shareholders and/or beneficial owners will not continue to be subject to public speculation. Future speculation may include, *inter alia*, the manner in which the Group has in the past or currently conducts its business, the manner in which the businesses that now comprise the Group were acquired and matters relating to the business and activities of the Founders. Any such speculation, which could intensify around the time of, and following, the Global Offer, could materially and adversely affect the Group's reputation and/or the trading price of the Ordinary Shares.

The Founders are involved in an ongoing investigation in Belgium relating to tax evasion.

The Founders, together with a number of related individuals, have been named in an ongoing investigation of certain matters in Belgium (unrelated to the Group's activities) that started in 1996. The Company has been advised by the Founders that the investigation relates to allegations of tax evasion in respect of the 1996 tax year. Any use by the Founders of the monies that should, allegedly, have been paid in tax could constitute money laundering under Belgian law, and as a result, although it is derived from tax issues, the investigation has been categorised as a money laundering investigation. The investigation, which commenced in 1996 and could ultimately lead to criminal sanctions, has attracted widespread publicity. To date no charges have been brought against the Founders. The Company has been advised by the Founders that, having taken legal advice, they are confident that the Belgian investigation will not result in the imposition of criminal sanctions. There can be no assurance that criminal proceedings will not be commenced or the timing and nature of the outcome of any such proceedings. Although any such criminal proceedings would not be against the Group and would not involve the Group's assets or operations, if criminal proceedings are commenced against the Founders, there can be no assurance that the Group's reputation will not be materially and adversely affected as a result of its association with the Founders.

There has been no prior public trading market for the Ordinary Shares.

Prior to the Global Offer, there has been no public trading market for the Ordinary Shares. Although the Company has applied to the Financial Services Authority for admission to the Official List and has applied to the London Stock Exchange for admission to trading on its main market for listed securities, the Company can give no assurance that an active trading market for the Ordinary Shares will develop or, if developed, can be sustained following the closing of the Global Offer. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be materially and adversely affected.

The price of the Ordinary Shares may fluctuate significantly.

Following Admission, the market price of the Ordinary Shares could be subject to significant price and volume fluctuations that may be unrelated to the operating performance of the Group. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are beyond the Group's control, including but not limited to: variations in operating results in the Group's reporting periods, changes in financial estimates by securities analysts, fluctuations in commodity prices, changes in market valuation of similar companies, announcements by the Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments, loss of a major customer, additions or departures of key personnel, any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts, future issues or sales of Ordinary Shares, and stock market price and volume fluctuations. Any of these events could result in a material decline in the price of the Ordinary Shares.

Pre-emptive rights may be unavailable to US and other non-UK holders of Ordinary Shares.

In the case of an increase in the share capital of the Company for cash, the existing Shareholders are generally entitled to pre-emption rights pursuant to the Companies Act 2006, unless such rights are waived by a special resolution of the Shareholders at a general meeting or in certain circumstances stated in the Articles. To the extent that pre-emptive rights are granted, US and other non-UK holders of the Ordinary Shares may not be able to exercise pre-emptive rights for their Ordinary Shares unless the Company decides to comply with applicable local laws and regulations and, in the case of US holders, unless a registration statement under the Securities Act is effective with respect to those rights, or an exemption from the registration requirements thereof is available. The Company intends to evaluate at the time of any rights offering the costs and potential liabilities associated with any such compliance or registration statement. At such time, the Company also intends to evaluate the benefits of enabling the exercise by US and other non-UK holders of the Ordinary Shares of the pre-emptive rights for their Ordinary Shares and any other factors the Company considers appropriate at the time. On the basis of this evaluation, the Company will make a decision as to how to proceed and whether to file a registration statement or otherwise and any other steps necessary to extend the rights offering into the other jurisdictions, including complying with local law requirements. No assurance can be given that any steps will be taken in any jurisdiction or that any registration statement will be filed to enable the exercise of such holders' pre-emptive rights.

Directors, secretary and advisers

Executive Directors	Dr. Johannes Sittard Mr. Miguel Perry	
Non-Executive Directors	Sir David Cooksey, Chairman Mr. Gerhard Ammann Mr. Mehmet Dalman Mr. Michael Eggleton Sir Paul Judge Mr. Kenneth Olisa Sir Richard Sykes Mr. Roderick Thomson Mr. Eduard Utepov Mr. Abdraman Yedilbayev Mr. Daulet Yergozhin	
Company Secretary	Mr. Paul Waters	
Registered office	2nd Floor 16 St James's Street London SW1A 1ER United Kingdom	
Sole global coordinator, sponsor and joint bookrunner .	Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom	
Joint bookrunners	Credit Suisse Securities (Europe) Ltd 1 Cabot Square London E14 4QJ United Kingdom ABN AMRO Bank N.V. 250 Bishopsgate London EC2M 4AA United Kingdom	Morgan Stanley Securities Limited 25 Cabot Square London E14 4QA United Kingdom N.M. Rothschild & Sons Ltd New Court St Swithin's Lane London EC4P 4DU United Kingdom
	(together acting jointly as "ABN AMRO Rothschild")	
Legal advisers to the Company as to English and US law	Jones Day 21 Tudor Street London EC4Y 0DJ United Kingdom	
Legal advisers to the Company as to Kazakh law	Denton Wilde Sapte 96 Baitursynov Street Almaty 050022 Kazakhstan	
Legal advisers to the Company as to Dutch law	De Brauw Blackstone Westbroek Tripolis Burgerweeshuispad 301, 1076 HR Amsterdam P.O. Box 75084, 1070 AB Amsterdam The Netherlands	
Legal advisers to the Company as to Swiss law	Niederer Kraft & Frey Bahnhofstrasse 13 CH-8001 Zurich Switzerland	

Directors, secretary and advisers

Legal advisers to the Sponsor and the Joint Bookrunners as to English and US law	Cleary Gottlieb Steen & Hamilton LLP City Place House 55 Basinghall Street London EC2V 5EH United Kingdom
Legal advisers to the Joint Bookrunners as to Kazakh law	GRATA 157 Shevclenko Street Almaty 480008 Kazakhstan
Auditors and Reporting Accountants	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
Technical consultant	SRK Consulting (UK) Ltd 5 th Floor 17 Churchill Way Cardiff CF10 2HH United kingdom
Environmental consultant	Environmental Resources Management 8 Cavendish Square London W1G 0ER United Kingdom
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 7NH United Kingdom

Presentation of information and general disclosures

Presentation of Financial and Other Information

Financial Data

Unless otherwise indicated, the financial information in this Prospectus has been prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the basis of preparation set out in Note 1 to the Combined and Consolidated Financial Information in Part V. Any investor considering an acquisition of Ordinary Shares must rely on its own examination of the Group, the terms of the Global Offer and the financial information in this Prospectus.

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row.

Non IFRS Financial Measures

Adjusted EBITDA represents profit before finance income, finance costs, income tax expense and depreciation and amortisation (including negative goodwill), as further adjusted to add back exceptional items. Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of revenue. Adjusted EBIT Margin represents profit before finance income, finance costs and income tax expense, as further adjusted to add back exceptional items, as a percentage of revenue. Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBIT Margin are presented because the Company believes they are useful measures for evaluating the Group's ability to generate cash and its operating performance. None of Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBIT Margin is a measure of financial performance under IFRS. Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBIT Margin should not be considered in isolation or as substitutes for operating profit, cash flow from operating activities or any other measure for determining the Group's operating performance or liquidity that is calculated in accordance with IFRS. Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBIT Margin may not be comparable to similarly titled measures employed by other companies.

Market, Economic and Industry Data

Market, economic and industry data used throughout this Prospectus have been derived from various industry and other independent sources. Information contained in this Prospectus relating to the mining industry and the Group's competitors (which may include estimates and approximations) was derived from publicly available information, including press releases and filings under various securities laws. The Company confirms that such information has been accurately reproduced from its sources and, as far as the Company is aware and is able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading.

The market, economic and industry data on the ferrochrome and chrome ore industries contained in "Part II: Information on ENRC—Description of the Group's Operations: Ferroalloy Division—Industry Overview" has been derived from a report issued to the Company by Heinz H. Pariser in March 2007 (supplemented by certain updated information provided in August 2007 and September 2007). Unless otherwise indicated, such data has been prepared on the basis of 2006 information. Heinz H. Pariser is a leading independent alloy metals and steel analyst.

The market, economic and industry data on the iron ore industries contained in "Part II: Information on ENRC—Description of the Group's Operations: Iron Ore Division—Industry Overview" has been derived from a report issued to the Company by CRU Strategies Limited ("CRU") in March 2007 (supplemented by certain updated information provided in October 2007). Unless otherwise indicated, such data has been prepared on the basis of 2006 information and any forecasts, predictions or estimates attributed to CRU in this Prospectus are the forecasts, predictions or estimates of CRU as of March 2007. CRU is a subsidiary of CRU International Limited, an internationally recognised, independent consultancy company dealing with analyses and information across a spectrum of industries including mining, minerals and metals.

Presentation of information and general disclosures

The market, economic and industry data on the alumina and aluminium industries contained in “Part II: Information on ENRC—Description of the Group’s Operations: Alumina and Aluminium Division—Industry Overview” has been derived from reports issued to the Company by CRU in March 2007. Unless otherwise indicated, such data has been prepared on the basis of 2006 information and any forecasts, predictions or estimates attributed to CRU in this Prospectus are the forecasts, predictions or estimates of CRU as of March 2007.

Ore Reserve and Mineral Resource Reporting—Basis of Preparation

SRK has reviewed the reserves and resources statements compiled by the Company and has restated the ore reserves and mineral resources as in the tables set out in the “MER” in Annex A, in compliance with the Prospectus Rules and the Committee of European Securities Regulators recommendations and in accordance with the criteria for internationally recognised ore reserve and mineral resource categories as included in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”). In this Prospectus, all reserve and resource estimates, initially prepared by the Company in accordance with the Former Soviet Union (“FSU”) classification and practice (“GKZ” type estimates, as explained in Chapter 9.1 of the “MER”), have been substantiated by evidence obtained from SRK’s site visits and observation and are supported by details of drilling results, analyses and other evidence and take account of all relevant information supplied by the Company’s management and the Directors of the Company.

Mineral resources are based on mineral occurrences quantified on the basis of geological data and an assumed cut-off grade, and are divided into measured, indicated and inferred categories reflecting decreasing confidence in geological and/or grade continuity. No allowances are included for dilution and losses during mining, but the reporting of mineral resource estimates carries the implication that there are reasonable prospects for eventual economic exploitation. Mineral resources may therefore be viewed as the estimation stage prior to the application of more stringent economic criteria for reserve definition, such as a rigorously defined cut-off grade and mine design outlines, along with allowances for dilution and losses during mining. It is common practice, for example, for companies to include in the mineral resources category material with a reasonable expectation of being converted to ore reserves, but for which either the detailed mine planning work has not been undertaken or for which an improvement in economic conditions or exploitation efficiencies would be required to enable the company to exploit the resources economically. Ore reserves as defined by the JORC Code are designated as proved and probable in order of decreasing reliability of the estimates, and are derived from the corresponding measured and indicated resource estimates by including allowances for dilution and losses during mining. Proved ore reserves can only be based on measured mineral resources, while probable ore reserves can be based on both measured and indicated mineral resources. It is an explicitly stated further requirement that other modifying economic, mining, metallurgical, marketing, legal, environmental, social and governmental factors also be taken into account. The measured and indicated mineral resources can be reported as either being inclusive of those mineral resources modified to produce the ore reserves or additional to the ore reserves.

Except for certain reserve and resource estimates which are stated to have been prepared in accordance with the FSU classification, the reserve and resource estimates provided in this Prospectus comply with the reserve and resource definitions of the JORC Code. The relevant definitions from the 2004 edition of the JORC Code can be found in the Glossary in the “MER” in Annex A.

In this Prospectus, reserve and resource estimates are reported as at 1 July 2007, unless otherwise stated. In this Prospectus, resources are inclusive of reserves.

Inferred Resources

The reserves and resources tables in “Information on ENRC” in Part II and the “MER” in Annex A make reference to “inferred resources”. An inferred resource is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. This categorisation is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from

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locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Cost Curves

This Prospectus contains "cost curves". A cost curve is a graphic representation in which the production volume of a given commodity across the relevant industry is arranged on the basis of average unit costs of production from lowest to highest to permit comparisons of the relative cost positions of particular production sites, individual producers or groups of producers within a given country or region or globally. Generally, a producer's position on a cost curve is described in terms of the particular quartile, the first quartile being the lowest cost and the fourth quartile being the highest.

The cost curves contained or referred to in this Prospectus have been obtained by the Company from independent industry analysts with recognised experience in constructing cost curves and providing industry analysis for the relevant commodities, specifically CRU and Heinz H. Pariser. To construct cost curves, the analyst compiles information from a variety of sources, including reports made available by producers, site visits, personal contacts, trade publications and other analysts' reports. Although producers may thus participate to some extent in the process through which cost curves are constructed and market information and forecasts are prepared, they are typically unwilling to validate cost analyses directly because of commercial sensitivities. Inevitably, assumptions must be made by the analyst with respect to data that such analyst is unable to obtain and judgement must be brought to bear in the case of virtually all data, however obtained. In addition, the time required to produce cost curves means that even the most recent available examples will be unable to take account of recent developments; in some cases, the most recent available cost curve may be based on data that is several years old. Cost data for specific producers may be based on costs incurred by the producers over their respective accounting years; to the extent these differ, the direct comparability of their costs may be limited. The cost curves referred to in this Prospectus reflect direct cash costs of production only, and exclude non-cash or indirect costs (such as depreciation, interest and unrelated overhead expenses) and costs relating specifically to marketing and export. Delivery costs reflect estimates for each producer to accepted selling points, based on actual sales. They include estimates for all costs involved in delivery, including freight, insurance, warehousing and financing costs as well as sales commissions. In summary, the manner in which cost curves are constructed means that they have a number of significant inherent limitations.

In certain cases, cost curves and market information and forecasts produced by more than one reputable industry analyst may exist with regard to a specific commodity. The methodologies employed and conclusions reached by such analysts may differ. This can provide a useful indication of the reliability of a cost curve overall and, notwithstanding their shortcomings, independently produced cost curves are widely used in the industries in which the Group operates.

The cost curves contained in this Prospectus, or to which this Prospectus refers, are the most recent cost curves that have been obtained by the Group, and all such cost curves are based on 2006 data. The Directors have satisfied themselves that the Group's own production costs, which were used in the preparation of the cost curves, are reasonably represented.

No Incorporation of Website Information

The contents of the Company's website do not form part of this Prospectus.

References to Defined Terms

Certain terms used in this Prospectus, including industry and technical terms, are defined and explained in "Part XIV: Definitions and glossary".

Exchange Rates

The following table sets out for the periods indicated, the period-end, average, high and low exchange rates of the Tenge to the US Dollar, as applied in the preparation of the Group's audited,

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combined and consolidated financial information for the relevant periods and expressed in Tenge per US Dollar.

Period	Period-end	Average	High	Low
2004	130.00	135.96	143.33	130.00
2005	133.77	132.85	136.12	129.83
2006	127.00	126.09	133.85	117.25
1 Jan 2007 – 30 June 2007	121.66	123.16	127.00	118.79

The inclusion of the exchange rates set forth above is not meant to suggest that the Tenge amounts appearing elsewhere in this Prospectus actually represent such US Dollar amounts or that such amounts could have been converted into US Dollars at any particular rate, or at all.

As at 30 November 2007, the exchange rate published by the National Bank of Kazakhstan was KZT 120.87:US\$1.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Prospectus, including but not limited to those in “Part II: Information on ENRC”, “Part IV: Operating and financial review” and “MER” in Annex A, constitute “forward-looking statements”. Such forward-looking statements involve known or unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, among others, general economic and business conditions, industry trends, competition, commodity prices, changes in government regulation, currency fluctuations (including the US Dollar, the Tenge and the Euro exchange rates), the Group’s ability to recover its reserves or develop new reserves, implement its expansion plans and achieve cost reductions and efficiency measures, changes in business strategy or development, political and economic uncertainty natural disasters, other factors beyond the Group’s control and other risks described in “Risk factors”. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this Prospectus will, in fact, occur. These forward-looking statements speak only as at the date of this Prospectus and the Company undertakes no obligation to release publicly any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events or circumstances occurring after the date of this Prospectus, except as required by law, the Prospectus Rules, the Listing Rules, the Disclosure Rules and Transparency Rules or any appropriate regulatory authority.

ENFORCEABILITY OF JUDGEMENTS

All of the Directors and executive officers of the Company are residents of countries other than the United States. The Company is a public limited company incorporated under the laws of England and Wales. Furthermore, a substantial proportion of the Directors’ assets and all of the assets of the Group are located outside the United States. As a result, it may not be possible for investors in the United States to:

- effect service of process within the United States upon any of the Directors or executive officers of the Company; or
- enforce judgements obtained against any of the Directors or executive officers of the Company in US courts in any action, including actions under the civil liability provisions of the US securities laws; or
- enforce in US courts judgements obtained against any of the Directors or executive officers of the Company in courts in jurisdictions outside the United States in any action, including actions under the civil liability provisions of the US securities laws.

Investors may also have difficulties enforcing, in original actions brought in courts in jurisdictions outside the United States, liabilities under the US securities laws.

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There is doubt as to the enforceability of liabilities against any of the Directors or executive officers of the Company in the United Kingdom in original actions or in actions for the enforcements of judgements of US courts predicated upon the federal securities laws of the United States.

Certain of the Directors of the Company are residents of countries outside the EEA. Furthermore, a substantial proportion of the assets of the Directors and the Group are located outside the EEA. As a result, the service of process within the EEA upon such Directors and/or the enforcement of judgements obtained by EEA investors may be more difficult.

AVAILABLE INFORMATION

For so long as any of the Ordinary Shares remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or Section 15(d) under the US Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner, or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act upon the request of such holder, beneficial holder or prospective purchaser.

STABILISATION AND OVER-ALLOTMENT OPTION

In connection with the Global Offer, the Company will appoint Deutsche Bank as stabilising manager (the “Stabilising Manager”). The Stabilising Manager or anybody acting on behalf of the Stabilising Manager may over-allot the Ordinary Shares or effect transactions with a view to supporting the market price of the Ordinary Shares at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will take stabilisation action. Such transactions may be effected on the London Stock Exchange or any other securities market, over the counter market, stock exchange or otherwise. Stabilisation action may begin on the date on which adequate public disclosure of the Offer Price is made and, if commenced, may be discontinued at any time, but it must end no later than 30 calendar days after publication of the Offer Price. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules. Save as required by law, the Stabilising Manager does not intend to disclose the extent of any over-allotments and/or stabilisation transactions under the Global Offer or the amount of any long or short positions.

The Company will agree with the Stabilising Manager that the Stabilising Manager may, acting as principal, acquire or procure acquirers for such number of additional Ordinary Shares (the “Over-allotment Shares”), representing additional Ordinary Shares to be issued by the Company, as represents up to 10% of the total number of Ordinary Shares to be made available in the Global Offer (excluding any Over-allotment Shares) at the Offer Price to cover over-allotments and/or cover short positions resulting from stabilisation transactions (the “Over-allotment Option”). Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* with the Ordinary Shares, including for all dividends and other distributions declared, made or paid on the New Ordinary Shares and will form a single class for all purposes with the other Ordinary Shares.

Expected timetable of principal events and Global Offer statistics

Expected Timetable of Principal Events

Publication of the Prospectus and the announcement of the Offer Price and allocations	7.00 a.m. on 7 December 2007
Commencement of conditional dealings in Ordinary Shares on London Stock Exchange	8.00 a.m. on 7 December 2007
Admission and commencement of unconditional dealings in Ordinary Shares on London Stock Exchange	8.00 a.m. on 12 December 2007
Crediting of Ordinary Shares to CREST accounts	by 12 December 2007
Despatch of definitive share certificates (where applicable) .	by 18 December 2007

Each of the times and dates in the above timetable is subject to change. All times are London times.

If Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

Global Offer Statistics

The Offer Price and the number of New Ordinary Shares being offered and related statistics have been determined following a bookbuilding process as further described under “The Global Offer and related matters” in Part XI.

The Offer Price has been agreed among the Joint Bookrunners and the Company, having regard to the outcome of the bookbuilding process as described in Part XI. All Ordinary Shares issued or sold pursuant to the Global Offer will be issued or sold at the Offer Price. The Offer Price is 540p per Ordinary Share, which will enable the Company to raise gross proceeds of £1,363.5 million (approximately US\$2,761.1 million) if the Over-allotment Option is not exercised and £1,499.9 million (approximately US\$3,037.2 million) if the Over-allotment Option is exercised in full.

Use of proceeds

Assuming no exercise of the Over-allotment Option, the net proceeds from the Global Offer receivable by the Company will be approximately £1,280.0 million (approximately US\$2,592.1 million), after deduction of estimated expenses payable by the Company of £83.5 million (approximately US\$169.0 million).

The principal use of the proceeds of the Global Offer, supplemented by the cash resources generated by the Group and, if appropriate, external, or project or other financing, is to grow the Group both organically and through strategic acquisitions and, in particular, to provide funding for the following:

- approximately US\$1.7 billion will be allocated to the Group's US\$2.8 billion short- to medium-term investment programme. The Directors anticipate that the cash resources generated by the Group (and, if appropriate, external or project or other financing) will provide the balance of the funding required to fulfil the Group's short- to medium-term investment programme. This US\$2.8 billion investment programme includes the following projects:
 - within the Ferroalloy Division, the construction of a second pelletiser and other capital improvements and the expansion of production capacity by up to approximately 200,000 tonnes per annum through the construction of two new furnaces (*approximately US\$270 million*).
 - the expansion of the Group's iron ore concentrate production capacity by up to approximately 4 million tonnes per annum (*approximately US\$320 million*).
 - the construction of a DRI plant at the Iron Ore Division with an estimated annual capacity of up to 1.8 million tonnes per annum and the expansion of the Group's iron ore pelletiser capacity by up to 5 million tonnes per annum (*approximately US\$800 to US\$900 million*).
 - the expansion of the Group's alumina production capacity by up to approximately 300,000 tonnes per annum and an upgrade to sandy alumina production quality (*approximately US\$240 million*).
 - the ongoing construction of the Group's new aluminium smelter which is expected to have a maximum annual capacity of 250,000 tonnes by 2011 (*approximately US\$410 million*).
 - within the Energy Division, the refurbishment of certain existing generator blocks and the installation of 300 MWh of additional capacity through the construction of a new generator and turbine and the installation of a new stripping complex (*approximately US\$295 million*).
 - additional growth and improvement projects across the Group's divisions.
- approximately US\$110 million will be used to satisfy the balance of the consideration payable in respect of the Group's acquisition of a controlling interest in the Serov Group and certain related entities (further details of which are set out in "Part X: Related party transactions").
- US\$500 million will be used to fund the pre-IPO dividend.
- the balance will be used to reduce the Group's leverage and/or to fund acquisition opportunities which may arise.

Pending investment, the net proceeds will be placed on deposit.

Dividend policy

On 6 December 2007, the Company declared a pre-IPO interim dividend of US\$500 million. The declaration of this dividend is subject to (*inter alia*) receipt by the Company of the net proceeds of the Global Offer. The Directors do not intend to declare any further dividends in respect of the year ended 31 December 2007. Following Admission, the Directors intend to adopt a progressive dividend policy that will take into account the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements, industry practice and cash flows, while maintaining an appropriate level of dividend cover. Thereafter, the Directors intend that interim and final dividends will be paid in the approximate proportions of one-third and two-thirds of the total annual dividend, respectively.

Dividends will be declared by the Company in US Dollars. Unless a Shareholder elects to receive dividends in US Dollars, they will be paid in Sterling with the US Dollar dividend being converted into Sterling at exchange rates prevailing at the time of payment. The Company may only pay dividends if distributable reserves are available for this purpose. As a holding company the Company's ability to pay dividends will principally depend upon dividends or interest paid by its subsidiaries. Please see the risk factor headed "The holding company structure means that the Company's ability to pay dividends is dependent on distributions received from its subsidiaries" on page 22 for further details.

Part I: Information on Kazakhstan

Introduction

The Republic of Kazakhstan, which after Russia is the second largest former Soviet republic in terms of landmass, became an independent and democratic political entity in 1991. Kazakhstan is rich in natural resources and, consequently, its economic development has been and remains highly dependent upon the extraction and export of oil, gas and minerals. Kazakhstan is a leading producer of both ferrous and non-ferrous metals, grains, fuel and oil products. The country is also a significant exporter of wool, meat, machinery and various chemicals. Kazakhstan has recently enjoyed relatively high levels of foreign direct investment, particularly in the oil and gas sector, compared to most developing nations.

Since 1991, economic and structural reforms have helped Kazakhstan to develop an independent market economy. Economic reforms and government-sponsored privatisation in the mid-1990s helped shift assets into the private sector, which contributed to economic growth in the early 2000s. Real GDP grew at an annual rate of 9.8% in 2002, 9.3% in 2003, 9.4% in 2004, 9.7% in 2005 and 10.6% in 2006. Year-on-year consumer price inflation in Kazakhstan has gradually increased from 6.0% in 2001 to 8.6% in 2006. In 2002, Kazakhstan became the first country in the Commonwealth of Independent States ("CIS") to receive an investment grade rating from Moody's Investors Service. In 2004, this investment grade rating was upgraded to Ba/NP, while Standard & Poor's upgraded long-term local and foreign Kazakhstan currency ratings to BBB/BBB-, and raised the Kazakhstan short-term foreign currency rating to A-3. On 8 October 2007, Standard & Poor's announced that it had lowered Kazakhstan's long-term foreign currency sovereign ratings to BBB-. Economic reform in Kazakhstan is an ongoing process and continues today. Kazakhstan is currently in the process of developing a new legal framework that includes revised tax, securities, bankruptcy, joint-stock company, currency control and auditing laws.

Geography and Demography

Kazakhstan is located in Central Asia and is bordered by Russia to the north and north-west, China to the east, Kyrgyzstan, Uzbekistan and Turkmenistan to the south and the Caspian Sea to the west. It is the ninth largest country in the world, covering 2.7 million square kilometres, approximately the same size as western Europe. In December 1997, the capital and most state bodies moved from Almaty, located in southeast Kazakhstan, to Astana, located in central Kazakhstan. Almaty remains Kazakhstan's principal business and financial centre and is the country's largest city.

The country has a population of approximately 15.3 million and is one of the most sparsely populated countries in the world, with an average population density of approximately 5.6 people per square kilometre. Kazakhstan's population is ethnically diverse with more than 120 different ethnic groups. Ethnic Kazakhs account for approximately 55% of the population, followed by Russians (30%) and Ukrainians (4%). The relative size of the Kazakh ethnic group has increased since the country's independence, primarily due to non-Kazakh emigration, higher ethnic Kazakh birth rates and the return of many ethnic Kazakhs from other countries.

Kazakh is the official language of Kazakhstan and is spoken by approximately half of the population. Russian is spoken by more than three-quarters of the population and is officially recognised for use in state matters and local government. Kazakhstan's adult literacy rate is approximately 99%.

Constitution and Government

Constitution

Since 1991, Kazakhstan has been one of the most politically stable countries in the CIS. The country's current constitution (the "Constitution") was adopted in August 1995 and amended in October 1998 and May 2007. The Constitution provides for a tripartite structure of government with executive, legislative and judicial branches.

Executive Branch

The executive branch of the government is responsible for implementing laws, decrees and international agreements, preparing and implementing the budget, establishing fiscal policy, carrying out social policy and defending the rights and freedoms of citizens.

Under the Constitution, the President is the head of State and Kazakhstan's highest ranking official. The President has the primary responsibility for Kazakhstan's domestic and foreign policy, is commander-in-chief of the armed forces and has the power to issue decrees and resolutions that are binding on the entire State. Only the President can initiate constitutional amendments, call referenda and appoint administrative heads of regions, including the heads of the capital, Astana, and the city of Almaty. In certain circumstances, the President has the power to dissolve Parliament.

The President enjoys other significant powers of appointment and dismissal, including the power to appoint and dismiss the Prime Minister, the Cabinet members and the Governor of Kazakhstan's central bank.

The Constitution, as recently amended, provides that the President is elected to office by popular vote for a term of five years and Mr. Nazarbayev, the current President, may under the Constitution, serve an unlimited number of terms of office. In December 1991, Mr. Nazarbayev, who had been the First Secretary of the Communist Party of Kazakhstan, was elected as the first President of Kazakhstan. A referendum in April 1995 extended the term of his presidency until 2000, and he was re-elected in January 1999 and December 2005. His current term of office is seven years, which expires in 2012.

The Government, which includes the Prime Minister as its executive head, one or more Deputy Prime Ministers and other ministers and officials, is the body that heads the executive branch of government. Members of the Government are appointed by the President, based on the Prime Minister's recommendations, for a term of five years. The Government is automatically dissolved after each presidential election to allow the President to form a new administration. Neither the Prime Minister nor the members of the Government are members of Parliament.

Legislative Branch

Kazakhstan has had four different parliamentary structures since 1991. The current structure includes a bicameral Parliament, which consists of an upper chamber (the "Senate") of 47 Senators and a lower chamber (the "Majilis") of 107 deputies. The President appoints 15 Senators and representative bodies of the regional and municipal authorities appoint the remainder. Nine of the 107 deputies of the Majilis are selected by the People's Assembly of Kazakhstan, a cultural advisory body to the President whose members are selected by the President. The remaining 98 deputies of the Majilis are selected by the President from the party list of the parties that win the election. Senators serve six-year terms and deputies of the Majilis serve five-year terms. Senator elections were last held in 2005 and will next be held in 2008. Elections of the Majilis were last held in August 2007 and will next be held in 2012. All deputies of the current Majilis are members of the National Democratic Party Nur Otan, of which President Nazarbayev is the chairperson. The Organisation for Security and Cooperation in Europe has criticised Kazakhstan's three past elections for falling below international standards because of the President's party's dominance of the political scene and the weakness of the opposition.

Judicial Branch

Judicial authority is vested in the Supreme Court, the Constitutional Council and regional and district level courts. The Supreme Court is the highest judicial body for all civil and criminal matters. The chairperson and the judges of the Supreme Court are elected by the Senate from candidates nominated by the President based on recommendations of the Supreme Judicial Council. The Supreme Judicial Council is comprised of members appointed by the President and includes the chairperson of the Constitutional Council, the Attorney General and the Minister of Justice.

Kazakhstan's Position in the International Community

Kazakhstan has established diplomatic relations with over 120 countries and is a full member of the United Nations, the International Monetary Fund ("IMF"), the World Bank, the United Nations Educational, Scientific and Cultural Organisation, the International Atomic Energy Agency, the European Bank for Reconstruction and Development, the Asian Development Bank, the International Development Association, the Multilateral Investment Guarantee Agency, the International Finance Corporation, the International Organisation of Securities Commissions and the Islamic Development Bank. In addition, Kazakhstan has observer status with the World Trade Organisation. Kazakhstan agreed an economic stabilisation programme with the IMF and has received standby and extended fund facilities from the IMF totalling to 538,300,000 Special Drawing Rights (approximately US\$850,000,000), all of which have been repaid. Kazakhstan is a party to the Partnership and Co-operation Agreement with the EU, which took effect in 1999. In 1994, Kazakhstan joined NATO's Partnership for Peace Programme.

The Kazakhstan Economy

Kazakhstan's economy is highly dependent on the successful development of the oil industry. Kazakhstan's economy is expanding rapidly, posting real GDP growth in 2006 of 10.6% and over 9% for each of the past five years, fuelled by increased global demand for oil and high oil prices. In addition to the fast growing oil sector, other rapidly expanding sectors of the economy include construction, financial services and communications. Since 2002, economic growth in Kazakhstan has led to an increase in spending on imports. High oil prices created a surplus in the current account of the balance of payments and increased foreign exchange reserves, reducing inflationary pressure on the country's economy. In the post-Soviet era, Kazakhstan has received about 80 percent of the total foreign investment in Central Asia. Inflows of foreign direct investment have been in excess of US\$1bn per year since 1995, and have averaged nearly US\$2bn per year over the past ten years, giving it the highest per capita rate of foreign direct investment in the FSU over the period. However, Kazakhstan's economy, and particularly its banking sector, has encountered a period of instability in recent months. Inflation has increased beyond expectations and the credit ratings of a number of major banks in Kazakhstan have been downgraded.

A number of international companies in the resource sector currently operate in Kazakhstan, including ArcelorMittal, Areva, BP and Shell.

The table below sets out Kazakhstan's GDP, real GDP growth and inflation for the years 2002 to 2006.

	2002	2003	2004	2005	2006
GDP (US\$ bn)	24.6	30.8	43.2	57.1	77.2
Real GDP growth (% change)	9.8	9.3	9.4	9.7	10.6
Inflation (consumer price index % change)	6.0	6.5	6.9	7.6	8.6

Source: Economist Intelligence Unit

The country's rapid economic growth has stimulated employment and raised living standards. Unemployment rates in Kazakhstan declined from 8.3% to 7.9% between February 2006 and February 2007 and salaries have increased in recent years.

Mining regulatory regime in Kazakhstan

General

In Kazakhstan, all subsurface reserves belong to the State. Exploration and production rights are granted by the State, which exercises its powers in this regard through the designated government agency, currently the Ministry of Energy and Mineral Resources ("MEMR"). Subsurface use rights are granted for a specific period, but may be extended before the expiration of the contract or licence. Subsurface use rights may be terminated by the State if the counter-party does not satisfy its contractual obligations, which generally includes compliance with long-term and annual work programme commitments, payment of royalties and taxes to the State and the satisfaction of mining, environmental, safety and health requirements.

Between August 1994 and August 1999, both a licence and a separate subsurface use contract were required for exploration and production of the hydrocarbons and mining sectors. Licences were regulated by a relevant government licensing body while contracts were regulated by a separate contracting government agency. In August 1999, the State abolished the two-tier process. Subsurface use rights are now established only by a subsurface use contract and no licence is required. Licences previously issued, however, remain valid. Currently, licences which remain valid and subsurface use contracts are both regulated by MEMR.

Although the State developed a model contract for subsurface use contracts, final contracts are negotiated between the contracting parties.

Kazakh law endeavours to provide a stable investing climate and has traditionally guaranteed the stability of the terms and conditions of subsurface use rights, even if subsequent legislation provides for less favourable terms and conditions. If a contract provides that the terms and conditions cannot be changed without the parties' consent, changes introduced by subsequent legislation are not applicable unless the parties either expressly agree or if new legislation expressly provides for retroactive effect. This protection from the effects of subsequent legislation is not available for certain matters, including those relating to defence, health, protection, environmental safety, national security and, since 1 January 2004, tax. New legislation, which became effective in November 2007, grants the Kazakh government the right to require amendments to, or to unilaterally terminate, subsurface use contracts of strategic importance if it is determined that the operations thereof have a material impact on the economic position of the Republic which creates a significant threat to national security. This law has retroactive effect.

Relevant legislation

There have been three main phases of subsurface use regulation in Kazakhstan:

- the pre-August 1994 regime, from Kazakhstan's independence in 1991 to August 1994;
- the licensing regime from August 1994 to August 1999, which had two sub-phases: (i) August 1994 to January 1996; and (ii) January 1996 to August 1999; and
- the contract regime that began in August 1999.

The Group acquired subsurface use rights during the latest two of these phases. The relevant regulatory regime for each subsurface use right is the legal regime in place at the time when the licences were granted and/or the contracts were executed.

Pre-August 1994 regime

After the collapse of the Soviet Union, matters concerning subsurface use rights were regulated by a subsurface code adopted after Kazakhstan's independence. Licensing was introduced in April 1994 by presidential decree and was implemented by the Licensing Regulations adopted in August 1994.

Licensing regime

Under the licensing regime, a licence from the government, as the licensing body, was the pre-requisite for obtaining subsurface use rights and the basis for negotiation of a subsurface use contract with the relevant contracting government agency. Licences outlined in general terms the licensee's permitted subsurface use operations, including exploration and/or production rights. The subsurface use contract, which was also required for the granting of exploration and production rights, had to be consistent with the provisions of the corresponding licence.

August 1994 to January 1996 ("Licensing Regulations")

Under the Licensing Regulations, both exploration and production licences had to identify the licensee, the purpose of the licensee's subsurface use, a description of the licence area, the term of the licence and a minimum work programme. Other provisions could include subsurface use payments, planned production volumes, production sharing mechanisms, rights to information gained during the course of subsurface use operations, health, safety and environmental

provisions, monitoring procedures, local content requirements, training obligations, provisions for extensions, terms for signing of subsurface use contracts and terms for the use of equipment and infrastructure.

Term of the licence under the Licensing Regulations

The term of an exploration licence was up to five years, with the possibility of two extensions. The term of a production licence was up to 20 years, with the possibility of extensions for an unspecified duration and the term of a combined licence for exploration and production was up to 25 years, plus extensions.

Suspension, termination or revocation of licences

The Licensing Regulations did not provide for specific provisions relating to the suspension or revocation of licences. Any breach of a licensee's provisions triggered a right of suspension or termination exercisable by the relevant governmental authority. However, in practice, this right was only exercised upon a material breach of the licence provisions. Termination was also required if the licence was issued based on false information provided by the licensee, the officials involved had an undisclosed agreement, or if the licensee conducted subsurface use operations not permitted under the licence, failed to make required payments, regularly violated environmental or safety rules, or entered into liquidation or bankruptcy. Finally, the licence was terminated if the licensee failed to commence subsurface operations within the deadlines established by the licence or voluntarily relinquished its subsurface use rights.

January 1996 to August 1999 ("Subsurface Law")

The Subsurface Law of 26 January 1996 established into law the prior two-tier licensing and contract regime of the Licensing Regulations, and specifically recognised the validity of previously issued licences and contracts. The Subsurface Law for the first time introduced by legislation the concept of suspension, that allowed a grace period for a licensee to remedy the breach and avoid complete termination of its subsurface use rights. The corresponding contracts for licences issued prior to the Subsurface Law could also contractually contain suspension provisions. Amendments to the Subsurface Law made on 13 January 2007, repealed the provisions regarding suspension of subsurface use contracts. However these amendments do not impact the provisions of subsurface use contracts signed before 13 January 2007.

Term of the licence under the Subsurface Law

Under the Subsurface Law, licences for exploration activities were granted for a period of up to six years. If the agreed work programme and other obligations were fulfilled the exploration term could generally be extended for up to two 2-year periods.

Licences for production were granted for a period of up to 25 years with no limit on the term of extension. Combined licences were granted for a period that included the exploration and production licence periods, including any extensions for exploration. The term of the licence for exploration or production could be extended if the licensee had applied for an extension at least 12 months prior to its expiration.

Suspension, termination or revocation of licences

MEMR, as the licensing authority, is able to suspend a licence for a period of up to six months if a licensee conducts activities not permitted by the licence, violates the conditions of the licence, carries out activities not in accordance with the work programme stipulated by the contract or systematically or materially breaches applicable environmental protection and safety legislation.

If a licensee fails to rectify the circumstances, its licence can be suspended or revoked. Revocation could also result if the licensee did not conclude a contract within the required timeframe or if production levels are set below the geological potential of the relevant deposit.

The licence terminates upon expiration of the licence term, liquidation of the licensee or revocation of the licence by MEMR. MEMR is also able to terminate the licence if the conditions of the licence

are not fulfilled. Furthermore, if a particular combination of shareholders is required by the licence, a change in the shareholding structure without the consent of MEMR could be grounds to terminate the licence.

Post-August 1999 ("Contract Regime")

As a result of amendments to the legislation on subsurface use in August 1999, the rights to exploration and production are now granted solely on the basis of a contract executed by the subsurface user and the government contracting agency, which is currently MEMR. The amendments to the Subsurface Law specifically provided that all previously issued licences remain valid. Existing licences are governed by the law in effect at the time the licences were issued and may still be extended in accordance with such prior law.

In addition, the amendments to the legislation generally require an open tender for subsurface use rights, but an entity that makes a commercial discovery and seeks related production rights may engage in direct negotiations.

Term of the contract

The term for granting subsurface use under the Contract Regime continues to be 6 years for exploration, with two 2-year extensions, and 25 years for production. The only significant difference is that subsurface use rights may be granted for up to 45 years if the deposit under contract contains significant or unique reserves.

Other subsurface use terms

Rehabilitation

All subsurface users carrying out subsurface use operations are required by law to set up a fund ("Rehabilitation Fund") to rehabilitate land damaged by subsurface use activity. The amount payable into the fund is established within the terms of the subsurface use contract. Subsurface users are generally required to make quarterly or annual payments to the Rehabilitation Fund. For mines related to metal ore production and coal mining, a subsurface user must set aside an amount (usually not exceeding 1% of annual sales revenue) which has been negotiated between the competent authority and the subsurface user.

Assignment, transfer and amendments of subsurface use rights

Assignments, transfers, amendments and pledges of subsurface use rights may only be made with the prior consent of MEMR. Assignments and transfers include assignments of the rights in a subsurface use contract and alienation of shares (interests) in a subsurface use company, including a transfer of shares or rights as contributions to the charter capital of another legal entity, the sale of the property complex, sales of interests during bankruptcy proceedings or upon the privatisation of the subsurface user by the State.

Article 71 of the Subsurface Law, as amended on 1 December 2004 and 14 October 2005, provides the State with a pre-emptive right to acquire subsurface use rights in a subsurface use contract, an interest in a company holding subsurface use rights, as well as in any entity which may directly or indirectly determine or exert influence on decisions made by a subsurface user, if the main activity of such entity is related to subsurface use in Kazakhstan. This pre-emptive right permits the State to purchase any such subsurface use rights or equity interests being offered for transfer on terms no less favourable than those offered by other purchasers. The relevant government authority has the right to terminate a subsurface user contract if a transaction takes place in breach of this law. These provisions apply both to Kazakh and overseas entities. The exact scope of the law is uncertain and there is insufficient precedent to indicate how it may be applied in all situations. For example, it is unclear how this law applies to publicly traded companies.

Relinquishment

Relinquishment obligations of subsurface use rights within the contract area are set out in the contract (and licence where applicable). Usually exploration contracts provide for the

relinquishment of the contract area on an annual basis, based upon certain percentages of the total contract area, but excluding the territory on which a commercial discovery has been made. By the end of the exploration term, all of the contract area must be returned, apart from the territory on which a commercial discovery is made.

Balance reserves

If subsurface use rights are determined by reference to reserves, and the actual reserves prove to be lower than anticipated, the subsurface user is not automatically entitled to an adjustment of the terms and conditions of the subsurface use contract. If the reserves prove to be higher than anticipated, the contract usually provides for an obligation to amend the contract to specify additional obligations on the subsurface user.

Taxation of subsurface use rights

Taxation of subsurface users

Subsurface users operate under special tax provisions set out in the subsurface use contracts. Generally, subsurface use contracts establish procedures for the calculation and payment of the following taxes: excess profit tax; special subsurface use payments (bonuses and royalties for tax royalty contracts); and generally applicable business taxes such as corporate income tax and value-added tax ("VAT"). The Kazakh Tax Code also provides for a special tax regime for production sharing agreements, which historically have only been used for petroleum contracts. Prior to their conclusion, all subsurface use contracts are subject to compulsory tax reviews. The purpose of these reviews is to confirm that the contractual tax regime is consistent with the tax law in force when the contract is signed. The reviews take into account the specific conditions of the subsurface contract.

The following is a description of the substantive provisions of the tax regime that applies to most of ENRC's current contracts and licences (where applicable).

Tax regimes

Since 1995, subsurface contracts for mining deposits have been taxed under a tax royalty regime (also known as the model 1 tax regime). The tax royalty regime envisages the payment by the subsurface user of all generally established taxes and other payments included in the Kazakh Tax Code.

"Ring fencing" provisions

Subsurface users operating under more than one subsurface use contract or licence, or having activities outside of the scope of their subsurface use contracts or licences, are required to maintain separate records of their tax liabilities with respect to each of the tax regimes established in each subsurface use contract as well as for activities outside the scope of any contract. Consolidation of the results of operations between subsurface use contracts or licences (where applicable) is not permitted for subsurface use taxation purposes.

Tax payments of subsurface users

The taxes and other special payments are as follows:

Bonuses

Subscription or signing bonuses are fixed lump sum payments made by subsurface users for the right to use the subsurface in question. Subscription bonuses are determined in subsurface use contracts or licences and are based on the estimated volume of mineral resources and the estimated economic value of the areas covered by the contract. Subscription bonuses are payable within 30 days after the signing of the subsurface use contract.

Commercial discovery bonuses are amounts paid to the government in respect of each commercial discovery of mineral resources in Kazakhstan paid at 0.1% of the assessment base. Commercial

discovery bonuses are based on the value of the recoverable reserves approved by the State Commission on Reserves.

For subsurface use contracts signed between January 1997 and July 1998, the tax regime may also include production bonuses. Production bonuses are lump sum fixed payments which must be paid when the subsurface user reaches certain production levels established in the subsurface use contract.

Royalties

Royalties are calculated and paid separately for each type of mineral resource extracted. Royalties may be paid either in monetary form or in kind. Royalty payments are determined as a percentage of the volume of the extracted resources and may be based on either a flat rate or a sliding scale.

Export duties

All goods, with a few exceptions, are exempt from customs duties when exported from Kazakhstan. Certain restrictions and licensing requirements may apply to the export of goods from Kazakhstan.

Import duties

Most goods imported into Kazakhstan are subject to import customs duties, customs fees for the customs clearance and import VAT.

Other taxes

Subsurface users are also subject to generally applicable taxes and obligatory payments in Kazakhstan such as corporate income tax, VAT, property tax and social tax.

Tax rates

The general corporate income tax rate is 30%.

Dividends and interest payable to resident and non-resident legal entities are also subject to withholding tax at a rate of 15%, except where the rate is modified by a double-taxation treaty.

Excess profits tax

Excess profit tax is assessed after taking a deduction for corporate income tax and is paid separately with respect to each subsurface use contract. For contracts signed between 1 January 1997 and 1 January 2005, the excess profit tax rate is dependent on the internal rate of return. The rate of tax rises progressively from 0% to 30% once the internal rate of return exceeds 20%. For contracts signed after that period, the rate of excess profit tax is determined by the ratio of income to deductions. If this ratio exceeds 20% the rate of tax rises progressively from 10% to 60%.

Part II: Information on ENRC

Overview

ENRC is a leading diversified natural resources group with integrated mining, processing, energy, logistical and marketing operations. The majority of the Group's assets were acquired in the privatisation process undertaken in Kazakhstan in the mid-1990s. The Company is a holding company incorporated in England and Wales and was formed as part of a reorganisation in December 2006 to simplify the ownership structure of the Group's assets and to consolidate them in a single group of companies. The Group's production assets are located in the Republic of Kazakhstan, where it employs approximately 62,000 people. In 2006, the Group accounted for approximately 4% of Kazakhstan's GDP. The Group currently sells its products to customers around the world, including in Russia, China, Japan, Western Europe and the United States. For the year ended 31 December 2006, the Group had revenue of US\$3,256 million (2005: US\$2,950 million) and net profit of US\$686 million (2005: US\$777 million). For the six months ended 30 June 2007, the Group had revenue of US\$1,856 million (US\$1,514 million for the six months ended 30 June 2006 (unaudited)) and net profit of US\$388 million (US\$321 million for the six months ended 30 June 2006 (unaudited)).

The Group has five operating divisions:

The Ferroalloy Division. The Ferroalloy Division produces and sells ferrochrome and other ferroalloys, primarily to steel producers, and sells chrome ore and manganese ore to third-party ferroalloy producers and the chemical industry. The Ferroalloy Division's vertically integrated operations include chrome ore and manganese ore mines, two ferroalloy processing plants and a gas power station. The Ferroalloy Division's chrome ore reserves are believed to be the largest in the CIS (169.3 million tonnes as at 1 July 2007) and are believed to have a higher grade (42.1%) than those of other large-scale producers. Furthermore, according to Heinz H. Pariser estimates, based on 2006 data, the Ferroalloy Division is the world's largest producer of ferrochrome on a chrome content basis and has the lowest cash costs of all ferrochrome producers in the world. In 2006, the Ferroalloy Division produced approximately 3.41 million tonnes of saleable chrome ore, 0.86 million tonnes of manganese ore concentrate and approximately 1.39 million tonnes of ferroalloys, including approximately 0.96 million tonnes of its primary product, high-carbon ferrochrome. For the year ended 31 December 2006, the Ferroalloy Division had total third-party revenue of US\$1,473 million, which represented 45.2% of the Group's combined and consolidated revenue. For the six months ended 30 June 2007, the Ferroalloy Division had total third-party revenue of US\$917 million, which represented 49.4% of the Group's combined and consolidated revenue.

The Iron Ore Division. The Iron Ore Division produces and sells iron ore concentrate and pellets primarily to steel producers. According to CRU estimates, based on 2006 data, the Iron Ore Division operates the largest iron ore mining and processing enterprise in Kazakhstan, is the sixth largest iron ore exporter by volume in the world and is in the lowest third of the industry cost curve for global iron ore pellet production. The Iron Ore Division's operations include iron ore mines, crushing, beneficiation and pelletising plants and a thermal power station. In 2006, the Iron Ore Division mined approximately 38.8 million tonnes of iron ore. This was processed into 16.1 million tonnes of iron ore concentrate, of which 7.0 million tonnes were retained for sale and the balance was used to produce 8.5 million tonnes of iron ore pellets. For the year ended 31 December 2006, the Iron Ore Division had total third-party revenue of US\$829 million, which represented 25.5% of the Group's combined and consolidated revenue. For the six months ended 30 June 2007, the Iron Ore Division had total third-party revenue of US\$457 million, which represented 24.6% of the Group's combined and consolidated revenue.

The Alumina and Aluminium Division. The Alumina and Aluminium Division produces and sells alumina to aluminium producers. According to CRU estimates, based on 2006 data, the Alumina and Aluminium Division is the fifth largest supplier of traded alumina by volume in the world and is in the lowest quartile of the industry cost curve for alumina producers globally. The Alumina and Aluminium Division's vertically integrated operations include two bauxite mining units, a limestone mine, an alumina refinery and a power station. In addition, the Alumina and Aluminium Division is constructing a new aluminium smelter that will allow the division to process its alumina into aluminium. The smelter is expected to be commissioned by 31 December 2007 and achieve full

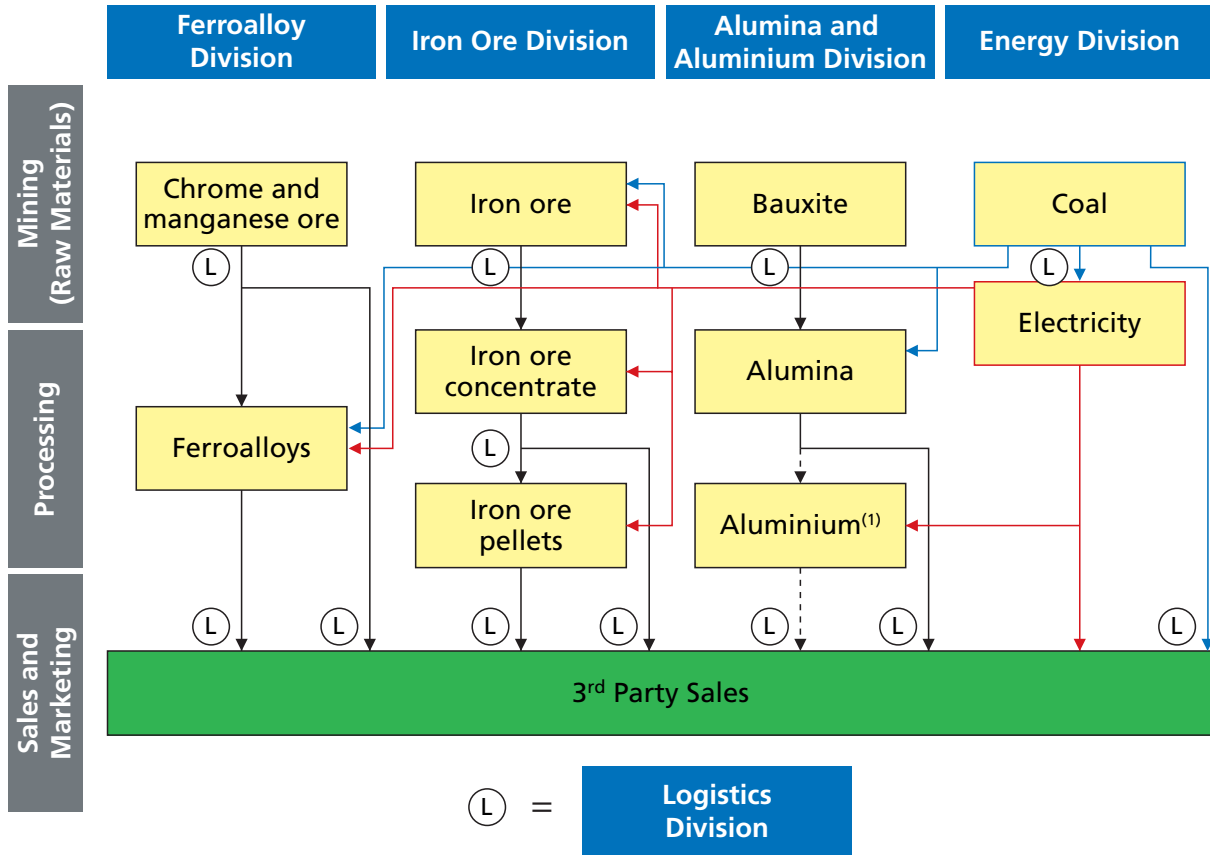
production capacity of 250,000 tonnes per annum by 2011. In 2006, the Alumina and Aluminium Division mined approximately 4.9 million tonnes of bauxite and produced approximately 1.5 million tonnes of alumina. For the year ended 31 December 2006, the Alumina and Aluminium Division had revenue of US\$612 million. US\$602 million of this was derived from third-party sales, representing 18.5% of the Group's combined and consolidated revenue. For the six months ended 30 June 2007, the Alumina and Aluminium Division had revenue of US\$325 million. US\$324 million of this was derived from third-party sales, which represented 17.5% of the Group's combined and consolidated revenue.

The Energy Division. The Energy Division is one of the largest electricity providers in Kazakhstan, accounting for approximately 16% of the country's recorded electricity production in 2006. The Energy Division provides a cost-effective energy supply to the Group's principal operating divisions as well as producing a surplus for sales to third parties in Kazakhstan. For the year ended 31 December 2006, the Energy Division had revenue of US\$263 million, of which US\$154 million was derived from third-party sales, representing 4.7% of the Group's combined and consolidated revenue. For the six months ended 30 June 2007, the Energy Division had revenue of US\$157 million, US\$93 million of which was derived from third-party sales, representing 5.0% of the Group's combined and consolidated revenue.

The Logistics Division. The Logistics Division provides effective transportation and logistics services to the Group's principal operating divisions and to third parties. The Logistics Division's operations include freight forwarding, wagon repair services and railway construction and repair services. The Logistics Division mitigates many of the risks associated with the supply of raw materials and delivery of products to customers by providing the Group with reliable delivery services. In addition, the Logistics Division operates a railway transfer and reloading terminal on the Kazakhstan and China border, facilitating the Group's access to the growing market in China. For the year ended 31 December 2006, the Logistics Division transported over 61.7 million tonnes of goods, of which approximately 87.3% was intra-Group. For the year ended 31 December 2006, the Logistics Division had revenue of US\$277 million, of which US\$198 million was derived from third-party sales, representing 6.1% of the Group's combined and consolidated revenue. For the six months ended 30 June 2007, the Logistics Division had revenue of US\$102 million, US\$65 million of which was derived from third-party sales, which represented 3.5% of the Group's combined and consolidated revenue.

In addition to its principal operating divisions, the Group has a centralised sales and marketing function that coordinates the operating divisions' monitoring of markets, production strategy and external sales. This offers the Group several competitive advantages including the identification and exploitation of market synergies and improved operational efficiencies.

With its internal supply of key raw materials, processing capability, energy sources, logistics services and centralised sales and marketing function, the Group benefits from a fully integrated business model as follows:



(1) Once in service, the aluminium smelter, which is expected to be commissioned by 31 December 2007, will receive alumina from the Alumina and Aluminium Division and electricity from the Energy Division.

Part II: Information on ENRC

The following table sets out selected consolidated financial information for the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007. The information has been extracted without material adjustment from the "Financial information" in Part V. Neither Adjusted EBITDA nor Adjusted EBITDA Margin is a measure of financial performance under IFRS. See "Note 4, Segment information" in Part V for a reconciliation of profit to Adjusted EBITDA for the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007.

US\$ in millions	Ferroalloy Division	Iron Ore Division	Alumina and Aluminium Division	Energy Division	Logistics Division	Group and unallocated items	Intra-Group Eliminations	Total
Segment revenue								
2004	1,287	883	384	211	57	—	(131)	2,691
2005	1,377	857	460	205	195	—	(144)	2,950
2006	1,473	829	612	263	277	—	(198)	3,256
Six months ended								
30 June 2007	917	457	325	157	102	—	(102)	1,856
30 June 2006 (unaudited)	687	402	311	123	83	—	(92)	1,514
Adjusted EBITDA ⁽¹⁾								
2004	669	576	186	66	19	(14)	—	1,502
2005	606	479	182	67	47	(18)	—	1,363
2006	547	323	277	77	54	(22)	—	1,256
Six months ended								
30 June 2007	405	197	132	65	23	(25)	—	797
30 June 2006 (unaudited)	212	151	156	44	26	(14)	—	575
Adjusted EBITDA Margin ⁽²⁾								
2004	52.0%	65.2%	48.4%	31.3%	33.3%	—	—	55.8%
2005	44.0%	55.9%	39.6%	32.7%	24.1%	—	—	46.2%
2006	37.1%	39.0%	45.3%	29.3%	19.5%	—	—	38.6%
Six months ended								
30 June 2007	44.2%	43.1%	40.6%	41.4%	22.5%	—	—	42.9%
30 June 2006 (unaudited)	30.9%	37.6%	50.2%	35.8%	31.3%	—	—	38.0%

(1) Adjusted EBITDA represents profit before finance income, finance costs, income tax expense and depreciation and amortisation (including negative goodwill), as further adjusted to add back exceptional items. Exceptional items (costs incurred in relation to the initial public offering) amounted to US\$6 million for 2006 and US\$20 million for the six months ended 30 June 2007.

(2) Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of revenue.

Key strengths

The Directors believe that the key strengths of the Group are as follows:

Its diversified operations and reserves enable it to sell a wide range of commodity products, reducing its vulnerability to the price volatility of individual commodities.

The Group sells a diversified portfolio of commodity products, including ferrochrome, other ferroalloys, chrome ore, manganese ore, iron ore concentrate and pellets, alumina, coal and electricity and, therefore, does not rely on a single commodity or product. The Group's diversification reduces its vulnerability to the price volatility of individual commodities and its reliance on individual customers, regions or operating entities.

It has substantial high quality assets and low costs of production.

According to Heinz H. Pariser estimates, based on 2006 data, the Group is the world's largest producer of ferrochrome based on chrome content. Further, according to CRU estimates, based on 2006 data, the Group is the world's sixth largest iron ore exporter by volume and the world's fifth largest supplier of traded alumina by volume. The Group also believes that it benefits from higher quality chrome ore reserves than those of other large-scale producers, which allow the Group to produce a broader range of ferrochrome products than its competitors. Its integrated mining and processing operations combine mines with long reserve lives and large, well established production

facilities. With the Group's operations also benefiting from Kazakhstan's competitive labour and power costs, it has low cash costs of production. ENRC's cash costs of production for the year ended 31 December 2006 are the lowest in the world for ferrochrome (on a chrome content basis), in the lowest quartile for alumina (on a metric tonne basis) and in the lowest third for iron ore pellets (on a metric tonne basis).

The Group is geographically well positioned to benefit from attractive growth markets, including China.

The Group's locations give it excellent access to the neighbouring high growth markets of China and Russia. The Ferroalloy Division's primary operating facilities, in Aktobe in North-western Kazakhstan and Aksu in North-eastern Kazakhstan, are close to the border of Russia and, through the Company's rail transfer station located on the Kazakhstan–China border, provide relatively easy access to China. The operations of the Iron Ore Division and Alumina and Aluminium Division are located close to the Group's key customers for iron ore and alumina, MMK and UC RUSAL, respectively. ENRC's proximity to current and prospective customers in these regions provides a significant competitive advantage in terms of customer service and transport costs. In addition, ENRC's excellent strategic location leaves it well positioned to take advantage of opportunities to acquire complementary businesses within the region.

It has vertically integrated operations from mine-to-market that ensure it has control over the supply of its raw materials and access to other required services.

With its internal supply of raw materials, processing capabilities, energy sources, logistics support and centralised sales and marketing function, the Group is fully integrated. The key raw materials used in the Group's primary products are sourced from the Group's mines. The Group's operations are believed to include some of the largest and most diversified production facilities in the world, which add significant value to the Group's reserves and raw materials. Through its Energy and Logistics Divisions the Group has secure access to low cost energy and reliable transport services. In addition, the Group's highly skilled and internationally experienced sales and marketing function coordinates all of the Group's external sales, facilitating operational efficiencies throughout the Group.

It has a proven track record of successfully implementing and managing a continuing programme of significant capital investment.

The Group has extensive experience in implementing and managing its significant ongoing capital investment programme to expand its operations, modernise and renew its equipment and increase its capacity. For example, through its considerable capital expenditure programme, the Iron Ore Division's production has almost doubled between 1996 and 2006. In the three years ended 31 December 2006, the Group invested US\$1,293 million in capital additions. The most significant recent capital investment is the construction of the aluminium smelter in Pavlodar. Completion of the first phase of the construction of the smelter occurred in September 2007, ahead of schedule and in line with the Company's budget. The total construction cost of the smelter is estimated to be approximately US\$869 million.

Its experienced management team has a proven track record of generating growth.

The Group benefits from the significant experience of its senior and operational management teams. With an average of 21 years of metals and mining experience, the Group's senior management has a compelling track record of generating growth, both organically and through strategic acquisitions. Members of the Group's management also have a detailed knowledge of the business and political environment in Kazakhstan.

Strategy

The Group's strategy is to achieve growth as a leading natural resources group and to enhance overall value for its shareholders. The key elements of this strategy are as follows:

Maintain and improve upon the Group's low cost operations through a continued focus on improved efficiency, cost control, economies of scale and investment in new technologies.

The Group intends to pursue investments that it believes will produce significant cost savings and increase productivity. The Group's new initiatives include the installation of a second chrome pelletiser, the switch to sandy alumina production, the refurbishment of the Energy Division's turbine generator units and an upgrade to the Logistics Division's transport facilities.

Continue expansion and development of the Group's existing reserves and capacity.

The Group has extensive chrome ore, iron ore, bauxite and coal reserves. The Directors believe that the value of the Group's reserves can be maximised through expansion of its current operations. The Group has identified specific opportunities to further exploit its reserves through investment in existing facilities and construction of new facilities. The Group is implementing a short- to medium-term investment programme of approximately US\$2.8 billion through which it intends, among other things, to invest approximately US\$240 million in the Ferroalloy Division's Aksu ferroalloy plant to install an additional 700 kilotonne per annum chrome pelletiser and construct new furnaces to produce an additional 200,000 tonnes of high carbon ferrochrome per annum from 2011; approximately US\$800 million to US\$900 million to increase the Iron Ore Division's pellet plant capacity and install a 1.8 million tonne per annum DRI plant; and approximately US\$240 million to expand the Alumina and Aluminium Division's alumina production capacity by up to 300,000 tonnes per annum and convert to sandy alumina production.

Expand the Group's asset portfolio and footprint in the region's natural resources sector.

The Group holds a leading position in Kazakhstan's natural resources sector and intends to focus its asset development in Kazakhstan and the surrounding regions, which are generally rich in minerals. On 4 December 2007, the Company entered into a conditional agreement to acquire (directly or indirectly) a controlling interest in the Serov Group and certain related entities, which own a chrome ore mining facility and ferrochrome smelter in eastern Russia. ENRC believes that significant further opportunities to obtain mineral resources and production operations exist in several countries in its region. The Directors believe that the Group has a competitive advantage in the region and can capitalise on its relationships and management capability to secure future growth opportunities.

Add value and increase customer diversity by expanding the Group's production portfolio.

The Group intends to broaden its customer base through the production and sale of additional downstream products. Anticipated projects include the ongoing construction of a smelter to produce aluminium and the planned construction of the Iron Ore Division's DRI plant.

Commit to high standards of corporate responsibility.

The Group strives to act as a good corporate citizen and maintain the social contract with its employees and the communities in which it operates. In addition, the health and safety of the Group's employees and the maintenance of high environmental performance standards are significant priorities. The Group intends to pursue appropriate investment opportunities to supplement and improve the Group's environmental, health and safety programs. The Group's anticipated projects include the Ferroalloy Division's investment of approximately US\$21 million in environmental improvement programmes.

Group history and background

The majority of the Group's assets were acquired through the participation of the Founders (i.e., Messrs. Patokh Chodiev, Alijan Ibragimov and Alexander Machkevitch) in the privatisation

process in Kazakhstan between 1994 and 1996. The Company is a holding company incorporated in England and Wales and was formed as part of a reorganisation in December 2006 to simplify the ownership structure of the Group's assets and to consolidate them in a single group of companies.

The Ferroalloy Division was established in 1995 when Kazchrome was formed as a joint stock company in accordance with a decree of the Government of Kazakhstan and was acquired by the Founders. Its mining operations initially comprised Kazchrome's Donskoy GOK (the "Donskoy Unit") and Kazchrome's Kazmarganets GOK (the "Kazmarganets Unit"). In 2004, to add to its manganese mining operations, the Group acquired Zhairesmsky GOK (the "Zhairesms Unit"). The Ferroalloy Division also includes the Aktobe and Aksu ferroalloy plants and the Akturbo gas power station.

The Iron Ore Division was established in 1996 through the acquisition by the Founders of SSGPO and includes primary mining operations that produce iron ore, ancillary mining operations that produce limestone, dolomite and bentonite-clay, an iron ore processing plant and a power plant.

The Alumina and Aluminium Division was established in 1996 through the merger of several mining and energy-producing enterprises and an alumina refinery. The Alumina and Aluminium Division's assets include two bauxite mining units, a limestone mine, an alumina refinery and a power station. In 2004, the Group began construction of a new aluminium smelter that is scheduled to be commissioned by 31 December 2007 with an initial annual capacity of 62,500 tonnes per annum.

The Energy Division was established in 1996 through the acquisitions of the EEC power station, and the division's open pit coal mine and maintenance business.

The Logistics Division was first established in 1999. The principal businesses of the Logistics Division are a freight forwarding company, a railway operating company and railway construction and repair businesses.

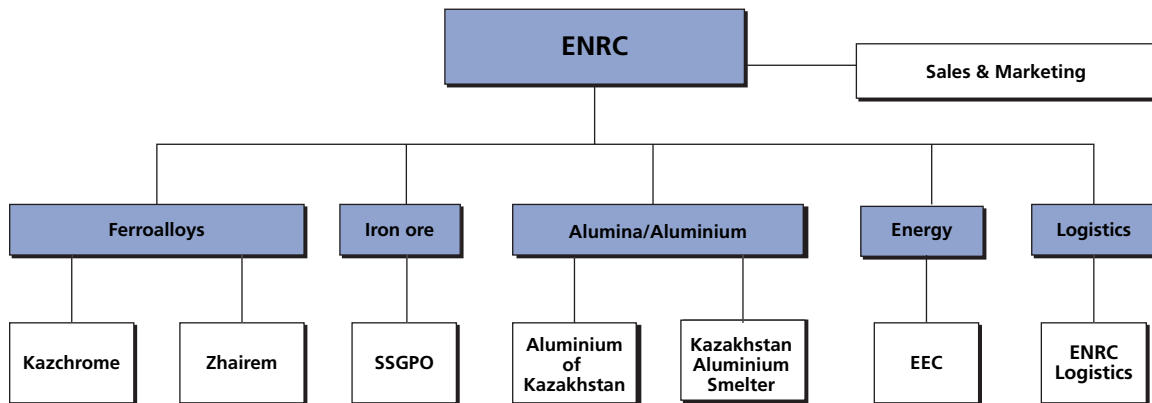
Although the Group's principal assets were acquired by the Founders in the mid-1990s, they did not comprise a single group of companies until December 2006, when the Reorganisation described in paragraph 3 of Part XIII was implemented and the Company was incorporated. Prior to this Reorganisation, the operating units currently comprising the Group were operated as standalone entities, some of which had securities listed on KASE, with their own management structures and minority shareholders (including the Kazakh government who held an interest directly in each of the principal operating subsidiaries). These operating entities were ultimately controlled by the Founders, and were informally managed on a collective basis with a number of other non-Group businesses owned or controlled by the Founders. Prior to the Reorganisation, the operations now comprising the Group focused on developing the businesses within Kazakhstan and the International Mineral Resources B.V. and its subsidiaries (the "IMR Group") focused on acquiring and operating natural resources businesses outside of Kazakhstan.

As a result of the Reorganisation, which concluded in December 2006, the Company became the holding company of the Group and the ownership structure was simplified, *inter alia*, so that the interests held by the Kazakh government in the Group's operating subsidiaries were exchanged for a shareholding in the Company. Following the Reorganisation, a number of executives, including Dr. Johannes Sittard and Mr. Jim Cochrane, who had previously worked for both the IMR Group and Group entities, ceased to have an executive function with the IMR Group.

Following the Reorganisation, in addition to continuing to grow and develop its Kazakh operations, the Group decided to pursue a strategy of regional expansion and on 4 December 2007, entered into a conditional agreement to acquire the IMR Group's interest in the Serov Group (a ferrochrome producer in eastern Russia) and certain related entities.

The Founders have agreed, under the relationship agreements described in Part IX, to offer the Group a right of first refusal in respect of any new business opportunities that they (or entities controlled by them, including the IMR Group), have within the natural resources sector (other than oil, gas and water) in Kazakhstan, Russia, China, Mongolia, Uzbekistan, Turkmenistan, Kyrgyzstan and/or Tajikistan.

An overview of the current Group structure and its key operating subsidiaries is as follows:



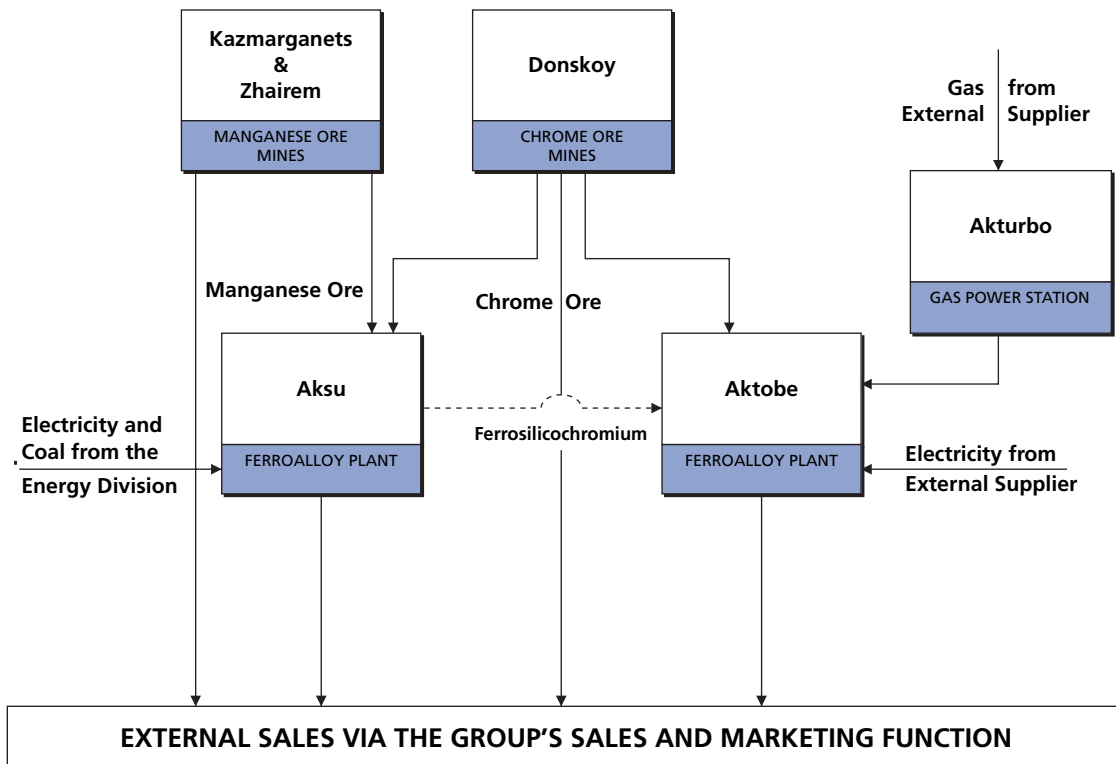
Description of the Group's operations

The Ferroalloy Division

Overview

The Group's Ferroalloy Division produces and sells high-carbon ferrochrome (including speciality grades such as low-phosphorus ferrochrome), medium- and low-carbon ferrochrome and other alloys including ferrosilicochrome, ferrosilicomanganese and ferrosilicon, as well as chrome and manganese concentrate. The Ferroalloy Division is vertically integrated: it owns and operates chrome ore mines in northwest Kazakhstan and manganese ore mines in central Kazakhstan and processes ore from its mines into ferroalloys at its Aksu and Aktobe Plants. The Logistics Division transports a significant portion of the chrome ore and manganese ore to the Ferroalloy Division's two ferroalloy plants. A significant portion of the energy used by the Aksu and Aktobe Plants is supplied by intra-Group sources. The Ferroalloy Division sells its ferroalloys primarily to steel producers and sells the remaining chrome and manganese ore to third-party ferroalloy producers and the chemical industry.

The following diagram illustrates the vertical integration between the mining and production units that comprise the Ferroalloy Division, and the Ferroalloy Division’s integration with the remainder of the Group:



The following table sets out selected financial information for the Ferroalloy Division for the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007. The information has been extracted without material adjustment from the “Financial information” in Part V. Neither Adjusted EBITDA nor Adjusted EBITDA Margin is a measure of financial performance under IFRS. See “Note 4, Segment information” in Part V for a reconciliation of profit to Adjusted EBITDA for the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007.

	Year ended 31 December						Six months ended 30 June	
	2004		2005		2006		2007	
US\$ in millions		% of Total Group		% of Total Group		% of Total Group		% of Total Group
Revenue	1,287	47.8%	1,377	46.7%	1,473	45.2%	917	49.4%
Adjusted EBITDA	669	44.5%	606	44.5%	547	43.6%	405	50.8%
Adjusted EBITDA Margin	52.0%		44.0%		37.1%		44.2%	

The Ferroalloy Division has several strategic advantages over its major competitors. First, Kazakhstan’s geographic location provides the Group with access to the rapidly growing Russian and Chinese markets at relatively low transportation costs. Second, according to Heinz H. Pariser estimates, based on 2006 data the Ferroalloy Division is the largest producer of ferrochrome on a chrome content basis, in the world. Third, as described below in “ENRC’s Competitive Position”, the Group is located at the bottom of the ferrochrome cost curve on a chrome content basis, well below the industry average. This cost advantage is driven, in part, by the relatively low cost of electricity consumed by the Group’s ferroalloy plants, which results from the generation of a significant proportion of that electricity from within the Group and the relatively low cost of procuring energy in Kazakhstan.

The Group’s high quality chrome ore reserves are believed to have a higher percentage chrome content than those of other large-scale producers. The higher chrome content renders Kazakh

ferrochrome more attractive to stainless steel producers that want to limit waste products and carbon content. Finally, the Group can manufacture a wide range of products and reach diverse customers because of its ability to produce both high-, medium- and low-carbon ferrochrome and speciality grades of ferrochrome, such as low-phosphorus.

The following table sets out the production volumes for each of the Ferroalloy Division's principal saleable products for the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007. The information set out below (other than the footnote) has been extracted and summarised without material adjustment from the "MER" in Annex A.

Product (in kilotonnes)	Year ended 31 December			Six months ended
	2004	2005	2006	30 June 2007
Chrome ore ⁽¹⁾	3,320	3,580	3,410	1,887
Manganese ore	825	731	862	442
Ferroalloys:				
High-carbon ferrochrome	887	956	963	540
Medium- and low-carbon ferrochrome	73	72	77	34
Ferrosilicochrome	91	85	103	63
Ferrosilicomanganese	137	155	203	77
Ferrosilicon	62	62	51	17
Total Ferroalloy	1,249	1,330	1,398	730

(1) A proportion of the Ferroalloy Division's chrome ore is consumed in the production of the division's ferroalloys. For the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, this proportion was 64.5%, 63.3%, 66.8% and 70.3% respectively.

Industry Overview

Ferrochrome and chrome ore are the two principal products in the markets in which the Ferroalloy Division operates.

Ferrochrome

Background

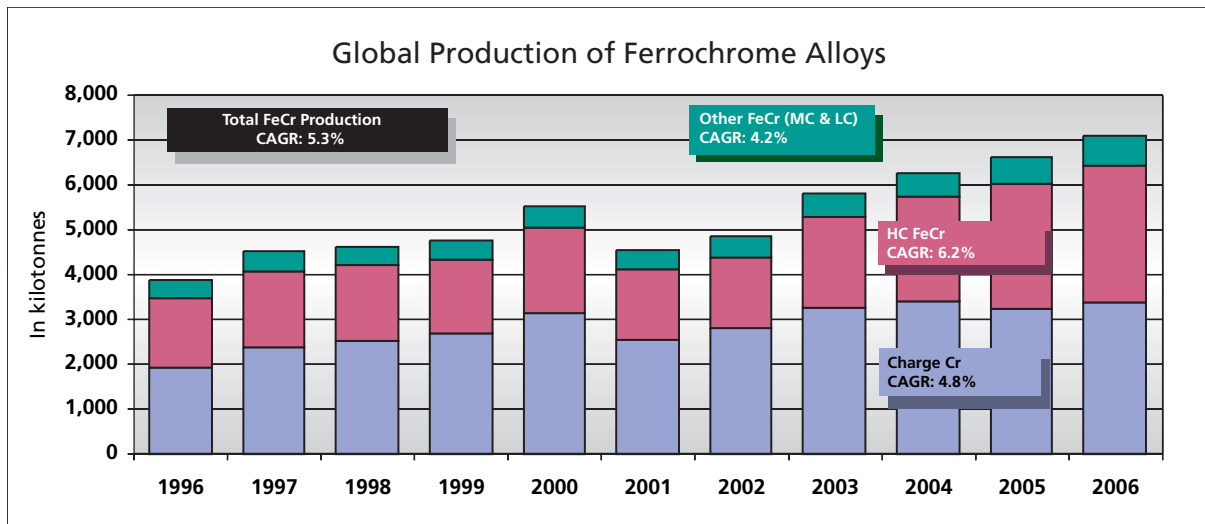
Ferrochrome production accounts for approximately 85% of the demand for chrome ore. Ferrochrome is used in the production of various types of corrosion-resistant steel because it protects the metal surface from oxidation, thereby creating corrosion resistance. Of the total volume of chrome used in steel production in 2006, approximately 67% was used in the production of stainless steel, approximately 27% was used in the production of alloy steel and approximately 5% was used in the production of other corrosion-resistant steels.

Significant uses of stainless steel include products in the construction, transport and engineering industries, consumer goods such as kitchenware and white goods, and industrial applications in piping and storage in highly corrosive environments. Low- and medium-carbon ferrochromes are used to produce stainless steel as well as alloy steels, which include high speed applications. The production of certain alloy steels and high-performance engineering alloys requires ferrochrome with a limited carbon content, as excess carbon can be difficult or costly to remove in the steel making process. Removing carbon from ferrochrome adds to production costs. As a result, low- and medium-carbon ferrochrome is more expensive to produce, but commands a premium compared to ferrochrome with a higher carbon content.

Supply and Demand

A majority of the Ferroalloy Division's revenue is derived from ferrochrome sales. Global production of ferrochrome exceeded 7.0 million tonnes in 2006. Most ferrochrome is produced in South Africa (45.3% of 2006 global production) and Kazakhstan (13.6% of 2006 production). Kazakh high-carbon ferrochrome typically has a chrome content of approximately 68%, while South African "charge chrome" typically has a chrome content of approximately 50%, and relatively higher silicon and iron contents. While the relative prices of Kazakh high-carbon ferrochrome and

charge chrome are subject to fluctuation, over the last seven years, Kazakh high-carbon ferrochrome has consistently commanded a premium when compared to charge chrome. The following chart shows global production volumes of ferrochrome alloys, including high-carbon ferrochrome, charge chrome and medium- and low-carbon ferrochrome from 1996 to 2006.

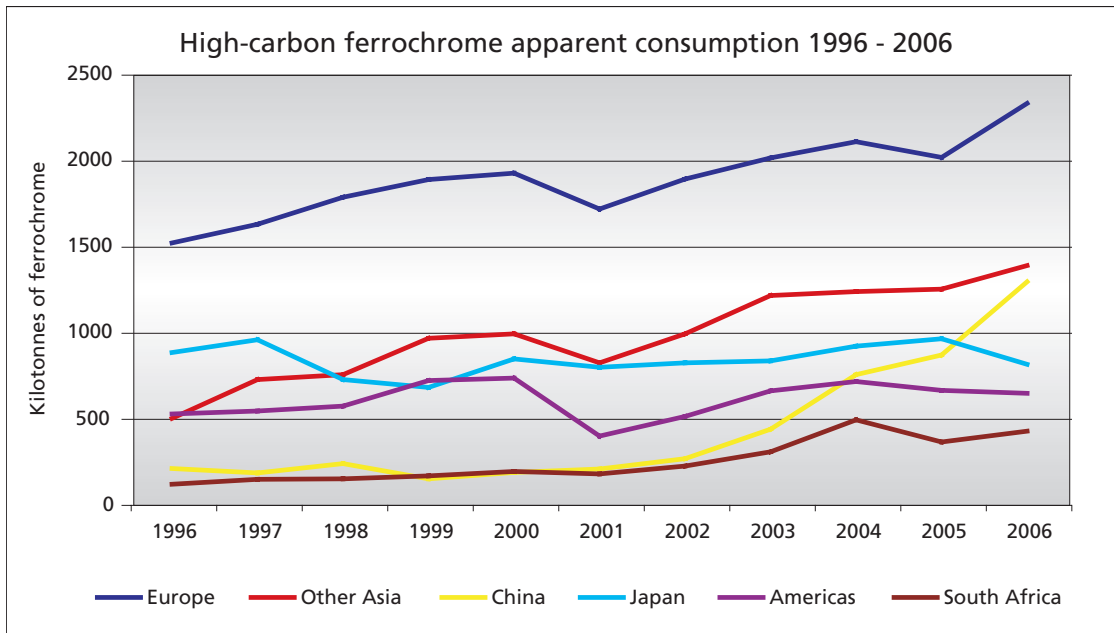


Source: Heinz H. Pariser

The supply of ferrochrome is relatively concentrated, with the top three producers accounting for approximately 50% of estimated global ferrochrome production capacity in 2007.

Ferrochrome consumption is largely determined by stainless steel production. Typically, the demand for stainless steel follows overall economic growth. Total global ferrochrome production grew at a compound annual growth rate of 5.3% between 1996 and 2006. Within this period, the growth rate of global stainless steel production fluctuated, at times significantly. In 2006, the demand for ferrochrome grew significantly, increasing by 12.6% from 2005. The rapid growth in stainless steel production in China and, to a lesser extent, India has driven the recent increase in demand for ferrochrome. Stainless steel production in China rose at a compound annual growth rate of 38.4% from 1996 to 2006.

The following chart summarises Heinz H. Pariser’s estimate of apparent consumption of high-carbon ferrochrome by region from 1996 to 2006. Apparent consumption is defined as the sum of production and net imports.

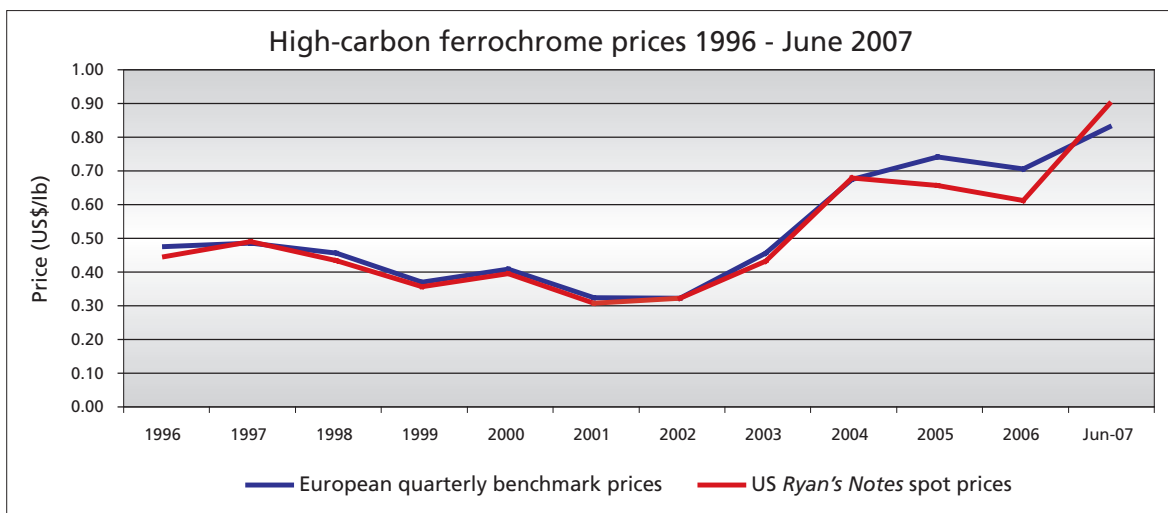


Source: Heinz H. Pariser

Heinz H. Pariser anticipates that growth in global stainless steel production and demand for high-carbon ferrochrome are likely to average approximately 5.1% and 4.1% per year, respectively, between 2007 and 2016. As a result of an anticipated rising demand for ferrochrome, Heinz H. Pariser estimates that ferrochrome producers will operate near full capacity over the next several years, and anticipates that global ferrochrome capacity utilisation will be between 90.5% and 91.9% between the years of 2007 and 2010.

Pricing

The ferrochrome markets in Europe are predominantly negotiated markets, with prices agreed on a quarterly basis and generally under long-term contracts of one to five years. In the United States, prices tend to follow those published in either of the two major industry journals, *Ryan’s Notes* and *Metals Week*. The following chart sets out the European quarterly benchmark prices and US *Ryan’s Notes* prices of ferrochrome from 1996 to 2006 and for the six months ended 30 June 2007.



Source: Heinz H. Pariser

Chrome ore

Chrome ore has four main uses: the production of ferrochrome, foundry sand, refractories and chrome chemicals. The majority of chrome ore is consumed by integrated producers who use the chrome ore internally in the production of ferrochrome. Third-party demand for chrome ore is primarily driven by non-integrated producers of ferrochrome, including those located in Russia and China.

According to Heinz H. Pariser, Southern Africa dominates chrome ore output, and India and Kazakhstan currently rank second and third, respectively, but India’s high-grade chrome ore reserves are limited, with an estimated life of less than twenty years at current production levels. The chrome ore available in Southern Africa has a lower chrome content than the chrome ore available in Kazakhstan, which is believed to have the highest chrome content in the world. Kazakh chrome ore also is naturally low in phosphorus and other elements, which facilitates production of speciality grades of ferrochrome.

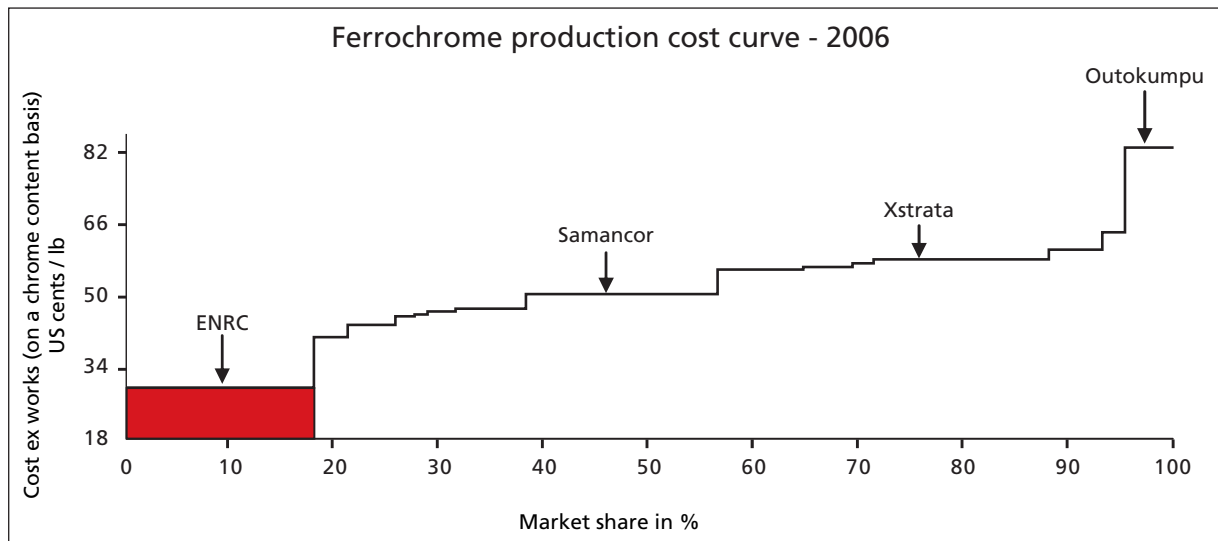
As ferrochrome production accounts for approximately 85% of the chrome ore consumed, global demand for chrome ore is linked to global demand for ferrochrome. Due to the significant increases in Chinese stainless steel production that caused global demand for ferrochrome to increase as discussed above, according to Heinz H. Pariser estimates, Kazakh chrome ore production grew at a compound annual rate of 9.8% between 1996 and 2006.

According to Heinz H. Pariser, the future supply-demand balance of chrome ore will depend on two key factors. First, India may reduce chrome ore exports to secure supply for its domestic ferrochrome producers. To this end, India, which historically has been the largest chrome ore supplier to China, recently imposed an export tax on chrome ore. Second, the amount of future South African chrome ore exports currently is uncertain. South Africa has cut back exports due to increased internal consumption, and lobbyists continue to urge the government to promote the reduction of exports in furtherance of domestic production of ferrochrome and the creation of jobs.

Chrome ore prices generally correlate to the price of ferrochrome.

ENRC’s Competitive Position

Accounting for approximately 15.6% of global production in 2006, the Ferroalloy Division was the largest ferrochrome producer in the world in 2006 on the basis of chrome content according to Heinz H. Pariser estimates. Xstrata Plc was the world’s second largest ferrochrome producer on the basis of chrome content in 2006. Other major competitors of the division include Samancor Chrome, Hernic Ferrochrome (Pty) Ltd. and Chelyabinsk Electrometallurgical Kombinat (ChEMK). In China, the Ferroalloy Division also competes with a number of smaller, non-integrated domestic producers. The following cost curve, prepared by Heinz H. Pariser, sets out cash costs by ferrochrome producer for 2006.



Source: Heinz H. Pariser

Operations and Reserves

The Ferroalloy Division's principal operating units are the Donskoy Unit, which mines chrome ore; the Kazmarganets Unit and Zhairam Unit, which mine manganese ore; and the Aksu and Aktobe Plants, which process the chrome and manganese ore into ferroalloy products that are sold to third parties.

Donskoy Unit Operations

The Donskoy Unit extracts chrome ore from two underground mines and two open pit mines in northwest Kazakhstan. The Donskoy Unit processes the ore into chrome concentrate, pellets and briquettes, which it supplies to the Aksu and Aktobe Plants for use in the production of ferroalloys, or which it sells to third-party ferrochrome producers and the chemical industry. For the year ended 31 December 2006, the Donskoy Unit mined 4.4 million tonnes of chrome ore, which was processed with an additional 1.5 million tonnes of stockpiled chrome ore into 3.41 million tonnes of saleable chrome ore, approximately 30% of which it sold to third parties.

According to Heinz H. Pariser, the Donskoy Unit's operations represent the single largest chrome ore operations in the world.

Based on SRK's ore estimates at 1 July 2007, mining is scheduled to continue for up to 42 years, with approximately 169 million tonnes of ore to be mined. Further information on the Ferroalloy Division's reserves and resources is set out in the "MER" in Annex A.

The Donskoy Unit uses block caving to extract chrome ore from its underground mines and the truck and shovel method to extract chrome ore from its open pit mines. Block caving involves undercutting large sections of ore and allowing the undercut ore to collapse under its own weight into chutes or drawpoints. Once the chrome ore is extracted from the underground and open pit mines, it is separated into low-grade ore and high-grade ore. Some high-grade ore is sold directly to customers. The remaining high-grade and low-grade ore is transported to two crushing and processing plants that process the ore into saleable chrome ore concentrate, pellets and briquettes. The Donskoy Unit's pelletiser, designed and supplied by Outokumpu in 2005, has a capacity of 700 kilotonnes per annum.

The saleable chrome ore concentrate, pellets and briquettes, as well as the extracted high-grade saleable chrome ore, are transported to two rail terminals and then transported by the Logistics Division for delivery either to the Aksu or Aktobe Plant for use in the production of ferrochrome or to third-party purchasers. Further information about the Donskoy Unit's reserves, resources and operations is set out in the "MER" in Annex A.

Donskoy Unit Reserves and Resources

The table below sets out a summary of the ore reserves and mineral resources of the Donskoy Unit's two underground mines and two open pit mines as at 1 July 2007. The reserves and resources

figures have been extracted and summarised without material adjustment from the “MER” in Annex A.

	Reserves ⁽¹⁾		Resources ^{(1),(2)}			
	Proved and Probable in millions of tonnes (dry)	Chromium Oxide (Cr ₂ O ₃) grade %	Measured and Indicated in millions of tonnes (dry)	Chromium Oxide (Cr ₂ O ₃) grade %	Inferred in millions of tonnes (dry)	Chromium Oxide (Cr ₂ O ₃) grade %
Chrome ore						
Underground						
10th Anniversary Mine	117.3	44.0	228.4	50.5	48.8	48.4
Molodezhnaya	28.2	41.6	29.7	50.9	3.7	51.0
Open Pit						
Poiskovoye	0.9	39.7	0.7	48.2	—	—
Yuzhny	3.3	41.7	2.9	48.8	—	—
Surface Sources						
Stockpiles	11.0	33.1	11.0	33.1	—	—
Tailings	8.6	29.6	8.6	29.6	—	—
Total	169.3	42.1	281.3	49.2	52.5	48.6

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

Donskoy Unit Subsurface Contract

The Donskoy Unit has one material subsurface contract with the Republic of Kazakhstan that covers subsurface use at four mines (10th Anniversary Mine, Molodezhnaya, Poiskovoye and Yuzhny). The subsurface use contract commenced on 3 March 1997 and expires on 21 March 2041.

Kazmarganets Unit and Zhairem Unit Operations

The Kazmarganets and Zhairem Units extract manganese ore from four open pit mines, and process the ore into manganese concentrate and ferromanganese concentrate, which they supply to the Aksu Plant for use in the production of ferroalloys or sell to third-party purchasers. For the year ended 31 December 2006, the Kazmarganets and Zhairem Units produced an aggregate of approximately 860,000 tonnes of manganese ore concentrate, approximately 50% of which they sold to third parties.

The Kazmarganets and Zhairem Units' manganese ore reserves are located in four open pit mines, which have estimated aggregate reserves of 24.4 million tonnes of manganese ore as at 1 July 2007. SRK estimates that the Kazmarganets and Zhairem Units' reserves are sufficient to maintain the mining operations for 12 and 16 years respectively. Further information on the Kazmarganets and Zhairem Units' reserves and resources is set out below in “Kazmarganets Unit and Zhairem Unit Reserves and Resources” and in the “MER” in Annex A.

The Kazmarganets and Zhairem Units use trucks and shovels to extract manganese ore from the open pit mines. Once the manganese ore is extracted, it is processed into manganese ore concentrate. Low-grade manganese ore concentrate is further processed at one of the Ferroalloy Division's washing and processing enrichment plants. After processing, all of the Kazmarganets manganese ore concentrate, as well as the unprocessed high-grade ore, is transported by the Logistics Division to its rail terminal for delivery to the Aksu Plant for use in the production of ferrosilicomanganese. Further information about the operations of the Kazmarganets and Zhairem Units is set out below in “Kazmarganets Unit and Zhairem Unit Reserves” and in the “MER” in Annex A.

Kazmarganets Unit and Zhairem Unit Reserves and Resources

The table below sets out the ore reserves and mineral resources of the Ferroalloy Division's manganese ore deposits as at 1 July 2007. The reserves and resources figures have been extracted

and summarised without material adjustment from the “MER” in Annex A, except for the totals shown below, which have been calculated by the Company.

	Reserves ⁽¹⁾			Resources ⁽¹⁾⁽²⁾					
	Proved and Probable in millions of tonnes (dry)	Manganese grade %	Iron grade %	Measured and Indicated in millions of tonnes (dry)	Manganese grade %	Iron grade %	Inferred in millions of tonnes (dry)	Manganese grade %	Iron grade %
Manganese ore									
Underground									
Zhairem Unit									
Ushkatyn III	—	—	—	—	—	—	50.9	21.6	7.2
Open Pit									
Kazmarganets Unit									
Vostochny Kamys	1.7	18.6	4.3	1.7	19.4	4.5	1.2	19.3	3.0
Tur	6.7	22.3	8.6	6.7	24.8	7.8	2.8	15.3	14.6
Zhairem Unit									
Ushkatyn I ⁽³⁾	—	—	—	18.7	11.7	30.6	0.4	12.2	35.2
Ushkatyn III	14.7	17.5	2.8	15.6	21.1	2.8	—	—	—
Perstnevsky	—	—	—	—	—	—	0.8	21.0	10.2
Zhomart	1.2	23.2	8.8	1.2	25.0	10.2	—	—	—
Zapadny Zhomart	—	—	—	3.6	19.1	13.3	1.3	23.9	13.7
Surface Sources									
Zhairem Unit									
Ushkatyn III/Stock									
No. 1	0.2	12.6	4.8	0.2	12.6	4.8	—	—	—
Total	24.5	19.2	4.7	47.7	17.8	15.4	57.4	21.1	7.8

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

(3) Mineral Resources from Ushkatyn I are iron manganese resources.

Kazmarganets Unit and Zhairem Unit Subsurface Contracts

The Kazmarganets and Zhairem Units have nine material contracts with the Republic of Kazakhstan that cover subsurface use. The following table sets forth the commencement and expiry dates of these subsurface contracts.

Subsurface use contracts			
Mine(s)	Operating Entity	Commencement Date	Expiry Date
Tur	Kazmarganets	24 November 1999	7 October 2021
Vostochny Kamys	Kazmarganets	15 January 1998	28 June 2018
Zhumanai	Zhairem	12 November 2001	12 November 2004 ⁽⁵⁾
Ushkatyn-III	Zhairem	7 June 1995	7 June 2015
Zapadny Zhomart	Zhairem	14 May 2001	14 May 2009 ⁽¹⁾
Ushkatyn-I	Zhairem	25 December 2001	25 December 2026 ⁽²⁾
Perstnevskiy	Zhairem	28 March 2001	28 March 2007 ⁽³⁾
Zhairem	Zhairem	7 June 1995	7 June 2015 ⁽⁶⁾
Zhomart	Zhairem	7 June 2001	7 June 2013 ⁽⁴⁾

(1) This contract was initially for a total combined exploration and production term of six years from 14 May 2001, which included a three-year period for exploration and a three-year period for production. The exploration term of this contract was extended by two years until 14 May 2006 and as such the term of the entire contract was extended until 14 May 2009. The Group has further applied for the exploration term of this contract to be extended until 31 May 2008. If the extension is granted, the whole term of the contract will expire on 31 May 2011.

(2) This contract was initially for a total combined exploration and production term of 23 years from 25 December 2001, which included a three-year period for exploration and a 20-year period for production. The exploration term of this contract was extended by two years until 25 December 2006 and as such the term of the entire contract was extended until 25 December 2026. The Group has further applied for the exploration term of this contract to be extended until 30 March 2008. If the extension is granted, the whole term of the contract will expire on 30 March 2028.

(3) This contract was initially for an exploration only term of three years from 28 March 2001. The contract has been extended twice until 28 March 2007 and the Group has further applied for the term of this contract to be extended until 30 March 2008.

- (4) This contract was initially for a total combined exploration and production term of ten years from 7 June 2001, which included a three-year period for exploration and a seven-year period for production. The exploration term of this contract was extended by two years until 7 June 2006 and as such the term of the entire contract was extended until 7 June 2013. The Group has further applied for the exploration term of this contract to be extended until 31 May 2008. If the extension is granted, the whole term of the contract will expire on 31 May 2015.
- (5) This contract has expired. The Group has applied for the exploration term of this contract to be extended until 12 November 2010.
- (6) All operations under this contract have been temporarily suspended until 2012.

Aksu Plant

The Ferroalloy Division's Aksu Plant in northeast Kazakhstan began operations in 1968, and is believed by the Directors to be one of the largest, most diversified ferroalloy production plants in the world. Operating 26 furnaces and employing approximately 6,600 personnel, the Aksu Plant produced 1.04 million tonnes of ferroalloys in 2006. The Aksu Plant receives chrome ore from the Donskoy Unit and manganese ore from the Kazmarganets Unit, and produces bulk commodity products for sale to third parties.

The Aksu Plant's furnaces are scheduled to be rebuilt on a regular basis. The Aksu Plant has rebuilt 16 of its 26 furnaces within the last eight years. In addition, the Group recently initiated an extensive refurbishment and modernisation programme at the Aksu Plant investing US\$113.1 million between 2004 and 2006.

The Aksu Plant mixes chrome ore concentrate, manganese ore and other raw materials used in the production of ferroalloys, including coke, quartzite and limestone. The ore is smelted into molten ferroalloys in the Aksu Plant's electric furnaces. The molten ferroalloys are poured into casting moulds, cooled and crushed by jaw crushers to produce the finished product. Further information about the Aksu Plant's operations is set out in the "MER" in Annex A.

The Aksu Plant generates substantial economies of scale due to its size and production volume. All of the Aksu Plant's energy requirements are satisfied by the Group's own power plants, and the Aksu Plant obtains a portion of its coke requirements from an internal coke manufacturing facility.

Aktobe Plant

The Ferroalloy Division's Aktobe Plant in northwest Kazakhstan receives chrome ore from the Donskoy Unit and processes it into ferrochrome, including special grades of high-carbon ferrochrome, and medium- and low-carbon ferrochrome, for sale to third parties. Operating 17 furnaces and employing approximately 3,300 personnel, the Aktobe Plant produced approximately 360,000 tonnes of ferroalloys in 2006.

The Aktobe Plant began operations in 1943. The Group continues to invest in the refurbishment and modernisation of the Aktobe Plant.

After the chrome ore is crushed and sized, the Aktobe Plant smelts the crushed ore into molten ferroalloys in one of its furnaces. The molten ferroalloys are poured into casting moulds, cooled and crushed to produce the finished product. Further information about the Aktobe Plant's operations is set out in the "MER" in Annex A.

The Aktobe Plant receives the majority of its electricity requirements from the Ferroalloy Division's Aktobe power station, which has a capacity of 135 MW.

Sales

The Ferroalloy Division sells its core products through the Group's sales and marketing function. In 2006, the Ferroalloy Division's top five customers accounted for 25.5% of total sales to third parties and included Taiyuan Iron and Steel (Group) Co. Ltd (6.9%) in China, Pohang Iron and Steel Company (5.8%) in South Korea, Nippon Steel Corporation (3.8%) and JFE Steel Corporation (5.5%) in Japan, and ChEMK (3.5%) in Russia.

The following table sets out the Ferroalloy Division's volume of third-party sales by product for the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007.

Product (in kilotonnes)	Year ended 31 December			Six months ended 30 June
	2004	2005	2006	2007
Ferroalloys:				
High-carbon ferrochrome	796	870	899	516
Medium-carbon ferrochrome	38	38	37	17
Low-carbon ferrochrome	32	31	38	17
Ferrosilicochrome	45	40	54	27
Ferrosilicomanganese	144	140	188	92
Ferrosilicon	59	45	52	17
Total Ferroalloys	1,114	1,164	1,268	686
Chrome ore	907	1,078	1,093	532
Manganese ore*	592	624	730	364

* Includes manganese concentrate and ferromanganese concentrate.

Of the Ferroalloy Division's third-party sales in 2006, 27.2% were made in Europe, 19.3% in Japan, 12.7% in China, 10.8% in the United States and 7.7% in South Korea and the Far East.

Growth in the Group's ferrochrome sales has been driven, in part, by recent growth in stainless steel production in China. Sales of the Group's ferrochrome products to China increased from no sales in 2001 to 184,000 tonnes in 2006. In 2006, 72% of the chrome ore sold by the Group to third parties was sold to ferrochrome producers, with the balance sold to the chemical industry. Manganese ore is sold to the alloy industry in China and Russia.

Key Initiatives

The Ferroalloy Division's principal strategic objectives are to increase production of ferrochrome, the division's most significant product, and to continue to reduce operating costs. To pursue these objectives the Ferroalloy Division intends to:

- Construct new furnaces at Aksu at a cost of approximately US\$160 million. This is expected to increase the Ferroalloy Division's annual ferrochrome production by more than 200,000 tonnes by 2011.
- Construct a second pelletizing plant which is expected to be commissioned by the end of 2009 and an enrichment plant at the Donskoy Unit at an aggregate cost of approximately US\$110 million (of which approximately US\$30 million is attributable to the enrichment plant). The second pelletiser is expected to increase the Ferroalloy Division's supply of chrome pellets, increasing the productivity of its furnaces. Pellets, as compared to chrome ore, increase a furnace's ferroalloy production rate and reduce electricity consumption. The Ferroalloy Division also expects the pelletiser to increase operating efficiency by lowering electricity consumption and increasing production.
- Construct a new agglomeration plant to improve recoveries at a cost of approximately US\$20 million.

On 4 December 2007, ENRC entered into a conditional agreement to acquire directly or indirectly a controlling interest in the Serov Group and certain related entities for an aggregate consideration of US\$210 million and the assumption of certain liabilities. The Serov Group owns a chrome ore mining facility and a ferrochrome smelter in eastern Russia. The smelter produces low- and medium-carbon ferrochrome, and has an annual capacity of 300,000 tonnes. The Group is the Serov Group's largest supplier of chrome ore. The Directors believe that the operations of the Serov Group will complement the Ferroalloy Division's existing business, including its low- and medium-carbon ferrochrome product range and also provide the Group with an important asset base in Russia, which supports the Group's strategy to pursue regional expansion opportunities.

Completion of this acquisition is subject to certain conditions including the acquisition by the Group of IMR Marketing A.G. and DDK Services Limited, companies affiliated with the sellers of the

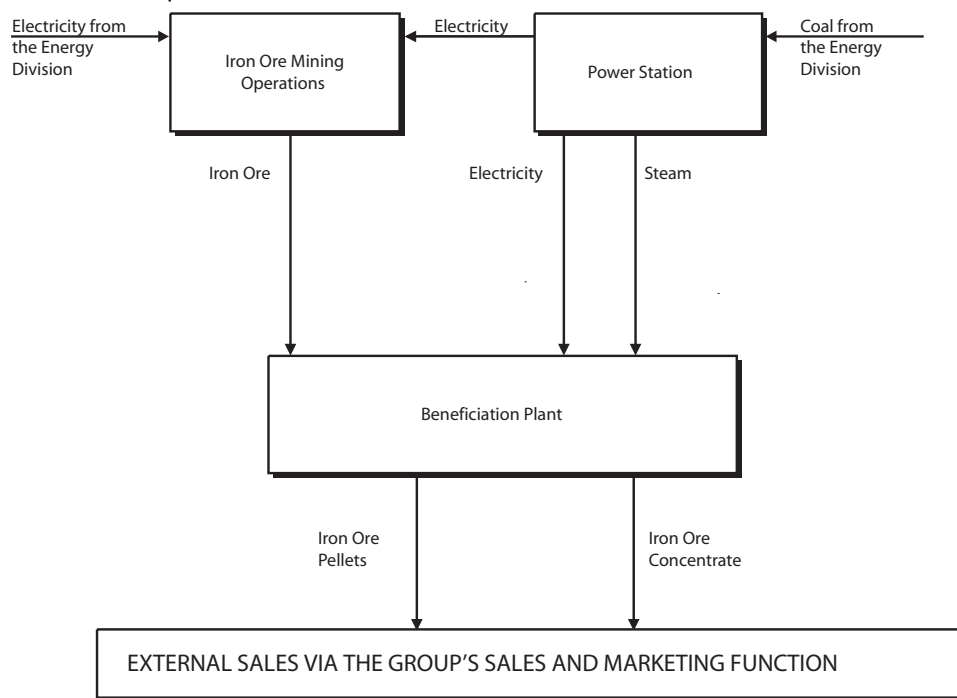
interest in the Serov Group and the receipt of necessary consents and authorisations. While the Company can provide no assurances that these conditions will be satisfied in a timely manner or at all, the Directors currently expect completion to occur in the first quarter of 2008. Further details of the terms of the acquisition agreement are set out in paragraph 15.1 of Part XIII of this Prospectus.

The Iron Ore Division

Overview

According to CRU estimates, based on 2006 data, the Group's Iron Ore Division is the sixth largest iron ore exporter by volume in the world. It mines and processes iron ore into iron ore concentrate and pellets for sale primarily to steel producers. The Iron Ore Division's operations include iron ore mines, ancillary mines that produce limestone and dolomite used in the production of pellets, an iron ore processing plant and a power plant that supplies the division with the majority of its energy needs. The Iron Ore Division's remaining energy needs are provided by the Group's Energy Division. The Iron Ore Division's operating company, SSGPO, is one of the largest companies in Kazakhstan and employs approximately 18,000 people.

The following diagram illustrates the vertical integration between the mining and production units that comprise the Iron Ore Division, and the integration between the Iron Ore Division and the remainder of the Group:



The following table sets out selected financial information for the Iron Ore Division for the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007, which has been extracted without material adjustment from the “Financial Information” in Part V. Neither Adjusted EBITDA nor Adjusted EBITDA Margin is a measure of financial performance under IFRS. See “Note 4, Segment information” in Part V for a reconciliation of profit to Adjusted EBITDA for the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007.

US\$ in millions	Year ended 31 December						Six months ended 30 June	
	2004		2005		2006		2007	
	% of Total Group		% of Total Group		% of Total Group		% of Total Group	
Revenue	883	32.8%	857	29.1%	829	25.5%	457	24.6%
Adjusted EBITDA	576	38.3%	479	35.1%	323	25.7%	197	24.7%
Adjusted EBITDA Margin	65.2%		55.9%		39.0%		43.1%	

The Iron Ore Division has several significant strategic advantages over its major competitors. First, the location of the Group’s iron ore reserves in northern Kazakhstan provides access to the important customer base of steel production plants in Russia, China and Kazakhstan at relatively low logistics costs. In particular, the Group’s facilities are located within 340 kilometres of its key customer, MMK (a leading Russian steel producer), and this proximity provides significant logistical advantages. In April 2007, the Group entered into a long-term contract with MMK that extends until 2017 and requires MMK to purchase specified quantities at prices determined by reference to published world price indices. Second, the Iron Ore Division operates large-scale iron ore mines and processing plants at relatively low production costs. As described below in “ENRC’s Competitive Position”, the Group is located in the lowest third of the industry cost curve for global iron ore pellet production. This cost advantage is driven, in part, by the relatively low cost of labour in Kazakhstan and the relatively low cost of electricity consumed by the Group’s iron ore mining and processing operations, which results from the internal generation of a portion of that electricity within the Group and the relatively low cost of energy in Kazakhstan.

The following table sets out the production volumes for each of the Iron Ore Division’s principal saleable products for the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007. The information set out below (except for the information relating to saleable iron ore concentrate) has been extracted without material adjustment from the “MER” in Annex A.

Product (in millions of tonnes)	Year ended 31 December			Six months ended 30 June
	2004	2005	2006	2007
Iron ore concentrate produced	15.4	12.9	16.1	8.3
Saleable iron ore concentrate	5.2	4.7	7.0	3.6
Iron ore pellets ⁽¹⁾	9.4	7.5	8.5	4.4

(1) This excludes screenings.

Industry Overview

Background

Iron ore is used principally in the production of steel and generally is sold in four different forms: lump ore, iron ore concentrate, sinter and pellets. Sinter and pellets are processed forms of iron ore made from iron ore concentrate. Sinter can be used only in blast furnaces, whereas pellets can be used in both blast furnaces and DRI modules.

Supply and Demand

The market for iron ore is primarily regional, as iron ore is a bulk commodity and, relative to its value, is expensive to transport. China, Australia and Brazil are the largest producers of iron ore, each accounting for around 20% of global output in 2006 based on iron content. Other significant producers include the CIS (13%) and India (10%). Global production of iron ore was 1,644 million

tonnes in 2006 as compared to 972 million tonnes in 1998. This represents a compound annual growth rate of 6.8% since 1998.

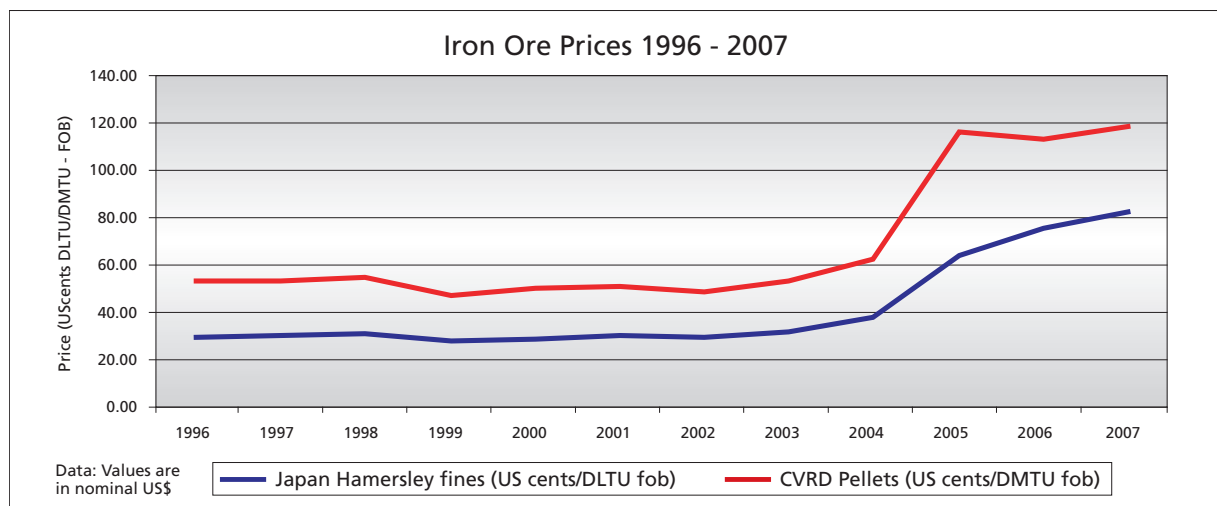
Typically, steel production and, as a result, demand for iron ore, follows overall growth in industrial production. Global demand for iron ore has increased recently, primarily as a result of the significant growth in demand for iron ore in China that cannot be satisfied domestically. Other important sources of demand include India, the Middle East, South America and the CIS.

CRU predicts that iron ore demand will remain strong in the medium-term. CRU forecasts Chinese economic growth to be between 7% and 10% per annum between 2006 and 2012, and expects this economic growth to generate an average annual increase in domestic steel production of approximately 62 million tonnes. With the quality of domestic Chinese iron ore declining, it is anticipated that China will become more dependent on imported iron ore. CRU expects increasing demand for iron ore to continue in other parts of Asia as well.

CRU anticipates that iron ore supply will struggle to meet rising demand until 2009. Thereafter, it expects more significant increases in supply as expansions planned by three major iron ore producers are completed in Brazil and Australia and new producers in these countries enter the iron ore market.

Pricing

Generally, iron ore prices are negotiated on an annual basis and tend to follow international benchmark prices such as Hamersley Iron Pty Ltd iron fines and Companhia Vale do Rio Doce (“CVRD”) pellets, as quoted in *The TEX Report*. In the short term, CRU expects a significant increase in demand and prices to remain robust. The chart below sets forth the price of iron ore from 1996 to 2007.

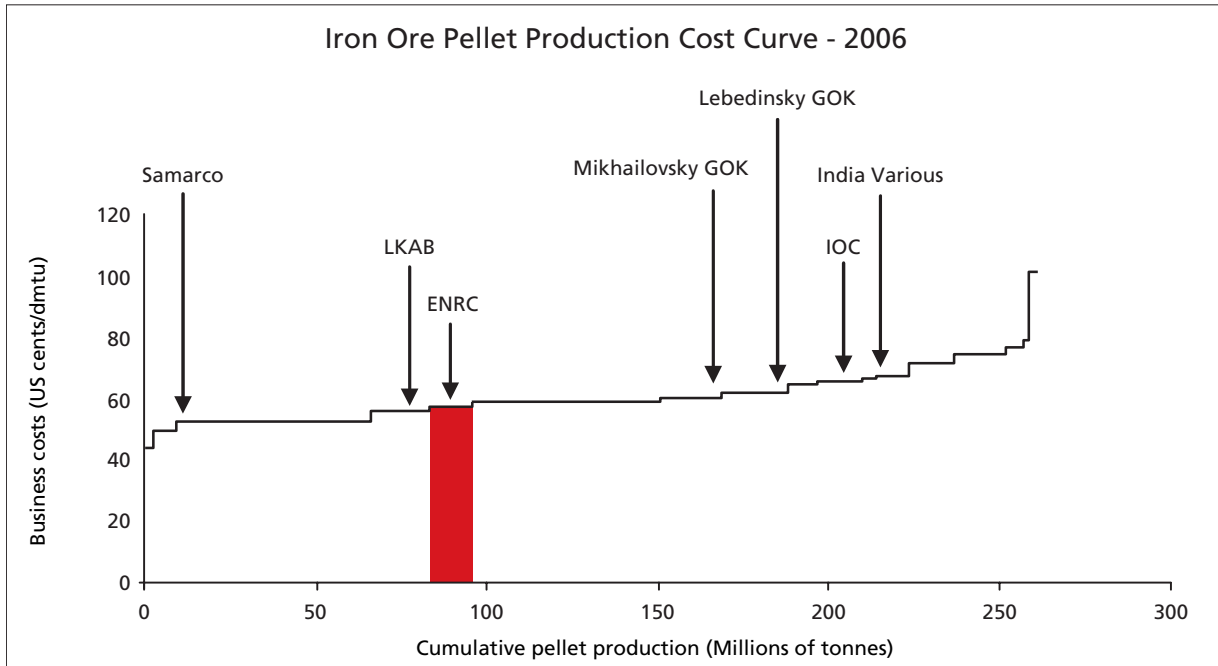


Source: CRU

ENRC’s Competitive Position

According to CRU estimates, based on 2006 data, the Group is the largest producer of iron ore concentrate and pellets in Kazakhstan, and the sixth largest exporter by volume in the world. It exports approximately 70% of its iron ore concentrate and pellets (including screenings) to Russian metal producers. Two of its main competitors in the Russian market are JSC Lebedinsky GOK and JSC Mikhailovsky GOK. The Group’s other key competitors for non-seaborne trade include Ferrexpo Poltava Mining in Ukraine and domestic Chinese producers.

As shown in the cost curve prepared by CRU below, iron ore pellet production costs vary significantly among producers. As iron content declines, producers must extract higher quantities of iron ore to obtain the same quantity of iron.



Source: CRU

Operations and Reserves

Iron Ore Mining Operations

The Iron Ore Division extracts and processes iron ore from five open pit mines and one underground mine, which are located near Rudni, in northern Kazakhstan. All of the extracted iron ore is supplied to the Iron Ore Division's processing plant in Rudni to be processed into iron ore concentrate and pellets. For the year ended 31 December 2006, the Iron Ore Division extracted 38.8 million tonnes of iron ore (12.6 million tonnes of iron content).

Based on SRK's ore estimates at 1 July 2007, mining is scheduled to continue for up to 31 years, with approximately 1,360 million tonnes of ore to be mined. Further information on the Iron Ore Division's reserves and resources is set out below in "Reserves and Resources" and in the "MER" in Annex A.

The Iron Ore Division uses blasting and truck and shovel technology to extract iron ore at its open pit mines and various sub-level caving methods at its underground mine.

Reserves and Resources

The table below sets out the Iron Ore Division's iron ore reserves and resources as at 1 July 2007. The figures have been extracted and summarised without material adjustment from the "MER" in Annex A.

	Reserves ⁽¹⁾		Resources ⁽¹⁾⁽²⁾			
	Proved and Probable in millions of tonnes (dry)	Iron grade %	Measured and Indicated in millions of tonnes (dry)	Iron grade %	Inferred in millions of tonnes (dry)	Iron grade %
Iron Ore						
Underground						
Sokolovsky	248.3	31.8	1,184.9	39.5	275.6	42.3
Open Pit						
Sokolovsky	36.1	33.5	35.6	34.5	11.1	26.6
Sarbaisky	121.1	35.6	862.2	37.4	157.9	38.8
Yuzhny Sarbaisky	142.9	44.4	229.3	45.0	116.2	48.1
Kacharsky	864.4	37.1	1,203.5	38.0	278.4	33.2
Korzhinkol'skoye	91.7	36.4	130.9	42.2	51.9	40.1
Total	1,504.6	36.7	3,646.5	38.9	891.2	39.3

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

Subsurface Contract

The Iron Ore Division has one material subsurface contract with the Republic of Kazakhstan. The contract regulates extraction of iron ore from the Sokolovsky, Sarbaisky, Kacharsky and Korzhinkol'skoye open pit mines and the Sokolovsky underground mine. The term of the contract extends from 6 February 1997 to 10 May 2015.

Other Mining Operations

The Iron Ore Division operates three ancillary mines that extract limestone, dolomite and bentonite-clay, which are used internally to produce iron ore pellets and are also sold to third parties.

Processing Plant

All of the Iron Ore Division's iron ore is processed into iron ore concentrate and pellets at a central processing plant located in northern Kazakhstan that was built between 1967 and 1971. In 2006, the plant produced 16.1 million tonnes of iron ore concentrate of which 7.0 million tonnes were retained for sale and the balance was used to produce 8.5 million tonnes of iron ore pellets. The Iron Ore Division has invested US\$11.5 million and plans to invest a further US\$9.0 million in the processing plant to replace its existing crushers with high performance modern crushers, which considerably reduce the time needed for regular maintenance and improve process control. In addition, the Iron Ore Division intends to upgrade the processing plant's other equipment and expand the plant as described below in "Key Initiatives".

The processing plant performs all stages of iron ore processing. First, the ore is crushed down. Next, low iron content ore, or tailings, is extracted from high iron content ore by dry magnetic separation.

The remaining iron ore concentrate has an iron ore content of approximately 66%. Approximately 40% is sold in this form while the remainder is processed into pellets. To produce the pellets, clay and limestone are added to the iron ore concentrate and rolled in balling drums into marble-sized pellets of 10 to 16 mm in diameter. The pellets are then roasted in one of the processing plant's twelve ovens. After cooling, the iron ore pellets are ready for sale.

Power Station

The Iron Ore Division operates a thermal power station with a capacity of 204 MW. In 2006, the power station provided approximately 60% of the total electricity required by the Iron Ore Division. The power station also supplies heating to the local town of Rudni. The remainder of the Iron Ore Division's 2006 power requirements were met by the Group's Energy Division.

Further information about the Iron Ore Division's operations is set out in the "MER" in Annex A.

Sales

The Iron Ore Division sells its core products, iron ore concentrate and pellets, through the Group's sales and marketing function. In 2006, 30% of the Iron Ore Division's revenue was derived from iron ore concentrate sales and 65% from iron ore pellet sales. The Iron Ore Division's largest customer is MMK, a leading Russian steel producer. 49.2% of the Iron Ore Division's revenue for the year ended 31 December 2006 and 65.6% of its revenue for the six months ended 30 June 2007 were derived from MMK.

The Iron Ore Division also supplies iron ore concentrate and pellets, including screenings, to a number of other steel producers in Kazakhstan, Russia and China. Of the 16.5 million tonnes of iron ore concentrate and pellets, including screenings, sold in 2006, 63.9% was sold to MMK in Russia, 26.8% was sold to customers in China and 6.5% was sold to customers in Kazakhstan. Of the 8.1 million tonnes of iron ore concentrate and pellets, including screenings, sold in the six months ended 30 June 2007, 74.7% was sold to MMK in Russia, 17.6% was sold to customers in China and 7.7% was sold to customers in Kazakhstan.

The following table sets out the Iron Ore Division's volume of third party sales by product for the years ended 31 December 2004, 2005 and 2006, and for the six months ended 30 June 2007.

Product (in kilotonnes)	Year ended 31 December			Six months ended 30 June
	2004	2005	2006	2007
Iron ore concentrate	5,162	4,393	6,911	3,568
Iron ore pellets ⁽¹⁾	9,564	7,420	9,561	4,506

(1) These include screenings.

Key Initiatives

The Iron Ore Division's principal strategic objectives are to increase mining, concentrating and pelletising capacities and expand its customer base through diversification of its product portfolio. To pursue these goals, the Iron Ore Division plans to:

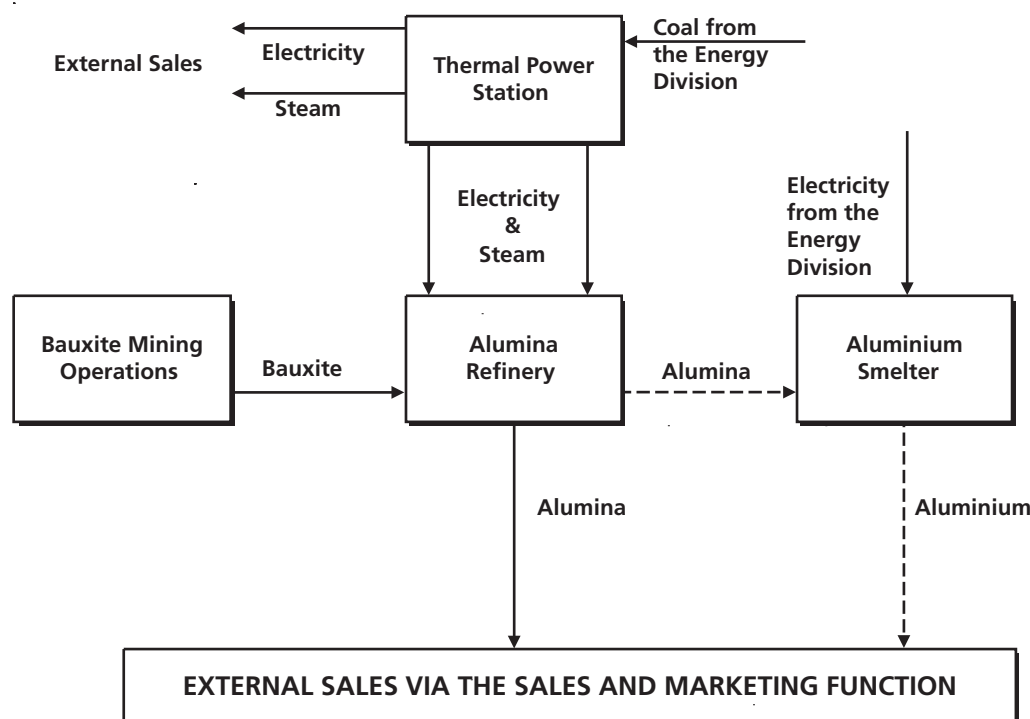
- expand mining operations and increase iron ore concentrate capacity by approximately 4.0 million tonnes per annum by 2010, through the investment of US\$320 million; and
- construct a 1.8 million tonne per annum DRI plant and 5.0 million tonne per annum iron ore pelletiser for approximately US\$800 to US\$900 million (on the basis of current estimates, which are subject to change depending on the process technology ultimately selected). DRI is a higher value product and has a broader customer base than the Group's existing iron ore products because, compared to concentrate or pellets, it is cheaper to transport long distances relative to its price and can be used in electric furnaces. Construction is planned to commence by 2008 and is currently scheduled to be completed by 2011.

The Alumina and Aluminium Division

Overview

The Group's Alumina and Aluminium Division currently produces and sells alumina. The division sells the alumina, which it produces from mined bauxite, primarily to the Russian aluminium producer, UC RUSAL, pursuant to a long-term contract. The Alumina and Aluminium Division's operations are vertically integrated and consist of two bauxite mining units, a limestone mine, a

power station and an alumina refinery. For the year ended 31 December 2006, the Group mined 4.9 million tonnes of bauxite and produced 1.5 million tonnes of alumina. In addition, the Group is constructing an aluminium smelter, which is scheduled to be commissioned by 31 December 2007. The following chart illustrates the vertical integration among the mining and production units that comprise the Alumina and Aluminium Division and its integration with the rest of the Group:



The following table sets out selected financial information for the Alumina and Aluminium Division for the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007, which has been extracted without material adjustment from the “Financial information” in Part V. Neither Adjusted EBITDA nor Adjusted EBITDA Margin is a measure of financial performance under IFRS. See “Note 4, Segment information” in Part V for a reconciliation of profit to Adjusted EBITDA for the years ended 31 December 2004, 2005 and 2006, and for the six months ended 30 June 2007.

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	
US\$ in millions	% of Total Group	% of Total Group	% of Total Group	% of Total Group	
Revenue	376	448	602	324	
	14.0%	15.2%	18.5%	17.5%	
Inter-segment revenue	8	12	10	1	
Segment revenue ⁽¹⁾	384	460	612	325	
Adjusted EBITDA	186	182	277	132	
	48.4%	39.6%	45.3%	40.6%	
Adjusted EBITDA Margin					

(1) Including inter-segment revenue.

The Directors believe that the Alumina and Aluminium Division has several strategic advantages over its major competitors. First, the Group’s bauxite reserves provide a reliable supply of the principal raw material for the production of alumina and aluminium. Second, the Alumina and Aluminium Division has integrated energy operations that supply it with a reliable and cost-effective source of energy. Third, the location of the Group’s operations provides access to the Russian market, where CRU expects alumina demand to continue to exceed supply for at least the next five years. In particular, the Alumina and Aluminium Division’s proximity to its key customer, UC RUSAL, a leading Russian aluminium producer, provides significant logistical advantages. The Group has a long-term contract with UC RUSAL that extends until 2016 and provides for UC RUSAL

to purchase specified quantities of alumina at prices determined by reference to a percentage of London Metal Exchange (“LME”) prices for aluminium. Fourth, the Group is a low-cost alumina producer. As described below in “ENRC’s Competitive Position”, the Group is located in the lowest quartile of the alumina cost curve. This cost advantage is driven, in part, by the internal supply of bauxite, the relatively low cost of labour in Kazakhstan and the relatively low cost of electricity consumed by the Group’s bauxite mining and alumina processing operations.

The following table sets out the production volumes of the Alumina and Aluminium Division’s principal saleable product for the three years ended 31 December 2004, 2005 and 2006, and for the six months ended 30 June 2007. The information set out below has been extracted without material adjustment from the “MER” in Annex A.

Product (in millions of tonnes)	Year ended 31 December			Six months ended
	2004	2005	2006	30 June 2007
Alumina	1.5	1.5	1.5	0.8

Industry Overview

Alumina

Background

Alumina is the primary raw material used in the production of aluminium. Alumina is produced by separating aluminium oxide from bauxite. Generally, between two and three and a half tonnes of bauxite are required to produce a tonne of alumina, depending on the quality of the bauxite and the production method employed. Approximately 90% of global alumina production is used for metallurgical purposes.

Supply and Demand

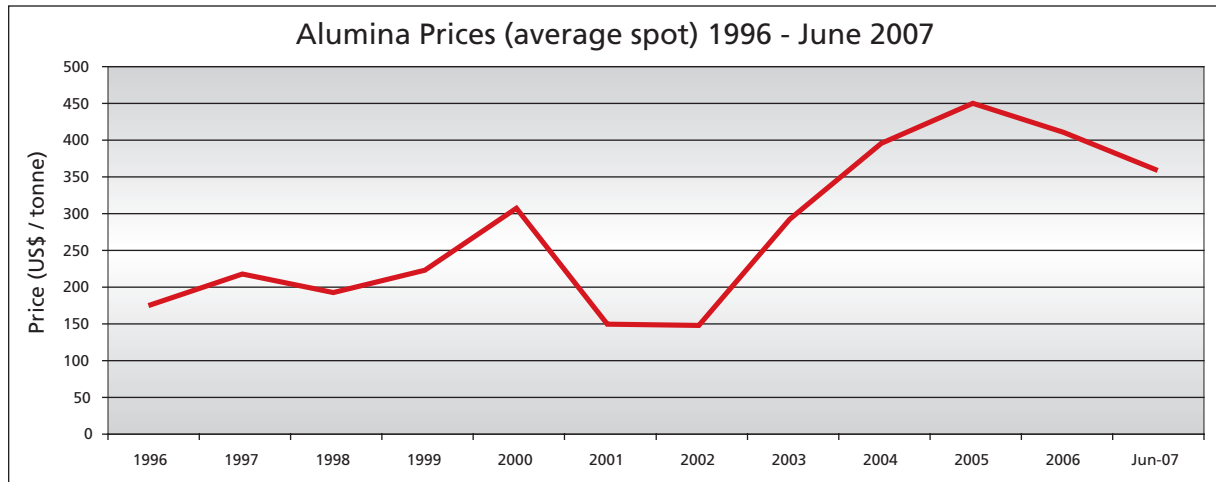
The majority of the world’s alumina is believed to be manufactured by integrated producers for internal consumption in their own aluminium smelters. The former Eastern Bloc, Australasia, Latin America and China are the largest producers of alumina, together accounting for approximately 92% of global alumina production in 2006. Global alumina production increased from 53.3 million tonnes in 2000 to 73.8 million tonnes in 2006. A large proportion of the new capacity has come from brownfield expansions. CRU forecasts that global alumina production will rise to 91.6 million tonnes by 2011, primarily driven by new capacity at greenfield and brownfield sites in China.

Global alumina demand increased significantly between 2000 and 2006. This was driven by increased aluminium production and the related demand for alumina in China. CRU predicts that global alumina demand will continue to grow, from 66.2 million tonnes in 2006 to an expected 84.5 million tonnes in 2011 (which is a compound annual growth rate of 5%), driven primarily by growth in China. CRU anticipates that demand for alumina will also increase in the Middle East, Latin America and the CIS.

Between 2007 and 2011, CRU expects that the global alumina market will remain oversupplied due to the volume of new alumina capacity, which is expected to exceed forecasted global demand. Demand for alumina in the CIS, however, is expected to continue to exceed supply. In 2006, there were five alumina refineries operating in Russia with a total capacity of almost 3.4 million tonnes, which represented approximately half of the total CIS alumina capacity. The CIS is estimated to have produced 6.4 million tonnes of metallurgical alumina in 2006. In contrast to the oversupplied global market, CIS alumina production was insufficient to meet alumina demand from the local aluminium industry and the CIS had an alumina supply deficit of nearly 2 million tonnes in 2006. CRU expects the deficit in the CIS to rise to 4.3 million tonnes over the next five years because the pace of new aluminium smelting capacity expansion in the region, including the Group’s new aluminium smelter, will outpace new alumina refining capacity.

Pricing

Alumina is generally priced in one of two ways, either on a spot basis by reference to aluminium prices at a fixed price for a specific period of time (usually one year), or on the basis of a formula related to the LME price for aluminium. The following chart sets out the spot price of alumina from 1996 to 2006 and for the six months ended 30 June 2007.



Source: CRU

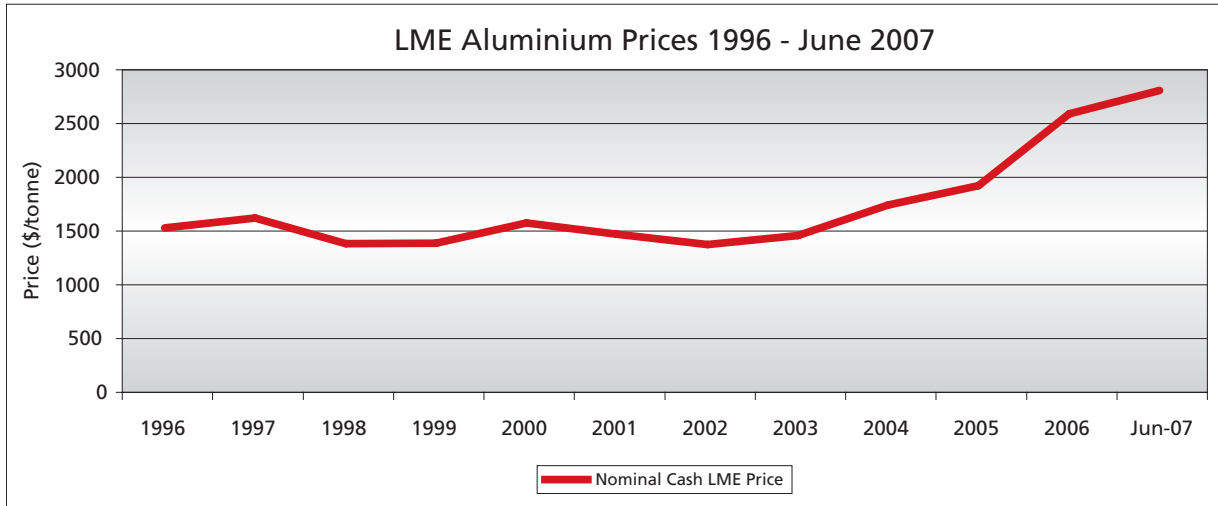
Aluminium

Aluminium is produced by separating alumina into its constituent elements of aluminium and oxygen. Significant first-use aluminium products include flat-rolled products, extensions, castings and wire and cable. Significant areas of end-use consumption of aluminium include the transport sector, building, construction and packaging. Major producing countries include Brazil, Canada, China and Russia. The largest aluminium producers are Rio Tinto plc, Alcoa Inc., Aluminium Corporation of China and UC RUSAL. Global aluminium production increased from 26.0 million tonnes in 2002 to 34.0 million tonnes in 2006 driven primarily by growth in Chinese production.

Global primary aluminium consumption increased 37.6% from 25.0 million tonnes in 2000 to 34.4 million tonnes in 2006 supported primarily by increasing demand in China. CRU forecasts that aluminium consumption will continue to rise, from 31.9 million tonnes in 2005 to 57.5 million tonnes in 2020, which represents a compound annual growth rate of approximately 3.4%. CRU expects growth in China to account for 13.0 million tonnes of the increase in consumption, with other significant growth likely to take place in North America, the European Union and Asia.

However, the expectation is that production may exceed consumption for the next four years due to additional capacity coming online, particularly in China and the Middle East.

Aluminium is traded on the LME and, as such, contracts are priced almost exclusively on the basis of LME prices. The following chart sets out the average annual aluminium price on the LME between 1996 and 2006 and the average price for the six months ended 30 June 2007.

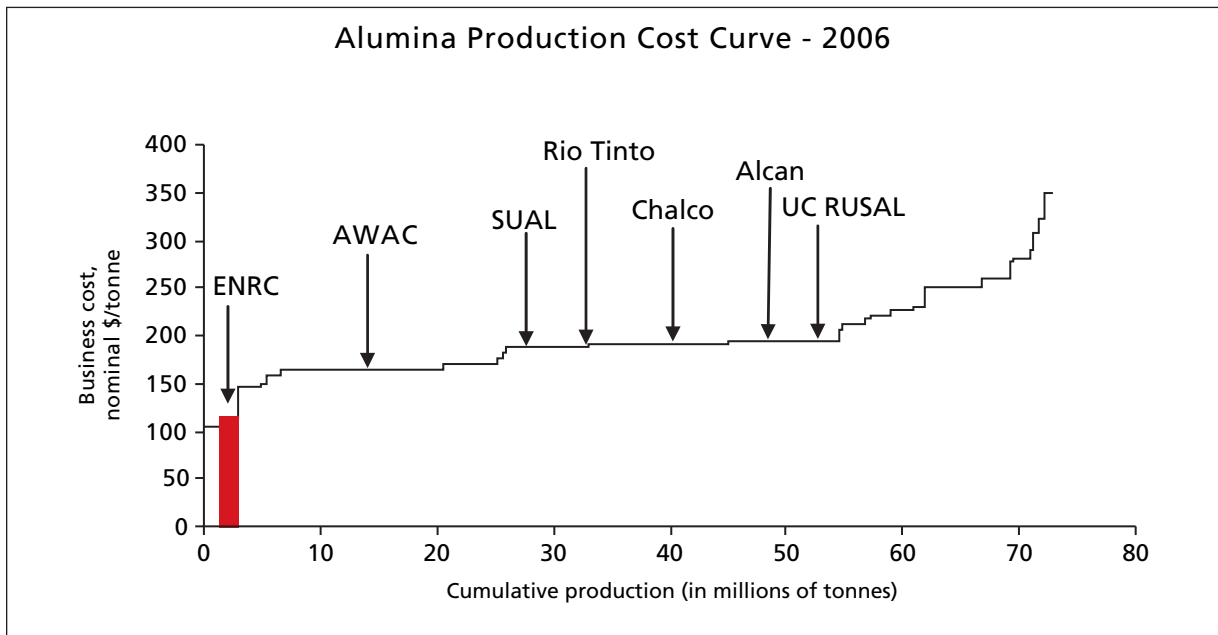


Source: London Metal Exchange

ENRC's Competitive Position

According to CRU estimates, based on 2006 data, the Alumina and Aluminium Division is the fifth largest supplier of traded alumina by volume in the world. The Alumina and Aluminium Division's alumina sales comprised 2.28% of the 66.2 million tonnes of 2006 global metallurgical alumina demand, and the division was located in the lowest quartile of a cost curve produced by CRU.

The following chart sets out alumina production and cash costs of production by producer in 2006.



Source: CRU

Operations and Reserves

Mining Operations

The Alumina and Aluminium Division extracts bauxite from the Krasno-Oktyabrskoye and Torgay Units, which have four open pit mines and one open pit mine, respectively. Limestone is also extracted from one other mine located in northern Kazakhstan. The bauxite and limestone are used primarily by the division's Pavlodar alumina refinery to produce alumina for sale to third-party aluminium producers. For the year ended 31 December 2006, the Alumina and Aluminium Division extracted approximately 4.9 million tonnes of bauxite, of which 4.2 million tonnes were extracted from the Krasno-Oktyabrskoye Unit's open pit mines.

Based on SRK's ore estimates at 1 July 2007, mining is scheduled to continue at the Krasno-Oktyabrskoye Unit for over 35 years, with approximately 192 million tonnes of ore to be mined. Further information on the Krasno-Oktyabrskoye Unit's reserves and resources is set out in the "MER" in Annex A.

In 2006, 0.7 million tonnes of bauxite were extracted from the Torgay Unit's open pit mines. SRK estimates that the Torgay mines' bauxite reserves are sufficient to maintain current production levels for 10 years. Further information on the Torgay Unit's open pit mine reserves and resources is set out in the "MER" in Annex A.

The Alumina and Aluminium Division uses blasting and trucks and shovels to extract the bauxite and limestone from its mines. The bauxite is homogenised and crushed, and delivered by the Logistics Division to the Pavlodar Alumina Refinery by railway.

Reserves and Resources

The table below sets out the reserves and resources of the Alumina and Aluminium Division's open pit bauxite mines as at 1 July 2007. The reserves and resources figures have been extracted and summarised without material adjustment from the "MER" in Annex A, except for the totals shown below, which have been calculated by the Company.

	Reserves ⁽¹⁾			Measured and Indicated in millions of tonnes (dry)	Resources ⁽¹⁾⁽²⁾				
	Proved and Probable in millions of tonnes (dry)	Aluminium Oxide grade %	Silicon Dioxide grade %		Aluminium Oxide grade %	Silicon Dioxide grade %	Inferred in millions of tonnes (dry)	Aluminium Oxide grade %	Silicon Dioxide grade %
Bauxite									
Krasno-Oktyabrskoye Unit									
Krasno-Oktyabrskoye	95.4	43.1	11.8	101.0	43.5	11.1	—	—	—
Belinskoye	14.5	41.6	9.7	15.5	41.9	8.9	—	—	—
Ayatskoye	7.1	44.4	9.8	7.5	44.9	9.0	—	—	—
Vostochno-Ayatskoye	40.3	43.9	8.8	42.6	44.3	7.9	0.1	42.2	6.3
Torgay Unit									
Amangeldinsk	5.2	43.3	14.6	6.5	44.3	15.4	2.5	46.2	15.7
Total	162.5	43.3	10.8	173.1	43.6	10.2	2.6	46.0	15.3

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

Subsurface Contracts

The Krasno-Oktyabrskoye and Torgay Units have the following material contracts with the Republic of Kazakhstan that cover subsurface use. The following table sets forth the commencement and expiry dates of these subsurface contracts.

Operating Unit	Subsurface use contracts	
	Commencement Date	Expiry Date
Krasno-Oktyabrskoye Unit		
Krasno-Oktyabrskoye ⁽¹⁾	21 January 1997	21 January 2017
Belinskoye ⁽¹⁾	21 January 1997	21 January 2017
Ayatskoye ⁽¹⁾	21 January 1997	21 January 2017
Vostochno-Ayatskoye	26 July 2006	26 July 2031
Torgay Unit		
Amangeldinsk	21 January 1997	21 January 2017

(1) The Krasno-Oktyabrskoye, Belinskoye and Ayatskoye mines are regulated by one subsurface use contract.

Pavlodar Alumina Refinery

All of the Alumina and Aluminium Division's bauxite is processed into alumina at its Pavlodar alumina refinery located in northern Kazakhstan. As a result of significant investment and reconstruction between 1994 and 2005, the refinery's capacity was expanded to 1.5 million tonnes of alumina per year from 1.0 million tonnes per year. In 2006, the plant operated at full capacity, and the Group plans further expansion to increase capacity to 1.8 million tonnes of alumina per year by 2011. The refinery receives all of its electricity from the Alumina and Aluminium Division's power station.

The alumina refinery uses a combined Bayer-sintering process to produce alumina. The Bayer process extracts alumina content from the bauxite, and the sintering process extracts an additional amount of alumina and reduces soda losses. In the Bayer process, the refinery first crushes and mills the bauxite to make the alumina more accessible. Second, the refinery mixes the bauxite with a caustic solution into a slurry that is processed in a heated pressure digester. The digestion process results in a liquor containing a solution of sodium aluminate and "red mud," which is composed of undissolved bauxite residues containing iron, silicon and titanium. The refinery washes the red mud with hot water to recover and recycle some of the caustic solution. The remaining red mud is used in the sintering process, which is described below. To complete the Bayer process and form alumina, the refinery allows the sodium aluminate liquor to thicken and cool, pumps the liquor into a precipitator and bakes the solution in kilns to drive off water.

In the sintering process, the red mud from the Bayer process is mixed with soda ash, coke and limestone to produce a furnace charge. The refinery sinters the furnace charge in kilns at high temperatures. The resulting substance is desilicated to produce additional sodium aluminate liquor, which is added back to the Bayer process prior to completion, to produce alumina.

In addition to alumina, the refinery's bauxite processing results in by-products, including aluminium sulphate and gallium, that are generally sold to third parties.

The Alumina and Aluminium Division's power station, which is located in northern Kazakhstan, provides the alumina refinery with electric power, steam and heat. The station has an electrical output capacity of 350 MW and a heat capacity of 1170 GCal/h. It consumes coal provided by the Energy Division's coal mine. The power station supplies all of the electricity needs of the alumina plant. The excess electricity capacity (approximately half of the total electricity produced) is sold to the Kazakhstan national grid and the Energy Division, and the excess heat output (approximately 27% of the total heat produced) is sold to the local city of Pavlodar.

Aluminium Smelter

The Group began construction of an aluminium smelter in 2004. The Group anticipates that the smelter will be commissioned by 31 December 2007 with an initial annual capacity of 62,500 tonnes per annum, expanding to 125,000 tonnes per annum by 2009. The Directors expect that the smelter

will reach full operational capacity of 250,000 tonnes per annum by 2011. The aluminium smelter, which is being constructed by specialist industrial construction firm, China Nonferrous Engineering and Construction Company, is expected to cost approximately US\$869 million of which US\$306 million had been spent by 30 June 2007. The smelter is located within 10 km of the alumina refinery, which will supply the smelter's alumina, and within 26 km of the power station, which will supply the smelter with electricity. The Directors currently expect that most of the additional alumina required for aluminium production will be provided through the expansion of the Group's existing alumina operations.

The Group entered into an offtake/distribution agreement in August 2007 with Glencore International AG ("Glencore") pursuant to which Glencore has agreed to purchase all of the aluminium produced by the Group from 1 January 2008, with a minimum of approximately 30,000 tonnes of aluminium per year at a rate of approximately 2,500 tonnes per month. The 10-year agreement sets prices by reference to a specified premium to the end customer price received by Glencore.

For additional information about the Alumina and Aluminium Division's operations, see the "MER" in Annex A.

Sales

The Alumina and Aluminium Division currently sells a significant portion of the alumina that it produces to third-party consumers. It also sells various other products, including limestone and gallium, aluminium sulphate and fireclay, which are by-products of the alumina production process. The following table sets out the Alumina and Aluminium Division's volume of third-party alumina sales for the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007.

Product (in kilotonnes)	Year ended 31 December			Six months ended 30 June
	2004	2005	2006	2007
Alumina	1,450	1,497	1,508	754

Following commencement of commercial production at the aluminium smelter currently under construction, the Group will also produce and sell aluminium.

The Alumina and Aluminium Division sells its core products through the Group's sales and marketing function. In 2006, all of the alumina produced by the Alumina and Aluminium Division was sold to third-party consumers. Sales of alumina to third parties accounted for over 92% of the Alumina and Aluminium Division's total revenue in 2006.

The Alumina and Aluminium Division realises 85.4% of its revenue from sales to one Russian consumer, UC RUSAL, with whom it signed a long-term agreement in 2002, to provide UC RUSAL with alumina until 31 December 2016. Alumina is also exported to smelters in China and Tajikistan.

The Alumina and Aluminium Division also produced 17 tonnes of gallium in 2006, which were sold to consumers in Japan, and 41,900 tonnes of aluminium sulphate, 39,900 tonnes of which were sold to consumers in the CIS region. The Alumina and Aluminium Division sells electricity and heat to third-party consumers as well.

Key Initiatives

The Alumina and Aluminium Division's principal strategic objectives are to maximise alumina capacity through brownfield expansion, invest in aluminium production to exploit its surplus of low-cost electricity, bauxite and alumina, and diversify its customer base. The Alumina and Aluminium Division will pursue its objectives through spending approximately US\$240 million on:

- further increasing the production of flourey alumina by approximately 300,000 tonnes by 2011. This should allow the Alumina and Aluminium Division to fulfil the aluminium smelter's needs

for alumina without reducing the alumina available for sale to third parties below one million tonnes per annum; and

- upgrading the quality of alumina produced from alumina flour to sandy alumina, which is more efficient in aluminium smelters and generally commands a higher price.

In addition, beginning in 2008 the Company intends to spend approximately a further US\$410 million on:

- expanding the first phase of the aluminium smelter to reach an annual capacity of 125,000 tonnes by 2009; and
- increasing the annual capacity of the aluminium smelter to 250,000 tonnes of aluminium by 2011.

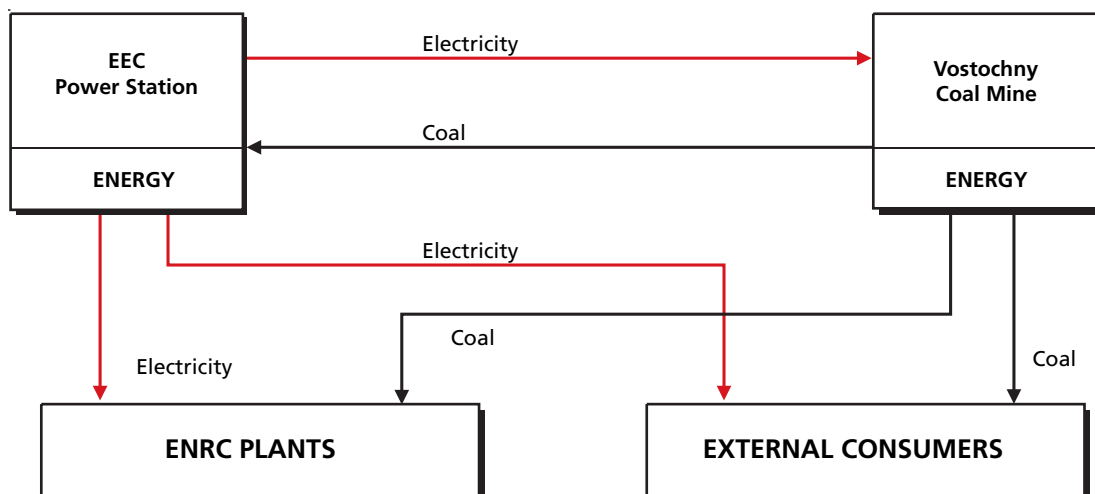
The Energy Division

Overview

The Energy Division is one of the largest producers of electricity and coal in Kazakhstan, accounting for approximately 16% of the country's recorded electricity production in 2006. The Energy Division supplies electricity and coal primarily to the Group's other divisions as well as to third parties.

The Energy Division operates through Eurasian Energy Corporation JSC ("EEC"), and includes a coal mine and a hydroelectric power station. The Energy Division is integrated with the Group's other operations. It supplies electricity and coal to the Ferroalloy Division's Aksu Plant, the Iron Ore Division's power station and processing plant, and the Alumina and Aluminium Division's power station. EEC is also expected to provide electricity to the Group's aluminium smelter, which is scheduled to be commissioned by 31 December 2007. In each case, the Energy Division supplies coal with the support of railway services provided by the Group's Logistics Division. Within the Energy Division, the coal mine and power station supply coal and electricity to each other. The Energy Division also purchases electricity for resale from third parties.

The following diagram illustrates the integration among the Energy Division's operating units:



The following table sets out selected financial information for the Energy Division for the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007, which has been extracted without material adjustment from the “Financial information” in Part V. Neither Adjusted EBITDA nor Adjusted EBITDA Margin is a measure of financial performance under IFRS. See “Note 4, Segment information” in Part V for a reconciliation of profit to Adjusted EBITDA for the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007.

US\$ in millions	Year ended 31 December						Six months ended 30 June	
	2004		2005		2006		2007	
		% of Total Group		% of Total Group		% of Total Group		% of Total Group
Revenue	120	4.5%	122	4.1%	154	4.7%	93	5.0%
Inter-segment revenue	91		83		109		64	
Segment revenue ⁽¹⁾	211		205		263		157	
Adjusted EBITDA	66	4.4%	67	4.9%	77	6.1%	65	8.2%
Adjusted EBITDA Margin	31.3%		32.7%		29.3%		41.4%	

(1) Including inter-segment revenue.

The Energy Division provides the Group’s principal operating facilities with reliable access to low cost energy. Due to the quality and long life of the division’s reserves and the efficiency of its coal mining operations, the Energy Division is able to produce power and coal at low cost. In addition, the geographic proximity between the division’s coal mine and power station creates logistical advantages and reduces production costs.

The following table sets forth the volume produced for each of the Energy Division’s principal saleable products for the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007.

Product	Year ended 31 December			Six months ended 30 June
	2004	2005	2006	2007
Coal (in millions of tonnes) ⁽¹⁾	17.0	16.3	17.9	9.1
Electricity ('000 GWh)	10.6	10.2	11.5	6.3

(1) A proportion of the Energy Division’s coal is consumed in the production of the division’s electricity. For the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, this proportion was 38.2%, 38.0%, 39.2% and 41.4% respectively.

Operations

Coal Mine

The Energy Division’s coal mine supplies coal to the Energy Division’s power station, the Ferroalloy Division’s Aksu Plant, the Iron Ore Division’s power station and the Alumina and Aluminium Division’s power station, as well as to third parties. In 2006, the coal mine produced 17.9 million tonnes of coal, of which approximately 7.0 million tonnes were supplied to the Energy Division’s power station, 4.6 million tonnes were supplied to other Group entities and 6.3 million tonnes were sold to third parties, including the Russian city of Omsk and Pavlodarenergo, a Kazakh corporation.

According to SRK, as at 1 July 2007, the coal mine had proved and probable reserves of 772 million tonnes. Although the coal is mined from different areas with ash content that ranges from 33% to 55%, the coal is mixed in blenders to achieve a standard quality of coal with a constant ash content of 43%. SRK estimates that the mine’s reserves are sufficient to support operations under current production forecasts for another 39 years. Further information on the coal mine’s reserves and operations is set out in the “MER” in Annex A.

Subsurface Contracts

In accordance with Kazakh legislation, the Energy Division operates the mine under a licence from, and contract with, the Ministry of Energy and Natural Resources of the Republic of Kazakhstan. The main licence was issued on 18 March 1997 and has an initial term of 25 years. The contract was signed on 23 November 1998 and is to expire on 18 March 2022.

Power Station

The Energy Division's power station is one of the largest electricity suppliers in Kazakhstan, housing seven turbine blocks with a total installed capacity of 2,115 MW and a current available capacity (assuming no repairs) of 1,930 MW and the potential to increase total installed capacity to 2,465 MW with the installation of an additional turbine. The power station supplies electricity to the Energy Division's coal mine, the Ferroalloy Division's Aksu Plant, the Iron Ore Division's processing plant, the Alumina and Aluminium Division's aluminium smelter, as well as to third parties. In 2006, the power station produced 11,500 GWh of electricity, of which approximately 200 GWh were supplied to the Energy Division's coal mine, 6,500 GWh were supplied to other Group entities and 4,200 GWh were sold to third parties.

Further information about the Energy Division's operations is set out in the "MER" in Annex A.

Sales

The following table sets out the Energy Division's volume of third party sales by product for the year ended 31 December 2004, 2005, 2006, and the six months ended 30 June 2007.

Product	Year ended 31 December			Six months ended 30 June
	2004	2005	2006	2007
Coal (in millions of tonnes) ⁽¹⁾	6.48	5.97	6.26	3.09
Electricity ('000 GWh)	4.70	4.26	5.05	2.54

(1) This includes purchases of coal made by the Energy Division from Mugoteks and Shubarcoal Komir JSC for sale to third parties.

Coal

The main consumers of the Energy Division's coal are other Group entities (65% of 2006 sales volumes), JSC Omskenergo in the city of Omsk (21% of 2006 sales volumes) and Pavlodarenergo (13% of 2006 sales volumes). Of the coal supplied to the Group entities, 60% was supplied to the Energy Division's power station, 24% was supplied to the Alumina and Aluminium Division's power station, 13% was supplied to the Iron Ore Division's power station and 3% was supplied to the Ferroalloy Division's Aksu Plant. For the years ended 31 December 2004, 2005 and 2006, the Energy Division sold 6.48 million, 5.97 million and 6.26 million tonnes of coal, respectively, to third parties. In the first six months of 2007, the Energy Division sold 3.09 million tonnes of coal to third parties.

Electricity

The Energy Division's main competitors are AES Ekibastuz LLP, Ekibastuz GRES-2 JSC, Stations of AO APK and Kazakhmys LLP GRES, which accounted for 12.7%, 7.4%, 6.4% and 6.2%, respectively, of Kazakhstan's competitive market for electricity in 2006. The main consumers of the Energy Division's electricity are other Group entities (56.9% of 2006 sales) and other major third party consumers of electricity (41.4% of 2006 sales), including Mittal Steel Temirtau JSC, KEGOC JSC, Kostanay Minerals JSC. Of the electricity supplied to Group entities, 3% of total electricity was supplied to the Energy Division's coal mine, 83% was supplied to the Ferroalloy Division's Aksu Plant and 14% was supplied to the Iron Ore Division's processing plant. For the years ended 31 December 2004, 2005 and 2006, the Energy Division sold 4,698 GWh, 4,261 GWh and 5,052 GWh of electricity, respectively, to third parties.

Key Initiatives

Although the primary aim of the Energy Division is the supply of low priced electricity to the Group's mining, smelting and refining businesses, it will also invest in stand-alone growth opportunities. To pursue its primary aim, the Energy Division intends to:

- invest approximately US\$190 million between 2008 and 2011 to construct a new turbine and generator. It is expected that the new generator will increase total installed electricity generating capacity by 300MW by 2012;
- install a stripping complex at a cost of approximately US\$40 million to increase efficiency; and
- refurbish certain existing generator blocks at a cost of approximately US\$65 million.

The Logistics Division

Overview

The Group's Logistics Division provides transportation and logistical services to the Group's primary operating divisions and to third parties. The Logistics Division's operations include three core businesses: freight forwarding; railway construction and maintenance; and wagon and locomotive repair. In addition, the Logistics Division operates a transfer and reloading terminal on the Kazakhstan and China border, providing the Group with access to the growing market in China.

The following table sets out selected financial information for the Logistics Division for the years ended 31 December 2004, 2005 and 2006, and the six months ended 30 June 2007, which has been extracted without material adjustment from the "Financial information" in Part V. Neither Adjusted EBITDA nor Adjusted EBITDA Margin is a measure of financial performance under IFRS. See "Note 4, Segment information" in Part V for a reconciliation of profit to Adjusted EBITDA for the years ended 31 December 2004, 2005 and 2006, and for the six months ended 30 June 2007.

	Year ended 31 December						Six months ended 30 June	
	2004		2005		2006		2007	
US\$ in millions		% of Total Group		% of Total Group		% of Total Group		% of Total Group
Revenue	25	0.9%	146	4.9%	198	6.1%	65	3.5%
Inter-segment revenue	32		49		79		37	
Segment revenue ⁽¹⁾	57		195		277		102	
Adjusted EBITDA	19	1.3%	47	3.4%	54	4.3%	23	2.9%
Adjusted EBITDA Margin	33.3%		24.1%		19.5%		22.5%	

(1) Including inter-segment revenue.

The Logistics Division provides the Group with several strategic advantages. First, the Logistics Division's transport businesses provide the Group with reliable delivery services for its products and a comprehensive logistics infrastructure that mitigates the risks associated with relying on third-party providers. Second, the Logistics Division is one of the largest transport operations in Kazakhstan and provides a complete array of transport services. It owns and maintains a supply of wagons, operates a railway maintenance business and, through its freight forwarding business, can deliver the Group's products from the point of extraction to the point of sale. Finally, the Logistics Division is the sole operator of a transfer and reloading terminal at the border between China and Kazakhstan, which facilitates the Group's access to China.

Freight Forwarding

The Logistics Division's freight forwarding business specialises in combining railway transportation with international forwarding functions to provide "door-to-door" delivery of freight. The freight forwarding business services the transportation needs of the Group's primary operating divisions, and to a lesser extent, third-party customers. For the year ended 31 December 2006, the freight forwarding business transported 61.7 million tonnes of freight, 87.3% of which was transported for

other Group entities. As at 30 June 2007, the freight forwarding business owned approximately 5,800 railway wagons.

The freight forwarding business also owns and operates a transfer and reloading terminal at the border between Kazakhstan and China, which provides the Group with secure access to China.

Railway Construction and Maintenance

The Logistics Division is one of the leading railway construction and repair businesses in Kazakhstan. The primary function of the railway construction and maintenance business is the construction and repair of Kazakhstan's national railways. For the year ended 31 December 2006, the Kazakhstan national railways accounted for 90.7% (US\$172.7 million) of the Logistics Division's railway construction and maintenance revenue.

Wagon and Locomotive Repair

The Logistics Division's wagon and locomotive repair business services and repairs railway wagons and locomotives primarily for the Logistics Division's freight forwarding business and the Iron Ore Division. The wagon and locomotive repair business allows the Group to maintain its fleet of railway wagons and avoid interruptions in the delivery of its products.

Sales

The main consumers of the Logistics Division's services are third parties (71.5% of 2006 revenue). The Group's other entities accounted for 28.5% of 2006 revenue. Significant third-party customers include the Kazakhstan national railway (62.3% of 2006 revenue).

Key Initiatives

The Logistics Division's principal strategic objectives are to provide the Group with the most effective and competitive logistics services, to continue to ensure the Group's access to export ports and to maintain sufficient rolling stock capacity for the Group at a competitive price. To pursue these goals, the Logistics Division currently plans to invest approximately US\$10 million by the end of 2011 for additional rolling stock to ensure that the anticipated increase in the Group's transport needs will be met.

Sales and Marketing

The Group's sales and marketing function provides ENRC's operating divisions with a fully integrated and centrally organised sales and marketing resource. This facilitates the efficient coordination of the Group's external sales, monitoring of key markets and general production strategy.

The sales and marketing function performs the following key functions:

Strategy and planning. In close cooperation with the Group's principal operating divisions, the sales and marketing function assesses and creates plans to exploit growth and development opportunities for each of the Group's businesses. To implement these plans, the Group's sales and marketing personnel play an important role in assisting the Group's operating divisions to allocate and prioritise production capacity to maximise returns.

Commercial terms and customer relations. The sales and marketing function is primarily responsible for negotiating commercial terms and prices with the Group's customers. It also maintains customer relations and oversees the Group's customer services and support function.

Market research. The sales and marketing function monitors market developments and trends in customer demand, new product or technology developments, price fluctuations and potential customer opportunities.

Coordinating logistics. The sales and marketing function coordinates with the Logistics Division to arrange delivery of the Group's products to customers outside Kazakhstan. The centralisation of this function provides significant operational advantages to the Group.

The sales and marketing function offers the Group several competitive advantages including the identification and exploitation of market synergies and improved operational efficiencies. In addition, as the markets in which the Group operates are geographically diverse and complex, the size, scope and expertise of the sales and marketing function enables it to gather significant market information that is not otherwise generally available.

Employees and Employee Relations

As of 31 December 2004, 2005 and 2006, the Group had 58,911; 60,580; and 61,656 employees, respectively. As at 30 June 2007, the Group had approximately 62,085 employees. The Group also utilises some individuals as independent contractors. The following table sets out the number of Group employees by division or function as at 31 December 2004, 2005 and 2006 and 30 June 2007.

Division	No. of employees			
	31 December 2004	31 December 2005	31 December 2006	30 June 2007
Ferroalloy Division	19,088	19,822	20,452	20,697
Iron Ore Division	17,926	18,059	17,949	18,047
Alumina and Aluminium Division	11,874	12,278	12,692	13,160
Energy Division	6,352	6,281	6,374	6,507
Logistics Division	3,512	3,932	3,936	3,417
Sales and marketing function	67	67	93	110
Company/UK Head Office	—	—	—	9
Company/Kazakhstan Office	92	141	160	138
Total	58,911	60,580	61,656	62,085

The Group's key employees have individual employment agreements that cover, among other matters, base remuneration and benefits. In addition, the Group negotiates collective employment agreements, which cover primarily social benefits, with representatives of the Group's employee labour unions.

Almost all of the Group's employees are members of one of three labour unions, which are each organised by reference to a particular industry. Since the Group acquired its operating assets, it has not experienced any material strikes or work stoppages at any of its operating sites as a result of workforce disputes, and the Group benefits from good labour relations.

Social and Community Programmes

As a condition of certain of its subsurface use licences and contracts and pursuant to certain agreements with governmental authorities, the Group is obliged to fund and maintain certain social programmes. These obligations include funding the construction of medical, cultural, recuperation and rehabilitation facilities, community centres, athletic facilities, housing and infrastructure in the areas in which the Group operates. Furthermore, the Group is obliged under its subsurface use licences and contracts to invest in training the local workforce, upgrading the qualifications of its employees and providing educational grants. In addition, at its own initiative and at the request of governmental authorities, the Group has provided and continues to provide social support in the areas where it operates and in other areas in Kazakhstan.

The Directors believe that active long-term engagement with local communities and other stakeholders is important. To support local communities where it operates, the Group supports a number of cultural and religious activities. The Group has provided financial support for the construction of places of worship across Kazakhstan.

Environmental and Health and Safety Matters

Introduction

The Group's operations generate the hazardous and non-hazardous waste, effluent and atmospheric, water and soil emissions that are typical of mining and mineral processing businesses. In addition, many of the Group's work places are exposed to dust, noise, vibration, moving machinery, and other factors, such as Kazakhstan's extreme climate. The Group believes that it has

taken and has in place the necessary compliance procedures and practices required to address these issues within a framework and schedule agreed with the relevant governmental authorities. In addition, the Group is in the process of implementing a number of related modern management systems on a voluntary basis.

Many of ENRC's manufacturing operations are located close to settlements in industrial-suburb type settings, with semi-dependent relationships in terms of infrastructure and workforce. Sanitary Protection Zones ("SPZs"), established under the FSU, are legally required "buffer" zones around industrial sites and usually extend to a radius of between 1 km and 3 km from operating sites. Operations are required to meet environmental quality standards measured at the SPZ's outer boundaries. Residential land uses are not permitted within the SPZs, although settlements do exist within these zones around several of ENRC's operations (it should be noted that legal status of the location of settlements within the SPZ is largely unclear as none of these settlements were established by the Group). Beyond the Group's operations, the SPZs and neighbouring settlements, the surrounding environment is frequently open steppe or agricultural land with a sparse human population.

Despite the remoteness of ENRC's operations from major bodies of surface water, there are some examples of the Group's operations having a direct impact on surface waters. The Group's operations may affect the groundwater and/or soil in the vicinity of its installations. The quality of background groundwater varies with naturally high salinity at some sites. In general, where cases of elevated concentrations of heavy metals have been found in groundwater and/or soils in the vicinity of ENRC's operations, it is often understood to reflect the natural background conditions as well as impacts from ENRC's and, where applicable, other neighbouring industrial operations.

Legislative framework

Environmental

Environmental regulations in Kazakhstan are a legacy of the FSU. In recent years, Kazakhstan has amended its environmental protection laws and has adopted regulations that require industrial facilities to minimise impacts on the environment. The requirements include limits on Maximum Permissible Emission volumes ("MPEs"), Maximum Permissible Discharges ("MPDs") and maximum volumes of waste generation. The regulations are primarily enforced through a mechanism of payment obligations imposed on an entity depending on the entity's levels of emissions, discharges and waste storage. The shortage of adequate monitoring equipment often means that emissions calculations are widely performed by both operators and regulators, which can lead to irregular monitoring and inaccurate results. ENRC pays an annual fee (payable on a quarterly basis) for emissions, discharges and waste storage within permitted levels. If a company fails to achieve the specified targets for such matters this would give rise to additional payment obligations. For each of the years ended 31 December 2004, 2005 and 2006, the Group's total additional payment obligations for emissions, discharges and waste generation at all facilities were not material.

A new Environmental Code was adopted in Kazakhstan in January 2007 introducing changes to the regulatory mechanism, including the concept of Best Available Techniques ("BAT"). This should bring environmental regulation closer to that of the EU, although there is still some uncertainty over how the Environmental Code will be implemented in practice. ENRC's environmental staff is involved in the development of the technical specification for some of the new industry standards in Kazakhstan.

Kazakhstan has signed the Kyoto Protocol and a decision is expected by the Kazakhstan government at the end of 2007 with regard to its ratification. A future ratification is expected to include national targets for greenhouse gas emissions, but these targets may or may not necessarily entail specific reductions in present emission levels. It is not anticipated that ratification would result in the imposition of onerous targets on an industry that may threaten national development. It is expected that Kazakhstan would benefit under the Joint Implementation ("JI") mechanism of Kyoto, which allows certain signatory countries to the Protocol to transfer to, or acquire from, other signatory countries like Kazakhstan emission reduction units, thus enabling it to count these units towards meeting its own Kyoto target. ENRC has been investigating its potential under JI, for example as a recipient of clean technologies.

Health and safety

The Group is required to comply with a range of health and safety laws and regulations. The Group's health and safety standards and training procedures are reviewed on an ongoing basis. In accordance with Kazakh law, the Group has developed health and safety procedures tailored to ENRC's operations and activities.

ENRC is presently in the process of re-organising the structure of the health and safety management of each division of the Group so that, in accordance with legal requirements, each division has a health and safety department that is independent of operational management. For the Ferroalloy Division and the Alumina and Aluminium Division these changes have already been completed. A health and safety programme is updated annually for each division. In addition, each operating unit has a safety representative who monitors compliance with the health and safety programme. Internal health and safety related reports and any government inspection reports are reviewed on an ongoing basis.

Employee injuries are monitored in accordance with Kazakh legislation, which requires official registration of the injury, creation of a special commission with local authorities and site representatives to investigate the injury, and further supervision after corrective actions. Minor injuries and subcontractor injuries are not registered or recorded, and this is not required by the legislation.

Management systems

The Group has recently established a Health, Safety and Environment Committee of its Board of Directors (the "HSE Committee"). The HSE Committee is responsible for formulating and recommending to the Board a policy on health, safety and environment issues related to the Group's operations. In particular, the HSE Committee will focus on ongoing compliance with applicable standards to ensure that an effective system of health and safety standards, procedures and practices is in place at each of the Group's operations. The HSE Committee is also responsible for reviewing management's investigation of incidents or accidents that occur to assess whether policy improvements are required. The ultimate responsibility for establishing the Group's health, safety and environment policy, however, remains with the Board.

In 2003, ENRC initiated a phased implementation of formal management systems for some operations, including ISO 14001 environmental management systems, ISO 9001 quality management systems and OHSAS 18001 safety management systems. The Group is the first enterprise in Kazakhstan to implement an environmental management system certified for ISO 14001 and is also the first enterprise among the CIS mining industries to receive OHSAS 18001 certifications at several of the Group's facilities.

For those operations that are certified under one or more management systems, the independent certifying bodies undertake periodic audits to ascertain conformity with system obligations. Management systems do not, however, require a particular level of performance, which is left to the discretion of the operating entity. Also, the degree to which the standards are implemented may be variable.

Environmental

ENRC actively monitors or estimates its air emissions, wastewater discharges and the amount of waste it has generated, as well as the quality of ambient air, nearby surface water, soil and groundwater. Renewal of environmental permits requires the submission of an annual statistical report on the monitoring results to Kazakhstan's environmental authorities, compliance with the permits' provisions and the fulfilment of any environmental payment obligations, which include payments for routine operations and any non-compliance penalties. Kazakhstan's environmental authorities have also conducted inspections of ENRC site operations. During the three years ended 31 December 2006, the total amount of state inspection penalties was US\$131,183 in 2004, US\$50,922 in 2005 and US\$112,024 in 2006.

The Group's operations have obtained all required material contracts, licences and permits, except for several enterprises that are in the process of developing waste management documents. The

Group engaged Environmental Resources Management (“ERM”) in 2006 to assess the Group’s health, safety and environment status with respect to material issues that have cost implications exceeding €1 million. Such issues include material compliance with Kazakh health, safety and environment laws and permit obligations, material conformity with international health, safety and environment best practices and establishment of contingent material liabilities for future mitigation of suspected contamination. ERM determined that the Group is in material compliance with most aspects of the applicable national environmental legislative and regulatory requirements. Site management is aware of those operations that are not currently in compliance, and appropriate action plans and schedules have been implemented to make the necessary technical upgrades, which are primarily related to emissions reduction, wastewater handling and slag or waste management. In general, ERM concluded that the environmental performance of the Group’s operations compares favourably to similar CIS enterprises.

While regulators may be influenced in the extent of their enforcement activity by the dominance of an operator in its local area as an employer, a tax payer and a provider of local utilities to the community, a change of ownership, particularly foreign ownership, may provoke a tougher stance by the regulators, especially if they believe the new owners have greater financial capacity to implement health, safety and environment improvements. However, given the continuing development and, necessarily, the uncertainty of Kazakhstan’s regulatory framework, the primary driver for environmental improvement (and associated expenditure) is likely to be ENRC’s own corporate commitments on environmental, health and safety matters, and the increased degree of external scrutiny to which the Company will be exposed as a UK publicly traded entity, suggesting gradual, managed expenditure on environmental improvement.

The total annual costs of complying with existing legislation, including operating costs, capital expenditure and the obligatory environmental fees, had been US\$90.1 million (2005) and US\$96.9 million (2006), with estimated total costs of US\$76 million for 2007.

ERM identified several aspects of the Group’s operations that, while conforming to current Kazakh requirements, do not conform to international best practices, primarily related to further reduction of air emissions, improved handling of petroleum and chemical substances and storage of waste. Although there are no current or anticipated regulatory obligations in Kazakhstan that require the Group to conform to such international practices, the Group is addressing a number of these issues in its technical upgrade plans such as a US\$2.3 million investment at the AoK power station to reduce water losses.

At several of the Group’s sites, the plant and equipment are many decades old and do not reflect modern environmentally-friendly or energy-efficient technology. The ongoing and future replacement of obsolete equipment—as part of the Group’s ongoing investment programme—will contribute substantially to the improved health, safety and environment performance of the Group’s operations. For example, in January 2007, the Group completed the replacement of two turbines with more efficient equipment and the installation of four modern air emission filters at the EEC Power Plant, which significantly decreased the emission of air pollutants, such as dust and nitrogen oxides, from the facility. In the three-year period from 2004 to 2006, the Group invested US\$26.5 million in new technology with enhanced safety characteristics. Further training of the management and staff is also needed to promote an integrated culture of safety within the Group, and such training is being planned.

Health and safety

Several site operations require material improvement with respect to dust control, ventilation, noise control, vibration and machine guarding, but the necessary improvements have been identified by management and are expected to be completed by 2012. The availability and use of personal protective equipment by employees varies widely among operating locations. The Group’s total annual expenses for employee protection at work sites, including insurance, were US\$48.6 million in 2004, US\$64.4 million in 2005 and US\$57.2 million in 2006. The total health and safety related penalties imposed by the state inspection authority on the Group in 2006 were US\$10,000.

In 2006, the Group's health and safety training expenses were US\$954,000, or US\$71.50 per employee trained. The Group has a special health care programme and spent about US\$8.7 million for employee medical treatment in 2006. The costs associated with investment in and maintenance of recreational, medical and cultural facilities between 2004 and 2006 exceeded US\$50 million. The Group's injury frequency rate ("IFR"), measured per 1000 employees, was 1.2 in 2004, 1.0 in 2005 and 1.4 in 2006. The number of Group fatalities in recent years (eight in 2004, 13 in 2005 and 11 in 2006) is lower than those reported by other large Kazakhstan mining companies.

Operational hazards and insurance

The Group's operations are subject to numerous operating risks, including geological conditions, seismic activity, climatic conditions, interruptions to power supplies, environmental hazards, technical failures, fires, explosions and other accidents at its mines, processing plants or related facilities. These risks and hazards could result in damage to production facilities, personal injury, fatalities, environmental damage, business interruption and possible legal liability.

Kazakh law requires mining companies to insure against certain limited risks. The Group maintains mandatory insurance policies that cover the employer's liability for death or injury to workers, and liability insurance for operators of its vehicles. The Group also maintains certain voluntary policies in respect of medical insurance and property and liability insurance. The Group's insurance does not cover other potential risks associated with its operations. In particular, the Energy Division does not currently maintain liability insurance, the Zhairam Unit and the Logistics Division do not currently maintain property damage or business interruption insurance, and no "delay in start-up" insurance (which may not be available in Kazakhstan) is maintained in respect of the Group's aluminium smelter. In addition, the Group does not currently maintain adequate insurance for certain of its operations outside Kazakhstan.

The Group's management periodically evaluates additional insurance coverage. Because Kazakh law currently prohibits foreign insurance companies from operating directly in Kazakhstan, the underdeveloped insurance market in Kazakhstan offers only limited opportunities for insuring risks associated with the Group's business. The Group's operating entities in Kazakhstan may only seek insurance from domestic insurance companies. The Group's principal insurance provider is beneficially owned by the Group's Founders. Please see the paragraph headed "Insurance Arrangements with Eurasia Insurance" in Part X of this Prospectus.

IT systems

Due to the nature of the Group's core operations, its mining and production activities do not rely on information technology to a material extent. Nonetheless, the Group is assessing the extent to which upgraded facilities may offer enhanced efficiency and/or productivity to its business and may implement improvements in due course accordingly.

The Group relies on IT systems for financial reporting purposes. The Group has historically underinvested in its financial reporting IT systems for its Kazakh operations and some of its current IT systems are based on operating systems that are no longer supported by external IT suppliers. The Directors recognise that the Group's current IT systems in Kazakhstan are insufficient to meet the future requirements of the Group, and have therefore initiated an upgrade programme. In this regard, the Group is currently conducting a tender process for a new enterprise resource planning (ERP) system and intends to select an appropriate system by 31 March 2008. The Directors currently anticipate that implementation of this new system will take approximately two to three years, and although the Directors recognise that the costs involved will be substantial, they are confident that a new ERP system will result in greater reliability and efficiency in financial reporting.

The Group has recently implemented COGNOS, a well established financial systems package, in London to facilitate consolidated financial and management reporting and has also documented a disaster recovery plan throughout the Group.

Employee Share Incentives

Subject to Admission, the Company has adopted a long term incentive plan for management and senior employees providing share awards. The total number of share awards granted pursuant to this long term incentive plan, in conjunction with all other employee share plans operated by the Group, cannot exceed 10% of the issued share capital of the Company in ten years. The share awards will be subject to appropriate performance conditions and in granting awards, the Board and its Remuneration Committee intend to comply with the terms of the Combined Code.

The Company has also adopted an incentive plan for management and senior employees providing cash and share awards in respect of their contributions to the Group's preparations for its initial public offering. Cash awards equal to US\$21.6 million have been granted, which are payable in full on Admission. Awards of up to 7,975,000 Ordinary Shares in aggregate have also been granted to employees under this incentive plan.

Further details of these incentive plans are set out in paragraph 13 of Part XIII of this Prospectus.

Current trading and prospects

Since 30 June 2007, the Group has continued to trade in line with the Directors' expectations. The Group's production and sales volumes have progressed in line with expectations, with consolidated revenue higher than for the comparable period in 2006, mainly as a result of the continued strength of commodity prices, and in particular in respect of the Ferroalloy Division and Iron Ore Division. Operating costs have continued to increase, principally in line with the increases experienced in the first half of 2007, due to continued inflationary pressures and the impact of adverse currency movements. These inflationary pressures are being monitored to enable the Group to mitigate their effects on unit costs where possible.

The Directors believe that the financial and trading outlook for the remainder of the year is in line with the Group's expectations.

Part III: Selected financial information

The following is a summary of the Group's financial information for the periods indicated. The data has been extracted without material adjustment from, and is qualified in its entirety by reference to, the financial information in Part V. The summary should be read in conjunction with the information in those sections and with "Part IV—Operating and financial review". Investors are advised to read the whole of this Prospectus and not rely on just the key or summarised information.

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006 (unaudited)
In millions US\$					
Income statement data:					
Revenue	2,691	2,950	3,256	1,856	1,514
Cost of sales	(1,017)	(1,246)	(1,542)	(826)	(670)
Gross profit	1,674	1,704	1,714	1,030	844
Distribution costs	(235)	(332)	(407)	(189)	(212)
Selling, general and administrative expenses	(147)	(228)	(290)	(169)	(116)
Other operating expenses—net	(20)	(18)	(20)	(31)	(61)
Operating profit	1,272	1,126	997	641	455
Analysed as:					
Adjusted EBITDA ⁽¹⁾	1,502	1,363	1,256	797	575
Depreciation and amortisation	(230)	(237)	(253)	(136)	(120)
Exceptional items	—	—	(6)	(20)	—
Finance income	5	12	24	27	11
Finance costs	(22)	(40)	(50)	(82)	(25)
Profit before income tax	1,255	1,098	971	586	441
Income tax expense	(233)	(321)	(285)	(198)	(120)
Profit for the period	1,022	777	686	388	321
Profit is attributable to:					
Equity shareholders of the Group	884	580	550	381	270
Minority interests	138	197	136	7	51
Cash flow data:					
Net cash flow from operating activities	1,146	1,070	744	475	186
Net cash used for investing activities	(516)	(625)	(578)	(618)	(185)
Net cash used for financing activities	(562)	(459)	—	(15)	42
Net increase/(decrease) in cash and cash equivalents	68	(14)	166	(158)	43
Other financial and operating data:					
Adjusted EBITDA Margin (%) ⁽²⁾	55.8	46.2	38.6	42.9	38.0
Adjusted EBIT Margin (%) ⁽³⁾	47.3	38.2	30.6	34.5	30.1
Ferroalloys sold, thousand tonnes	1,114	1,164	1,268	686	635
Chrome ore sold, thousand tonnes	907	1,078	1,093	532	542
Iron ore sold, thousand tonnes	14,726	11,813	16,472	8,074	8,062
Alumina sold, thousand tonnes	1,450	1,497	1,508	754	766
Capital expenditure	356	507	563	428	206
Average exchange rate (KZT/\$) ⁽⁴⁾	135.96	132.85	126.09	123.16	127.10
Period end exchange rate (KZT/\$) ⁽⁵⁾	130.00	133.77	127.00	121.66	118.69

(1) Adjusted EBITDA represents profit before finance income, finance costs, income tax expense and depreciation and amortisation (including negative goodwill), as further adjusted to add back exceptional items. Exceptional items represent costs incurred in relation to the initial public offering.

(2) Adjusted EBITDA Margin represents adjusted EBITDA as a percentage of revenue.

(3) Adjusted EBIT Margin represents profit before finance income, finance costs and income tax expense, as further adjusted to add back exceptional items, as a percentage of revenue.

(4) The results of all Group entities that have a functional currency different from the presentation currency are translated at average exchange rates for the relevant periods (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

(5) The financial position of all Group entities that have a functional currency different from the presentation currency are translated at the closing rate at the date of that balance sheet.

Part III: Selected financial information

	As at			As at
	2004	2005	2006	30 June 2007
	In millions US\$			
Balance sheet data:				
Cash and cash equivalents	183	165	336	192
Total non-current assets	2,025	2,294	3,008	3,471
Total assets	3,033	3,402	4,603	4,975
Borrowings				
—short term	72	100	608	153
—long term	155	139	876	1,118
Total non-current liabilities	491	457	1,248	1,538
Total liabilities	852	1,054	2,331	2,194
Total equity	2,181	2,348	2,272	2,781

Part IV: Operating and financial review

The following discussion of the financial condition and results of operations of the Group should be read in conjunction with the financial information set out in Section B of Part V of this Prospectus and the other financial information contained elsewhere in this Prospectus. This review contains forward-looking statements that reflect the current view of the Directors and involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors discussed below and elsewhere in this Prospectus, particularly in "Risk factors" and "Presentation of information and general disclosures". Certain regulatory and industry issues also affect the Group's results of operations and are described in Part I and Part II of this Prospectus. Investors should read the whole of this Prospectus and not rely just on summarised information.

The following discussion focuses on the Group's audited combined and consolidated financial statements for the three years ended 31 December 2006 and on the Group's audited combined and consolidated financial statements for the six months ended 30 June 2007 and unaudited comparative statements for the six months ended 30 June 2006.

Overview

ENRC is a leading diversified natural resources group with integrated mining, processing, energy, logistical and marketing operations. The majority of the Group's assets were acquired in the privatisation process undertaken in Kazakhstan in the mid-1990s. The Company is a holding company incorporated in England and Wales and formed as part of a reorganisation in December 2006 to simplify the ownership structure of the Group's assets and to consolidate them in a single group of companies. The Group's production assets are located in the Republic of Kazakhstan where it employs approximately 62,000 people. In 2006, the Group accounted for approximately 4% of the country's GDP. The Group currently sells its products to customers around the world, including in Russia, China, Japan, Western Europe and the United States.

The Group has five operating divisions:

The Ferroalloy Division—The Ferroalloy Division produces and sells ferrochrome and other ferroalloys, primarily to steel producers, and sells chrome ore and manganese ore to third-party ferroalloy producers. The Ferroalloy Division's vertically integrated operations include chrome ore and manganese ore mines, two ferroalloy processing plants and a gas power station. For the year ended 31 December 2006, the Ferroalloy Division had total third-party revenue of US\$1,473 million, which represented 45.2% of the Group's combined and consolidated revenue. For the six months ended 30 June 2007, the Ferroalloy Division had total third-party revenue of US\$917 million, which represented 49.4% of the Group's combined and consolidated revenue.

The Iron Ore Division—The Iron Ore Division produces and sells iron ore concentrate and pellets primarily to steel producers. The Iron Ore Division's operations include iron ore mines, crushing, beneficiation and pelletising plants and a thermal power station. For the year ended 31 December 2006, the Iron Ore Division had total third-party revenue of US\$829 million, which represented 25.5% of the Group's combined and consolidated revenue. For the six months ended 30 June 2007, the Iron Ore Division had total third-party revenue of US\$457 million, which represented 24.6% of the Group's combined and consolidated revenue.

The Alumina and Aluminium Division—The Alumina and Aluminium Division produces and sells alumina to aluminium producers. The Alumina and Aluminium Division's vertically integrated operations include two bauxite mines, a limestone mine, an alumina refinery and a power station. In addition, the Alumina and Aluminium Division is constructing a new aluminium smelter that will allow the division to process its alumina into aluminium. The first phase of the smelter is expected to be commissioned by 31 December 2007 and achieve full production capacity of 250,000 tonnes per annum by 2011. For the year ended 31 December 2006, the Alumina and Aluminium Division had total revenue of US\$612 million, of which US\$602 million was derived from third-party sales, representing 18.5% of the Group's combined and consolidated revenue. For the six months ended 30 June 2007, the Alumina and Aluminium Division had total revenue of US\$325 million, of which US\$324 million was derived from third-party sales, which represented 17.5% of the Group's combined and consolidated revenue.

The Energy Division—The Energy Division is one of the largest electricity providers in Kazakhstan, accounting for approximately 16% of the country's recorded electricity production in 2006. The Energy Division provides a cost-effective energy supply to the Group's principal operating divisions and produces a significant surplus for sale to third parties in Kazakhstan. For the year ended 31 December 2006, the Energy Division had total revenue of US\$263 million, of which US\$154 million was derived from third-party sales, representing 4.7% of the Group's combined and consolidated revenue. For the six months ended 30 June 2007, the Energy Division had total revenue of US\$157 million, of which US\$93 million was derived from third-party sales, representing 5.0% of the Group's combined and consolidated revenue.

The Logistics Division—The Logistics Division provides effective transportation and logistical services to the Group's principal operating divisions and third parties. The Logistics Division's operations include freight forwarding, wagon repair services and railway construction and repair services, which collectively provide the Group with reliable intra-Group delivery services. In addition, the Logistics Division operates a railway transfer and reloading terminal on the Kazakhstan and China border, facilitating the Group's access to the growing market in China. For the year ended 31 December 2006, the Logistics Division had total revenue of US\$277 million, of which US\$198 million was derived from third-party sales, representing 6.1% of the Group's combined and consolidated revenue. For the six months ended 30 June 2007, the Logistics Division had revenue of US\$102 million, of which US\$65 million was derived from third-party sales, which represented 3.5% of the Group's combined and consolidated revenue.

Significant Factors Affecting the Group's Results of Operations

Key factors affecting the Group's results of operations are discussed below.

Commodity prices

Prices of the mineral commodities that the Group produces have a material impact on the Group's results of operations. Commodity prices are affected by changes in global economic conditions, supply and demand trends, technological changes and related industrial cycles. Prices of ferroalloys, iron ore, alumina and aluminium can vary significantly. Generally, producers of commodities are unable to influence market commodity prices directly; however, events such as changes in production capacity, temporary price reductions or other attempts to capture market share by significant producers may have an effect on market prices. Additionally, the prices realised by producers on sales of their products can be affected by contractual arrangements, production levels, product quality and hedging strategies. Price variations, hedging policies and market cycles have historically influenced the financial results of the Group and are expected to continue to do so.

The Group has long-term supply agreements with alumina and iron ore customers, which provide for the purchase of a substantial part of the Group's annual alumina and iron ore production. In line with industry practice, the contracts do not fix the sale price, rather, goods are priced by reference to the LME or other readily available published prices for the relevant period. The contracts do, however, fix the premium or discount payable, which enables the Group to avoid fluctuations in the premium or discount applicable to sales in the spot market.

The Group also seeks to conclude annual contracts by the end of the fourth quarter of each year for the sale of substantially all of ENRC's expected ferroalloys produced in the following year and, to a lesser extent, iron ore and alumina production for the upcoming year, generally for delivery in monthly batches.

ENRC generally does not hedge its exposure to the risk of fluctuation in the price of mineral commodities and currently does not intend to do so in the future.

Total global demand for high-carbon ferrochrome grew at a compound annual rate of 5.5% between 1997 and 2006, primarily driven by increased stainless steel production in China and India. According to Heinz H. Pariser, growth in demand for high-carbon ferrochrome is likely to average approximately 4.1% per year between 2007 and 2016.

The demand for iron ore is correlated to steel production, which generally follows overall industrial growth. According to reports by CRU, the compound annual growth rate of iron ore production

was 6.8% between 1996 and 2006. CRU also anticipates that rapid economic growth in China will cause continued iron ore supply shortages until 2009.

Global alumina demand increased significantly between 2000 and 2006. This was driven by increased aluminium production and the related demand for alumina in China. CRU predicts that global metallurgical alumina demand will continue to grow, from 66.2 million tonnes in 2006 to an expected 84.5 million tonnes in 2011, which is a compound annual growth rate of 5.0%, driven primarily by growth in China.

For a discussion of recent market conditions for the ferrochrome, iron ore and alumina and aluminium markets, see "Industry Overview" under the description of the Ferroalloy, Iron Ore and Alumina and Aluminium Divisions appearing in Part II.

Production costs and efficiency

The Group's competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to maintain low-cost and efficient operations. Costs associated with mining and metal production can be broadly categorised into costs attributable to raw materials, direct labour and production overheads.

The Directors believe that the Group is among the lowest cost producers in each of its segments. The scale of the Group's operations and its vertical integration contribute to the efficiency and profitability of the business. Power plants in Pavlodar and other production facilities, powered by coal from the Group's coal mine in Ekibastuz, provide captive power. Power is supplied to the sites or transferred into the Kazakhstan national grid, and the excess heat output is sold to the local city of Pavlodar, enabling ENRC to use its own power without purchasing electricity at the commercial rate and to bear only the cost of transmission from Pavlodar to the chrome smelting facilities in north-western Kazakhstan. A number of other production-related functions, including repairs and maintenance, are undertaken in-house, which also helps the Group to maintain low costs. Costs per unit are significantly affected by changes in production volumes and, therefore, the Group's production levels are a key factor in determining its overall cost competitiveness.

The Group's production costs and efficiency are subject to fluctuations in the costs of the materials it purchases such as fuel, special coal, coke, materials used for repair and maintenance of facilities and other materials. The Group's materials costs have been rising over the last three years mainly due to increasing oil prices as well as general price inflation for other materials. The Group has undertaken a series of cost-control measures, including modernisation programmes and the restoration of repair parts in lieu of the purchase of new parts, which are aimed at reducing materials costs.

The Group's payroll expenses increased significantly in 2005, 2006 and 2007. These increases have been driven by the Group's effort to remain competitive in respect of wages paid for qualified personnel. Average compensation levels in mining and related industries in Kazakhstan have risen significantly since 2005 due to increased market competition for skilled workers, particularly in the Pavlodar region. Despite these significant increases in the Group's labour costs, the Group still benefits from relatively low-cost local labour.

Transportation costs affect both the Group's distribution costs and cost of sales. These costs have significantly increased over the last two years, impacted by increased sales to China, which incur higher transport costs than sales to Russia and within Kazakhstan, higher railroad tariffs in Kazakhstan that affect all of the Group's divisions, and higher international freight costs for sales in the Ferroalloy Division. In addition, Chinese railroad tariff increases in recent years have generally outpaced inflation. Future transport costs are expected to continue to be affected by increasing railroad tariffs in each of Kazakhstan, China and Russia. These countries exercise significant control over their transport systems, and the long-term effect on railroad tariffs and services is uncertain. Increases in railroad tariffs are partially mitigated by the Group's Logistics Division, which employs private wagons for a large portion of the Group's cargo transportation and provides wagon and railway repair services. This reduces the potential effects of tariff changes by controlling the portion of tariffs paid for wagon usage as well as controlling freight forwarder commissions. Additionally, the proximity of the Group's principal operations to China and Russia, its largest export markets, reduces transportation costs.

Part IV: Operating and financial review

A substantial portion of the Group's production costs are incurred in KZT and, as the US Dollar has weakened against the KZT since 2004, production costs have increased in US Dollar terms.

Exchange rates

The Group's principal products are commodities typically priced by reference to US Dollars. A substantial portion of the Group's costs are incurred in KZT. Accordingly, the Group may be materially affected by exchange rate fluctuations between the US Dollar and the KZT and, to a lesser extent, other currencies including the Swiss Franc, Japanese Yen, Euro and British Pound. In 2007, the Group entered into a number of US\$/KZT foreign exchange forward contracts to partially hedge against fluctuations in the exchange rate. See Note 35 to the Combined and Consolidated Financial Statements in Part V of this Prospectus.

The functional currency of all the significant operating entities is the KZT, while for the sales and marketing entities it is US Dollars. The functional currency for each entity in the Group is the currency of the primary economic environment in which it operates. The results and financial position of all Group entities that have a functional currency different from US Dollars, the Group's presentation currency, are translated into US Dollars as follows:

1. assets and liabilities are translated at the closing rate at the date of that balance sheet;
2. income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
3. all resulting exchange differences are recognised as a separate component of equity.

Since 2004, the US Dollar has weakened against the KZT. While this weakening has not materially affected the Group's revenue because the Group's principal products are priced by reference to the US Dollar, it has increased the Group's production costs in US Dollar terms. The following table sets out, for the periods indicated, the period-end and average exchange rates of the KZT to the US Dollar, as applied in the preparation of the Group's audited combined and consolidated financial information for the relevant periods and expressed in KZT per US Dollar.

Period	Period-end	Average
Six months ended 30 June 2007	121.66	123.16
2006	127.00	126.09
2005	133.77	132.85
2004	130.00	135.96

Social responsibility obligations

The Group is obliged to maintain social programmes in Kazakhstan for the benefit of the local communities in which it operates. These obligations include funding the construction of medical, cultural, recuperation and rehabilitation facilities, community centres, athletic facilities, housing and infrastructure in the areas in which the Group operates. Furthermore, the Group is obliged under its subsurface use licences and contracts to invest in training the local workforce, upgrading the qualifications of its employees and providing educational grants.

In addition, at its own initiative and at the request of governmental authorities, the Group has provided and continues to provide social support in the areas where it operates and in other areas in Kazakhstan.

These expenses are principally recorded as selling, general and administrative expenses. These obligations constitute a significant expense for the Group and may increase in the future, upon a change in the government or political climate or otherwise. For a description of these obligations, see "Social and community programmes" in Part II of this Prospectus.

Effects of the Global Offer on historical earnings

The Global Offer will not change underlying operational performance, but will alter the Group's capital structure, and is expected to result in an increase in corporate costs to reflect the Company's

Part IV: Operating and financial review

London Stock Exchange-listed status. Had the Global Offer been undertaken on 1 January 2006, the commencement of the Group's last full audited financial year, the earnings of the Group would have been enhanced by the interest received on the net proceeds of the Global Offer received by the Group, prior to its date of expenditure, on an after-tax basis.

Historical Dividend per Share

The Company has only been in existence since December 2006. The Company did not declare any dividends in the period to 30 June 2007. As described in Part II, previously the Group was held under common control by the Founders. For the years ended 2004, 2005 and 2006, certain subsidiary companies paid dividends and distributions to the then holding companies owned by the Founders as summarised in Part X.

Given the mix of dividends and distributions, and the promissory notes (issued to the Founder Shareholders, Mr. Kim and the Kazakhstan Government) and that no dividends within the period to 30 June 2007 have been paid by the Company, dividend per share is not representative of the dividend paid in previous years.

Factors Affecting Comparability

Key factors affecting comparability of the Group's results of operations and financial condition include:

Relationship with MMK

Historically, MMK has been one of the Group's principal customers. In 2005, 2006 and the first quarter of 2007, the results of operations of the Iron Ore Division were materially and adversely affected by protracted contractual negotiations with MMK, which resulted in reduced sales volumes and prices. In the second half of 2005, volumes of iron ore products ordered by MMK were significantly reduced, resulting in production cutbacks. In 2006, while shipments of iron ore products to MMK rose to historic levels, prices paid by MMK were substantially below market prices. This trend continued into the second quarter of 2007.

In February 2007, the Group and MMK reached agreement and signed a long-term supply contract that became effective in April 2007 and expires in 2017. Under this agreement, MMK is required to purchase specified quantities of iron ore products at prices determined by reference to published world price indices.

Selling, general and administrative expenses

Given the historical nature of the Group and the absence of a corporate centre and its associated processes and costs until the second half of 2006, the selling, general and administrative expenses, interest and tax costs in each period are not directly comparable.

Acquisition of ENRC Logistics LLP in 2004

A number of entities within the Logistics Division were acquired during 2004. Therefore, the results with respect to the Logistics Division are not directly comparable to future years in which operating results were accounted for the full year.

Acquisition of minority interests in 2006 resulted in an increase in shareholders' equity of US\$384 million

In 2006, the Group acquired minority interests held by the Kazakh government in a number of operating subsidiaries. The acquisition was effected through the exchange of the Company's shares for the shares in subsidiaries held by the Kazakh government. The Group's acquisition of the Kazakh government's minority interest on 19 December 2006 gave rise to goodwill of US\$384 million (see Notes 2 and 18 to the Combined and Consolidated Financial Statements in Part V of this Prospectus).

Promissory note agreements amounting to US\$1,000 million were created as part of the Group restructuring

In order to increase leverage within the business and provide all shareholders a pre-Global Offer distribution, and as part of the legal restructuring undertaken in 2006, a US\$1,000 million promissory note liability was created in favour of ENRC Kazakhstan Holding B.V. and the Committee. In the absence of any cash proceeds received, this legal creation of a liability was recorded as a deemed distribution, thereby reducing shareholders' equity by a corresponding amount. See Notes 1 and 2 to the Combined and Consolidated Financial Statements in Part V of this Prospectus for further information concerning these transactions. In the six months ended 30 June 2007, the Company repaid US\$500 million of the promissory notes payable to the Company's shareholders with proceeds from a draw down on its structured trade finance facility, which the Group had secured in parallel to the restructuring. In July 2007, the Group repaid an additional US\$250 million of the promissory notes, which was financed through an increase in the structured trade finance facility and the remaining US\$250 million (and outstanding interest) was repaid in December 2007. See "—Liquidity and Capital Resources—Capital resources—Bank debt" below.

Results of operations

The combined and consolidated financial information for the three years ended 31 December 2006 has been extracted from the audited combined and consolidated financial information presented in Part V of this Prospectus. Similarly, the interim combined and consolidated financial information for the six-month periods ended 30 June 2007 and 30 June 2006 has been extracted from the audited and unaudited interim combined and consolidated financial information presented in Part V of this Prospectus, respectively.

The following table sets out information about the Group's results of operations for the periods indicated:

US\$ in millions	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006
Revenue	2,691	2,950	3,256	1,856	1,514
Cost of sales	(1,017)	(1,246)	(1,542)	(826)	(670)
Gross profit	1,674	1,704	1,714	1,030	844
Distribution costs	(235)	(332)	(407)	(189)	(212)
Selling, general and administrative expenses	(147)	(228)	(290)	(169)	(116)
Other operating expenses—net	(20)	(18)	(20)	(31)	(61)
Operating profit	1,272	1,126	997	641	455
Analysed as:					
Adjusted EBITDA*	1,502	1,363	1,256	797	575
Depreciation and amortisation	(230)	(237)	(253)	(136)	(120)
Exceptional items	—	—	(6)	(20)	—
Finance income	5	12	24	27	11
Finance costs	(22)	(40)	(50)	(82)	(25)
Profit before income tax	1,255	1,098	971	586	441
Income tax expense	(233)	(321)	(285)	(198)	(120)
Profit for the period	1,022	777	686	388	321
<i>Profit is attributable to:</i>					
Equity shareholders of the Group	884	580	550	381	270
Minority interests	138	197	136	7	51
In US\$					
EPS—basic and diluted	0.88	0.58	0.55	0.38	0.27

* Adjusted EBITDA represents profit before finance income, finance costs, income tax expense and depreciation and amortisation (including negative goodwill), as further adjusted to add back exceptional items. Exceptional items (costs incurred in relation to the initial public offering) amounted to US\$6 million for 2006 and US\$20 million for the six months ended 30 June 2007.

Part IV: Operating and financial review

The following table sets out selected financial information of the Group by division:

US\$ in millions	Ferroalloy Division	Iron Ore Division	Alumina and Aluminium Division	Energy Division	Logistics Division	Group and unallocated items	Intra-Group Eliminations	Total
Segment Revenue								
2004	1,287	883	384	211	57	—	(131)	2,691
2005	1,377	857	460	205	195	—	(144)	2,950
2006	1,473	829	612	263	277	—	(198)	3,256
Six months ended								
30 June 2007	917	457	325	157	102	—	(102)	1,856
30 June 2006 (unaudited)	687	402	311	123	83	—	(92)	1,514
Adjusted EBITDA								
2004	669	576	186	66	19	(14)	—	1,502
2005	606	479	182	67	47	(18)	—	1,363
2006	547	323	277	77	54	(22)	—	1,256
Six months ended								
30 June 2007	405	197	132	65	23	(25)	—	797
30 June 2006 (unaudited)	212	151	156	44	26	(14)	—	575
Adjusted EBITDA Margin ⁽¹⁾								
2004	52.0%	65.2%	48.4%	31.3%	33.3%	—	—	55.8%
2005	44.0%	55.9%	39.6%	32.7%	24.1%	—	—	46.2%
2006	37.1%	39.0%	45.3%	29.3%	19.5%	—	—	38.6%
Six months ended								
30 June 2007	44.2%	43.1%	40.6%	41.4%	22.5%	—	—	42.9%
30 June 2006 (unaudited)	30.1%	37.6%	50.2%	35.8%	31.3%	—	—	38.0%

(1) Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of revenue.

Six months ended 30 June 2007 compared to six months ended 30 June 2006 (unaudited)

Revenue

The Group. The Group's revenue increased by US\$342.3 million, or 22.6%, from US\$1,513.9 million for the six months ended 30 June 2006 to US\$1,856.2 million for the six months ended 30 June 2007. The Ferroalloy Division accounted for 67.1% of the total revenue increase, which was primarily due to higher ferroalloys prices resulting from rising demand primarily driven by the rapid growth in stainless steel production in China and, to a lesser extent, India. In addition, 16.0% of the total revenue increase was attributable to the Iron Ore Division, primarily due to higher achieved iron ore prices and volumes following the resolution of the Group's contractual negotiations with MMK in April 2007.

The Ferroalloy Division. The Ferroalloy Division's revenue increased by US\$229.6 million, or 33.4%, from US\$687.1 million for the six months ended 30 June 2006 to US\$916.7 million for the six months ended 30 June 2007. This increase was primarily due to higher achieved ferroalloy prices, which increased by US\$190.0 per tonne, or 20.9%, from US\$910.6 per tonne for the six months ended 30 June 2006 to US\$1,100.6 per tonne for the six months ended 30 June 2007, and higher achieved chrome ore prices, which increased by US\$59.2 per tonne, or 39.3%, from US\$150.8 per tonne for the six months ended 30 June 2006 to US\$210.0 per tonne for the six months ended 30 June 2007. Price increases across all of the division's product lines led to a US\$165.9 million increase in revenue. In addition, an 8% increase in ferroalloy sales volumes, slightly offset by a 1.9% decline in chrome ore sales volumes, accounted for an increase of US\$40.7 million in revenue. The balance of the increase was attributable to an increase in sales of other products.

The Iron Ore Division. The Iron Ore Division's revenue increased by US\$54.6 million, or 13.6%, from US\$402.0 million for the six months ended 30 June 2006 to US\$456.6 million for the six months ended 30 June 2007. This increase was primarily due to a US\$7.4 per tonne, or 21.3%, rise in achieved iron ore concentrate prices, from US\$34.9 per tonne for the six months ended 30 June 2006 to US\$42.3 per tonne for the six months ended 30 June 2007, and a rise in achieved iron ore pellet prices of US\$9.9 per tonne, or 17.6%, from US\$56.3 per tonne for the six months ended

30 June 2006 to US\$66.2 per tonne for the six months ended 30 June 2007. These increases in achieved prices combined to account for a rise of US\$72.3 million in revenue. The increase in achieved iron ore prices resulted from the resolution of the Group's contractual negotiations with MMK and the resulting ten-year supply agreement with MMK, which took effect for the last three months of the period and under which the price of iron ore sold to MMK is determined by reference to published world price indices. The price increase was partially offset by a 1.9% decline in volumes, resulting in a US\$23.1 million revenue decline.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's revenue increased by US\$19.1 million, or 6.3%, from US\$304.9 million for the six months ended 30 June 2006 to US\$324.0 million for the six months ended 30 June 2007. Volumes of alumina produced and sold were stable over this period (the price of alumina is determined by reference to the LME price for aluminium). The increase in revenue resulted primarily from an increase in the volume of sales of surplus electricity and heat energy produced by the Alumina and Aluminium Division's power station, which is independent of the Energy Division, increased sales of by-products, an increase in energy prices and changes in weather conditions over the respective periods. The achieved price of alumina increased by US\$4.9 per tonne, or 1.3%, from US\$390.3 per tonne for the six months ended 30 June 2006 to US\$395.2 per tonne for the six months ended 30 June 2007. The Alumina and Aluminium Division's sales to other Group divisions declined by US\$4.6 million, or 86.8%, from US\$5.3 million for the six months ended 30 June 2006 to US\$0.7 million for the six months ended 30 June 2007.

The Energy Division. The Energy Division's revenue increased by US\$18.4 million, or 24.5%, from US\$75.1 million for the six months ended 30 June 2006 to US\$93.5 million for the six months ended 30 June 2007. This increase was primarily due to a US\$16.4 million increase in revenue from sales of electricity to third parties, driven by a 4.0% increase in the volume of electricity sold and a 47.8% increase in the average electricity tariff. The revenue from coal sales increased by US\$0.9 million, which was attributable to a 17.9% increase in the average price of coal, principally due to an increase in the price of coal driven by exports. This increase was offset by a 3.0% decline in the shipment of coal to third parties. The Energy Division's sales to other Group divisions increased by US\$16.0 million, or 33.1%, from US\$48.3 million for the six months ended 30 June 2006 to US\$64.3 million for the six months ended 30 June 2007.

The Logistics Division. The Logistics Division's revenue increased by US\$20.5 million, or 45.7%, from US\$44.9 million for the six months ended 30 June 2006 to US\$65.4 million for the six months ended 30 June 2007. This increase was driven primarily by an increase in new repair and construction work commissioned by the Kazakhstan state railroad monopoly. The Logistics Division's sales to other Group divisions declined by US\$0.9 million, or 2.4%, from US\$37.5 million for the six months ended 30 June 2006 to US\$36.6 million for the six months ended 30 June 2007.

Cost of Sales

The Group. The Group's cost of sales increased by US\$156.1 million, or 23.3%, from US\$670.0 million for the six months ended 30 June 2006 to US\$826.1 million for the six months ended 30 June 2007. This increase was largely attributable to the Alumina and Aluminium Division, which accounted for 24.5% of the total increase in the cost of sales, primarily due to the rise of payroll expenses and costs of materials. The Ferroalloy Division accounted for 26.6% of the total increase in the cost of sales primarily due to higher ferroalloy sales volumes combined with an increase in payroll and materials expenses. The Iron Ore Division accounted for 21.7% of the total increase in the cost of sales primarily due to higher volumes of iron ore sales following resolution of the Group's contractual negotiations with MMK in April 2007. Growth in the Logistics Division's cost of sales, primarily due to expenses associated with new railway repair and construction work commissioned by the Kazakhstan state railroad monopoly, accounted for 16.0% of the total increase in cost of sales. Exchange rate fluctuations accounted for an increase of US\$24.0 million in cost of sales.

The Ferroalloy Division. The Ferroalloy Division's cost of sales increased by US\$41.6 million, or 12.8%, from US\$326.2 million for the six months ended 30 June 2006 to US\$367.8 million for the six months ended 30 June 2007. Of this increase, US\$11.3 million were due to an increase in volumes

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and US\$30.3 million due to an increase in per tonne costs. On a per tonne basis, cost of sales increased by US\$24.9 per tonne, or 9.0%, from US\$277.1 per tonne for the six months ended 30 June 2006 to US\$302.0 per tonne for the six months ended 30 June 2007. This increase was primarily driven by a US\$10.6 per tonne increase in payroll expenses, a US\$29.4 per tonne rise in the cost of materials used in production and a US\$3.2 per tonne increase in sales commissions. In addition, an increase in royalty costs paid by the Ferroalloy Division to the Republic of Kazakhstan, which are determined on either a flat rate or a sliding scale as a percentage of the volume of the extracted resource, resulted in a further increase of US\$2.8 per tonne. The increase in the cost of sales was partly offset by a US\$2.6 per tonne reduction in insurance costs. Exchange rate fluctuations accounted for an increase of US\$10.5 million in cost of sales.

The Iron Ore Division. The Iron Ore Division's cost of sales increased by US\$33.8 million, or 20.4%, from US\$165.7 million for the six months ended 30 June 2006 to US\$199.5 million for the six months ended 30 June 2007. Of this increase, US\$36.9 million were due to an increase in per tonne costs, partially offset by a US\$3.1 million reduction in costs due to a decline in volumes sold. On a per tonne basis, cost of sales increased by US\$4.7 per tonne, or 22.7%, from US\$20.6 per tonne for the six months ended 30 June 2006 to US\$25.2 per tonne for the six months ended 30 June 2007. This increase was primarily driven by a US\$1.1 per tonne increase in power and fuel expenses and a US\$1.5 per tonne rise in the cost of materials used in production. In addition, an increase in payroll expenses resulted in a further increase of US\$1.4 per tonne. Exchange rate fluctuations accounted for an increase of US\$6.2 million in cost of sales.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's cost of sales increased by US\$33.7 million, or 23.6%, from US\$143.0 million for the six months ended 30 June 2006 to US\$176.7 million for the six months ended 30 June 2007. Of this increase, US\$36.5 million were due to an increase in per tonne costs, partially offset by a US\$2.8 million reduction in costs due to a reduction in volumes sold. On a per tonne basis, cost of sales increased by US\$48.7 per tonne, or 26.1%, from US\$186.7 per tonne for the six months ended 30 June 2006 to US\$235.3 per tonne for the six months ended 30 June 2007. This increase was primarily due to an increase in the prices paid for raw materials of US\$28.2 per tonne, an increase in payroll expenses of US\$15.3 per tonne, an increase of US\$6.2 per tonne due to changes in inventory and amortisation of US\$4.0 per tonne. Exchange rate fluctuations accounted for an increase of US\$5.5 million in cost of sales.

The Energy Division. The Energy Division's cost of sales increased by US\$8.9 million, or 12.3%, from US\$72.3 million for the six months ended 30 June 2006 to US\$81.2 million for the six months ended 30 June 2007. This increase was primarily due to increased payroll expenses, royalty costs paid to the Republic of Kazakhstan and maintenance and repair costs. Exchange rate fluctuations accounted for an increase of US\$2.4 million in cost of sales.

The Logistics Division. The Logistics Division's cost of sales increased by US\$23.9 million, or 43.9%, from US\$54.5 million for the six months ended 30 June 2006 to US\$78.4 million for the six months ended 30 June 2007. This increase was primarily due to labour and material costs associated with new railway repair and construction work commissioned by the Kazakhstan state railroad monopoly. Exchange rate fluctuations accounted for an increase of US\$2.4 million in cost of sales.

Expenses

Distribution Costs

The Group. The Group's distribution costs declined by US\$22.6 million, or 10.7%, from US\$211.8 million for the six months ended 30 June 2006 to US\$189.2 million for the six months ended 30 June 2007. This decline was principally due to a decline in distribution costs in the Iron Ore Division, which resulted from a greater proportion of iron ore sales being made to MMK in Russia instead of sales to more distant customers in China. This was partially offset by increased distribution costs in the Ferroalloy Division due to higher per tonne transportation and related costs, and in the Alumina and Aluminium Division due to rising sales to Chinese customers. Exchange rate fluctuations accounted for an increase of US\$4.3 million in distribution costs.

The Ferroalloy Division. The Ferroalloy Division's distribution costs increased by US\$13.8 million, or 12.9%, from US\$106.8 million for the six months ended 30 June 2006 to US\$120.6 million for the

six months ended 30 June 2007. Of this increase, US\$3.7 million were due to an increase in volumes and US\$10.1 million due to an increase in per tonne costs. On a per tonne basis, distribution costs increased by US\$8.3 per tonne, or 9.2%, from US\$90.7 per tonne for the six months ended 30 June 2006 to US\$99.0 per tonne for the six months ended 30 June 2007. This increase was primarily driven by an increase of US\$7.4 per tonne in transportation and related costs principally relating to a rise in Kazakh railroad tariffs. In addition, there was an increase of US\$0.8 per tonne in insurance costs. Exchange rate fluctuations accounted for an increase of US\$2.1 million in distribution costs.

The Iron Ore Division. The Iron Ore Division's distribution costs declined by US\$20.5 million, or 29.2%, from US\$70.1 million for the six months ended 30 June 2006 to US\$49.6 million for the six months ended 30 June 2007. Of this decline, US\$19.0 million were due to a decline in per tonne costs and US\$1.3 million due to a decline in volumes. On a per tonne basis, distribution costs declined by US\$2.4 per tonne, or 27.6%, from US\$8.7 per tonne for the six months ended 30 June 2006 to US\$6.3 per tonne for the six months ended 30 June 2007. This decline primarily resulted from the resumption of sales volumes to MMK and the attendant reduction in sales to more distant customers in China. Transportation costs per tonne are significantly higher for deliveries to China compared to deliveries to MMK, which is located only approximately 300 km from the SSGPO processing plant. Exchange rate fluctuations increased distribution costs by US\$1.5 million.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's distribution costs increased by US\$2.8 million, or 17.6%, from US\$15.9 million for the six months ended 30 June 2006 to US\$18.7 million for the six months ended 30 June 2007. Of this increase, US\$3.0 million were due to an increase in per tonne costs, partially offset by a US\$0.3 million decline in volumes. On a per tonne basis, distribution costs increased by US\$4.0 per tonne, or 19.2%, from US\$20.8 per tonne for the six months ended 30 June 2006 to US\$24.8 per tonne for the six months ended 30 June 2007. This increase was principally driven by an increase in transportation costs due to higher railroad tariffs imposed by the Kazakh state railroad monopoly, which increased distribution costs by US\$7.6 per tonne, partially offset by US\$2.7 per tonne lower insurance costs. Exchange rate fluctuations accounted for an increase of US\$0.6 million in distribution costs.

The Energy Division. The Energy Division's distribution costs increased by US\$2.9 million, or 15.9%, from US\$18.2 million for the six months ended 30 June 2006 to US\$21.1 million for the six months ended 30 June 2007. This increase was primarily due to an increase in transportation costs due to higher railroad tariffs imposed by the Kazakh state railroad monopoly. Exchange rate fluctuations accounted for an increase of US\$0.2 million in distribution costs.

The Logistics Division. The Logistics Division's distribution costs were immaterial.

Selling, General and Administrative Expenses

The Group. The Group's selling, general and administrative expenses increased by US\$53.4 million, or 46.1%, from US\$115.9 million for the six months ended 30 June 2006 to US\$169.3 million for the six months ended 30 June 2007. Group level selling, general and administrative expenses were US\$12.8 million and US\$41.9 million for the six months ended 30 June 2006 and 30 June 2007, respectively. This increase was primarily due to expenses resulting from external consulting costs principally relating to the Global Offer, and accounted for 54.5% of the total increase. Rising payroll and related expenses in the Iron Ore Division accounted for an additional 25.3% of the total increase in selling, general and administrative expenses. Exchange rate fluctuations accounted for an increase of US\$3.6 million in selling, general and administrative expenses.

The Ferroalloy Division. The Ferroalloy Division's selling, general and administrative expenses increased by US\$1.1 million, or 2.5%, from US\$44.1 million for the six months ended 30 June 2006 to US\$45.2 million for the six months ended 30 June 2007. This increase was primarily due to an increase in expenses resulting from external consulting costs and an increase in payroll expenses. Exchange rate fluctuations accounted for an increase of US\$1.3 million in selling, general and administrative expenses.

The Iron Ore Division. The Iron Ore Division's selling, general and administrative expenses increased by US\$13.5 million, or 55.5%, from US\$24.3 million for the six months ended 30 June 2006 to US\$37.8 million for the six months ended 30 June 2007. This increase was primarily due to an increase in payroll and other expenses. Exchange rate fluctuations accounted for an increase of US\$1.1 million in selling, general and administrative expenses.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's selling, general and administrative expenses increased by US\$5.5 million, or 33.1%, from US\$16.6 million for the six months ended 30 June 2006 to US\$22.1 million for the six months ended 30 June 2007. This increase was primarily due to an increase in payroll expenses. Exchange rate fluctuations accounted for an increase of US\$0.6 million in selling, general and administrative expenses.

The Energy Division. The Energy Division's selling, general and administrative expenses increased marginally by US\$0.2 million, or 2.3%, from US\$8.8 million for the six months ended 30 June 2006 to US\$9.0 million for the six months ended 30 June 2007. There were no material changes to note. Exchange rate fluctuations accounted for an increase of US\$0.3 million in selling, general and administrative expenses.

The Logistics Division. The Logistics Division's selling, general and administrative expenses increased by US\$4.1 million, or 44.1%, from US\$9.3 million for the six months ended 30 June 2006 to US\$13.4 million for the six months ended 30 June 2007. This increase was primarily due to an increase in payroll expenses. Exchange rate fluctuations accounted for an increase of US\$0.4 million in selling, general and administrative expenses.

Operating Profit

The Group. The Group's operating profit increased by US\$185.6 million, or 40.8%, from US\$454.8 million for the six months ended 30 June 2006 to US\$640.4 million for the six months ended 30 June 2007. The Ferroalloy Division accounted for US\$189.1 million of the total growth in operating profit primarily due to higher ferroalloy prices and increased sales volumes. The Iron Ore Division accounted for 20.9% of the total growth in operating profit helped by the resolution of the Group's contractual negotiations with MMK. This growth was partially offset by increased production costs that resulted in a decline in the operating profit of the Alumina and Aluminium Division, which accounted for a decrease of 14.5% in the total growth in operating profit. An increase in Group level expenses of US\$31.4 million further offset the total growth in operating profit. Exchange rate fluctuations accounted for a decline of US\$29.0 million in operating profit.

The Ferroalloy Division. The Ferroalloy Division's operating profit increased by US\$189.1 million, or 107.3%, from US\$176.2 million for the six months ended 30 June 2006 to US\$365.3 million for the six months ended 30 June 2007. This increase was principally driven by increased ferroalloy prices and volumes of products sold by the Ferroalloy Division. Exchange rate fluctuations accounted for a decline of US\$12.7 million in operating profit.

The Iron Ore Division. The Iron Ore Division's operating profit increased by US\$38.7 million, or 33.7%, from US\$114.9 million for the six months ended 30 June 2006 to US\$153.6 million for the six months ended 30 June 2007. This increase was primarily due to an increase in achieved prices for iron ore sold, mainly to MMK, partly offset by an increase in the cost of sales. Exchange rate fluctuations accounted for a decline of US\$7.8 million in operating profit.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's operating profit declined by US\$27.0 million, or 20.5%, from US\$131.7 million for the six months ended 30 June 2006 to US\$104.7 million for the six months ended 30 June 2007. This decline was principally attributable to an increase in production costs, which was partially offset by other income from the sales of surplus electricity and heat energy. Exchange rate fluctuations accounted for a decline of US\$9.7 million in operating profit.

The Energy Division. The Energy Division's operating profit increased by US\$20.0 million, or 77.2%, from US\$25.9 million for the six months ended 30 June 2006 to US\$45.9 million for the six months ended 30 June 2007. This increase was primarily due to increasing revenue from coal and

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electricity sales. Exchange rate fluctuations accounted for an increase of US\$0.6 million in operating profit.

The Logistics Division. The Logistics Division's operating profit declined by US\$5.6 million, or 27.3%, from US\$20.5 million for the six months ended 30 June 2006 to US\$14.9 million for the six months ended 30 June 2007. Exchange rate fluctuations accounted for a decline of US\$0.5 million in operating profit.

Foreign exchange analysis

In order to illustrate performance and facilitate an understanding of the underlying changes in the period, the following table sets out selected financial information of the Group by division for the six-month periods ended 30 June 2007 and 30 June 2006 (unaudited) assuming constant exchange rates. This represents growth calculated as if the exchange rates used to translate the results of operations from the functional currency to the presentation currency in US Dollars had remained unchanged from those used in the previous period. Such amounts are shown as 'FX neutralised' in the table below.

	Ferroalloy Division	Iron Ore Division	Alumina and Aluminium Division	Energy Division	Logistics Division	Group	Consolidated
In millions of US\$							
Operating profit							
6 months 2006 (unaudited)	176	115	132	26	20	(14)	455
6 months 2007	366	154	105	46	15	(45)	641
6 months 2007, FX neutralised	379	161	115	45	14	(45)	669
FX impact	(13)	(7)	(10)	1	1	—	(28)
Adjusted EBITDA							
6 months 2006 (unaudited)	212	151	156	44	26	(14)	575
6 months 2007	405	197	132	65	23	(25)	797
6 months 2007, FX neutralised	417	203	141	64	22	(25)	822
FX impact	(12)	(6)	(9)	1	1	—	(25)

Year ended 31 December 2006 compared to year ended 31 December 2005

Revenue

The Group. The Group's revenue increased by US\$306.6 million, or 10.4%, from US\$2,950.0 million for the year ended 31 December 2005 to US\$3,256.6 million for the year ended 31 December 2006. The Alumina and Aluminium Division accounted for 50.3% of the total revenue growth primarily due to rising alumina prices. In addition, the Ferroalloy Division accounted for 31.3% of the total revenue growth primarily due to increasing sales of ferroalloys. A shift in the Logistics Division's product mix, particularly from current to capital repairs, led the Logistics Division to account for 17.1% of the total revenue growth. Partially offsetting the total revenue growth was a decline in achieved iron ore prices due to the Group's contractual negotiations with MMK.

The Ferroalloy Division. The Ferroalloy Division's revenue increased by US\$96.1 million, or 7.0%, from US\$1,377.0 million for the year ended 31 December 2005 to US\$1,473.1 million for the year ended 31 December 2006. This increase was primarily due to an 8.9% increase in ferroalloy sales and a 1.3% increase in chrome ore sales, which were principally attributable to stronger exports and resulted in a US\$93.4 million increase in revenue. In addition, achieved chrome ore prices increased by US\$7.3 per tonne, or 4.3%, from US\$169.0 per tonne for the year ended 31 December 2005 to US\$176.3 per tonne for the year ended 31 December 2006. These gains were partially offset by a decline in achieved ferroalloy prices, which declined by US\$23.9 per tonne, or 2.4%, from US\$986.0 per tonne for the year ended 31 December 2005 to US\$962.1 per tonne for the year ended 31 December 2006. This decline was primarily due to a decline in achieved high-carbon ferrochrome prices. The balance of the revenue increase was attributable to manganese ore and other sales.

The Iron Ore Division. The Iron Ore Division's revenue declined by US\$28.1 million, or 3.3%, from US\$857.0 million for the year ended 31 December 2005 to US\$828.9 million for the year ended 31 December 2006. This decline was primarily due to a US\$14.8 per tonne, or 29.1%, decrease in achieved iron ore concentrate prices, from US\$51.0 per tonne for the year ended 31 December 2005

to US\$36.2 per tonne for the year ended 31 December 2006, and a decline in achieved iron ore pellet prices of US\$24.1 per tonne, or 29.3%, from US\$82.4 per tonne for the year ended 31 December 2005 to US\$58.3 per tonne for the year ended 31 December 2006. These decreases in achieved prices combined to account for a decline of US\$324.0 million in revenue. This decrease was largely offset by a 4.3 million tonne, or 37.0%, increase in total shipments of iron ore concentrate and pellets to customers in Russia (including MMK) and China, raising revenue by US\$279.0 million.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's revenue increased by US\$154.3 million, or 34.4%, from US\$448.0 million for the year ended 31 December 2005 to US\$602.3 million for the year ended 31 December 2006. This increase was primarily due to a US\$93.8 per tonne, or 32.2%, increase in average achieved alumina prices, from US\$291.0 per tonne for the year ended 31 December 2005 to US\$384.8 per tonne for the year ended 31 December 2006, which accounted for US\$141.4 million of revenue increase. Alumina prices are typically determined by reference to the LME price for aluminium. The Alumina and Aluminium Division's sales to other divisions declined by US\$1.8 million, or 15.0%, from US\$12.0 million for the year ended 31 December 2005 to US\$10.2 million for the year ended 31 December 2006.

The Energy Division. The Energy Division's revenue increased by US\$32.0 million, or 26.2%, from US\$122.0 million for the year ended 31 December 2005 to US\$154.0 million for the year ended 31 December 2006. The increase in electricity sales to third parties was attributable to an 18.5% increase in the volume of electricity sold and a 17.2% increase in the average electricity tariff. The increase in coal revenue from third parties was attributable to an 9.6% increase in the average price of coal and 4.8% increase in volume of sales. The increase in the average price of coal was principally due to an increase in the price of exported coal. The Energy Division's sales to other divisions increased by US\$26.0 million, or 31.3%, from US\$83.0 million for the year ended 31 December 2005 to US\$109.0 million for the year ended 31 December 2006.

The Logistics Division. The Logistics Division's revenue increased by US\$52.3 million, or 35.8%, from US\$146.0 million for the year ended 31 December 2005 to US\$198.3 million for the year ended 31 December 2006. This increase was partially due to the shift from current repairs to capital repairs, which, combined with rising volumes, accounted for US\$49.6 million of the revenue increase. Revenue also increased due to an increase in the railroad tariff imposed by the Kazakh state railroad monopoly, which increased on average by 15% for Group products during this period, of which a majority was directly passed on to customers. Revenue from third parties principally relate to repair and construction work commissioned by the Kazakh state railroad monopoly. Most of the Logistics Division's other revenue relates to freight forwarding services provided to the Group's other divisions. The Logistics Division's sales to other divisions increased by US\$30.0 million, or 61.2%, from US\$49.0 million for the year ended 31 December 2005 to US\$79.0 million for the year ended 31 December 2006.

Cost of Sales

The Group. The Group's cost of sales increased by US\$295.5 million, or 23.7%, from US\$1,246.0 million for the year ended 31 December 2005 to US\$1,541.5 million for the year ended 31 December 2006. The Ferroalloy Division accounted for 41.9% of the total growth in the cost of sales primarily due to a payroll increase together with increased electricity spending. The Iron Ore Division accounted for 28.7% of the total growth in the cost of sales primarily due to higher iron ore sales to MMK that resulted in significant cost increases. While cost-saving measures in the Alumina and Aluminium Division resulted in a decline in the cost of materials, a payroll increase, combined with growth in fuel costs, led the Alumina and Aluminium Division to account for 11.5% of the total growth in cost of sales. Exchange rate fluctuations accounted for an increase of US\$72.1 million in cost of sales.

The Ferroalloy Division. The Ferroalloy Division's cost of sales increased by US\$123.8 million, or 22.9%, from US\$539.6 million for the year ended 31 December 2005 to US\$663.4 million for the year ended 31 December 2006. Of this increase, US\$28.4 million were due to an increase in volumes and US\$95.5 million due to an increase in per tonne costs. On a per tonne basis, cost of sales increased by US\$40.5 per tonne, or 16.8%, from US\$240.6 per tonne for the year ended 31 December 2005 to US\$281.1 per tonne for the year ended 31 December 2006. This increase was

principally due to higher production costs primarily driven by a US\$11.9 per tonne increase in payroll expenses, US\$9.9 per tonne increase in power and fuel costs and US\$11.4 per tonne increase in cost of materials. Exchange rate fluctuations accounted for an increase of US\$30.3 million in cost of sales.

The Iron Ore Division. The Iron Ore Division's cost of sales increased by US\$84.8 million, or 30.6%, from US\$277.5 million for the year ended 31 December 2005 to US\$362.3 million for the year ended 31 December 2006. Of this increase, US\$111.9 million were due to an increase in volumes, which was offset by US\$27.1 million due to lower per tonne costs. On a per tonne basis, cost of sales declined by US\$1.6 per tonne, or 6.8%, from US\$23.6 per tonne for the year ended 31 December 2005 to US\$22.0 per tonne for the year ended 31 December 2006. The per tonne decrease was primarily attributable to the Iron Ore Division's increased absorption of fixed and semi-variable costs such as labour, fuel, insurance and depreciation across a higher volume of sales. Exchange rate fluctuations accounted for an increase of US\$18.5 million in cost of sales.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's cost of sales increased by US\$32.3 million, or 11.5%, from US\$281.6 million for the year ended 31 December 2005 to US\$313.9 million for the year ended 31 December 2006. Of this increase, US\$2.0 million were due to an increase in volumes, and US\$30.3 million due to an increase in per tonne costs. On a per tonne basis, cost of sales increased by US\$20.1 per tonne, or 10.7%, from US\$188.1 tonne for the year ended 31 December 2005 to US\$208.2 per tonne for the year ended 31 December 2006. This increase was primarily due to an increase in fixed or semi-variable costs, including a US\$8.9, or 27.5%, per tonne increase in payroll expenses, US\$9.2 per tonne increase in power and energy spending and US\$5.0 per tonne increase in transportation costs due to higher Kazakh railroad tariffs. Partially offsetting this increase was an US\$8.9 per tonne decline in cost of materials. Exchange rate fluctuations accounted for an increase of US\$16.0 million in cost of sales.

The Energy Division. The Energy Division's cost of sales increased by US\$38.1 million, or 29.5%, from US\$129.3 million for the year ended 31 December 2005 to US\$167.4 million for the year ended 31 December 2006. This increase was primarily due to higher payroll and other expenses. Exchange rate fluctuations accounted for an increase of US\$6.2 million in cost of sales.

The Logistics Division. The Logistics Division's cost of sales increased by US\$65.8 million, or 42.7%, from US\$154.0 million for the year ended 31 December 2005 to US\$219.8 million for the year ended 31 December 2006. This increase was primarily due to an increase in the volume of railroad repairs and an increase in prices for materials. Another factor contributing to the increase was a rise in the railroad tariff imposed by the Kazakh state railroad monopoly, which increased on average 15% for Group products during this period, of which a majority was directly passed on to customers. Exchange rate fluctuations accounted for an increase of US\$11.2 million in cost of sales.

Expenses

Distribution Costs

The Group. The Group's distribution costs increased by US\$75.0 million, or 22.6%, from US\$332.0 million for the year ended 31 December 2005 to US\$407.0 million for the year ended 31 December 2006. The Ferroalloy and Iron Ore Divisions together accounted for 84.1% of the total growth in distribution costs primarily due to higher transportation and insurance expenses associated with higher volumes sold. In addition, increasing transportation costs due to increased Kazakh railroad tariffs led the Alumina and Aluminium Division to account for 14.8% of the total growth in distribution costs. Exchange rate fluctuations accounted for an increase of US\$14.3 million in distribution costs.

The Ferroalloy Division. The Ferroalloy Division's distribution costs increased by US\$29.6 million, or 16.0%, from US\$185.3 million for the year ended 31 December 2005 to US\$214.9 million for the year ended 31 December 2006. Of this increase, US\$9.7 million were due to an increase in volumes and US\$19.9 million due to an increase in per tonne costs. On a per tonne basis, distribution costs increased by US\$8.5 per tonne, or 10.3%, from US\$82.6 per tonne for the year ended 31 December 2005 to US\$91.1 per tonne for the year ended 31 December 2006. This increase was primarily due to an increase of US\$8.3 per tonne in transportation and related costs from Kazakh and foreign

railroad tariffs. In addition, there was an increase of US\$0.6 per tonne in insurance costs. Exchange rate fluctuations accounted for an increase of US\$6.4 million in distribution costs.

The Iron Ore Division. The Iron Ore Division's distribution costs increased by US\$33.5 million, or 31.4%, from US\$106.6 million for the year ended 31 December 2005 to US\$140.1 million for the year ended 31 December 2006. This increase was primarily due to an increase in transportation costs, which were driven by increased Kazakh railroad tariffs. Of this increase, US\$43.0 million were due to an increase in volumes, which was offset by US\$9.5 million attributable to a decline in per tonne costs. On a per tonne basis, distribution costs declined by US\$0.6 per tonne, or 6.6%, from US\$9.1 per tonne for the year ended 31 December 2005 to US\$8.5 per tonne for the year ended 31 December 2006. Exchange rate fluctuations accounted for an increase of US\$6.7 million in distribution costs.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's distribution costs increased by US\$11.1 million, or 53.7%, from US\$20.7 million for the year ended 31 December 2005 to US\$31.8 million for the year ended 31 December 2006. Of this increase, US\$0.1 million were due to an increase in volumes and US\$11.0 million due to an increase in per tonne costs. On a per tonne basis, distribution costs increased by US\$7.3 per tonne, or 52.9%, from US\$13.8 per tonne for the year ended 31 December 2005 to US\$21.1 per tonne for the year ended 31 December 2006. This increase was primarily due to a rise in transportation costs due to higher railroad tariffs imposed by the Kazakh state railroad monopoly, which resulted in an increase in distribution costs of US\$2.0 per tonne, and an increase of US\$1.6 per tonne in insurance costs. Exchange rate fluctuations accounted for an increase of US\$0.7 million in distribution costs.

The Energy Division. The Energy Division's distribution costs increased by US\$4.3 million, or 15.2%, from US\$28.3 million for the year ended 31 December 2005 to US\$32.6 million for the year ended 31 December 2006. This increase was primarily due to an increase in transportation costs, including a rise in the railroad tariff imposed by the Kazakh state railroad monopoly, which increased on average approximately 15% during this period, of which a majority was directly passed on to customers. Exchange rate fluctuations accounted for an increase of US\$0.4 million in distribution costs.

The Logistics Division. The Logistics Division's distribution costs were immaterial.

Selling, General and Administrative Expenses

The Group. The Group's selling, general and administrative expenses increased by US\$61.9 million, or 27.1%, from US\$228.0 million for the year ended 31 December 2005 to US\$289.9 million for the year ended 31 December 2006. Group level selling, general and administrative expenses were US\$18.0 million and US\$29.8 million in the years ended 31 December 2005 and 31 December 2006, respectively. This increase was primarily due to higher payroll and sponsorship expenses and other expenses relating to social infrastructure and charitable programmes. Exchange rate fluctuations accounted for an increase of US\$12.0 million in selling, general and administrative expenses.

The Ferroalloy Division. The Ferroalloy Division's selling, general and administrative expenses increased by US\$15.7 million, or 16.1%, from US\$97.5 million for the year ended 31 December 2005 to US\$113.2 million for the year ended 31 December 2006. This increase was primarily due to US\$8.4 million of other costs relating to membership fees, a US\$5.8 million increase in payroll expenses, and a US\$10.9 million increase in other expenses, which primarily relate to social infrastructure and charitable programmes, less the release of a US\$7.3 million provision for bad debt. Exchange rate fluctuations accounted for an increase of US\$4.7 million in selling, general and administrative expenses.

The Iron Ore Division. The Iron Ore Division's selling, general and administrative expenses increased by US\$15.0 million, or 31.2%, from US\$48.0 million for the year ended 31 December 2005 to US\$63.0 million for the year ended 31 December 2006. This increase included US\$6.6 million of impairment of fixed assets, US\$3.0 million of sponsorship expenses and US\$2.9 million of other taxes primarily related to property. Exchange rate fluctuations accounted for an increase of US\$3.2 million in selling, general and administrative expenses.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's selling, general and administrative expenses increased by US\$10.0 million, or 35.5%, from US\$28.1 million for the year ended 31 December 2005 to US\$38.1 million for the year ended 31 December 2006. This increase was primarily due to a US\$4.4 million increase in payroll expenses. Exchange rate fluctuations accounted for an increase of US\$1.9 million in selling, general and administrative expenses.

The Energy Division. The Energy Division's selling, general and administrative expenses increased by US\$4.0 million, or 23.1%, from US\$17.3 million for the year ended 31 December 2005 to US\$21.3 million for the year ended 31 December 2006. This increase was primarily due to increased payroll expenses, property taxes and corporate charges. Exchange rate fluctuations accounted for an increase of US\$1.1 million in selling, general and administrative expenses.

The Logistics Division. The Logistics Division's selling, general and administrative expenses increased by US\$3.4 million, or 17.8%, from US\$19.1 million for the year ended 31 December 2005 to US\$22.5 million for the year ended 31 December 2006. This increase was primarily associated with an increase in payroll and related expenses. Exchange rate fluctuations accounted for an increase of US\$1.1 million in selling, general and administrative expenses.

Operating Profit

The Group. The Group's operating profit declined by US\$128.5 million, or 11.4%, from US\$1,126.0 million for the year ended 31 December 2005 to US\$997.5 million for the year ended 31 December 2006. This decline was primarily the result of ongoing contractual negotiations with MMK, which caused achieved iron ore prices to decline. This decline was partially offset by increases in alumina prices. Group level expenses decreased operating profit by US\$10.0 million. Exchange rate fluctuations accounted for a decline of US\$76.4 million in operating profit.

The Ferroalloy Division. The Ferroalloy Division's operating profit decreased by US\$61.8 million, or 11.5%, from US\$538.0 million for the year ended 31 December 2005 to US\$476.2 million for the year ended 31 December 2006. This decline was primarily due to an increase in distribution costs that was driven by an increase in transportation costs and an increase in selling, general and administrative expenses. These increases were partially offset by a decline in net other operating income expense. Exchange rate fluctuations accounted for a decline of US\$38.6 million in operating profit.

The Iron Ore Division. The Iron Ore Division's operating profit declined by US\$168.7 million, or 40.9%, from US\$412.7 million for the year ended 31 December 2005 to US\$244.0 million for the year ended 31 December 2006. This decline was primarily due to a 37.0% decline in the price of iron ore concentrate and a 48.2% decline in the price of pellets sold to MMK. Exchange rate fluctuations reduced operating profit by US\$25.4 million.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's operating profit increased by US\$94.6 million, or 71.8%, from US\$131.7 million for the year ended 31 December 2005 to US\$226.3 million for the year ended 31 December 2006. This increase was primarily due to a 32.2% increase in the price of alumina. Exchange rate fluctuations accounted for a decrease of US\$16.4 million in operating profit.

The Energy Division. The Energy Division's operating profit increased by US\$9.8 million, or 31.2%, from US\$31.4 million for the year ended 31 December 2005 to US\$41.2 million for the year ended 31 December 2006. This increase was primarily due to increased sales volumes of coal and electricity. Exchange rate fluctuations accounted for an increase of US\$2.0 million in operating profit.

The Logistics Division. The Logistics Division's operating profit increased by US\$7.6 million, or 25.2%, from US\$30.2 million for the year ended 31 December 2005 to US\$37.8 million for the year ended 31 December 2006. This increase was primarily due to the increases in revenue of the transportation and railroad repair businesses. Exchange rate fluctuations accounted for an increase of US\$2.0 million in operating profit.

Foreign exchange analysis

In order to illustrate performance and facilitate an understanding of the underlying changes in the period, the following table sets out selected financial information of the Group by division for the two years ended 31 December 2006 assuming constant exchange rates. This represents growth calculated as if the exchange rates used to translate the results of operations from the functional currency to the presentation currency in US Dollars had remained unchanged from those used in the previous year. Such amounts are shown as 'FX neutralised' in the table below.

	Ferroalloy Division	Iron Ore Division	Alumina and Aluminium Division	Energy Division	Logistics Division	Group	Consolidated
In millions of US\$							
Operating profit							
12 months 2005	538	413	132	31	30	(18)	1,126
12 months 2006	476	244	226	41	38	(28)	997
12 months 2006, FX neutralised	515	269	243	39	36	(28)	1,074
FX impact	(39)	(25)	(17)	2	2	—	(77)
Adjusted EBITDA							
12 months 2005	606	479	182	67	47	(18)	1,363
12 months 2006	547	323	277	77	54	(22)	1,256
12 months 2006, FX neutralised	582	344	290	74	52	(22)	1,320
FX impact	(35)	(21)	(13)	3	2	—	(64)

*Year ended 31 December 2005 compared to year ended 31 December 2004**Revenue*

The Group. The Group's revenue increased by US\$259.0 million, or 9.6%, from US\$2,691.0 million for the year ended 31 December 2004 to US\$2,950.0 million for the year ended 31 December 2005. The Logistics Division accounted for 46.7% of the total revenue growth primarily due to the contribution of a full year of revenue generated by the railway repair companies that the Logistics Division acquired in the fourth quarter of 2004, compared to only one quarter in 2004. Rising ferroalloy sales volumes, partially offset by a decline in price movements, led the Ferroalloy Division to account for 34.7% of the total revenue growth. An increase in the average price of alumina primarily accounted for the Alumina and Aluminium Division's 27.8% contribution to the total revenue growth. The growth in total revenue was partially offset by reduced sales of iron ore due to reduced shipments to MMK.

The Ferroalloy Division. The Ferroalloy Division's revenue increased by US\$90.0 million, or 7.0%, from US\$1,287.0 million for the year ended 31 December 2004 to US\$1,377.0 million for the year ended 31 December 2005. Of this increase, US\$56.5 million was due to a 4.5% increase in sales of ferroalloys and an 18.9% increase in sales of chrome ore, driven by higher production and significant increases in demand due to increases in Chinese stainless steel production. In addition, a US\$30.4 per tonne, or 21.9%, increase in achieved chrome ore prices from US\$138.7 per tonne for the year ended 31 December 2004 to US\$169.1 per tonne for the year ended 31 December 2005, slightly offset by a US\$25.5 per tonne, or 2.5%, reduction in achieved ferroalloy prices from US\$1,011.4 per tonne for the year ended 31 December 2004 to US\$985.9 per tonne for the year ended 31 December 2005, resulted in a US\$21.4 million increase in revenue. The ferroalloy price decline was mainly caused by a 36.0% decrease in the price of silicomanganese, which had been selling at higher prices prior to 2005 due to insufficient supply. The balance of the revenue increase was attributable to the sales of manganese ore.

The Iron Ore Division. The Iron Ore Division's revenue declined by US\$26.0 million, or 2.9%, from US\$883.0 million for the year ended 31 December 2004 to US\$857.0 million for the year ended 31 December 2005. An aggressive pricing policy for sales to MMK and higher prices negotiated with customers in China increased the average achieved price of iron ore concentrate by US\$3.7 per tonne, or 7.8%, from US\$47.3 per tonne for the year ended 31 December 2004 to US\$51.0 per tonne for the year ended 31 December 2005 and the average achieved price of iron ore pellets by US\$16.9

per tonne, or 25.8%, from US\$65.5 per tonne for the year ended 31 December 2004 to US\$82.4 per tonne for the year ended 31 December 2005, which combined to result in a US\$177.2 million increase in revenue. This increase was more than offset by a 19.1% decline in sales of iron ore that resulted in a decline in revenue of US\$204.4 million. The decline in sales resulted from ongoing negotiations with MMK that disrupted shipments in 2005, but was partially offset by an increase in shipments to customers in China.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's revenue increased by US\$72.0 million, or 19.1%, from US\$376.0 million for the year ended 31 December 2004 to US\$448.0 million for the year ended 31 December 2005. This increase was primarily due to a US\$35.8 per tonne, or 14.0%, increase in average achieved alumina prices, from US\$255.2 per tonne for the year ended 31 December 2004 to US\$291.0 per tonne for the year ended 31 December 2005, which increased revenue by US\$53.5 million, and a 3.7% increase in sales of alumina, which increased revenue by US\$13.8 million. The Alumina and Aluminium Division's sales to other Group divisions increased by US\$4.0 million, or 50.0%, from US\$8.0 million for the year ended 31 December 2004 to US\$12.0 million for the year ended 31 December 2005.

The Energy Division. The Energy Division's revenue increased by US\$2.0 million, or 1.7%, from US\$120.0 million for the year ended 31 December 2004 to US\$122.0 million for the year ended 31 December 2005. There were no material changes to note. The Energy Division's sales to other Group divisions declined by US\$8.0 million, or 8.8%, from US\$91.0 million for the year ended 31 December 2004 to US\$83.0 million for the year ended 31 December 2005.

The Logistics Division. The Logistics Division's revenue increased by US\$121.0 million, or 484.0%, from US\$25.0 million for the year ended 31 December 2004 to US\$146.0 million for the year ended 31 December 2005. This increase was primarily driven by the contribution of a full year of revenue by the railway repair companies that the Logistics Division acquired in the fourth quarter of 2004, compared to only one quarter in 2004. In addition, revenue from railroad repair businesses increased due to increased prices and an increase in current and capital repairs and railroad construction. These businesses also began to directly supply and charge for repair materials and wagons that were previously provided by the end customers. Other reasons for the Logistics Division's revenue increase were higher tariffs imposed by the Kazakh state railroad monopoly, of which a majority was directly passed on to customers, and an increase in transportation volumes. The Logistics Division's sales to other Group divisions increased by US\$17.0 million, or 53.1%, from US\$32.0 million for the year ended 31 December 2004 to US\$49.0 million for the year ended 31 December 2005.

Cost of Sales

The Group. The Group's cost of sales increased by US\$228.7 million, or 22.5%, from US\$1,017.3 million for the year ended 31 December 2004 to US\$1,246.0 million for the year ended 31 December 2005. The Logistics Division accounted for 43.4% of the total increase in the cost of sales primarily due to the contribution of a full year of costs by the railway repair companies that the Logistics Division acquired in the fourth quarter of 2004, compared to only one quarter in 2004. A rise in payroll expenses, higher cost of materials and a rise in Kazakh railroad tariffs were also significant factors contributing to the total increase in the cost of sales. Increases in the cost of sales in the Ferroalloy and Alumina and Aluminium Divisions accounted for 38.8% and 26.8%, respectively, of the total increase in the cost of sales. Exchange rate fluctuations accounted for an increase of US\$25.2 million in cost of sales.

The Ferroalloy Division. The Ferroalloy Division's cost of sales increased by US\$88.8 million, or 19.7%, from US\$450.8 million for the year ended 31 December 2004 to US\$539.6 million for the year ended 31 December 2005. Of this increase, US\$49.4 million were due to an increase in volumes and US\$39.4 million due to an increase in per tonne costs. On a per tonne basis, cost of sales increased by US\$17.6 per tonne, or 7.9%, from US\$223.0 per tonne for the year ended 31 December 2004 to US\$240.6 per tonne for the year ended 31 December 2005. This increase was principally due to higher production costs primarily driven by a US\$2.2 per tonne increase in payroll expenses. In addition, there was an increase of US\$4.4 per tonne in sales commissions and a US\$1.6 per tonne increase in royalty costs paid to the Republic of Kazakhstan, which are determined on either a flat

rate or a sliding scale as a percentage of the volume of the extracted resource. Exchange rate fluctuations accounted for an increase of US\$10.8 million in cost of sales.

The Iron Ore Division. The Iron Ore Division's cost of sales declined by US\$12.1 million, or 4.2%, from US\$289.6 million for the year ended 31 December 2004 to US\$277.5 million for the year ended 31 December 2005. Of this decline, US\$55.4 million were due to reduced sales volumes, offset partially by a US\$43.2 million increase in per tonne costs. On a per tonne basis, cost of sales increased by US\$3.7 per tonne, or 18.5%, from US\$19.9 per tonne for the year ended 31 December 2004 to US\$23.6 per tonne for the year ended 31 December 2005. This increase was primarily due to increased absorption of fixed and semi-variable costs, such as materials costs and depreciation. Exchange rate fluctuations accounted for an increase of US\$6.1 million in cost of sales.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's cost of sales increased by US\$65.2 million, or 30.1%, from US\$216.4 million for the year ended 31 December 2004 to US\$281.6 million for the year ended 31 December 2005. Of this increase, US\$57.2 million were due to increased per tonne costs and US\$8.1 million due to an increase in volumes. On a per tonne basis, costs increased by US\$38.2 per tonne, or 25.5%, from US\$149.9 per tonne for the year ended 31 December 2004 to US\$188.1 per tonne for the year ended 31 December 2005. This increase was primarily due to increases of US\$1.2 per tonne in the cost of raw materials, US\$5.5 per tonne in insurance costs, US\$4.3 per tonne in payroll expenses, US\$6.3 per tonne in fuel and energy expenses and US\$6.5 per tonne in transportation costs. Exchange rate fluctuations accounted for an increase of US\$6.3 million in cost of sales.

The Energy Division. The Energy Division's cost of sales declined by US\$19.3 million, or 13.0%, from US\$148.6 million for the year ended 31 December 2004 to US\$129.3 million for the year ended 31 December 2005. This decline was primarily due to reduced sales volumes and reduced depreciation. In addition, in 2005 some third-party services and taxes were excluded from cost of sales, further contributing to the decline. The decline was partially offset by increases in payroll expenses. Exchange rate fluctuations accounted for an increase of US\$1.9 million in cost of sales.

The Logistics Division. The Logistics Division's cost of sales increased by US\$116.4 million, or 309.7%, from US\$37.6 million for the year ended 31 December 2004 to US\$154.0 million for the year ended 31 December 2005. This increase was primarily due to the contribution of a full year of costs by the railway repair companies that the Logistics Division acquired in the fourth quarter of 2004, compared to only one quarter in 2004. In addition, the division's railway repair businesses began to directly acquire and supply materials that were previously provided by the end customers, contributing to the increase in the cost of sales. Other drivers for the increase in cost of sales were empty mileage fees levied on empty containers and wagons, increased tariffs and higher depreciation associated with the acquisition of new wagons. Exchange rate fluctuations accounted for an increase of US\$3.5 million in cost of sales.

Expenses

Distribution Costs

The Group. The Group's distribution costs increased by US\$97.0 million, or 41.3%, from US\$235.0 million for the year ended 31 December 2004 to US\$332.0 million for the year ended 31 December 2005. The Ferroalloy Division accounted for 45.3% of the total increase in distribution costs, primarily driven by rising transportation costs due to higher railroad tariffs and higher insurance costs due to increased sales volumes. Despite a reduction in the volume of iron ore sales, higher railroad tariffs contributed to the increase in distribution costs in the Iron Ore Division, which accounted for 42.1% of the total increase in distribution costs. Exchange rate fluctuations accounted for an increase of US\$6.5 million in distribution costs.

The Ferroalloy Division. The Ferroalloy Division's distribution costs increased by US\$43.9 million, or 31.0%, from US\$141.4 million for the year ended 31 December 2004 to US\$185.3 million for the year ended 31 December 2005. Of this increase, US\$15.5 million were due to an increase in volumes and US\$28.4 million due to an increase in per tonne costs. On a per tonne basis, distribution costs increased by US\$12.6 per tonne, or 18.0%, from US\$70.0 per tonne for the year ended 31 December 2004 to US\$82.6 for the year ended 31 December 2005. This increase was primarily due to higher

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Kazakh railroad tariffs, which increased from 18% to 25%, accounting for US\$14.5 per tonne of the increase, which was partially offset by reduction in other costs. Exchange rate fluctuations accounted for an increase of US\$4.5 million in distribution costs.

The Iron Ore Division. The Iron Ore Division's distribution costs increased by US\$40.8 million, or 62.1%, from US\$65.8 million for the year ended 31 December 2004 to US\$106.6 million for the year ended 31 December 2005. Of this increase, US\$54.0 million were due to increased per tonne costs, offset by US\$12.6 million due to reduced volumes. On a per tonne basis, distribution costs increased by US\$4.6 per tonne, or 102.2%, from US\$4.5 per tonne for the year ended 31 December 2004 to US\$9.1 per tonne for the year ended 31 December 2005. This increase was primarily due to higher Kazakh railroad tariffs, which increased on average approximately 30%, and increased shipments to China, which involve greater costs than shipments to Russia or within Kazakhstan. Exchange rate fluctuations accounted for an increase of US\$1.7 million in distribution costs.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's distribution costs increased by US\$8.6 million, or 71.2%, from US\$12.1 million for the year ended 31 December 2004 to US\$20.7 million for the year ended 31 December 2005. Of this increase, US\$8.1 million were due to increased per tonne costs and US\$0.5 million due to increased volumes. On a per tonne basis, distribution costs increased by US\$5.4 per tonne, or 64.5%, from US\$8.4 per tonne for the year ended 31 December 2004 to US\$13.8 for the year ended 31 December 2005. This increase was primarily due to increased insurance costs of US\$3.7 per tonne and increased transportation costs of US\$2.7 per tonne due to higher railroad tariffs. Exchange rate fluctuations accounted for an increase of US\$0.3 million in distribution costs.

The Energy Division. The Energy Division's distribution costs increased by US\$8.4 million, or 42.2%, from US\$19.9 million for the year ended 31 December 2004 to US\$28.3 million for the year ended 31 December 2005. This increase was primarily due to increases in transportation costs. Exchange rate fluctuations accounted for an increase of US\$0.2 million in distribution costs.

The Logistics Division. The Logistics Division's distribution costs were immaterial.

Selling, General and Administrative Expenses

The Group. The Group's selling, general and administrative expenses increased by US\$81.0 million, or 55.1%, from US\$147.0 million for the year ended 31 December 2004 to US\$228.0 million for the year ended 31 December 2005. Group level selling, general and administrative expenses were US\$14.4 million and US\$18.0 million in the years ended 31 December 2004 and 31 December 2005, respectively. This increase was primarily due to higher expenses relating to social infrastructure and charitable programmes and provisions and a rise in payroll expenses across all of the Group's divisions. The acquisition of railway repair companies was the principal driver of the rise in selling, general and administrative expenses in the Logistics Division, which accounted for 24.7% of the total increase in selling, general and administrative expenses. Exchange rate fluctuations accounted for an increase of US\$4.3 million in selling, general and administrative expenses.

The Ferroalloy Division. The Ferroalloy Division's selling, general and administrative expenses increased by US\$26.9 million, or 38.1%, from US\$70.6 million for the year ended 31 December 2004 to US\$97.5 million for the year ended 31 December 2005. This increase was primarily due to expenses relating to social infrastructure and charitable programmes and higher payroll expenses. Exchange rate fluctuations accounted for an increase of US\$1.8 million in selling, general and administrative expenses.

The Iron Ore Division. The Iron Ore Division's selling, general and administrative expenses increased by US\$17.0 million, or 54.9%, from US\$31.0 million for the year ended 31 December 2004 to US\$48.0 million for the year ended 31 December 2005. This increase was primarily due to expenses relating to social infrastructure and charitable programmes and higher payroll expenses. Exchange rate fluctuations accounted for an increase of US\$1.1 million in selling, general and administrative expenses.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's selling, general and administrative expenses increased by US\$7.0 million, or 33.1%, from US\$21.1 million for the year

ended 31 December 2004 to US\$28.1 million for the year ended 31 December 2005. This increase was primarily due to a rise in property taxes resulting from the revaluation of properties, consulting services and audit costs and payroll expenses. Exchange rate fluctuations accounted for an increase of US\$0.6 million in selling, general and administrative expenses.

The Energy Division. The Energy Division's selling, general and administrative expenses increased by US\$6.5 million, or 60.3%, from US\$10.8 million for the year ended 31 December 2004 to US\$17.3 million for the year ended 31 December 2005. This increase was primarily due to increases in property taxes, payroll expenses and consulting fees. Exchange rate fluctuations accounted for an increase of US\$0.4 million in selling, general and administrative expenses.

The Logistics Division. The Logistics Division's selling, general and administrative expenses increased by US\$20.0 million, or 2,222.2%, from *positive* US\$0.9 million for the year ended 31 December 2004 to *negative* US\$19.1 million for the year ended 31 December 2005. This increase was primarily due to the contribution of a full year of selling, general and administrative expenses incurred by the railway repair companies that the Logistics Division acquired in the fourth quarter of 2004, compared to only one quarter in 2004, and increases in payroll expenses. The positive value for expenses in 2004 was caused by negative goodwill associated with the acquisition of railway repair companies. Exchange rate fluctuations accounted for an increase of US\$0.5 million in selling, general and administrative expenses.

Operating Profit

The Group. The Group's operating profit declined by US\$145.7 million, or 11.5%, from US\$1,271.7 million for the year ended 31 December 2004 to US\$1,126.0 million for the year ended 31 December 2005. The Ferroalloy Division accounted for 49.8% of the total decline in operating profit, which was primarily related to a decline in the price of silicomanganese, combined with an increase in distribution and selling, general and administrative expenses, and the Iron Ore Division accounted for 46.7% of the total decline in operating profit, which was primarily due to the 19.1% reduction in iron ore sales volume caused by ongoing contractual negotiations with MMK. An increase in Group level expenses reduced operating profit by US\$3.6 million. The exchange rate fluctuations accounted for a US\$14.8 million decrease in operating profit.

The Ferroalloy Division. The Ferroalloy Division's operating profit declined by US\$72.6 million, or 11.9%, from US\$610.6 million for the year ended 31 December 2004 to US\$538.0 million for the year ended 31 December 2005. This decline was primarily due to a decline in the price of silicomanganese and higher selling, general and administrative expenses. Exchange rate fluctuations accounted for a decline of US\$15.6 million in operating profit.

The Iron Ore Division. The Iron Ore Division's operating profit declined by US\$68.0 million, or 14.1%, from US\$480.7 million for the year ended 31 December 2004 to US\$412.7 million for the year ended 31 December 2005. This decline was primarily due to an increase in distribution costs, driven in part by increased shipments to China, and to a 19.1% reduction in sales volume caused by ongoing contractual negotiations with MMK. Exchange rate fluctuations accounted for an increase of US\$5.2 million in operating profit.

The Alumina and Aluminium Division. The Alumina and Aluminium Division's operating profit declined by US\$9.4 million, or 6.7%, from US\$141.1 million for the year ended 31 December 2004 to US\$131.7 million for the year ended 31 December 2005. This decline was primarily due to an increase in production costs. Exchange rate fluctuations accounted for a decline of US\$6.0 million in operating profit.

The Energy Division. The Energy Division's operating profit increased by US\$0.7 million, or 2.3%, from US\$30.7 million for the year ended 31 December 2004 to US\$31.4 million for the year ended 31 December 2005. Exchange rate fluctuations accounted for an increase of US\$0.9 million in operating profit.

The Logistics Division. The Logistics Division's operating profit increased by US\$7.1 million, or 30.8%, from US\$23.1 million for the year ended 31 December 2004 to US\$30.2 million for the year ended 31 December 2005. This increase resulted primarily from operating profit attributable to the

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railway repair companies that the Logistics Division acquired in the fourth quarter of 2004, as well as a shift from current repairs to capital repairs and railroad construction. An increase in the number of owned wagons used on routes also contributed to the growth in operating profit. Exchange rate fluctuations accounted for an increase of US\$0.7 million in operating profit.

Foreign exchange analysis

In order to illustrate performance and facilitate an understanding of the underlying changes in the period, the following table sets out selected financial information of the Group by division for the two years ended 31 December 2005 assuming constant exchange rates. This represents growth calculated as if the exchange rates used to translate the results of operations from the functional currency to the presentation currency in US Dollars had remained unchanged from those used in the previous year. Such amounts are shown as 'FX neutralised' in the table below.

	Ferroalloy Division	Iron Ore Division	Alumina and Aluminium Division	Energy Division	Logistics Division	Group	Consolidated
In millions of US\$							
Operating profit							
12 months 2004	610	481	141	31	23	(14)	1,272
12 months 2005	538	413	132	31	30	(18)	1,126
12 months 2005, FX neutralised	554	407	138	30	29	(18)	1,140
FX impact	(16)	6	(6)	1	1	—	(14)
Adjusted EBITDA							
12 months 2004	669	576	186	66	19	(14)	1,502
12 months 2005	606	479	182	67	47	(18)	1,372
12 months 2005, FX neutralised	620	472	187	65	46	(18)	1,384
FX impact	(14)	7	(5)	2	1	—	(9)

Group and unallocated items

Group and unallocated items increased for each of the three years ended 31 December 2006 and the six months ended 30 June 2007, and comprised US\$14.0 million for 2004, US\$18.0 million for 2005, US\$22.0 million for 2006 and US\$25.0 million for the six months ended 30 June 2007. These costs mainly comprise administration, consulting and salary expenses of the corporate head office, which was established and enhanced during the period under review in preparation for the initial public offering. Additionally, US\$6.0 million for 2006 and US\$20.0 million for the six months ended 30 June 2007 represent costs incurred in relation to the initial public offering which are unallocated and included as exceptional items.

Finance income and finance costs

Finance income and costs primarily relate to loans provided to related parties, such as the Eurasian Bank, and finance costs of the Group's external funding. In June 2007, the Group entered into the Separation Agreements whereby loans receivable totalling US\$200.1 million owed to the Group by related parties, controlled and beneficially owned by the Founders, and loans payable totalling US\$293.8 million owed by the Group to related parties, controlled and beneficially owned by the Founders, were re-assigned to CIM Global Investment NV, which is not a part of the Group but is controlled and beneficially owned by the Founders. Lending to related parties, other than Eurasian Bank, is not expected to continue at the same level as in previous years. The capital structure of the Group has also changed substantially with the introduction of the structured trade finance facility in the second half of 2006. Therefore, the finance costs of the Group are not directly comparable historically and they may not be comparable to the future costs of the Group.

Six months ended 30 June 2007 compared to six months ended 30 June 2006

The Group's finance income increased by US\$16.0 million from US\$11.0 million during the six months ended 30 June 2006 to US\$27.0 million during the six months ended 30 June 2007. This

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increase was due to an increase in loans provided by the Group, mainly to related parties, and an increase in bank interest received.

The Group's finance costs increased by US\$57.0 million from US\$25.0 million during the six months ended 30 June 2006 to US\$82.0 million during the six months ended 30 June 2007. This increase was mainly due to an increase in interest expense due to the Group's increased level of external financing and debt.

Year ended 31 December 2006 compared to year ended 31 December 2005

The Group's finance income increased by US\$12.0 million from US\$12.0 million in 2005 to US\$24.0 million in 2006. This increase was due to an increase in loans provided by the Group, mainly to related parties.

The Group's finance costs increased by US\$10.0 million from US\$40.0 million in 2005 to US\$50.0 million in 2006. This increase was mainly due to an increase in interest expense attributable to the Group's increased level of external financing as well as US\$1,000 million interest-bearing promissory notes issued to ENRC Kazakhstan Holding B.V. and the Committee on 19 December 2006.

Year ended 31 December 2005 compared to year ended 31 December 2004

The Group's finance income increased by US\$7.0 million from US\$5.0 million in 2004 to US\$12.0 million in 2005. This increase was due to an increase in loans provided by the Group, mainly to related parties.

The Group's finance costs increased by US\$18.0 million from US\$22.0 million in 2004 to US\$40.0 million in 2005. This increase was mainly due to increased borrowing during 2005.

Income tax expense

Based on profit before income tax of US\$1,255.0 million, US\$1,098.0 million and US\$971.0 million for the years ended 31 December 2004, 2005 and 2006, respectively, the Group's income tax expense (and resulting effective tax rates) were US\$233.0 million (18.6%), US\$321.0 million (29.2%) and US\$285.0 million (29.4%), respectively. Additionally, based on profit before income tax of US\$441.0 million and US\$586.0 million for the six months ended 30 June 2006 and 2007, respectively, the Group's income tax expense (and resulting effective tax rates) were US\$120.0 million (27.2%) and US\$198.0 million (33.8%), respectively.

The increase in the Group's effective tax rate between 2004 and 2005 was largely driven by the increase in the proportion of profits being taxed in Kazakhstan as opposed to the non-Kazakh trading entities (at a lower effective tax rate) in the year ended 31 December 2005 and thereafter. The Group's effective tax rates for the year ended 31 December 2006 and for the six months ended 30 June 2007 increased mainly due to the change in the mix of profits, non-recognised tax losses, an increase in effective tax rate for the non-Kazakh trading entities and excess profits tax payable in Kazakhstan in 2007.

Looking forward, the Group expects its effective tax rate for the year ended 31 December 2007 to be approximately in line with its effective tax rate for the six months ended 30 June 2007.

Liquidity and Capital Resources

Liquidity

Overview

The following table summarises the Group's cash flows during the three years ended 31 December 2006 and for the six months ended 30 June 2006 and 30 June 2007.

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006
					unaudited
		In millions of US\$			
Cash flow from operating activities	1,146	1,070	744	475	186
Net cash used for investing activities	(516)	(625)	(578)	(618)	(185)
Net cash used for financing activities	(562)	(459)	—	(15)	42
Net increase/(decrease) in cash and cash equivalents	68	(14)	166	(158)	43
Cash and cash equivalents at beginning of year	108	183	165	336	165
Exchange gains/(losses) on cash and cash equivalents	7	(4)	5	14	26
Cash and cash equivalents at end of period	183	165	336	192	234

Cash flow from operating activities

The Group generated US\$475 million in cash from operating activities for the six months ended 30 June 2007 compared to US\$186 million generated during the six months ended 30 June 2006. The increase in cash generated primarily reflected higher achieved ferroalloy prices, which contributed to a US\$230 million increase in the Ferroalloy Division's revenue, as well as higher iron ore prices.

The Group generated US\$744 million in cash from operating activities in 2006, compared to US\$1,070 million in 2005. The lower level of cash generated in 2006 primarily reflected a decline in profit after tax of US\$91 million in 2006. It also reflected changes in working capital in 2006 and 2005.

The Group generated US\$1,070 million in cash from operating activities in 2005, compared to US\$1,146 million in 2004. The decline in cash from operating activities in 2005 resulted primarily from decreased iron ore sales to MMK, decreased sales of electricity and a decline in the price of ferroalloys, which were partially offset by cash generated by the railway repair companies that the Logistics Division acquired in the fourth quarter of 2004, increased sales of ferroalloys, chrome ore, alumina and coal, and higher chrome ore and alumina prices.

Net cash used for investing activities

The Group used US\$618 million in cash for investing activities for the six months ended 30 June 2007 compared to US\$185 million for the six months ended 30 June 2006. This principally reflected capital expenditures of US\$503 million in the six months ended 30 June 2007, primarily invested in the construction of Aluminium of Kazakhstan's aluminium smelter and the repair and replacement of existing mining and processing assets. During that period, the Group also provided loans and placed deposits with related parties, the net effect of which resulted in cash outflow of US\$159 million. Sales of fixed assets resulted in cash inflow of US\$37 million in the six months ended 30 June 2007.

The Group used US\$578 million in cash for investing activities in 2006, compared to US\$625 million in 2005. In 2006, net cash used for investing activities principally reflected capital expenditures of US\$509 million, primarily to invest in the capital assets of certain Kazakhstan production companies, including Aluminium of Kazakhstan, Kazchrome, SSGPO and EEC. The Group also provided loans and placed deposits of US\$91 million with Eurasian Bank, a related party.

The Group used US\$625 million in cash for investing activities in 2005, compared to US\$516 million in 2004. In 2005, net cash used for investing activities principally reflected capital expenditures of US\$570 million, primarily to invest in the capital assets of certain Kazakhstan production

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companies, including Aluminium of Kazakhstan, Kazchrome, SSGPO and EEC. The Group also provided loans and placed deposits of US\$69 million with Eurasian Bank, a related party.

In 2004, net cash used for investing activities primarily reflected capital expenditures of US\$286 million, which principally related to investments in capital assets of certain Kazakhstan production companies, including Aluminium of Kazakhstan, Kazchrome, SSGPO and EEC. The Group also provided loans and placed deposits of US\$183 million with Eurasian Bank, a related party, and used US\$73 million for the acquisition of Zhairmsky GOK and five transportation companies. Finally, the Group used US\$15 million to purchase subordinated bonds issued by Eurasian Bank, a related party. These cash outflows were partially offset by proceeds from sales of fixed assets that totalled US\$43 million.

Net cash used for financing activities

The Group used US\$15 million in cash for financing activities for the six months ended 30 June 2007, whereas US\$42 million in cash was generated by financing activities during the six months ended 30 June 2006. During the six months ended 30 June 2007, cash used in financing activities was driven by a US\$500 million repayment of promissory notes issued by a related party and US\$183 million repayment of other borrowings including the repayment of loans to Kazakh banks, offset by a US\$650 million drawdown under the structured trade finance facility.

In 2006, the Group had no net cash movement due to financing activities because the Group's proceeds from borrowings were offset by repayments of borrowings and the US\$183 million withdrawal of invested capital.

In 2005, the Group used US\$459 million in financing activities, compared to US\$562 million in 2004. In 2005, cash used for financing activities was driven by a US\$399 million net withdrawal of invested capital and US\$88 million of dividends paid to minorities. This outflow was partially offset by US\$28 million of net cash flow from proceeds and the repayment of loans.

In 2004, cash used for financing activities was driven by a US\$593 million net withdrawal of invested capital and US\$2 million of dividends paid to minorities, which was partially offset by US\$33 million of net cash from proceeds and the repayment of loans.

Capital resources

Bank debt

Prior to 2006, the Group's principal source of liquidity for its operations was cash provided by its operating activities and the Group funded its working capital requirements through short-term financing facilities. As part of the legal restructuring initiative in 2006, the Group created a liability in favour of its shareholders through the issue of promissory notes in the amount of US\$1,000 million.

In parallel to the restructuring, the Group secured a structured trade finance facility in the amount of US\$1,000 million from affiliates of certain of the Joint Bookrunners and other lenders, which was subsequently increased to US\$1,480 million in 2007. This facility is denominated in US Dollars, bears interest at a rate of LIBOR plus 1.35% and is repayable in 48 equal monthly instalments beginning in January 2008. The loan is secured by grants of security over certain of the Ferroalloy Division's accounts and sales contracts backed by a guarantee given by Kazchrome, the Ferroalloy Division's principal operating company. The Group agreed to certain restrictive covenants in respect of Kazchrome, as guarantor of the loan, which prohibit Kazchrome from having total debt of greater than US\$1,500 million outstanding at any time during the duration of the facility. In addition, the guarantee provides that Kazchrome may pay dividends only if the amount of a dividend in any financial year does not exceed Kazchrome's net income for the financial year. Kazchrome may still declare a dividend in excess of net income if immediately after payment of such dividend the ratio of Kazchrome's total equity to total debt would be equal to or greater than 0.4:1. The guarantee places certain restrictions on Kazchrome's activities including, *inter alia*, to make loans, give guarantees or indemnities, create security interests, or change its business, and requires Kazchrome to, *inter alia*, maintain all authorisations applicable to it, comply with all laws applicable to it,

maintain certain insurance coverage and maintain full ownership of the ferroalloy production facilities.

In the six months ended 30 June 2007, the Company had drawn down US\$650 million of the trade finance facility. The Company used US\$500 million to repay a portion of the previously outstanding US\$1,000 million promissory notes payable to the Company's shareholders and US\$150 million to refinance a third-party short-term loan facility provided to the Logistics Division and for general corporate purposes. In July 2007, the Group repaid an additional US\$250 million of the promissory notes, which was financed through an additional draw down of the structured trade finance facility. The remaining balance of US\$250 million (and outstanding interest) was repaid in December 2007.

Capital expenditures

In the six months ended 30 June 2007, the Group's capital expenditures were US\$428 million, compared to US\$206 million during the six months ended 30 June 2006 and were mostly driven by capital investments in and repairs to the Group's Kazakh production assets. The expenditures in the six months ended 30 June 2007 primarily related to:

- the continued construction of the aluminium smelter and other projects at Aluminium of Kazakhstan;
- additional construction works and purchases of equipment, including Belaz trucks, towing aggregates and excavators at SSGPO; and
- capital construction works at current production facilities as well as projects relating to the development and enhancement of existing operations to increase production at Kazchrome.

In addition, there were significant expenditures at EEC, most of which related to the reconstruction of a block at the power station, reconstruction of an electricity distribution unit, continued modernisation of the ash dump and replacement of air electric filters for exhaust gas purification.

The Group's budgeted capital expenditures for the six months ending 31 December 2007 and for 2008 are US\$511 million and US\$1,320 million, respectively. These funds are expected to come from a combination of operating cash flows and proceeds from the Global Offer, and are expected to be used primarily to invest in new construction and development projects.

In 2004, 2005 and 2006, the Group's capital expenditures were US\$356 million, US\$507 million and US\$563 million, respectively. During 2006, expenditures primarily related to:

- the continued construction of the aluminium smelter and other projects at Aluminium of Kazakhstan;
- the reconstruction works relating to the crushing workshop and purchase and maintenance of equipment as well as the construction of the fraction road-metal production complex and railway lines in SSGPO's Kacharsky pit; and
- the addition of a pellets warehouse, smelting furnaces, buildings and other equipment as well as continued construction of gas purification equipment, a coke production workshop and furnace discharge storage at Kazchrome. There were also continued investments in Kazchrome's 10th Anniversary of Kazakhstan Independence underground mines.

In addition, there were significant expenditures at EEC, most of which related to the reconstruction of a block at the power station, continued modernisation of the ash dump and replacement of air electric filters for exhaust gas purification.

During 2005, expenditures primarily related to:

- the addition of electric power station equipment and pellet production equipment, smelting furnaces, building and other equipment as well as continued construction of gas purification equipment and a coke production workshop at Kazchrome. There were also investments in the Kazchrome's 10th Anniversary of Kazakhstan Independence underground mines;
- the construction of the aluminium smelter and other projects at Aluminium of Kazakhstan; and

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- the purchase and maintenance of excavators, induction sets, magnetic separators, drilling rigs, loaders, ball mills, cone crushers, vacuum filters, trucks and bulldozers, the construction of a railway station at SSGPO's Kacharsky pit and significant repair of its Sokolovskaya underground mine.

In addition, there were significant expenditures at the Logistics Division relating primarily to the purchase and capital repairs of wagons and at EEC relating to the beginning of work on the reconstruction of a block at its power station.

During 2004, expenditures primarily related to:

- construction works at current production facilities as well as projects relating to the development and enhancement of existing operations to increase production at Kazchrome;
- the purchase and maintenance of excavators, diesel locomotives, drilling rigs, Belaz trucks, magnetic separators, loaders, pumps, crushing units and dumpcars at SSGPO; and
- the capital maintenance or replacement of equipment at Aluminium of Kazakhstan.

Contractual obligations

The following table sets out the Group's material contractual obligations and their maturity as at 30 June 2007. See Notes 26, 27 and 33 to the Combined and Consolidated Financial Statements in Part V of this Prospectus for additional information about the Group's contractual obligations.

	Within one year	Between two and five years	More than five years	Total
		In millions of US\$		
Borrowings	153	1,118	—	1,271
Related party	—	508	—	508
Asset retirement obligations	1	—	59	60
Capital expenditures—committed	251	109	—	365

Borrowings

On 15 December 2006, ENRC Marketing entered into a US\$1,000 million structured trade finance facility that was subsequently increased to US\$1,480 million. See “—Liquidity and Capital Resources—Capital resources—Bank debt” above.

In April 2006, Zhairam issued US\$31.0 million of 8% non-convertible bonds due 5 April 2013. The bonds, which were listed on the Kazakh Stock Exchange, resulted in total proceeds to the Group of US\$31.0 million. The bonds initially bore a coupon of an annualised rate of 8%. Starting from 5 October 2006, the coupon changed to a floating rate equal to the official Kazakh inflation rate plus a 1% mark-up with lower and upper limits being fixed at 2% and 10% per annum. Interest on the bonds is payable on 5 April and 5 October of each year. These were repaid in the six months to 30 June 2007.

Related party borrowings

US\$800 million of non-current borrowings and US\$200 million of current borrowings relate to promissory note agreements dated 19 December 2006, in which the Group promised to pay the principal sums of US\$751 million and US\$249 million to ENRC Kazakhstan Holding B.V. and to the Committee, respectively, see Note 2 to the Combined and Consolidated Financial Statements in Part V of this Prospectus. These payments were to be made in five equal instalments of US\$150.2 million to ENRC Kazakhstan Holding B.V. and US\$49.8 million to the Committee on 19 December each year, starting in 2007 and ending in 2011. The Group, however, made earlier repayments at its discretion. The unpaid principal balances bore interest at “Twelve-Month US Dollar LIBOR” plus 2 per cent. In the six months ended 30 June 2007, US\$500 million was prepaid. In July 2007 an additional US\$250 million was prepaid. The remaining balance of US\$250 million (and outstanding interest) was repaid in December 2007.

Kazakhstan Minerals Resource Corporation (“KMRC”)

EEC concluded an Investment Agreement with KMRC according to which KMRC committed to advance to EEC US\$5 million annually from 2000 until 2009 and US\$19.6 million annually from 2010 until 2024. The total amount to be advanced was equal to US\$343.7 million. The carrying amount of this loan was US\$9 million at 30 June 2007 and US\$13 million at 31 December 2006 (2005: US\$13 million; 2004: US\$13 million). In accordance with the terms of the Separation Agreements, the benefits of these loans were assigned to ENRC NV and are now intra-Group loans. In light of the legal restructuring, the Committee agreed to annul KMRC’s obligation to advance funds on condition that the Company committed in writing to the planned capital expenditure investment programme at EEC.

Kherson Holding B.V.

The Group has received financing loans from Nordem Overseas Limited, a related party, for the amount of US\$54 million. The loan agreements specify an interest rate of zero per cent., and that the principal is to be repaid by 2010. During 2005 all rights and responsibilities under these loan agreements were transferred to Kherson Holding B.V., also a related party. The carrying amount of these loans at 31 December 2006 was US\$28 million (2005: US\$33 million; 2004: US\$40 million). As at 30 June 2007 these loans had been reassigned to ENRC NV pursuant to the Separation Agreements.

CIM Global Investment B.V.

In December 2006, CIM Global Investment B.V. provided a short-term loan of US\$47 million to the Group for the purpose of financing the construction of the aluminium smelter. The loan bore interest at the rate of 5% and was assigned in full to ENRC NV as at June 2007.

ENRC Kazakhstan Holdings B.V.

In December 2006, ENRC Kazakhstan Holdings B.V. provided a short term loan of US\$139 million to the Group for the purpose of financing the construction of the aluminium smelter. The loan bore interest at the rate of LIBOR + 1% and was assigned in full to ENRC NV as at June 2007.

In addition to the contractual obligations set out above, as part of its acquisition of 31.76% of Aluminium of Kazakhstan’s shares, the Group agreed to construct an aluminium smelter in Kazakhstan with a pre-defined throughput capacity to be commissioned by 31 December 2007. See Notes 1 and 2 to the Combined and Consolidated Financial Statements in Part V of this Prospectus. The Directors expect the aluminium smelter to commence production prior to 31 December 2007 in accordance with the conditions set out in the sale and purchase agreement. In the unlikely event the conditions are not met, the legal title to the 31.76% shareholding in Aluminium of Kazakhstan would revert to the Committee and the purchase price paid by the Group and the Group’s expenses incurred in connection with the purchase of the shares and the construction of the aluminium smelter would not be reimbursed.

The Group also has the following long-term supply agreements:

- Alumina—ENRC has entered into a contract with UC RUSAL, a large aluminium producer, to supply a minimum of 1,000,000 tonnes of alumina per annum. This contract expires on 31 December 2016. Pricing is determined by a formula linked to the LME aluminium price; and
- Iron ore—ENRC has entered into a contract with MMK, a large Russian steel producer, to supply up to 15 million tonnes of iron ore per annum. This contract expires in 2017. Pricing is determined by reference to published price indices.

The Group has obligations under its subsurface use contracts and licences, calculated as a percentage of the revenue or expense associated with the contract or licence, to provide annual (or quarterly) amounts towards the cost of rehabilitating each mine or group of mines. This amount is generally from 0.1% to 1% of operational expenses for mines or from 0.1% to 1% of sales revenue. Certain of the subsurface use contracts and licences require that these amounts be held in a fixed account, while others require such amounts to be accrued.

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In addition, abandonment programs are developed by the Group in conjunction with the Kazakh government to estimate the future liability of site restoration. As of 30 June 2007, the Group had a site restoration provision of US\$60.0 million, reflecting the discounted value of the estimated cost of the abandonment programmes.

The Group is also obligated under all of its subsurface use contracts and licences to invest in training the local workforce. In approximately half of its contracts and licences, minimum obligations have been agreed with the Kazakh government and are reflected in the table above. In the other contracts and licences, these training obligations are calculated as a function of the revenue or expenses associated with such contract or licence. In such instances, this amount is generally not less than 0.1% of the revenue, operational expenses or extraction expenses associated with the relevant contract or licence.

Disclosures about Market Risk

The following information should be read in conjunction with the financial information set out in Section B of Part V of this Prospectus. The Group is exposed to changes in commodity prices, foreign exchange rates and interest rates through its operations.

Commodity price risk

The Group is exposed to the effect of fluctuations in commodity prices. The principal exposures are to the price of chrome ore, high-, medium- and low-carbon ferroalloys, ferrosilicomanganese, iron ore and primary aluminium from which the price of alumina is derived. Prices of these commodities are generally quoted in US Dollars. Of the foregoing products, only the price of primary aluminium is determined by reference to a publicly traded price. Price variations and market cycles have historically influenced the financial results of the Group and are expected to continue to do so. See “—Significant Factors Affecting the Group’s Results of Operations—Commodity prices” above.

ENRC does not hedge its exposure to the risk of fluctuations in the price of its products and currently does not intend to do so in the future.

Foreign currency exchange rate risk

The Group has translated currency exposures. Such exposures arise from sales or purchases by an operating subsidiary in currencies other than the subsidiary’s functional currency. The currency giving rise to this risk is primarily the US Dollar for revenue and certain cash deposits and loans. As at 30 June 2007, the Group had entered into a number of foreign exchange forward contracts to hedge part of this translation risk. Management estimates that those contracts effectively provide for an average rate of US\$1/KZT120 over three years and represent approximately 25% of the Group’s Kazakh Tenge cost base. Any remaining amount remains unhedged. See “—Significant Factors Affecting the Group’s Results of Operations—Exchange rates” above.

Interest rate risk

The Group has financial assets and liabilities that are exposed to changes in market interest rates. Changes in interest rates impact primarily deposits, loans and borrowings by changing their future cash flows (variable rate). Management does not have a formal policy of determining how much of the Group’s exposure should be at fixed or variable rates and the Group does not use hedging instruments to minimise its exposure. However, at the time of taking new loans or borrowings, management uses its judgement to determine whether it believes that a fixed or variable rate would be more favourable for the Group over the expected period until maturity. The Group’s significant interest bearing assets are disclosed in Notes 20, 21, 23 and 26 to the Combined and Consolidated Financial Statements in Part V of this Prospectus. The majority of these assets and liabilities bear fixed interest and are thus exposed to fair value interest rate risk.

Off-Balance Sheet Arrangements

The Group has no off-balance sheet arrangements.

Critical Accounting Policies and Use of Accounting Estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Ore reserve estimates

The Group's ore reserves are based on its best estimate of product that can be economically and legally extracted from the relevant mining properties. Estimates are developed after taking into account a range of factors including quantities, ore grades, production techniques and recovery rates, forecast commodity prices and production costs.

The Group's estimates are supported by geological studies and drilling samples to determine the quantity and grade of each ore body. Significant judgement is required to generate an estimate based on the geological data available.

Ore reserve estimates are calculated based on the JORC Code which requires the use of reasonable assumptions, including:

- future production estimates—which include proved and probable reserves, resource estimates and committed expansions;
- expected future commodity prices, based on current market price, forward prices and the Group's assessment of the long term average price; and
- future cash costs of production, capital expenditure and rehabilitation obligations.

Ore reserve estimates may change from period to period. This may impact the Group's financial results. Such changes in reserves may impact depreciation charges, asset carrying values and asset retirement obligation provisions.

Life of mines

Contracts for subsurface use expire between 2009 and 2041. Management expects that the subsurface use contracts will be extended at a nominal cost and until the end of the lives of the related mines. Any change to this assumption may impact the Group's financial results by affecting depreciation charges, asset carrying values and asset retirement obligations, as these have been recorded on the assumption that the subsurface use contracts will be extended until the end of the mine life. If the contracts will not be renewed at their current expiry dates, the carrying amount of property, plant and equipment to be written off at the day of expiry will be US\$339.0 million as at 30 June 2007 (US\$329.5 million as at 31 December 2006).

Determination of deemed cost

The Group used fair value as the deemed cost of certain property, plant and equipment on transition to IFRS (see Note 1 to the Combined and Consolidated Financial Statements in Part V of this Prospectus). For that purpose, the management of the Group engaged an independent appraisal firm to perform the valuation. The methodology used was depreciated replacement cost. In applying the depreciated replacement cost, certain key elements needed to be considered, such as:

- an understanding of the asset, its function and its environment;
- research and analysis to determine the remaining physical life (to estimate physical deterioration) and economic life of the asset;
- knowledge of the business requirements (to estimate functional/technical obsolescence);

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- familiarity with the class of property through access to available market data;
- knowledge of construction techniques and materials (to estimate the cost of a modern equivalent asset); and
- sufficient knowledge to determine the impact of economic/external obsolescence on the value of the improvements.

In addition, the valuation was tested to ensure that there was sufficient projected profitability of the entity to sustain the valuation. The Group used its judgement to select the assumptions for this analysis. The carrying amount of property, plant and equipment would be an estimated US\$33 million lower or US\$59 million higher were the discount rate used in the cash flow analysis to differ by 10 percent from management's estimates. Any changes to the other assumptions could affect the carrying amount and the remaining useful lives of the items of property, plant and equipment.

Provision for asset retirement obligations

Provision is made for asset retirement obligations when the related environmental disturbance takes place. Provisions are recognised at the net present value of future expected costs as outlined in Note 2 to the Combined and Consolidated Financial Statements in Part V of this Prospectus.

The provision recognised represents management's best estimate of the costs that will be incurred but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine. Estimates are reviewed annually and are based on management's interpretation of compliance with current environmental legislation in Kazakhstan. Significant changes in environmental legislation, restoration techniques and estimates of contamination will result in changes to provisions from period to period.

The engineering estimates evaluated by management are reviewed annually by independent mining engineering consultants.

Impairment

The effects of exchange rate and commodity price changes on the asset values of the businesses in the Group relative to their carrying values are monitored closely. No impairment charge was recorded in the periods presented.

Consolidation of Aluminium of Kazakhstan

The Group acquired an additional 31.76% of Aluminium of Kazakhstan in 2003, increasing the Group's holding to 96.6%. As part of the purchase agreement, the Group committed to commissioning prior to 31 December 2007 the first stage of an aluminium smelter with an initial annual capacity of at least 60,000 tonnes of aluminium per annum. Failure to satisfy this condition could result in the legal title to the 31.76% shareholding reverting to the Government of Kazakhstan. The Group commenced pre-production in September 2007 and management is confident that the required capacity of 60,000 tonnes by 31 December 2007 will be achieved.

Valuation of the Government Transaction

As described in Note 1 to the Combined and Consolidated Financial Statements in Part V of this Prospectus, on 19 December 2006, the Committee exchanged its shares in the principal mining and metal processing subsidiaries for a 24.9% shareholding in ENRC NV; on the same day it exchanged its ENRC NV shares for 24.9% of the ordinary share capital of the Company and loan notes of US\$248.7 million.

At 19 December 2006, the Company was a privately held company whose shares were not publicly traded. Accordingly, it was necessary to establish an appropriate basis for determining the fair value of shares issued, as in the absence of an active market an alternative valuation technique is required.

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Management determined that the transaction in 2006, pursuant to which the three Founder Shareholders sold 25% of ENRC Kazakhstan Holding B.V. (the then parent company of the ENRC Group) for US\$751 million to Mr. V S Kim (the "Kim transaction"), could be used as an appropriate reference value for the 24.9% Government shareholding. An additional 10% uplift was considered to reflect the additional value created during 2006 by the Group following the completion of the legal restructuring and preparation for a 2007 IPO as well as movements in market indices in 2006. The deemed fair value of the 24.9% shareholding in the Company amounted to US\$1 billion which resulted in goodwill amounting to US\$384 million.

Management's assertion was on the basis that:

- The transaction with Mr. V S Kim was between knowledgeable and willing parties.
- Mr. V S Kim purchased his interest in the knowledge of the minority shares owned by the Government and the future plans of the Government to exchange these for shares in the Company at a later date.
- The exchange ratio calculated for the Government transaction made reference to the basis upon which the Kim transaction was calculated.
- Further, during 2006, the Kim transaction also included a put option to Kazakhmys Plc whereby Kazakhmys could choose to acquire Mr. Kim's share in ENRC for US\$751 million plus a 10% mark up.

The promissory notes for US\$1 billion, dated 19 December 2006, were issued by the Group. US\$248.7 million related to the Committee and was to be payable in five equal instalments of US\$49.8 million on December 19 each year, starting in 2007 and ending in 2011. The unpaid principal balances bore interest at "Twelve-Month US Dollar LIBOR" plus 2%. As stated in Note 1 to the Combined and Consolidated Financial Statements in Part V of this Prospectus, the issue of the aforementioned loan note was recorded as a distribution. In the six months ended 30 June 2007, US\$124.4 million of the promissory notes held by the Committee were prepaid, and in July 2007, an additional US\$62.2 million of these promissory notes were prepaid. The remaining balance of US\$62.1 million (plus outstanding interest) was repaid in December 2007.

Tax legislation

Kazakh tax legislation and practice are evolving and, therefore, are subject to varying interpretations and frequent changes that may be applied retroactively. The interpretation of tax, transfer pricing and excess profit tax legislation by the Kazakh tax authorities, as applied to the transactions and activities of the Group, may not coincide with that of the Group's management. As a result, tax authorities may challenge transactions and the Group may be assessed additional taxes, penalties and fines. Tax periods remain open to review by the Kazakh tax authorities for five years.

As stated above, there is a risk that the Kazakh tax authorities may challenge the methods applied to transfer pricing and excess profit tax. While any challenge may result in material claims being made against the Group, the Group's management believes that, based on recent clarifications obtained from the relevant authorities, they would be successful in defending any such challenge. Accordingly, at 30 June 2007 and 31 December 2006 no provision for potential tax liabilities had been recorded (2005 and 2004: no provision).

The Directors expect that by the end of December 2008 the Kazakh tax authorities will commence an audit of the Group's tax affairs for the three years ended 31 December 2006.

Part V: Financial information

Section A: Accountant's Report in respect of the historical financial information relating to the Group



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7 December 2007

Dear Sirs

Eurasian Natural Resources Corporation PLC

We report on the financial information set out in Section B of this Part V for the three years ended 31 December 2006 and the six months ended 30 June 2007. This financial information has been prepared for inclusion in the prospectus dated 7 December 2007 (the "**Prospectus**") of Eurasian Natural Resources Corporation PLC (the "**Company**" and, together with its subsidiaries, the "**Group**") on the basis of the accounting policies set out in Note 1 to the financial information. This report is required by item 20.1 of Annex I to the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

We have not audited the financial information for the six months ended 30 June 2006 and accordingly do not express an opinion thereon.

Responsibilities

The Directors of the Company are responsible for preparing the financial information in accordance with the basis of preparation set out in Note 1 to the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any

such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 7 December 2007, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 1.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Section B: Historical financial information

Combined and consolidated income statements

	Note	Year ended 31 December			Six months ended 30 June	
		2004	2005	2006	2007	2006
unaudited						
In millions US\$						
Revenue	6	2,691	2,950	3,256	1,856	1,514
Cost of sales	7	(1,017)	(1,246)	(1,542)	(826)	(670)
Gross profit		1,674	1,704	1,714	1,030	844
Distribution costs	8	(235)	(332)	(407)	(189)	(212)
Selling, general and administrative expenses	9	(147)	(228)	(290)	(169)	(116)
Other operating expenses—net	10	(20)	(18)	(20)	(31)	(61)
Operating profit		1,272	1,126	997	641	455
Analysed as:						
Adjusted EBITDA*		1,502	1,363	1,256	797	575
Depreciation and amortisation		(230)	(237)	(253)	(136)	(120)
Exceptional items	9	—	—	(6)	(20)	—
Finance income	13	5	12	24	27	11
Finance costs	14	(22)	(40)	(50)	(82)	(25)
Profit before income tax		1,255	1,098	971	586	441
Income tax expense	15	(233)	(321)	(285)	(198)	(120)
Profit for the period		1,022	777	686	388	321
<i>Profit is attributable to:</i>						
Equity shareholders of the Group		884	580	550	381	270
Minority interests		138	197	136	7	51
In US\$						
EPS—basic and diluted	16	0.88	0.58	0.55	0.38	0.27

* Adjusted EBITDA represents profit before finance income, finance costs, income tax expense and depreciation and amortisation (including negative goodwill), as further adjusted to add back exceptional items. Exceptional items represent costs incurred in relation to the initial public offering.

The notes on pages 126 to 179 inclusive are an integral part of these combined and consolidated financial statements.

The results of the Group presented for the period might have been different had the entities operated as a Group from 1 January 2004. The results are not necessarily indicative of future periods since the relationship of costs in respect of Group functions and services provided by related parties may be different.

Combined and consolidated balance sheets

	Note	As at 31 December			As at
		2004	2005	2006	30 June 2007
In millions US\$					
ASSETS					
Non-current assets					
Property, plant and equipment	17	1,971	2,154	2,543	2,934
Goodwill and intangible assets	18	1	5	389	389
Financial assets	19	22	21	—	—
Loans receivable	20	—	18	21	—
Deferred tax asset	15	—	14	12	15
Other non-current assets	21	31	82	43	133
Total non-current assets		2,025	2,294	3,008	3,471
Current assets					
Inventories	22	338	347	361	385
Trade and other receivables	23	476	477	637	877
Financial assets	19	—	—	21	—
Loans receivable	20	11	119	240	50
Cash and cash equivalents	24	183	165	336	192
Total current assets		1,008	1,108	1,595	1,504
Total assets		3,033	3,402	4,603	4,975
Equity					
Share capital	25	—	—	200	200
Reserves		—	—	2,011	2,516
Invested capital		1,599	1,667	—	—
Equity attributable to the Group's equity shareholders		1,599	1,667	2,211	2,716
Minority interests		582	681	61	65
Total equity		2,181	2,348	2,272	2,781
LIABILITIES					
Non-current liabilities					
Borrowings	26	155	139	876	1,118
Deferred tax liabilities	15	271	235	280	293
Asset retirement obligations	27	28	34	44	60
Employee benefit obligations	28	29	32	48	55
Other non-current liabilities		8	17	—	12
Total non-current liabilities		491	457	1,248	1,538
Current liabilities					
Borrowings	26	72	100	608	153
Trade and other payables	29	266	450	393	382
Current income tax payable		12	15	20	65
Other taxes payable	30	11	32	62	56
Total current liabilities		361	597	1,083	656
Total liabilities		852	1,054	2,331	2,194
Total liabilities and equity		3,033	3,402	4,603	4,975

Combined and consolidated cashflow statements

	Note	Year ended 31 December			Six months ended 30 June	
		2004	2005	2006	2007	2006
		In millions US\$				
Net cash generated from operating activities	31	1,146	1,070	744	475	186
Cash flow from investing activities						unaudited
Purchase of property, plant and equipment		(286)	(570)	(509)	(503)	(166)
Proceeds on sales of property, plant and equipment		43	20	19	7	16
Purchase of intangible assets		(2)	(6)	—	—	—
Proceeds on sales of intangible assets		—	—	2	—	—
Purchase of investments		(15)	—	(17)	—	(1)
Proceeds from sale of investments		—	—	18	37	24
Loans and deposits to related parties (net)		(183)	(69)	(91)	(159)	(58)
Acquisition of subsidiaries, net of cash acquired		(73)	—	—	—	—
Net cash used for investing activities		(516)	(625)	(578)	(618)	(185)
Cash flow from financing activities						
Related party borrowings—proceeds		34	46	136	—	—
Other borrowings—proceeds		15	—	192	719	115
Related party borrowings—repayments		—	(7)	(140)	(551)	(34)
Other borrowings—repayments		(16)	(11)	(1)	(183)	—
Net withdrawal of invested capital		(593)	(399)	(183)	—	(39)
Dividends paid to minority interests		(2)	(88)	(4)	—	—
Net cash (used for)/generated from financing activities		(562)	(459)	—	(15)	42
Net increase/(decrease) in cash and cash equivalents		68	(14)	166	(158)	43
Cash and cash equivalents at beginning of year		108	183	165	336	165
Exchange gains/(losses) on cash and cash equivalents		7	(4)	5	14	26
Cash and cash equivalents at end of year	24	183	165	336	192	234

Combined and consolidated statements of changes in equity

	Note	Attributable to equity holders of the Group				Total	Minority interests	Total equity
		Share capital	Retained Earnings*	Translation Reserve	Other reserves			
In millions US\$								
Balance at 1 January 2004		—	1,181	—	—	1,181	399	1,580
Profit for the year			884	—	—	884	138	1,022
Currency translation differences			—	121	—	121	48	169
Total recognised income and expense for 2004		—	884	121	—	1,005	186	1,191
Net withdrawal of invested capital and distributions	5		(589)	—	—	(589)	(2)	(591)
Change in minority interests			2	—	—	2	(1)	1
Balance at 31 December 2004		—	1,478	121	—	1,599	582	2,181
Profit for the year			580	—	—	580	197	777
Currency translation differences			—	(35)	—	(35)	(17)	(52)
Total recognised income and expense for 2005		—	580	(35)	—	545	180	725
Net withdrawal of invested capital and distributions	5		(478)	—	—	(478)	(88)	(566)
Change in minority interests			1	—	—	1	7	8
Balance at 31 December 2005		—	1,581	86	—	1,667	681	2,348
Profit for the year			550	—	—	550	136	686
Currency translation differences			—	126	—	126	1	127
Total recognised income and expense for 2006		—	550	126	—	676	137	813
Net withdrawal of invested capital and distributions	5		(276)	—	—	(276)	(79)	(355)
Change in minority interests attributable to Government shares	2g)		1,144	—	—	1,144	(640)	504
Other changes in minority interests			—	—	—	—	(38)	(38)
Share issue pursuant to share exchange agreement	1a), 25	200	(200)	—	—	—	—	—
Promissory note issued pursuant to share exchange agreement	1a), 2g), 26		(1,000)	—	—	(1,000)	—	(1,000)
Balance at 31 December 2006		200	1,799	212	—	2,211	61	2,272
Profit for the half year			381	—	—	381	7	388
Currency translation differences			—	131	—	131	3	134
Total recognised income and expense for six months ended 30 June 2007			381	131	—	512	10	522
Change in minority interests			—	—	—	—	(6)	(6)
IPO costs	9		—	—	(7)	(7)	—	(7)
Balance as at 30 June 2007		200	2,180	343	(7)	2,716	65	2,781

* At 31 December 2004 and 31 December 2005 retained earnings represents invested capital (see Note 1y).

Notes to the Combined and Consolidated Financial Statements

1. Principal accounting policies

(a) Basis of preparation

In 2004 and 2005, the Group existed as a collection of entities (including mining, metals processing, distribution, sales, marketing, financial and other services). The Group operated under common management and was jointly controlled and majority owned by three founder shareholders, Mr. P K Chodiev, Mr. A R Ibragimov and Mr. A A Machkevitch (the 'Founder Shareholders'). The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan (the 'Committee') owned a minority interest in the majority of the mining and metals processing operations in Kazakhstan.

During 2006, in preparation for the initial public offering ('IPO'), significant legal restructuring was undertaken to create a group of companies containing only those operations and entities which would form part of the Group; other operations owned by these three Founder Shareholders (primarily Eurasian Bank and Eurasia Insurance) were left under their private ownership. In addition, with effect from early 2006, Mr. V S Kim acquired 25 percent of each of the Founder Shareholders' interest in the new mining group, and granted an option to Kazakhmys for the purchase of this share of the Group (see below).

On 8 December 2006 the Company was incorporated and registered in the United Kingdom ('UK'). On 19 December 2006, the Founder Shareholders and Mr. V S Kim, through their holding company ENRC Kazakhstan Holding B.V., and the Committee exchanged their shares in the various mining and metals processing operations for 75.13 percent and 24.87 percent respectively of the issued share capital of ENRC NV. Immediately thereafter, the Company entered into an agreement with the Committee, ENRC Kazakhstan Holding B.V. and ENRC NV to acquire the entire issued share capital of ENRC NV. Pursuant to the contract, ENRC Kazakhstan Holding B.V. and the Committee transferred their shareholdings in ENRC NV to the Company. The consideration was satisfied by (i) the issuance by the Company of 15,026,900 ordinary shares of US\$10.00 each in the capital of the Company credited as fully paid up to ENRC Kazakhstan Holding B.V. (ii) the issuance by the Company of 4,973,100 ordinary shares of US\$10.00 each in the capital of the Company credited as fully paid up to the Committee and (iii) the issuance of promissory notes amounting to US\$751,345,000 to ENRC Kazakhstan Holding B.V. and US\$248,655,000 to the Committee.

Accordingly, the ultimate shareholders of the Company at 30 June 2007 were:

	Effective % holdings
Mr. P K Chodiev	18.8
Mr. A R Ibragimov	18.8
Mr. A A Machkevitch	18.8
	56.4
Mr. V S Kim*	18.8
The Committee for the Republic of Kazakhstan	24.8
	100.0

* In early 2006, Kazakhmys plc was given the possibility to purchase part of the Founder Shareholders' interest in the new mining group. As the legal restructuring had not taken place at that date Mr. V S Kim (the Executive Chairman of Kazakhmys plc) bought the shares on his own account and gave Kazakhmys plc an option, which expires on 31 December 2007, to acquire his 18.8% effective stake in the Company. In November 2007 Kazakhmys acquired the aforementioned 18.8% share in the Company.

The combined and consolidated financial information has been prepared in accordance with the requirements of the Prospectus Directive regulation, the Listing Rules, and in accordance with this basis of preparation. This basis of preparation describes how the combined and consolidated financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) except as described below.

IFRSs as adopted by the EU do not provide for the preparation of combined financial information, and accordingly in preparing the combined financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following departure from IFRSs as adopted by the EU. Other than this departure IFRSs as adopted by the EU have been applied.

- The transactions undertaken to create the Group structure (including the issue of the promissory notes) represent a business combination between entities under common control. IFRS 3 *Business Combinations* specifically does not cover transactions between entities under common control, and the Group has therefore elected to use merger accounting principles. Therefore, the Group together with certain relevant entities and operations formerly under common control, are combined and consolidated as though the Group had been one continuing business throughout the period presented. The issue of promissory notes, amounting to US\$1 billion, has been recorded as a distribution of retained earnings in 2006.

Full details of the entities included in the combined and consolidated financial statements are set out in Note 36. The accounting for the transaction to exchange the Committee's minority interest for shares in ENRC NV is disclosed in Note 2.

Transactions and balances with the entities not combined and consolidated into the Group and under the common control or significant influence of the shareholders, have been classified as related party transactions and are included in Note 5.

Given the historical nature of the Group, and the large number of services provided by the Founder Shareholders' other interests, the results of the Group presented for the period might have been different had the entities operated as a Group from 1 January 2004. The results are not necessarily indicative of future periods since the relationship of costs in respect of Group functions and services provided by related parties may be different.

(b) Transition to IFRS

The Company has applied IFRS 1 *First time adoption of International Financial Reporting Standards* at 1 January 2004 and has elected to use the following exemptions:

- IFRS 3 *Business Combinations* has not been applied retrospectively to business combinations that occurred before 1 January 2004;
- The Group has used the fair value of certain of its property, plant and equipment as the deemed cost on transition to IFRS;
- The amount of the provision for asset retirement obligations was determined as at the date of the transition to IFRS (1 January 2004) using the nominal prices effective at that date and by applying the forecasted rate of inflation for the expected period of the life of the mines (7 percent).
- Cumulative translation reserves for foreign operations have been deemed to be nil at 1 January 2004. Any gain or loss on a subsequent disposal of a foreign operation will exclude translation differences that arose before 1 January 2004.

The Group has prepared combined and consolidated financial statements for the first time for the three years ended 31 December 2006 and the six months ended 30 June 2007, and has chosen to prepare the combined and consolidated financial statements in accordance with IFRS; accordingly, a reconciliation between local GAAP and IFRS is not relevant for the Company.

(c) Combined and consolidated financial statements ('financial statements')

Subsidiaries are those companies and other entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential

voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

In preparing the financial statements, the financial statements of the individual entities are aggregated on a line-by-line basis by adding together like items of assets, liabilities, equity, income and expenses. Balances, transactions and unrealised gains or losses on transactions between the combined and consolidated entities, including their subsidiaries, are eliminated in full.

Subsidiaries are combined and consolidated from the date on which control is transferred to the Group (acquisition date) and are de-combined or de-consolidated from the date that control ceases.

(d) Minority interests

Minority interests are that part of the net results and of the net assets, including the fair value adjustments, which are attributable to interests which are not owned, directly or indirectly, by the parent. Minority interests form a separate component of the Group's equity.

The Group has adopted the 'parent company method' and applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Gains or losses arising from disposals of minority interests are recorded in the income statement. Goodwill arising from purchases of minority interests is recorded on the balance sheet. The excess of the fair value of the consideration paid over the book value of the minority interest represents goodwill.

The Group's acquisition of the Committee's minority interest on 19 December 2006 gave rise to goodwill of US\$384 million (see Notes 2g and 18).

(e) Functional and presentation currency

All amounts in these financial statements are presented in millions of US\$ ('US\$ millions'), unless otherwise stated.

The functional currency of all the significant operating entities is the Kazakh tenge ('KZT'), whilst for the sales and marketing entities it is the US\$. The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. The functional currency for the Company is the US\$.

The following table shows, for the periods and dates indicated, the principal rates of exchange used for the Kazakh tenge, expressed in Kazakh tenge per US\$1.00.

Year ended 31 December	Period end	Average rate
2006	127.00	126.09
2005	133.77	132.85
2004	130.00	135.96
2003	144.22	149.51
<hr/>		
Six months ended 30 June	Period end	Average rate
2007	121.66	123.16
2006	118.69	127.10

Exchange restrictions and controls exist relating to the conversion of Kazakh tenge into other currencies. At present, the Kazakh tenge is not a freely convertible currency in most countries outside Kazakhstan.

(f) Foreign currency translation

Transactions in currencies other than the local functional currency are translated in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions and the translation of monetary assets and liabilities are taken to the income statement.

(g) Translation from functional to presentation currency

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the exchange differences deferred in equity are recognised in the income statement.

(h) Revenue recognition

A significant portion of production is sold under contract. Revenue is only recognised on individual shipments when persuasive evidence exists that the following criteria are satisfied:

- the significant risks and rewards of ownership of the product have been transferred to the buyer. If it is arranged that the goods are transported to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. The revenue from sales of many products is subject to adjustment based on an inspection of the product by the customer. In such cases, revenue is initially recognised on a provisional basis using the Group's best estimate of the quantity/quality of the product. Any subsequent adjustments to the initial estimate of quantity/quality of the product is recorded in revenue once they have been determined;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold has been retained;
- the amount of revenue can be measured reliably; and
- it is probable that the economic benefits associated with the sale will flow to the Group.

Revenues from sales of services are recognised in the accounting period in which the services are rendered by reference to the stage of completion of the specific transaction, assessed on the basis of the actual services provided, as a proportion of the total services to be provided. Revenues are shown net of VAT and discounts.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

(i) Finance income and costs

Finance income and costs comprise interest expense on borrowings, the accumulation of interest on provisions, interest expense from the unwinding of discount on provisions for asset retirement obligations, interest income on funds invested, foreign exchange gains and losses on borrowings, gains and losses on the revaluation and disposal of investments held for trading or designated at fair value through the income statement, gains and losses on the disposal of available-for-sale investments and income on investment and trading securities.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financial expenses unless incurred on borrowings to finance the construction of property, plant and equipment which are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Interest income and expense is recognised on a time proportion basis, using the effective interest method.

(j) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity. Kazakh excess profit tax, as defined in Note 1k below, which is payable on super profits is treated as an income tax and forms part of the income tax expense.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined and consolidated financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred excess profits tax is calculated with respect to temporary differences in respect of assets allocated to contracts for subsurface use at the expected rate of excess profits tax to be paid under the contract.

(k) Excess profits tax

Excess profit tax is payable under subsurface use contracts where the internal rate of return during the current year is in excess of 20 percent. Liabilities for excess profit tax are recorded in accordance with the Group's accounting policies for current and deferred tax and based on management's understanding of the provisions of the subsurface use contracts and tax regulations.

Where the Group's operations, within one production cycle, are divided into operations conducted under a subsurface use contract (subsurface use operations) and non-contractual operations (processing of products derived from subsurface use operations), for the purpose of the excess profit tax calculation, revenues from the internal transfer of product from the subsurface use operations to divisions operating the processing plants are recorded at the actual cost of extraction of the products. In all other cases, for the purposes of the excess profit tax calculation, revenues from external sales of product from subsurface use operations are recorded at the prices at which the products were actually sold.

(l) Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they have been approved before or on the balance sheet date. Dividends are disclosed when they have been proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

(m) Leasing and hire purchase commitments

Finance leases, which transfer to the Group all the risks and rewards of ownership of the leased items, are capitalised at the inception of the lease. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The capital elements, net of finance charges, of future obligations under finance leases and hire purchase contracts are included as current or long term payables in the balance sheet, as

appropriate. Lease payments are apportioned between the finance charge and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Capitalised lease assets are depreciated over the estimated useful life of the asset.

(n) Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to the income statement on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

(o) Exploration and evaluation

Exploration and evaluation costs related to an area of interest are written off as incurred. At the time that it is considered probable that future costs will be recovered through successful development and exploitation of the area of interest, or alternatively through its sale, they are carried forward as an asset in the balance sheet and are included within mining assets.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest. All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that impairment may exist.

Identifiable exploration assets acquired as part of a business combination are recognised as assets at their fair value, as determined by the requirements of IFRS 3 *Business Combinations*. Exploration and evaluation expenditure incurred subsequent to the acquisition is accounted for in accordance with the policy outlined above.

(p) Property, plant and equipment

Property, plant and equipment is carried at cost (or deemed cost) less accumulated depreciation and any impairment charges. The cost of property, plant and equipment at 1 January 2004, was determined by reference to its depreciated replacement cost at that date (deemed cost). Depreciation is recorded over the useful life of the asset, or over the expected remaining life of the mine if shorter, as follows:

- Buildings and mining constructions—20-50 years on a straight-line basis;
- Mining assets—on a units of production basis;
- Plant and equipment—6-15 years on a straight-line basis;
- Motor vehicles—5-15 years on a straight-line basis;
- Land is not depreciated.

Estimates of residual values and useful lives are reassessed annually, and any change in estimate is taken into account in the determination of future depreciation charges.

The individual significant parts of an item of property, plant and equipment (components), whose useful lives are different from the useful life of the asset as a whole, are depreciated individually, applying depreciation rates reflecting their anticipated useful lives. The cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Specialised spare parts and servicing equipment with a significant initial value and a useful life of more than one year are recognised as items of property, plant and equipment. Other spare parts and servicing-related equipment are recognised as inventories and accounted for in the income statement on utilisation.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement when the asset is retired.

Property, plant and equipment are tested for impairment in accordance with the impairment policy below.

(i) Mining assets

Once a project has been established as commercially viable, expenditure is capitalised under 'mining assets' together with amounts transferred from 'exploration and evaluation'. Mining assets include expenditure incurred to establish or expand productive capacity, costs to conduct mining-construction and mining-capital works, as well as costs arising from mining preparation works during the development or mine reconstruction phase.

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises cost directly attributable to the construction of a mine and the related infrastructure, including the cost of materials, direct labour and an appropriate proportion of production overheads.

When further development expenditure is incurred in respect of a mining asset after the commencement of production, such expenditure is carried forward as part of mining assets when it is probable that additional future economic benefits associated with the expenditure will flow to the Group. Otherwise such expenditure is recognised as a cost of production.

Once a project has been fully commissioned, depreciation is charged using the units of production method, based on proved and probable reserves, with separate calculations being made for each area of interest. The units of production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

Mining assets are included within the category 'Buildings and mining constructions' of property, plant and equipment.

(ii) Assets under construction

Assets under construction are capitalised as a separate component of property, plant and equipment. Self-constructed assets include the cost of materials, direct labour and an appropriate proportion of production overheads.

On completion, the cost of construction is transferred to the appropriate category. Assets under construction are not depreciated. Depreciation commences on the earlier of the date when the assets are brought into service or the assets are available for use.

(iii) Stripping costs

Stripping costs comprise the removal of overburden and other waste products from a mine. Stripping costs incurred in the development of mines and open pits before production commences are capitalised as part of the cost of constructing the mines and open pits, as part of mining assets, and are subsequently depreciated using the unit of production method over the lives of the mines or open pits.

Stripping costs incurred during the production phase of operations are expensed as a production cost and included within the cost of inventory.

(q) Impairment

Property, plant and equipment and all other non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable.

When a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell' (the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal). Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Group could receive for the cash generating unit in an arm's length transaction. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The estimates used for impairment reviews are based on detailed mine plans and operating budgets, modified as appropriate to meet the requirements of IAS 36 *Impairment of Assets*. Future cash flows are based on:

- Estimates of the quantities of the reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Future production levels;
- Future commodity prices (assuming the current market prices will revert to the Group's assessment of the long term average price, generally over a period of three to five years); and
- Future cash costs of production, capital expenditure, close down, restoration and environmental clean up.

The expected future cash flows of cash generating units reflect long term mine and production plans which are based on detailed research, analysis and iterative modelling to optimise the level of return from investment, output and sequence of extraction. The plans take account of all relevant characteristics of the ore body, including waste to ore ratios, ore grades, haul distances, chemical and metallurgical properties of the ore impacting on process recoveries and capacities of processing and production equipment that can be used in extraction of ore and production of final products. The mine and production plans are therefore the basis for forecasting production output in each future year and the related production costs. Value in use represents discounted pre-tax cash flows discounted on the pre-tax long-term rate of capitalisation. Fair value less costs to sell is determined based on market information.

For impairment reviews, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of IAS 36. IAS 36 includes a number of restrictions on the future cash flows that can be recognised in respect of future restructurings and improvement related capital expenditure.

The pre-tax discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustment for the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecast cash flows. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount in the balance sheet to its recoverable amount. A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

(r) Goodwill

The purchase method of accounting is used to account for business combinations. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The excess of the cost of acquisition over the fair value of the net assets of the acquiree at each exchange transaction represents goodwill. Any excess of the acquirer's interest in the net fair value

of the identifiable assets, liabilities and contingent liabilities acquired over the cost of acquisition ('excess of acquirer's interest' or 'negative goodwill') is recognised immediately in the income statement.

Goodwill is tested annually for impairment in accordance with the impairment policy described above.

(s) Intangible assets

Intangible assets, which are acquired by the Group and have finite useful lives, are stated at cost less accumulated amortisation and impairment losses. Intangible assets acquired as part of an acquisition of a business are capitalised at fair value when the fair value can be measured reliably on initial recognition. Intangible assets are tested for impairment in accordance with the impairment policy described above.

(t) Financial assets

Recognition

Purchases and sales of financial instruments are recognised on the settlement date, which is the date that an asset is delivered to or by the Group, with the change in value between the trade date and settlement date not recognised for assets carried at cost or amortised cost. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Classification

The Group classifies its financial assets into the following measurement categories: loans and receivables and fair value investments through the income statement. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans and receivables are recognised initially at fair value plus transaction costs. Subsequently, loans and receivables are stated at amortised cost using the effective yield method. Where a loan is provided at interest rates different from market rates, the loan is re-measured at origination at its fair value, which is represented by future interest payments and principal repayments discounted at market interest rates for similar loans. The difference between the fair value of the loan at origination and its cost (fair value of the contribution to the borrower, net of transaction costs) represents an origination gain or loss.

The origination gain or loss is recorded in the income statement within finance income/costs unless it qualifies for recognition as an asset, liability or a charge to equity in accordance with the substance of the arrangement. Subsequently, the carrying amount of the loan is adjusted for amortisation of the origination gain or loss and the amortisation is recorded as finance income/costs using the effective yield method.

Loans and receivables are included in current assets in the balance sheet, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets.

(ii) Assets at fair value through the income statement

Financial assets at fair value through the income statement are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as financial assets at fair value through the income statement unless they are designated as hedges.

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Differences between fair value and carrying value are recorded in other operating expenses—net in the income statement.

Financial instruments carried at fair value

Trading investments and financial derivatives at fair value through income statement are carried on the combined and consolidated balance sheets at their fair value. Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Financial assets carried at amortised cost

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade receivables approximate fair values.

Liabilities carried at amortised cost

The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ('demandable liabilities') is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Refer to Note 26 for the estimated fair values of borrowings.

Derivative financial instruments

All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative.

(u) Derivative financial instruments and hedging activities

Within the ordinary course of business the Group routinely enters into sale and purchase transactions for commodities. These transactions take the form of contracts that were entered into and continue to be held for the purpose of receipt or delivery of the commodity in accordance with the Group's expected sale, purchase or usage requirements. Such contracts are not within the scope

of IAS 39 *Financial Instruments: Recognition and Measurement*. Any net-settled commodity contracts are measured at fair value with gains and losses taken to the income statement.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

Management policy is to hedge a proportion of foreign exchange risk associated with highly probable forecast transactions denominated in foreign currencies. See Note 34 for details.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "cost of sales".

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within "cost of sales".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Movements on derivatives not designated as hedge derivatives are taken to operating expenses in the income statement.

Refer to Note 34 for disclosure of financial risk management.

(v) Inventories

Inventories are recorded at the lower of weighted average 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 for raw materials is purchase price or extraction cost and for work in progress and finished goods is the cost of production, including the appropriate proportion of depreciation and overheads based on normal operating capacity.

Net realisable value is based on estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

(w) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest yield method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, which is the present value of expected cash flows, discounted at the original effective interest rate. The movement in the provision from the previous reporting period is recognised in the income statement. Significant financial difficulties of the debtor, increased probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments

are considered indicators that the trade receivable is impaired. Subsequent recoveries of amounts previously written off are credited against 'selling, general and administration expenses' in the income statement.

(x) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in other non-current assets, while balances restricted for more than three months but less than twelve months after the balance sheet date are included in trade and other receivables. Restricted balances are excluded from cash and cash equivalents for the purpose of the cash flow statement.

(y) Invested capital

The Company did not exist until 8 December 2006, and did not become the parent company for the Group until 19 December 2006. Therefore it is not meaningful to show share capital or an analysis of reserves for the Group during both 2005 and 2004. Invested capital represents the difference between the cumulative investment in the entities and businesses which form part of the combined ENRC Plc Group and any minority interests.

(z) Borrowings

Borrowings are initially recorded at fair value net of transaction costs, including facility fees, incurred and subsequently measured at amortised cost using the effective interest method.

Where a loan is obtained at interest rates different from market rates, the loan is re-measured at origination to its fair value, which is calculated as future interest payments and principal repayments discounted at market interest rates for similar loans. The difference between the fair value of the loan at origination and its cost (fair value of the contribution to the borrower, net of transaction costs) represents an origination gain or loss. The origination gain or loss is recorded in the income statement within finance income/costs unless it qualifies for recognition as an asset, liability or a charge to equity in accordance with the substance of the arrangement. Subsequently, the carrying amount of the borrowings is adjusted for amortisation of the origination gain or loss, and the amortisation is recorded as finance income/cost using the effective interest yield method on the asset/liability.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(aa) Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Asset retirement obligations and other environmental provisions

An obligation to incur asset retirement costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production. Costs are estimated on the basis of a formal closure plan and are subject to regular review.

Asset retirement costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalised into the cost of the related asset. These costs are charged against profits through depreciation of the asset and unwinding of the discount on the provision. Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of environmental disturbance, which arises during production, are provided at their net present values and charged against operating profits as extraction progresses. A change in the measurement of a liability which arises during production is charged against operating profit.

The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

(ab) Employee benefit obligations

Defined benefit plans

The Group provides long term employee benefits to employees in Kazakhstan before, on and after retirement, in accordance with a labour union agreement. Such benefits are valued consistent with an unfunded defined benefit plan in accordance with IAS 19 *Employee Benefits*. There are no post retirement/long-term service leave benefits provided in other countries where the Group operates.

The future benefit that employees have earned is discounted to determine the present value. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the Group's benefit obligations. The calculation is performed by a qualified actuary annually.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans. For defined benefit post-employment plans, the difference between the fair value of the plan assets (if any) and the present value of the defined benefit obligations is recognised as an asset or liability on the balance sheet. Actuarial gains and losses arising in the year are taken to the income statement. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the income statement, including current service cost, any past service cost and the effect of any curtailments or settlements.

Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post retirement/long-term service benefits

Employee benefits other than post employment are considered as other long-term employee benefits. The entitlement to these benefits is usually conditional on the completion of a minimum

service period. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plans.

These obligations are valued annually by independent qualified actuaries.

Payroll expense and related contributions

Wages, salaries, and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. On behalf of its employees, the Group pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the countries in which it operates. These payments are expensed as incurred. Upon retirement of the employee, the financial obligations of the Group, in this regard, cease and all subsequent payments to retired employees are administered by the state and private cumulative pension funds.

(ac) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ad) Share Capital

Ordinary shares are classified as equity.

(ae) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. Financial guarantees are recognised when premium is paid or in the case of premium-free guarantees when the borrower receives the money from the financing entity. When the Group issues premium-free guarantees or guarantees at a premium different from the market premium, the fair value is determined using valuation techniques (e.g. market prices of similar instruments, interest rate differentials, etc.). Losses at initial recognition of financial guarantee liabilities are recognised in the income statement within other operating expenses. Financial guarantee liabilities are amortised on a straight line basis over the life of the guarantee with the respective income presented within other operating income. At each balance sheet date, the guarantees are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the balance sheet date.

2. Critical accounting estimates and judgements in applying accounting policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Ore reserve estimates

The Group's ore reserves are based on its best estimate of product that can be economically and legally extracted from the relevant mining properties. Estimates are developed after taking into account a range of factors including quantities, ore grades, production techniques and recovery rates, forecast commodity prices and production costs.

The Group's estimates are supported by geological studies and drilling samples to determine the quantity and grade of each ore body. Significant judgement is required to generate an estimate based on the geological data available.

Ore reserve estimates are calculated based on the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the "JORC Code") which requires the use of reasonable assumptions, including:

- future production estimates—which include proved and probable reserves, resource estimates and committed expansions;
- expected future commodity prices, based on current market price, forward prices and the Group's assessment of the long term average price; and
- future cash costs of production, capital expenditure and rehabilitation obligations.

Ore reserve estimates may change from period to period. This may impact the Group's financial results. Such changes in reserves may impact depreciation charges, asset carrying values, and asset retirement obligation provisions.

(b) Life of mines

Contracts for subsurface use expire between 2009 and 2041. Management expects that the subsurface use contracts will be extended at nominal cost until the end of the lives of the related mines. Any change to this assumption may impact the Group's financial results. Any changes may impact depreciation charges, asset carrying values and asset retirement obligations, as these have been recorded on the assumption that the subsurface use contracts will be extended until the end of the mine life. The Group believes that it is entitled to prolong the contracts under the contractual terms and the subsurface use legislation and during 2007 the government of the Republic of Kazakhstan confirmed that by the issuance of an explanatory letter addressed to the Group. If the contracts will not be renewed at their current expiry dates, the carrying amount of property, plant and equipment to be written off at the day of expiry will be US\$339.0 million as at 30 June 2007 (31 December 2006: US\$329.5 million).

(c) Determination of deemed cost

The Group used fair value as the deemed cost of certain property, plant and equipment on transition to IFRS (see Note 1). For that purpose, the management of the Group engaged an independent appraisal firm to perform the valuation. The methodology used was depreciated replacement cost. In applying the depreciated replacement cost, certain key elements needed to be considered, such as:

- an understanding of the asset, its function, and its environment;
- research and analysis to determine the remaining physical life (to estimate physical deterioration) and economic life of the asset;
- knowledge of the business requirements (to estimate functional/technical obsolescence);
- familiarity with the class of property through access to available market data;
- knowledge of construction techniques and materials (to estimate the cost of a modern equivalent asset); and
- sufficient knowledge to determine the impact of economic/external obsolescence on the value of the improvements.

In addition, the valuation was tested to ensure that there was sufficient projected profitability of the entity to sustain the valuation. The Group used its judgement to select the assumptions for this analysis. The carrying amount of property, plant and equipment would be an estimated US\$33 million lower or US\$59 million higher were the discount rate used in the cash flow analysis to differ by 10 percent from management's estimates. Any changes to the other assumptions could affect the carrying amount and the remaining useful lives of the items of property, plant and equipment.

(d) Provision for asset retirement obligations

Provision is made for asset retirement obligations when the related environmental disturbance takes place. Provisions are recognised at the net present value of future expected costs as outlined in Note 1.

The provision recognised represents management's best estimate of the costs that will be incurred but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine. Estimates are reviewed annually and are based on management's interpretation of compliance with current environmental legislation in the Republic of Kazakhstan. Significant changes in environmental legislation, restoration techniques and estimates of contamination will result in changes to provisions from period to period.

The engineering estimates evaluated by management are reviewed annually by independent mining engineering consultants.

The inflation rate applied in the calculation is 7.5 percent as at 30 June 2007 and 7.0 percent as at 31 December 2006 (2005: 7.0 percent; 2004 7.4 percent) being an estimate of the rate of inflation over the mine lives. The discount rate currently applied in the calculation is 7.56 percent as at 30 June 2007 and 8.00 percent as at 31 December 2006 (2005: 8.40 percent; 2004: 9.17 percent) being an estimate of the risk-free pre-tax cost of borrowing over the mine lives. Rehabilitation expenditure is largely expected to take place at the end of the respective mine lives, which may vary from 30 to 42 years, with an average, weighted by closure, provision of 33 years.

(e) Impairment

The effects of exchange rate and commodity price changes on the asset values of the businesses in the Group relative to their carrying values are monitored closely. No impairment charge was recorded in the period presented.

(f) Consolidation of Aluminium of Kazakhstan JSC

The Group acquired an additional 31.76 percent of Aluminium of Kazakhstan JSC in 2003 to take the Group's holding to 96.6 percent. As part of the purchase agreement, the Group committed to constructing an aluminium smelter with an initial annual capacity of 60,000 tonnes prior to 31 December 2007. Failure to complete this initial phase of construction could result in the Group having to forfeit the 31.76 percent shareholding. The Group commenced pre production in September 2007 and management are confident that the required capacity of 60,000 tonnes by 31 December 2007 will be achieved.

(g) Valuation of the Government Transaction

As described in Note 1, on 19 December 2006 the Committee exchanged its shares in the principal mining and metal processing subsidiaries for a 24.8 percent shareholding in ENRC NV; on the same day it exchanged its ENRC NV shares for 24.8 percent of the ordinary share capital of the Company and promissory notes of US\$248.7 million.

At 19 December 2006, the Company was a privately held company whose shares were not publicly traded. Accordingly, it was necessary to establish an appropriate basis for determining the fair value of shares issued, as in the absence of an active market an alternative valuation technique is required to be used.

Management determined that the transaction in 2006, whereby the three founder shareholders sold 25 percent of ENRC Kazakhstan Holding B.V. (the then parent company for the ENRC Group) for US\$751 million to Mr. V S Kim ('Kim transaction'), could be used as an appropriate reference value for the 24.8 percent Government shareholding. An additional 10 percent uplift was considered to reflect the additional value created during 2006 by ENRC following the completion of the legal restructuring and preparation for a 2007 IPO as well as movements in market indices in 2006. The deemed fair value of the 24.8 percent shareholding in the Company amounted to US\$1 billion which resulted in goodwill amounting to US\$384 million.

Management's assertion was on the basis that:

- The transaction with Mr. V S Kim was between knowledgeable and willing parties.
- Mr. V S Kim purchased his share in the knowledge of the minority shares owned by the Government and the future plans of the Government to exchange these for shares in the ENRC Group at a later date.
- The exchange ratio calculated for the Government transaction made reference to the basis upon which the Kim transaction was calculated.
- Further, during 2006, the Kim transaction also included a put option to Kazakhmys Plc whereby Kazakhmys could choose to acquire his shares in the Company for US\$751 million plus a 10 percent mark up.

A promissory note for US\$1 billion, dated 19 December 2006, was issued by the Group. US\$249 million relates to the Committee and will be paid in five equal installments of US\$49.8 million on 19 December each year, starting in 2007 and ending in 2011. The Group, may however, make earlier repayments at its discretion. The unpaid principal balances bear interest at "Twelve-Month US Dollar LIBOR" plus 2 percent. As stated in Note 1, the issue of the aforementioned loan note was recorded as a distribution.

(h) Tax legislation

Kazakh tax legislation is subject to varying interpretations (see Note 33).

(i) Trading through the Russian Trading Structure

In the period to September 2006, certain of the Group's sales to customers in Russia were made through an independent agency operating through a series of intermediary companies which were neither owned nor controlled by the Group or the Founder Shareholders (these arrangements are referred to as the "Russian Trading Structure" or "RTS"). Due to the fact that the independent agency only received a fixed commission of approximately 3% of sales, and the residual profits of the structure were received by the Founder Shareholders, the results of the trading through the RTS have been combined into the financial statements of the Group for the three years ended 31 December 2006. In the three years to 31 December 2006, the revenues arising from the sales through the RTS were US\$309 million in 2004, US\$385 million in 2005 and US\$178 million in 2006.

3. New accounting pronouncements

The Group has adopted IFRS 7 *Financial Instruments* disclosures from 1 January 2006. It has not been practicable to provide the full disclosures required by IFRS 7 for the years ended 31 December 2004 and 2005. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments.

The following new standards and interpretations have been published that will not become mandatory for the Group's accounting period ending 31 December 2007 which the Group has not early adopted:

IFRS 8	Operating segments (effective from period beginning on or after 1 January 2009).
IFRIC 11, IFRS 2	Group and treasury share transactions (effective from annual periods beginning on or after 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for instance, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions.
IAS 23 (Amendment)	Borrowing costs (effective from 1 January 2009—not yet endorsed by the EU).
IAS 1 (Amendment)	Presentation of Financial Statements (effective from 1 January 2009—not yet endorsed by the EU).

These new standards and interpretations are not expected to significantly affect the Group's financial statements.

The following new standards and interpretations have been published that will not become mandatory for the Group's accounting period ending 31 December 2007 and which will not be relevant for the Group (not yet endorsed by the EU):

IFRIC 12	Service Concession Arrangements (effective 1 January 2008).
IFRIC 13	Customer loyalty programmes (effective 1 July 2008).
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008).

4. Segment information

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories and receivables and mainly exclude investments, cash and income tax balances. Segment liabilities comprise primarily trade and other payables. Capital expenditure comprises additions to property, plant and equipment and intangible assets. Unallocated items comprise mainly cash deposits and related income, interest-bearing loans, borrowings and finance income costs and taxation, and corporate assets and expenses.

The Group is organised on a basis of five main business segments:

- Ferroalloys—Principal activity comprises the extraction and sale of chrome ore as well as the production of ferroalloys from chromium and manganese ores.
- Iron ore—Principal activity comprises extraction, processing and manufacturing of iron ore products.
- Alumina and Aluminium—Principal activity comprises extraction and processing of bauxite and limestone, and smelting of alumina.
- Energy—Principal activity comprises coal production and power generation.
- Logistics—Kazakhstan's main freight forwarder and railroad operator, providing international logistics for all ENRC operations; also provides rail construction and repair services for the Kazakh state rail company.

Internal charges between segments have been reflected in the performance of each business segment. The Group has a number of activities that exist principally to support the mining operations including power generation, coal mining and transportation. Inter-segment transfers or transactions are entered into under a cost plus pricing structure.

Part V: Financial information

Segment information for the main reportable business segments of the Group for the six months to 30 June 2006 and 2007 is set out below:

June 2007 Segmental analysis	Ferro-alloys	Iron ore	Alumina & Aluminium	Energy	Logistics	Group & unallocated items	Eliminations	Group
	In millions of US\$							
Revenue	917	457	324	93	65	—	—	1,856
Inter-segment revenue	—	—	1	64	37	—	(102)	—
Segment revenue	917	457	325	157	102	—	(102)	1,856
Segment result	366	154	105	46	15	(45)	—	641
Finance income								27
Finance costs								(82)
Profit before income tax								586
Income tax expense								(198)
Profit for the 6 months								388
Adjusted EBITDA	405	197	132	65	23	(25)	—	797
Depreciation and amortisation	(39)	(43)	(27)	(19)	(8)	—	—	(136)
Exceptional items	—	—	—	—	—	(20)	—	(20)
Segment result	366	154	105	46	15	(45)	—	641
Capital expenditure	73	97	218	24	10	6		428
Segment assets	1,724	1,068	1,119	423	216	410	—	4,960
Segment liabilities	(173)	(125)	(142)	(27)	(39)	(124)	—	(630)
								4,330
Borrowings								(1,271)
Deferred taxation								(278)
Total								2,781

Unaudited June 2006 Segmental analysis	Ferro-alloys	Iron ore	Alumina & Aluminium	Energy	Logistics	Group & unallocated items	Eliminations	Group
	In millions of US\$							
Revenue	687	402	305	75	45	—	—	1,514
Inter-segment revenue	—	—	6	48	38	—	(92)	—
Segment revenue	687	402	311	123	83	—	(92)	1,514
Segment result	176	115	132	26	20	(14)	—	455
Finance income								11
Finance costs								(25)
Profit before income tax								441
Income tax expense								(120)
Profit for the 6 months								321
Adjusted EBITDA	212	151	156	44	26	(14)	—	575
Depreciation and amortisation	(36)	(36)	(24)	(18)	(6)	—	—	(120)
Exceptional items	—	—	—	—	—	—	—	—
Segment result	176	115	132	26	20	(14)	—	455
Capital expenditure	75	39	70	14	7	1		206
Segment assets	1,310	1,000	899	378	229	292		4,108
Segment liabilities	(229)	(125)	(56)	(24)	(91)	(21)		(546)
								3,562
Borrowings								(321)
Deferred taxation								(260)
Total								2,981

Part V: Financial information

Segment information for the main reportable business segments of the Group for the years ended 31 December 2006, 2005 and 2004 is set out below:

2006 Segmental analysis	Ferro-alloys	Iron ore	Alumina & Aluminium	Energy	Logistics	Group & unallocated items	Eliminations	Group
	In millions of US\$							
Revenue	1,473	829	602	154	198	—	—	3,256
Inter-segment revenue	—	—	10	109	79	—	(198)	—
Segment revenue	1,473	829	612	263	277	—	(198)	3,256
Segment result	476	244	226	41	38	(28)	—	997
Finance income								24
Finance costs								(50)
Profit before income tax								971
Income tax expense								(285)
Profit for the year								686
Adjusted EBITDA	547	323	277	77	54	(22)	—	1,256
Depreciation and amortisation	(71)	(79)	(51)	(36)	(16)	—	—	(253)
Exceptional items	—	—	—	—	—	(6)	—	(6)
Segment result	476	244	226	41	38	(28)	—	997
Capital expenditure	170	107	227	42	16	1		563
Segment assets	1,597	1,106	891	365	247	385		4,591
Segment liabilities	(243)	(146)	(69)	(24)	(72)	(13)		(567)
								4,024
Borrowings								(1,484)
Deferred taxation								(268)
Total								2,272

2005 Segmental Analysis	Ferro-alloys	Iron ore	Alumina & Aluminium	Energy	Logistics	Group & unallocated items	Eliminations	Group
	In millions of US\$							
Revenue	1,377	857	448	122	146	—	—	2,950
Inter-segment revenue	—	—	12	83	49	—	(144)	—
Segment revenue	1,377	857	460	205	195	—	(144)	2,950
Segment result	538	413	132	31	30	(18)	—	1,126
Finance income								12
Finance costs								(40)
Profit before income tax								1,098
Income tax expense								(321)
Profit for the year								777
Adjusted EBITDA	606	479	182	67	47	(18)	—	1,363
Depreciation and amortisation	(68)	(66)	(50)	(36)	(17)	—	—	(237)
Exceptional items	—	—	—	—	—	—	—	—
Segment result	538	413	132	31	30	(18)	—	1,126
Capital expenditure	199	83	120	45	60	—		507
Segment assets	1,112	834	704	313	206	219		3,388
Segment liabilities	(173)	(102)	(79)	(30)	(22)	(174)		(580)
								2,808
Borrowings								(239)
Deferred taxation								(221)
Total								2,348

Part V: Financial information

2004 Segmental Analysis	Ferro-alloys	Iron ore	Alumina & Aluminium	Energy	Logistics	Group & unallocated		Group
						items	Eliminations	
	In millions of US\$							
Revenue	1,287	883	376	120	25	—	—	2,691
Inter-segment revenue	—	—	8	91	32	—	(131)	—
Segment revenue	1,287	883	384	211	57	—	(131)	2,691
Segment result	610	481	141	31	23	(14)	—	1,272
Finance income								5
Finance expense								(22)
Profit before income tax								1,255
Income tax expense								(233)
Profit for the year								1,022
Adjusted EBITDA	669	576	186	66	19	(14)	—	1,502
Depreciation and amortisation	(59)	(95)	(45)	(35)	4	—	—	(230)
Exceptional items	—	—	—	—	—	—	—	—
Segment result	610	481	141	31	23	(14)	—	1,272
Capital expenditure	153	65	48	20	70	—	—	356
Segment assets	1,026	760	543	330	158	216	—	3,033
Segment liabilities	(196)	(55)	(29)	(15)	(34)	(25)	—	(354)
								2,679
Borrowings								(227)
Deferred taxation								(271)
Total								2,181

Geographical Segment information for the main reportable business segments of the Group for the six months ended 30 June 2007 and 30 June 2006 and the years ended 31 December 2006, 2005 and 2004 is set out below:

	Eurasia*	Europe & Middle East	Asia Pac*	Rest of World	Total
2004					
Revenue	1,583	329	605	174	2,691
Assets	2,800	158	24	51	3,033
Capital expenditure	356	—	—	—	356
2005					
Revenue	1,591	359	835	165	2,950
Assets	3,039	284	23	42	3,388
Capital expenditure	507	—	—	—	507
2006					
Revenue	1,724	405	957	170	3,256
Assets	4,150	357	35	49	4,591
Capital expenditure	563	—	—	—	563
Six months to June 2007					
Revenue	982	233	484	157	1,856
Assets	4,429	450	27	54	4,960
Capital expenditure	428	—	—	—	428
Six months to June 2006 (unaudited)					
Revenue	782	187	443	102	1,514
Assets	3,610	415	39	44	4,108
Capital expenditure	206	—	—	—	206

* Eurasia comprises Kazakhstan, Russia and other countries of the former Soviet Union; Asia Pac comprises China, Korea and Japan.

External revenue is based on where the customer is located. Segment assets and capital expenditure are based on where the assets are located. Capital expenditure includes assets acquired through business combinations.

5. Balances and transactions with related parties

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below. All balances and transaction are with entities under common control or entities controlled by the Republic of Kazakhstan.

Founder Shareholders

As described in Note 1 the Group has been formed from a collection of entities jointly controlled by three Founder Shareholders, Mr. P K Chodiev, Mr. A R Ibragimov and Mr. A A Machkevitch. During the reporting period the Group undertook significant related party transactions with entities controlled by the three Founder Shareholders. These transactions were undertaken at contracted rates, which were not necessarily on an arm's length basis. The principal activities conducted with related parties were as follows:

- Surplus cash in the plants in Kazakhstan was lent to Eurasian Bank JSC at below market interest rates. Loans were also drawn from Eurasian Bank. A summary is provided below.
- Insurance cover was provided by Eurasia Insurance Company at the regulated rates.
- Coal purchases were made from Shubarkol Komir JSC and Mugoteks Coal Mining JSC, at below market rates.
- Surplus cash in the Group's trading businesses was lent to the Founder Shareholders until it was able to be remitted as a dividend.
- Management compensation was paid by various related parties.
- Proposed acquisition of Serov, see Note 35.

The tables below summarise the related party transactions and balances:

	Note	Year ended 31 December			Six months ended 30 June	
		2004	2005	2006	2007	2006
In millions US\$						
unaudited						
Revenue from sale of goods						
Ferroalloys	—	—	52	31	19	
Iron ore	—	—	—	—	—	
Alumina and Aluminium	—	—	—	—	—	
Transport	—	—	—	—	—	
Energy	—	—	—	4	—	
Other income						
Insurance, commission and other	14	13	31	19	3	
Purchases						
Raw materials	(17)	(21)	(25)	(36)	(7)	
Insurance	(38)	(64)	(76)	(28)	(31)	
Other	(26)	(9)	(37)	(38)	(10)	
Finance income	4	9	19	17	9	
Finance costs	(19)	(33)	(35)	(32)	(17)	

Part V: Financial information

The outstanding balances with entities under common control at 30 June 2007 and 31 December 2006, 2005 and 2004 are as follows:

	Note	As at 31 December			As at
		2004	2005	2006	30 June 2007
In millions of US\$					
Non-current assets					
Financial assets	19	22	21	—	—
Loans receivable	20	—	18	21	—
Other non-current assets	21	3	7	8	5
Current assets					
Trade and other receivables	23	27	40	88	79
Loans receivable	20	10	119	208	42
Deposits	23	99	61	38	188
Cash and cash equivalents		93	111	221	89
Non-current liabilities					
Borrowings:					
Promissory note		—	—	601	376
Other	26	151	138	42	8
Current liabilities					
Borrowings:					
Promissory note		2	—	150	—
Other	26	57	93	215	—
Trade and other payables	29	82	224	65	26

Promissory Note

US\$800 million of non-current borrowings and US\$200 million of current borrowings relate to promissory note agreements dated 19 December 2006, in which the Group has promised to pay the principal sums of US\$751 million and US\$249 million to ENRC Kazakhstan Holding B.V. and to the Committee, respectively. See Note 2 and Note 26. These payments are to be made in five equal instalments of US\$150.2 million to ENRC Kazakhstan Holding B.V. and US\$49.8 million to the Committee on 19 December each year, starting in 2007 and ending in 2011. The Group, may however, make earlier repayments at its discretion. The unpaid principal balances bear interest at "Twelve-Month US Dollar LIBOR" plus 2 percent. In the six months ended 30 June 2007, US\$500 million was repaid. The balance outstanding is US\$376 million and US\$124 million to ENRC Kazakhstan Holding B.V. and to the Committee, respectively. In July 2007 an additional US\$250 million was repaid.

During the period ending 30 June 2007 US\$17 million and US\$6 million of interest were incurred in relation to the promissory notes mentioned above, to ENRC Kazakhstan Holding B.V. and the Committee, respectively.

Other rights and obligations with related parties at 30 June 2007 and 31 December 2006, 2005 and 2004 are set out below:

	As at 31 December			As at
	2004	2005	2006	30 June 2007
In millions of US\$				
Guarantees issued by the Group	17	24	50	34

Part V: Financial information

The table below summarises the outstanding balances with Eurasian Bank JSC:

	Note	As at 31 December			As at
		2004	2005	2006	30 June 2007
		In millions of US\$			
Bonds with related parties	19	19	18	—	—
Restricted cash		—	5	6	9
Term deposits	23	99	61	38	188
Other receivables		1	—	6	1
Cash and cash equivalents		93	111	221	89
Letters of credit	20	1	2	1	—
Borrowings—non-current		(61)	(58)	(12)	(7)
Borrowings—current		(40)	(80)	(1)	—
Other payables		—	(2)	(2)	(1)
Net position		112	57	257	279

In June 2007 the Group undertook a series of transactions to consolidate a number of assets and liabilities outstanding with various companies under the control of the Founder Shareholders. There was a settlement of the overall outstanding balance to eliminate amounts owing from ENRC NV subsidiaries to the shareholder group.

As a result of the above transactions the inter-company balances within the Group have been significantly reduced. The inter-company balances (excluding certain balances granted to the immediate shareholders of the Company on formation of the Group) now exist entirely between the subsidiaries of the Company as opposed to being in place between the Founder Shareholders of the Company and its subsidiaries.

Kazakhstan Minerals Resource Corporation ('KMRC')

The Eurasian Energy Corporation JSC ('EEC') concluded an Investment Agreement with KMRC according to which KMRC has committed to invest US\$5 million annually from 2000 until 2009 and US\$19.6 million annually from 2010 until 2024. The total amount to be invested is equal to US\$343.7 million. The carrying amount of this loan at 30 June 2007 is US\$9 million and US\$13 million at the year ended 31 December 2006 (2005 US\$13 million; 2004 US\$13 million). In light of the legal restructuring, the State Property Committee agreed to annul KMRC's obligation on the condition that the Company committed in writing to the planned capital expenditure investment programme at EEC.

Kherson Holding B.V.

The Group has received financing loans from Nordem Overseas Limited, a related party, for the amount of US\$54 million. The loan agreements specify an interest rate of zero percent and that the principal is to be repaid by 2010. During 2005 all rights and responsibilities under these loan agreements were transferred by Nordem Overseas Limited to Kherson Holding B.V., also a related party. The carrying amount of these loans at 31 December 2006 was US\$28 million (2005: US\$33 million; 2004: US\$40 million). As at 30 June 2007 these loans had been reassigned to ENRC NV as a part of the reassignment process above.

CIM Global Investment

In December 2006 CIM Global Investment B.V. provided a short term loan of US\$47 million to the Group for the purpose of financing the construction of the aluminium smelter. The loan bore interest at the rate of 5 percent and as at 30 June 2007 had been settled in accordance with the terms of the Separation Agreements.

ENRC Kazakhstan Holdings

In December 2006 ENRC Kazakhstan Holding B.V. provided a short term US\$139 million to the Group for the purpose of financing the construction of the aluminium smelter. The loan bore interest at the rate of LIBOR + 1 percent and as at 30 June 2007 had been settled in accordance with the terms of the Separation Agreements.

Republic of Kazakhstan

In addition to conducting transactions with entities controlled by the Founder Shareholders, the Group conducted transactions with entities controlled by the Republic of Kazakhstan. The principal activities were as follows:

- Provision of railway repair services through RemPut LLP and Company Zhol zhondeushi LLP;
- Supply of electricity through EEC;
- Operating costs, including appropriate taxes.

All revenue-generating transactions between the Group and government departments and agencies are considered to be related party transactions. Costs transactions between the Group and government departments and agencies are also considered to be related party transactions unless they meet all of the following criteria:

- They were done in the normal course of the government departments' and agencies' dealings;
- There is no choice of suppliers; and
- They have terms and conditions (including prices, privileges, credit terms, regulations etc) that are consistently applied to all entities, public or private.

The related party transactions with government departments and agencies of the Republic of Kazakhstan are set out below:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006
	In millions of US\$ unaudited				
Revenue from the provision of services	16	115	173	60	38
Revenue from the sale of goods	18	14	3	3	2

The Group did not have any non-standard or privileged transactions with entities controlled by the Republic of Kazakhstan.

Transactions with shareholders

Balances outstanding with shareholders arising from transactions with shareholders were as follows:

	Note	As at 31 December			As at
		2004	2005	2006	30 June 2007
	In millions of US\$				
Distributions payable	29	15	84	133	49

Transactions with shareholders are summarised below:

	Year ended 31 December			Six months ended	
	2004	2005	2006	30 June 2007	30 June 2006
	In millions of US\$ unaudited				
Distributions paid	84	408	246	—	7
Other movements in invested capital (net)	505	70	30	—	25

Distributions paid represents declared dividends.

Other movements in invested capital (net) represent earnings of entities or businesses previously held under common control, retained directly by the Founder Shareholders, and the residual profits of the Russian Trading Structure.

Key management compensation

Key management compensation is summarised below:

	Year ended 31 December			Six months ended 30 June 2007
	2004	2005	2006	
	In thousands of US\$			
Salaries and other short-term employee benefits, including bonuses	10,108	17,208	26,720	12,218

Balances outstanding with key management arising from key management compensation were as follows:

	As at 31 December			As at 30 June 2007
	2004	2005	2006	
	In thousands of US\$			
Receivables from key management	—	—	—	—
Payables to key management	—	—	—	—

Board compensation

Compensation payable to directors of the Company (including individuals acting in the capacity of director during the period presented) is for the services performed for the Group, and an appropriate allocation among the entities has taken place.

Directors' detailed emoluments in \$'000:

Name of director	Remuneration	Benefits in kind
2004		
P K Chodiev	—	110
A R Ibragimov	—	—
A A Machkevitch	—	122
J Sittard	1,260	—
P Hamelink	1,708	—
Total	2,968	232
2005		
P K Chodiev	—	544
A R Ibragimov	—	206
A A Machkevitch	—	2,228
J Sittard	1,460	—
P Hamelink	2,723	—
Total	4,183	2,978
2006		
P K Chodiev	—	4,104
A R Ibragimov	—	4,017
A A Machkevitch	—	3,257
J Sittard	460	—
P Hamelink	2,677	—
E Utepov	—	—
D Yergozhin	—	—
Total	3,137	11,378
Six months to 30 June 2007		
P K Chodiev	—	—
A R Ibragimov	—	446
A A Machkevitch	—	86
J Sittard	2,500	—
P Hamelink	1,000	—
E Utepov	—	—
D Yergozhin	—	—
Total	3,500	532

6. Revenue

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006
	unaudited				
	In millions of US\$				
Sales of goods	2,620	2,726	2,965	1,736	1,427
Logistics	25	146	198	65	45
By-product sales and other income	46	78	93	55	42
Total revenue	2,691	2,950	3,256	1,856	1,514

7. Cost of sales

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006
	unaudited				
	In millions of US\$				
Changes in inventories of finished goods and work-in-progress . . .	47	82	(4)	(3)	13
Materials and components used	(489)	(654)	(703)	(389)	(295)
Staff costs	(185)	(220)	(295)	(178)	(133)
Commission	(18)	(26)	(34)	(17)	(17)
Power and Energy	(7)	(45)	(54)	(18)	(12)
Repairs and maintenance	(12)	(17)	(24)	(16)	(13)
Depreciation and amortisation	(235)	(229)	(241)	(127)	(117)
Royalties—third party	(9)	(20)	(24)	(24)	(11)
Other	(109)	(117)	(163)	(54)	(85)
Total cost of sales	(1,017)	(1,246)	(1,542)	(826)	(670)

8. Distribution costs

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006
	unaudited				
	In millions of US\$				
Transportation costs	(197)	(253)	(309)	(147)	(158)
Insurance	(14)	(21)	(28)	(12)	(13)
Other	(24)	(58)	(70)	(30)	(41)
Total distribution costs	(235)	(332)	(407)	(189)	(212)

9. Selling, general and administrative expenses

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006
	unaudited				
	In millions of US\$				
Staff costs	(52)	(75)	(96)	(47)	(31)
Impairment loss provision	(3)	(22)	(4)	(1)	(4)
Depreciation, amortisation and impairment	(4)	(8)	(12)	(9)	(3)
Travel and entertainment	(4)	(5)	(8)	(5)	(3)
Insurance	(1)	(2)	(2)	(1)	(1)
Bank charges	(7)	(9)	(12)	(6)	(5)
Sponsorship and donations	(19)	(22)	(24)	(20)	(13)
Taxes other than on income	(10)	(26)	(29)	(14)	(12)
Professional and other services	(8)	(12)	(35)	(44)	(8)
Other	(39)	(47)	(68)	(22)	(36)
Total selling, general and administrative expenses	(147)	(228)	(290)	(169)	(116)
Costs incurred in relation to the initial public offering (exceptional item)	—	—	(6)	(20)	—

Part V: Financial information

Costs related directly to the listing have been expensed; costs related to the new issue have been taken to equity; other non-directly attributable IPO costs are allocated in proportion to the number of new shares to be issued compared to the existing number of shares.

Costs expensed for the six months ended 30 June 2007, in relation to the initial public offering, are US\$20 million. Costs of US\$7 million have been taken to equity.

10. Other operating expenses—net

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006
	unaudited				
	In millions of US\$				
Net foreign exchange gains/(losses)	4	(12)	(16)	(35)	(53)
(Losses)/gains on financial instruments	(10)	(4)	3	(6)	3
Loss on disposal of property, plant and equipment	(5)	(9)	(9)	—	(6)
Insurance income	1	6	7	3	—
Other (expense)/income	(10)	1	(5)	7	(5)
Total other operating expenses—net	(20)	(18)	(20)	(31)	(61)

11. Auditor's remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor as detailed below:

	Year ended 31 December			Six months ended 30 June 2007
	2004	2005	2006	
	In millions of US\$			
Audit services				
Fees payable to company auditor for the audit of parent company and combined and consolidated financial statements ⁽¹⁾	—	—	—	—
Other services pursuant to legislation ⁽²⁾	—	—	4.2	18.7
Non-audit services				
Fees payable to the company's auditor and its associates for other services:				
The audit of company's subsidiaries pursuant to legislation	2.2	4.8	2.7	—
Other services pursuant to legislation	—	1.0	1.5	1.5
Tax services	—	—	0.5	1.5

(1) No statutory group accounts have been prepared to date. The first set of statutory accounts for the Company and the consolidated Group will be for the period ended 31 December 2007.

(2) Comprises primarily services in relation to the listing of the Company.

12. Employee benefit expense

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006
	unaudited				
	In millions of US\$				
Wages and salaries	(212)	(265)	(351)	(187)	(148)
Social security costs	(25)	(32)	(42)	(22)	(19)
Pensions costs	(1)	(1)	(1)	—	—
Total employee benefit expense	(238)	(298)	(394)	(209)	(167)
	In thousands				
Number of employees	59	61	62	64	62

13. Finance income

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006
	unaudited				
	In millions of US\$				
Interest income	1	4	15	16	8
Bank interest income	4	8	9	11	3
Total finance income	5	12	24	27	11

14. Finance cost

	Note	Year ended 31 December			Six months ended 30 June	
		2004	2005	2006	2007	2006
		unaudited				
		In millions of US\$				
Interest expense from borrowings		(20)	(39)	(51)	(82)	(27)
Finance lease costs		—	(1)	(2)	—	—
Unwinding of asset retirement obligation discount	27	(2)	(2)	(3)	(2)	(1)
Less capitalised borrowing costs	17	—	2	6	2	3
Total finance cost		(22)	(40)	(50)	(82)	(25)

The capitalised borrowing costs arose principally on financing directly attributable to the construction of the aluminium smelter plant in Kazakhstan Aluminium Smelter JSC. The average capitalisation rate was 7 percent for the six months ended 30 June 2007 (30 June 2006: 9 percent) and 9 percent for the year ended 2006 (2005: 8 percent).

15. Income taxes

Income tax expense comprises the following:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006
	unaudited				
	In millions of US\$				
Current tax expense	(300)	(364)	(250)	(199)	(121)
Deferred tax benefit/(expense)	67	43	(35)	1	1
Income tax expense for the year	(233)	(321)	(285)	(198)	(120)

Reconciliation between the expected and the actual taxation charge is provided below.

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006
	unaudited				
	In millions of US\$				
Profit before tax	1,255	1,098	971	586	441
Notional tax charge at UK corporation tax rate 30% (2005: 30%; 2004: 30%)	377	329	291	176	132
Items not deductible for tax purposes	10	34	39	41	32
Effects of different tax rates in other countries	(160)	(50)	(48)	(17)	(43)
Income not chargeable for tax purposes	(1)	—	(7)	(12)	(1)
Prior year adjustments	—	1	—	—	—
Utilisation of previously unrecognised tax loss carry forwards	(1)	(2)	7	(1)	(2)
Unrecognised deferred tax asset	—	—	—	11	—
Transfer pricing adjustment	8	9	3	—	2
Income tax expense for the year	233	321	285	198	120

Deferred taxation

The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 30 percent at 30 June 2007 and 30 percent for the year ended 2006 (2005: 30 percent; 2004: 30 percent).

Temporary differences comprise of deferred tax on provisions against receivables, employee bonuses, benefits and pensions and other similar short term differences.

The Group has not recorded a deferred tax liability in respect of taxable temporary differences of US\$2,180 million (31 December 2006: US\$1,799 million) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	31 Dec 2006	Business combinations	Charged/ (credited) to profit or loss	Translation to presentation currency	30 Jun 2007
In millions of US\$					
Tax effect of deductible temporary differences and tax loss carry forwards					
Temporary differences	(62)	—	(7)	(2)	(71)
Gross deferred tax asset	(62)	—	(7)	(2)	(71)
Less offsetting with deferred tax liabilities	50	—	5	1	56
Recognised deferred tax asset	(12)	—	(2)	(1)	(15)
Tax effect of taxable temporary differences					
Property, plant and equipment	315	—	22	12	349
Other temporary differences	15	—	(16)	1	—
Gross deferred tax liability	330	—	6	13	349
Less offsetting with deferred tax assets	(50)	—	(5)	(1)	(56)
Recognised deferred tax liability	280	—	1	12	293

	1 Jan 2006	Business combinations	Charged/ (credited) to profit or loss	Translation to presentation currency	31 Dec 2006
In millions of US\$					
Tax effect of deductible temporary differences and tax loss carry forwards					
Temporary differences	(57)	—	(3)	(2)	(62)
Gross deferred tax asset	(57)	—	(3)	(2)	(62)
Less offsetting with deferred tax liabilities	43	—	5	2	50
Recognised deferred tax asset	(14)	—	2	—	(12)
Tax effect of taxable temporary differences					
Property, plant and equipment	268	—	34	13	315
Other temporary differences	10	—	4	1	15
Gross deferred tax liability	278	—	38	14	330
Less offsetting with deferred tax assets	(43)	—	(5)	(2)	(50)
Recognised deferred tax liability	235	—	33	12	280

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	1 Jan 2005	Business combinations	Charged/ (credited) to profit or loss	Translation to presentation currency	31 Dec 2005
In millions of US\$					
Tax effect of deductible temporary differences and tax loss carry forwards					
Temporary differences	(34)	—	(24)	1	(57)
Gross deferred tax asset	(34)	—	(24)	1	(57)
Less offsetting with deferred tax liabilities	34	—	10	(1)	43
Recognised deferred tax asset	—	—	(14)	—	(14)
Tax effect of taxable temporary differences					
Property, plant and equipment	295	—	(18)	(9)	268
Other temporary differences	10	—	(1)	1	10
Gross deferred tax liability	305	—	(19)	(8)	278
Less offsetting with deferred tax assets	(34)	—	(10)	1	(43)
Recognised deferred tax liability	271	—	(29)	(7)	235

	1 Jan 2004	Business combinations	Charged/ (credited) to profit or loss	Translation to presentation currency	31 Dec 2004
In millions of US\$					
Tax effect of deductible temporary differences and tax loss carry forwards					
Temporary differences	(26)	(1)	(4)	(3)	(34)
Gross deferred tax asset	(26)	(1)	(4)	(3)	(34)
Less offsetting with deferred tax liabilities	26	1	5	2	34
Recognised deferred tax asset	—	—	1	(1)	—
Tax effect of taxable temporary differences					
Property, plant and equipment	320	9	(67)	33	295
Other temporary differences	5	—	4	1	10
Gross deferred tax liability	325	9	(63)	34	305
Less offsetting with deferred tax assets	(26)	(1)	(5)	(2)	(34)
Recognised deferred tax liability	299	8	(68)	32	271

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a combined and consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

The Group has unrecognised deferred tax assets in respect of deductible temporary differences of US\$11 million for the six months ended 30 June 2007 (30 June 2006 (unaudited): nil) and nil for the year ended 31 December 2006. It is probable that future taxable profit will not be available to utilise the benefits of these temporary differences.

16. Earnings per share

The earnings per share ('EPS') calculation has assumed that the ordinary shares in issue pursuant to share exchange agreements in relation to the acquisition of the Group have been in issue throughout the period and is calculated after taking into account the share split which occurred on 8 November 2007 (see Note 35).

The directors believe that this adjusted EPS provides a more meaningful comparison of the Group's ongoing business than using the statutory EPS which would only reflect shares issued based on the actual date of issue.

Basic EPS is calculated by dividing net profit for the year attributable to ordinary equity shareholders of the Group by the adjusted number of ordinary shares outstanding during the period. The Group has no dilutive potential ordinary shares.

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The following reflects the income and adjusted share data used in the EPS computations:

	As at 31 December			As at 30 June	
	2004	2005	2006	2007	2006
	In millions of US\$				
Profit attributable to equity shareholders of the Group	884	580	550	381	270
Number of shares:					
Weighted average number of ordinary shares	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
EPS—basic and diluted	US\$0.88	US\$0.58	US\$0.55	US\$0.38	US\$0.27

17. Property, plant and equipment

Movements in the carrying amount of property, plant and equipment were as follows:

Six months to 30 June 2007	Freehold land	Buildings and mining constructions	Plant and equipment	Vehicles	Assets under construction	Total
	In millions of US\$					
Cost						
At 1 January 2007	46	896	1,393	456	493	3,284
Additions	—	13	46	23	346	428
Transfers	—	26	50	12	(88)	—
Disposals	—	(3)	(7)	(2)	(5)	(17)
Exchange differences	2	40	63	21	25	151
At 30 June 2007	48	972	1,545	510	771	3,846
Accumulated depreciation						
At 1 January 2007	—	(172)	(400)	(160)	(9)	(741)
Disposals	—	2	6	2	—	10
Depreciation charge	—	(28)	(78)	(24)	—	(130)
Impairment charge	—	—	—	—	(6)	(6)
Transfers	—	(1)	2	(1)	—	—
Exchange differences	—	(9)	(29)	(7)	—	(45)
At 30 June 2007	—	(208)	(499)	(190)	(15)	(912)
Net balance sheet amount at 30 June 2007	48	764	1,046	320	756	2,934
Held under finance leases (see Note 26)	—	—	1	—	—	1
Other property, plant and equipment pledged as security (see Note 33)	—	—	—	—	—	—
Year ended 31 December 2006						
	In millions of US\$					
Cost						
At 1 January 2006	42	790	1,133	394	271	2,630
Additions	4	23	54	37	445	563
Transfers	—	63	162	11	(236)	—
Disposals	(3)	(23)	(15)	(6)	(1)	(48)
Exchange differences	3	43	59	20	14	139
At 31 December 2006	46	896	1,393	456	493	3,284
Accumulated depreciation						
At 1 January 2006	—	(108)	(260)	(105)	(3)	(476)
Disposals	—	2	9	4	—	15
Depreciation charge	—	(58)	(137)	(52)	—	(247)
Impairment charge	—	—	—	—	(6)	(6)
Transfers	—	(2)	3	(1)	—	—
Exchange differences	—	(6)	(15)	(6)	—	(27)
At 31 December 2006	—	(172)	(400)	(160)	(9)	(741)
Net balance sheet amount at 31 December 2006	46	724	993	296	484	2,543
Held under finance leases (see Note 26)	—	—	7	—	—	7
Other property, plant and equipment pledged as security (see Note 33)	—	13	—	—	—	13

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Year ended 31 December 2005	Freehold land	Buildings and mining constructions	Plant and equipment	Vehicles	Assets under construction	Total
In millions of US\$						
Cost						
At 1 January 2005	43	767	991	288	139	2,228
Additions	—	4	95	95	313	507
Transfers	—	47	86	27	(160)	—
Disposals	—	(5)	(11)	(6)	(14)	(36)
Exchange differences	(1)	(23)	(28)	(10)	(7)	(69)
At 31 December 2005	42	790	1,133	394	271	2,630
Accumulated depreciation						
At 1 January 2005	—	(56)	(139)	(62)	—	(257)
Disposals	—	1	5	3	—	9
Depreciation charge	—	(55)	(138)	(41)	—	(234)
Impairment charge	—	—	—	—	(3)	(3)
Transfers	—	—	7	(7)	—	—
Exchange differences	—	2	5	2	—	9
At 31 December 2005	—	(108)	(260)	(105)	(3)	(476)
Net balance sheet amount at 31 December 2005 . . .	42	682	873	289	268	2,154
Held under finance leases (see Note 26)	—	—	5	—	—	5
Other property, plant and equipment pledged as security (see Note 33)	—	—	8	—	—	8
Year ended 31 December 2004						
In millions of US\$						
Cost						
At 1 January 2004	37	603	787	219	69	1,715
Acquisitions through business combinations	2	64	50	—	9	125
Additions	—	6	23	23	179	231
Transfers	—	31	61	27	(119)	—
Disposals	—	(6)	(21)	(5)	(9)	(41)
Exchange differences	4	69	91	24	10	198
At 31 December 2004	43	767	991	288	139	2,228
Accumulated depreciation						
At 1 January 2004	—	(1)	(1)	(2)	—	(4)
Disposals	—	2	4	2	—	8
Depreciation charge	—	(54)	(126)	(59)	—	(239)
Exchange differences	—	(3)	(16)	(3)	—	(22)
At 31 December 2004	—	(56)	(139)	(62)	—	(257)
Net balance sheet amount at 31 December 2004 . . .	43	711	852	226	139	1,971
Held under finance leases (see Note 26)	—	—	5	—	—	5
Other property, plant and equipment pledged as security (see Note 33)	—	—	16	—	—	16

Additions to assets under construction include US\$2 million for the six months ended 30 June 2007 (30 June 2006 (unaudited): US\$3 million) and US\$6 million for the year ended 2006 (2005: US\$2 million; 2004: nil) of capitalised borrowing costs.

18. Goodwill and intangible assets

	Goodwill	Other	Total
	In millions of US\$		
Cost			
At 1 January 2006	—	5	5
Acquisition of minority interests	—	—	—
Government interest	384	—	384
Carrying amount at 31 December 2006	384	5	389
Cost			
At 1 January 2007	384	5	389
Acquisition of minority interests	—	—	—
Government interest	—	—	—
Carrying amount at 30 June 2007	384	5	389

Goodwill arises in 2006 on the exchange by the Committee of its minority interests in various operating subsidiaries for a 24.8 percent interest in the Company (see Note 1a). At 31 December 2005, the net book value of other intangible assets was US\$5 million (2004: US\$1 million).

Goodwill is allocated to the Group's cash-generating units identified according to country of operation and business segments. Goodwill is tested for impairment on an annual basis in accordance with the policy disclosed in Note 1q.

The carrying amount of goodwill is as follows:

	As at 31 December 2006	As at 30 June 2007
	In millions of US\$	
EEC	31	31
SSGPO JSC	170	170
TNC Kazchrome JSC	183	183
Total carrying amount of goodwill	384	384

19. Financial assets at fair value through income statement

	Note	As at 31 December			As at 30 June 2007
		2004	2005	2006	
		In millions of US\$			
Current					
Equity investments	5	—	—	21	—
Non-current					
Bonds with related party	5	19	18	—	—
Equity investments	5	3	3	—	—
Total financial assets		22	21	21	—

In December 2004 the Group acquired registered coupon subordinated bonds issued by Eurasian Bank JSC, a related party. The bonds were due to mature on 10 December 2011. As of 31 December 2005 and 2004 the carrying value of these investments approximated their fair value. In May 2006 the Group sold the bonds of Eurasian Bank for US\$24 million.

Equity investments comprise 290,200 shares of ATF Bank JSC ('ATF Bank') and are classified as financial assets at fair value through income statement. In October 2006 the Group purchased 580,400 shares of ATF Bank at a price of US\$59.48 (the 'purchase price') per share for US\$35 million to invest surplus funds and gain income from favourable movement of share prices. In accordance with the verbal agreement between the Group and the shareholders of ATF Bank (the 'Seller'), should share market price fall below the purchase price, the Seller is obliged to purchase back all the shares from the Group at purchase price; should the share market price exceed the purchase price, the Group is obliged to sell 50 percent of the shares back to the Seller at the purchase price, the other 50 percent of the shares to be managed by the Group at its own discretion.

As, according to the verbal agreement, 50 per cent of the shares were to be repurchased by the Seller, at purchase price, regardless of market price movement, the Group treated the amount of US\$17.25 million, a carrying amount of 50 percent of the shares at 31 December 2006, as receivable secured by the shares and recorded at amortised cost (see Note 20).

The remaining 50 percent of the shares are treated as equity investments at fair value through income statement. The fair value of the ATF Bank shares is based on their current bid prices in an active market. At 31 December 2006 the shares had a fair value of US\$73.62 per share. Accordingly, the Group recognised a fair value gain of US\$3 million for the six months ended 30 June 2007 and US\$4 million during the year ended 2006. The Group sold its 50 percent of the shares for US\$24 million during May 2007.

20. Loans receivable

	Note	As at 31 December			As at
		2004	2005	2006	30 June 2007
In millions of US\$					
Non-current					
Loans receivable from related parties	5	—	18	21	—
		—	18	21	—
Current					
Loans receivable from related parties	5	9	117	207	42
Other loans receivable		1	—	32	8
Letter of credit from related parties	5	1	2	1	—
		11	119	240	50
Total loans receivable		11	137	261	50

Other loans receivable at 31 December 2006 comprise 290,200 shares of ATF Bank JSC ('ATF Bank'). Refer to Note 19.

The Group's loans mature as follows:

	As at 31 December			As at
	2004	2005	2006	30 June 2007
In millions of US\$				
within 1 year	11	119	240	50
between 1 and 2 years	—	12	14	—
between 2 and 5 years	—	6	7	—
after 5 years	—	—	—	—
Total loans receivable	11	137	261	50

Eurasian Financial Industrial Company JSC Amounts due from Eurasian Financial Industrial Company JSC predominantly relate to an uncollateralised loan provided by the Group under a credit line agreement dated 8 December 2005 for US\$26 million. Loans for a total of US\$9 million were provided for the construction of an administration complex, with a loan period of 15 years. The effective interest rate for this loan was 12.0—12.4% as at 31 December 2006. The balance of the loans receivable as at 31 December 2006 was US\$23 million. The loan was reassigned as at 30 June 2007 to ENRC NV as part of the reassignment process described in Note 5.

Additionally, a US\$16 million short-term unsecured loan, at the contractual interest rate of 6% was provided by the Group during 2006. This has been settled as at 30 June 2007.

IMR International Mineral Resources During 2006 US\$21 million was loaned to IMR International Mineral Resources. Interest was charged on the loan at 6 months Libor plus 1%. As at 30 June 2007 the balance of the loan receivable was US\$21 million (31 December 2006: US\$21 million).

Promyshlennoye Zhilshnoye Stroitelstvo LLP ('PZS') During 2006, the Group entered into 3 agreements with PZS under which the Group agreed to provide a total of US\$20 million without

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collateral as interest-free financial support. As at 30 June 2007, the total loans receivable under these 3 agreements amounted to US\$9 million (31 December 2006: US\$14 million).

Sary-Arka SpetsKoks LLP To purchase production equipment, Sary-Arka SpetsKoks LLP received nineteen loans amounting to US\$11 million, for a period of five years at the contractual annual rate of 12%. The effective interest rate for this loan was 12% as at 31 December 2006. The balance of the loan receivable as at 31 December 2006 was US\$12 million. All outstanding amounts have been settled to the Group as at 30 June 2007.

CIM Global Investment NV During 2006, a US\$15.5 million credit facility was made available to CIM Global investment NV. CIM Global Investment NV is controlled and beneficially owned by the Founder Shareholders. Interest is charged on the credit facility at a rate of 3 months Libor + 2%. The balance of the loan receivable as at 31 December 2006 was US\$15.5 million. As at 30 June 2007 this facility has been settled.

ENRC Kazakhstan Holding B.V. Loan amounts outstanding with ENRC Kazakhstan Holding B.V. totalled US\$115 million as at the end of 2006. Interest was charged at Libor plus 1%. These loans were settled by the end of June 2007. The loan was settled in June 2007.

The fair value of loans and receivables equals their carrying amount, as the impact of discounting is not significant. The fair values of current and non-current loans and receivables are determined using discounted cash flows at the interest rate prevailing on the balance sheet date.

The Group's loans receivable are denominated in currencies as follows:

	In millions of US\$
As at 30 June 2007	
US\$	41
Euros	—
Kazakh tenge	9
Russian roubles	—
Swiss francs	—
British pounds	—
Total loans and receivable as at 30 June 2007	50
As at 31 December 2006	
US\$	189
Euros	—
Kazakh tenge	72
Russian roubles	—
Swiss francs	—
British pounds	—
Total loans and receivable as at 31 December 2006	261

21. Other non-current assets

	Note	As at 31 December			As at 30 June 2007
		2004	2005	2006	
		In millions of US\$			
Prepayments for property, plant and equipment and related services		28	75	33	117
Restricted cash held by related parties (contractual interest rate 0% - 7% p.a., effective interest rate 5.5% - 7.0% p.a.)	5	—	5	6	4
Other advances		—	—	2	11
Equity investments in related parties	5	3	2	2	1
Total other non-current assets		31	82	43	133

Restricted cash mainly represents bank guarantee deposits in the amount of US\$3 million at 30 June 2007 and US\$3 million at 31 December 2006 (2005: US\$3 million; 2004: nil) with maturity dates of 28 August 2020 and 31 March 2021, securing the mortgage liabilities of certain Group employees. The bank guarantee deposits are interest free and carried at amortised cost. In addition, the balance of restricted cash includes bank deposits for special funds for the retirement of assets in

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accordance with the requirements of contracts on subsurface use (see Note 27). The fair value of restricted cash is not significantly different from its carrying value.

Prepayments for property, plant and equipment and related services are for machinery and equipment in particular vehicles, and power generating units required by the plants.

22. Inventories

	Note	As at 31 December			As at
		2004	2005	2006	30 June 2007
In millions of US\$					
Raw materials		102	117	133	137
Consumable stores		59	73	81	91
Work in progress		30	34	34	37
Finished goods		151	127	117	124
		342	351	365	389
Less provision for obsolete and slow-moving inventory		(4)	(4)	(4)	(4)
Total inventories		338	347	361	385
Inventories pledged as security	33	13	37	—	—

23. Trade and other receivables

	Note	As at 31 December			As at
		2004	2005	2006	30 June 2007
In millions of US\$					
Trade receivables		168	219	313	355
Trade receivables from related parties	5	1	5	21	53
VAT recoverable		96	87	117	133
Income tax prepayment		13	3	28	5
Advances to suppliers		44	43	25	78
Advances to related parties	5	2	1	34	15
Term deposits with related parties	5	99	61	38	188
Other amounts due from related parties	5	7	9	22	5
Other receivables		28	28	19	14
Prepayments		12	5	17	30
Prepayments to related parties	5	17	25	11	6
		487	486	645	882
Less provision for impairment of trade and other receivables		(11)	(9)	(8)	(5)
Total trade and other receivables		476	477	637	877

The fair value of trade and other receivables approximates the carrying value.

As of 30 June 2007, trade receivables of US\$5 million (31 December 2006: US\$8 million) were impaired. It was assessed that none of these receivables are expected to be recovered.

As of 30 June 2007, trade and other receivables of US\$88 million (31 December 2006: US\$88 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at	As at
	31 December 2006	30 June 2007
In millions of US\$		
Up to 3 months	83	82
3 to 6 months	2	2
6 to 12 months	3	4
Total trade receivables	88	88

As at 30 June 2007 and 31 December 2006, there are no overdue balances due from related parties.

The Group's trade and other receivables are denominated in currencies as follows:

	In millions of US\$
As at 30 June 2007	
US\$	514
Euros	13
Kazakh tenge	281
Russian roubles	57
Swiss francs	2
British pounds	10
Total trade and other receivables as at 30 June 2007	877
As at 31 December 2006	
US\$	236
Euros	16
Kazakh tenge	326
Russian roubles	52
Swiss francs	6
British pounds	1
Total trade and other receivables as at 31 December 2006	637

24. Cash and cash equivalents

	As at 31 December			As at
	2004	2005	2006	30 June 2007
	In millions of US\$			
Cash at bank and in hand	141	124	137	94
Short term deposits	42	41	199	98
Total cash and cash equivalents	183	165	336	192

The Group's cash and cash equivalents are denominated in currencies as follows:

	In millions of US\$
As at 30 June 2007	
US\$	36
Euros	6
Kazakh tenge	141
Russian roubles	6
Swiss francs	1
British pounds	2
Total cash and cash equivalents as at 30 June 2007	192
As at 31 December 2006	
US\$	274
Euros	5
Kazakh tenge	46
Russian roubles	9
Swiss francs	1
British pounds	1
Total cash and cash equivalents as at 31 December 2006	336

25. Share capital

	Number	£'000	\$'000
Authorised			
Ordinary shares of US\$10 each	20,000,000	—	200,000
Redeemable special share of £50,000 (one-quarter paid)	1	50	—
As at 31 December 2006 and 30 June 2007	20,000,001	50	200,000
Allotted and called up share capital			
As at 31 December 2006 and 30 June 2007	20,000,001	50	200,000

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The Company was incorporated and registered in England and Wales on 8 December 2006 as a public limited company with a share capital of £50,000 divided into 2 ordinary shares of £1 each and 49,998 non-cumulative redeemable preference shares of £1 each. The share capital was one-quarter paid. On 19 December 2006, the board resolved to effect the transfer of the 2 ordinary shares to the Committee. On the same day the authorised share capital of the Company was increased from £50,000 to £50,000 and US\$200,000,000 by the creation of 20,000,000 new ordinary shares of US\$10 each. In addition, the 49,998 non-cumulative redeemable preference shares of £1 each held by the Committee, were re-designated as ordinary shares of £1 each, the resulting 50,000 ordinary shares of £1 each were consolidated into 1 ordinary share of £50,000 and then the ordinary share was re-designated as a Special Share. The authorised share capital of the Company is currently £50,000 and US\$200,000,000 being 1 Special Share of £50,000 and 20,000,000 Ordinary Shares of US\$10 each.

Certain rights and restrictions are attached to the Special Share held by the Committee. The prior written consent of the holder of the Special Share must be attained before the Company may allot or issue any equity securities, amend the memorandum or articles of association or effect any reorganisation or dissolution of the Company. Consent of the Special Share holder is not required if the Company undertakes any action deemed necessary to have the successful consummation of the IPO. The Special Share does not qualify for dividends and is redeemable upon the earlier of the Committee giving written notice or an IPO of the Company.

On 19 December 2006 the Company entered into an agreement with the Committee, ENRC Kazakhstan Holding B.V. and ENRC NV to acquire the entire issued share capital of ENRC NV. Pursuant to the contract, ENRC Kazakhstan Holding B.V. and the Committee transferred their shareholdings in ENRC NV to the Company. The consideration was satisfied by the issuance by the Company of (i) 15,026,900 ordinary shares of US\$10.00 each in the capital of the Company credited as fully paid up to ENRC Kazakhstan Holding B.V. (ii) 4,973,100 ordinary shares of US\$10.00 each in the capital of the Company credited as fully paid up to the Committee and (iii) promissory notes in the amount of US\$751,345,000 to ENRC Kazakhstan Holding B.V. and US\$248,655,000 to the Committee (see Note 26).

26. Borrowings

	Note	As at 31 December			As at
		2004	2005	2006	30 June 2007
In millions of US\$					
Non-current					
Bank borrowings		2	—	—	554
Bank borrowings from related parties	5	59	58	12	—
Bonds		—	—	31	32
Term loans		2	1	—	23
Term loans from related parties	5	87	75	25	8
Promissory notes issued to related parties	5	—	—	800	500
Preference shares		—	—	2	—
Finance lease liabilities		—	—	1	1
Finance lease liabilities with related parties	5	5	5	5	—
		155	139	876	1,118
Current					
Bank borrowings		12	6	162	96
Bank borrowings from related parties	5	42	80	1	—
Term loans		1	1	31	57
Term loans from related parties	5	15	13	213	—
Promissory notes issued to related parties	5	2	—	200	—
Finance lease liabilities with related parties	5	—	—	1	—
		72	100	608	153
Total borrowings		227	239	1,484	1,271

Total borrowings include secured liabilities (bank and collateralised borrowings) of nil million at 30 June 2007 and US\$83 million at 31 December 2006 (2005: US\$51 million; 2004: US\$23 million).

Part V: Financial information

The Group's borrowings mature as follows:

	As at 31 December			As at
	2004	2005	2006	30 June 2007
	In millions of US\$			
within 1 year	72	100	608	153
between 2 and 5 years	119	124	840	1,086
after 5 years	36	15	36	32
Total borrowings	227	239	1,484	1,271

The Group's borrowings are denominated in currencies as follows:

	As at 31 December			As at
	2004	2005	2006	30 June 2007
	In millions of US\$			
US\$	156	152	1,354	1,186
Euros	7	6	6	—
Kazakh tenge	64	81	124	85
Total borrowings	227	239	1,484	1,271

The effective interest rates at balance sheet date were as follows:

	Floating interest rates			Fixed interest rates		
	KZT	US\$	Euro	KZT	US\$	Euro
	In % per annum					
As at 30 June 2007						
Bank loans	—	LIBOR + 1.4%	—	13.1%	11.3% - 12.1%	—
		13.7% - 14.9%				
Term loans	—	—	—	12.6% - 14.1%	12.7% - 14.2%	5.0%
Promissory notes issued	—	LIBOR + 2.0%	—	—	—	—
Finance lease liabilities	—	—	—	—	—	10.0%
Bonds	9.5%	—	—	—	—	—
As at 31 December 2006						
Bank loans	—	LIBOR + 1.5%	—	11.0% - 13.0%	—	—
		13.7% - 14.9%				
Term loans	—	—	—	13.3%	5.0% - 16.8%	12.6%
Promissory notes issued	—	LIBOR + 2.0%	—	—	—	—
Finance lease liabilities	—	—	—	—	—	10.0%
Bonds	9.7%	—	—	—	—	—
As at 31 December 2005						
Bank loans	—	13.7% - 15.9%	—	11.0% - 14.1%	5.0% - 14.1%	—
Term loans	—	—	—	13.3%	5.0% - 16.8%	12.6%
Finance lease liabilities	—	—	—	—	—	10.0%
As at 31 December 2004						
Bank loans	—	13.7% - 15.9%	—	11.6% - 16.0%	10.0% - 15.9%	—
Term loans	—	—	—	13.3%	4.5% - 16.8%	12.6%
Finance lease liabilities	—	—	—	—	—	10.0%

	Note	Carrying amounts			Fair values				
		2004	2005	2006	30 June 2007	2004	2005	2006	30 June 2007
		In millions of US\$							
Bank borrowings		14	6	162	554	13	6	162	554
Bank borrowings from related parties	5	101	138	13	—	101	136	13	—
Bonds		—	—	31	32	—	—	30	32
Term loans		3	2	31	176	3	2	31	176
Term loans from related parties	5	102	88	238	8	105	90	244	8
Promissory notes issued to related parties	1	2	—	1,000	500	2	—	1,000	500
Preference shares		—	—	2	—	—	—	2	—
Finance lease liabilities		—	—	1	1	—	—	—	1
Finance lease liabilities with related parties	5	5	5	6	—	5	5	2	—
Total borrowings		227	239	1,484	1,271	229	239	1,484	1,271

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values of current and non-current borrowings are determined using discounted cash flows at the interest rate prevailing on balance sheet date.

Bank Borrowings

ABN AMRO Bank Kazakhstan

In July 2006, Kazakhstan Aluminium Smelter JSC entered into a Loan Agreement with JSC ABN AMRO Bank Kazakhstan for the purpose of financing the construction of the aluminium smelter. The agreement provides for a maximum credit facility of US\$80 million with an interest rate of LIBOR+1.5 percent per annum. The initial maturity date was 22 December 2006 but on that date it was renegotiated to 2 April 2007. During 2006, the Group drew US\$63 million under the facility. The loan was repaid in full in April 2007.

Bank Turan Alem

In June and July 2006 RemPut JSC, MEK Transsistema LLP and TransCom LLP signed various short term loan agreements with Turan Alem Bank Kazakhstan for a total of US\$84 million, of which US\$63 million was denominated in Kazakh tenge. The majority of the loans bore annual interest at the rate of 9.0 percent on inception, increasing to 12.0 percent in December 2006. The loans were repaid in full in April 2007.

Bonds

In April 2006, the Group issued US\$31 million 8 percent non-convertible bonds, due 5 April 2013. The bonds were listed on the Kazakh Stock Exchange for the total proceeds of US\$31 million. The bonds bore coupon at an annualised rate of 8 percent, payable semi-annually on 5 October and 5 April each year. Starting from 5 October 2006, the coupon changed to a floating rate equal to the official inflation rate plus 1 percent mark-up with lower and upper limits being fixed at 2 percent and 10 percent per annum. At 30 June 2007 the coupon rate was 9.5 percent per annum (31 December 2006: 9.7 percent per annum).

Structured Trade Finance Agreement

On 15 December 2006 ENRC Marketing AG ('ENRC Marketing') entered into a US\$1,000 million structured trade finance facility (the 'Facility'). By Supplemental Agreement dated 12 April 2007 the Facility was increased to US\$1,480 million. As at 30 June 2007 US\$650 million of the Facility was drawn down (31 December 2006: nil).

The Facility is supported by a security package principally in the form of an assignment of the sales contracts entered into by ENRC Marketing and third party buyers (and all receivables thereunder). All monies payable by the end purchasers under the sales contracts are required to be paid into bank accounts which are also used to secure the Facility. Withdrawals from these bank accounts are subject to restrictions imposed under the terms of the Facility. In addition, certain restrictive financial covenants are in place.

The Facility has a tenor of 5 years. Following a grace period of 12 months, the Facility will be repaid in 48 equal and consecutive monthly instalments.

The interest rate applicable to the loan is one month LIBOR plus 1.35 percent per annum.

27. Asset retirement obligations

The Group has a legal obligation to landfill site restoration during the mining operations and decommissioning of its mining property after its expected closure. The timing of decommissioning activity is subject to reassessment due to revision of the Group's proved and probable reserves.

	As at 31 December			As at
	2004	2005	2006	30 June 2007
	In millions of US\$			
Current portion of provisions for asset retirement obligations	1	1	1	1
Long-term portion of provisions for asset retirement obligations	27	33	43	59
Total provisions for asset retirement obligations	28	34	44	60

Movements in asset retirement obligations are as follows:

	Landfill Site Restoration	Decommissioning	Total
	In millions of US\$		
At 1 January 2004	8	8	16
Capitalisation of additional closure costs	3	2	5
Acquisitions through business combinations	3	—	3
Unwinding of discount	1	1	2
Exchange differences on currency translation	1	1	2
At 31 December 2004	16	12	28
At 1 January 2005	16	12	28
Capitalisation of additional closure costs	3	2	5
Unwinding of discount	1	1	2
Exchange differences on currency translation	(1)	—	(1)
At 31 December 2005	19	15	34
At 1 January 2006	19	15	34
Capitalisation of additional closure costs	3	2	5
Unwinding of discount	2	1	3
Exchange differences on currency translation	1	1	2
At 31 December 2006	25	19	44
At 1 January 2007	25	19	44
Capitalisation of additional closure costs	6	6	12
Unwinding of discount	1	1	2
Exchange differences on currency translation	2	—	2
At 30 June 2007	34	26	60

In accordance with contracts on subsurface use, the Group makes annual obligatory contributions to form a deposit fund for the closure costs which will take effect upon exhaustion of the mineral deposits between 2045 and 2074 (see Note 21).

The amount of the provision for asset retirement obligations is determined using the nominal prices effective at the reporting dates by applying the forecasted rate of inflation for the expected period of the life of the mines. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the level of discount and inflation rates.

Principal assumptions made in calculations of asset retirement obligations are presented below:

	Year ended 31 December			Six months ended 30 June 2007
	2004	2005	2006	
Discount rate as at 31 December	9.17%	8.40%	8.00%	7.56%
Inflation rate as at 31 December	7.00%	7.00%	7.40%	7.48%

28. Employee benefit obligations

The amounts recognised in the balance sheet are determined as follows:

	Year ended 31 December			Six months ended 30 June 2007
	2004	2005	2006	
	In millions of US\$			
Present value of unfunded defined benefit obligation at beginning of the year . .	21	29	32	48
Interest cost	1	1	2	1
Benefits paid	(2)	(1)	(1)	(1)
Current service cost	1	2	1	4
Actuarial losses	3	2	12	2
Acquisition of business	2	—	—	—
Currency translation differences	3	(1)	2	1
Present value of unfunded defined benefit obligation at end of the year	29	32	48	55
Net liability	29	32	48	55

All defined benefit obligations as at 30 June 2007 and 31 December 2006, 2005 and 2004 are wholly unfunded.

Amounts recognised in the income statement are as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2007	2006
	In millions of US\$				
	unaudited				
Interest cost	1	1	2	1	1
Current service cost	1	2	1	4	1
Actuarial losses	3	2	12	2	6
Expense recognised in income statement	5	5	15	7	8

Actuarial losses and current service costs were included in the income statement as part of cost of sales in the amount of US\$4 million for the six months ended 30 June 2007 (30 June 2006: US\$6 million) and US\$10 million for the year ended 31 December 2006 (2005: US\$3 million; 2004: US\$3 million), part of selling, general and administration expense in the amount of US\$2 million for the six months ended 30 June 2007 (30 June 2006: US\$1 million) and US\$2 million for the year ended 2006 (2005: nil; 2004: US\$1 million) and part of other expenses and capitalised costs in the amount of nil for the six months ended 30 June 2007 (30 June 2006: nil and US\$1 million for the year ended 2006 (2005: US\$1 million; 2004: nil).

	As at 31 December			As at 30 June	
	2004	2005	2006	2007	2006
	In millions of US\$				
	unaudited				
Cumulative amount of actuarial gains and losses recognised in the income statement	3	5	17	19	11

	As at 31 December				As at 30 June 2007
	2003	2004	2005	2006	
	In millions of US\$				
Present value of unfunded defined benefit obligation at end of the year . . .	21	29	32	48	55

	Year ended 31 December			Six months ended 30 June 2007
	2004	2005	2006	
	In millions of US\$			
Experience adjustment: loss on defined benefit obligation	—	—	—	—

Charge for unwinding of discount was included in the finance costs (see Note 14).

Part V: Financial information

Principal actuarial assumptions used at the balance sheet date were as follows:

	Year ended 31 December			Six months ended
	2004	2005	2006	30 June 2007
	In % per annum			
Discount rate at 31 December	5.0	5.0	5.0	5.0
Future salary increases	5.0—8.0	5.0—9.0	5.5—10.0	7.0—12.0
Average labour turnover rate of production personnel	3.8—20.5	3.9—13.0	4.1—18.5	5.3—20.5
Average labour turnover rate of administrative personnel	1.8—13.7	1.8—14.2	1.9—14.8	0.2—8.3

Assumptions regarding future mortality are based upon advice in accordance with published statistics and experience in each territory.

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date are as follows:

	As at 31 December			As at
	2004	2005	2006	30 June 2007
Male	11	11	11	11
Female	15	15	15	15

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:

	As at 31 December			As at
	2004	2005	2006	30 June 2007
Male	12	12	12	12
Female	16	16	16	16

29. Trade and other payables

	Note	Year ended 31 December			Six months ended
		2004	2005	2006	30 June 2007
		In millions of US\$			
Trade payables		53	67	90	174
Accruals relating to employee entitlements		30	38	51	68
Advances received from customers		63	19	28	22
Distributions payable	5	15	84	133	49
Payable to related parties	5	82	224	65	26
Other payables		13	17	23	43
Accruals and deferred income		10	1	3	—
Trade and other payables		266	450	393	382

30. Other taxes payable

	Year ended 31 December			Six months ended
	2004	2005	2006	30 June 2007
	In millions of US\$			
VAT payable	3	4	11	4
Social taxes	1	3	3	4
Withholding taxes	—	9	15	37
Property and other taxes	7	16	33	11
Total other taxes payable	11	32	62	56

31. Cash generated from operations

	Note	Year ended 31 December			Six months ended 30 June	
		2004	2005	2006	2007	2006
		In millions of US\$				
Profit after tax		1,022	777	686	388	321
Adjustment for						unaudited
Depreciation of property, plant and equipment	17	239	234	247	130	120
Loss from disposal of property, plant and equipment	10	5	9	9	—	6
Impairment of property, plant and equipment	17	—	3	6	6	—
Negative goodwill		(9)	—	—	—	—
Provisions for impairment on non-current assets		—	15	—	—	—
Income tax expense		233	321	285	198	120
Finance costs (net)		17	28	26	55	14
Changes in operating working capital:						
Accounts and notes receivable—trade		(7)	(86)	(147)	(93)	(184)
Employee benefits		8	2	15	6	12
Inventories		(110)	(16)	—	(25)	(102)
Provision for asset retirement obligations		9	7	8	14	11
Other taxes payable		(9)	21	33	(6)	6
Accounts payable and other current liabilities—trade		38	141	(107)	(18)	(80)
Cash flows from operating activities		1,436	1,456	1,061	655	244
Interest paid		(22)	(42)	(48)	(48)	(18)
Interest received		3	9	8	11	1
Income tax paid		(271)	(353)	(277)	(143)	(41)
Net cash generated from operating activities		1,146	1,070	744	475	186

Non-cash transactions

Investing and financing transactions that did not require the use of cash and cash equivalents and were excluded from the cash flow statement. Non-cash transactions consisted of:

- the acquisition of property, plant and equipment in exchange for inventory and heat-and-power engineering services of US\$1 million for the six months ended 30 June 2007 and nil for the year ended 31 December 2006 (2005: US\$1 million; 2004: nil);
- as described in Note 1a, the Group acquired minority interest shareholdings in its subsidiaries from the Kazakh Government in exchange for 24.8 percent of shares in the Company. The value attributed to the Company shares exchanged amounted to US\$1,094 million; and
- as discussed in Note 5 the Group undertook a series of transactions to consolidate and settle a number of assets and liabilities balances outstanding with various related parties. Only the net balance of US\$191 million was settled in cash; the other movements have been treated as non-cash items (US\$200 million).

Further non-cash transactions are presented in Note 32 which includes details of assets acquired and liabilities assumed in business combinations and also details of assets and liabilities of disposed subsidiaries.

32. Business combinations

On 8 July 2004 the Group acquired Zhairemsky GOK.

During 2004 the Group acquired the following transportation companies:

- RemPut Ltd. LLP—6 September
- RemZholService Ltd. LLP—10 September
- RemPut JSC—17 September
- Company Zhol zhondeushi LLP—1 October
- Bereke 2004 LLP—11 November

Part V: Financial information

The acquisition had the following effect on the Group's results:

Subsidiary	Principal Activity	% of Capital	Contribution to Group Revenue	Contribution to Group Profit
In millions of US\$				
Zhairemsky GOK	Mining	99.84	21	(1)
Transportation companies	Transport	100	2	(1)

If the acquisitions had occurred on 1 January 2004, the effect on the Group's results would have been:

Subsidiary	Contribution to Group Revenue	Contribution to Group Profit
In millions of US\$		
Zhairemsky GOK	35	(2)
Transportation companies	6	4

The revenue and profit after tax for 2004, for both acquisitions described above, assuming that all acquisitions occurred on the 1 January 2004, would have been US\$2,709 million and US\$1,030 million respectively.

Details of the assets and liabilities acquired and goodwill arising is as follows:

	IFRS carrying amount immediately before business combination	Attributed fair value
In millions of US\$		
Zhairemsky GOK		
Cash and cash equivalents	—	—
Property, plant and equipment	50	50
Mining rights and other assets	8	36
Borrowings	(8)	(8)
Trade and other payables	(10)	(10)
Deferred tax liability	—	(5)
Other liabilities	(5)	(5)
Fair value of acquired interest in net assets of subsidiary		58
Consideration		58
Transportation companies		
Cash and cash equivalents	3	3
Property, plant and equipment	38	38
Other assets	26	26
Borrowings	(14)	(14)
Trade and other payables	(9)	(9)
Other liabilities	(17)	(17)
Fair value of acquired interest in net assets of subsidiaries		27
Consideration		18
Total purchase consideration		76
Less cash held by subsidiaries acquired:		
Zhairemsky GOK	—	
Transportation companies	3	
		(3)
Outflow of cash and cash equivalents on acquisition		73

The purchase consideration, comprising of cash paid in millions of US\$, was as follows:

Zhairemsky GOK	58
Transportation companies	18
Total outflow	76

Purchase consideration was paid in Euro, Kazakh tenge and US\$. Negative goodwill of US\$9 million has been included in other income during the period ended 31 December 2004.

During 2005 and 2006, and the six months ended 30 June 2007, no subsidiaries were acquired.

33. Contingencies, commitments and operating risks

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received, including tax inquiries, referred to below. On the basis of management estimates and both internal and external professional advice, it is not anticipated that any material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements.

Tax legislation

Kazakh tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and frequent changes which may be applied retroactively. The interpretation of tax, transfer pricing and excess profit tax legislation by the Kazakh tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group may be assessed additional taxes, penalties and fines. Tax periods remain open to review by the Kazakh tax authorities for five years.

As stated above, there is a risk that the Kazakh tax authorities may challenge the methods applied to transfer pricing and excess profits tax. The Directors expect an audit of the tax affairs of the Group for the three years ended 31 December 2006 to be commenced by the Kazakh tax authorities by the end of December 2008. Whilst any challenge may result in material claims being made against the Group, management believes that, based on recent clarifications obtained from the relevant authorities, they would be successful in defending any such challenge.

Accordingly, at 30 June 2007 and 31 December 2006 no provision for potential additional tax liabilities had been recorded (2005 and 2004: no provision).

Capital expenditure commitments

	As at 31 December			As at
	2004	2005	2006	30 June 2007
	In millions of US\$			
Property, plant and equipment	20	328	343	365
Intangible assets	—	5	5	—
Total capital expenditure commitments	20	333	348	365

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these commitments.

Guarantees

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. The Group has guaranteed the following obligations:

	As at 31 December			As at
	2004	2005	2006	30 June 2007
	In millions of US\$			
Aluminium of Kazakhstan	17	1	1	—
SSGPO	—	1	35	33
EEC	—	—	1	1
TNC Kazchrome JSC	—	20	14	—
RemPut JSC	—	—	24	—
Company Zhol zhondeushi LLP	—	—	24	—
Other	4	7	4	—
Total guarantees	21	29	103	34

Assets pledged and restricted

The Group has the following assets pledged as collateral:

	As at 31 December						As at 30 June 2007	
	2004		2005		2006		Asset pledged	Related liability
	Asset pledged	Related liability	Asset pledged	Related liability	Asset pledged	Related liability		
	In millions of US\$							
Property, plant and equipment (see Note 17)	16	6	8	2	13	1	—	—
Inventories	13	10	37	25	—	—	—	—
Restricted cash	—	—	—	—	1	—	2	—
Total	29	16	45	27	14	1	2	—

Insurance policies

The Kazakhstan entities within the Group purchase a primary insurance programme which is placed with a local insurance company in Kazakhstan, as required by Kazakh law. The Group does not utilise the services of an insurance broker. Facultative reinsurance cover is then placed into the European insurance market via Marsh Insurance brokers in Kazakhstan.

The primary insurance programme covers risks including:

- Property damage, business interruption and machinery breakdown;
- Medical expenses;
- Employers' liability; and
- Various logistics cover.

Supply commitments

ENRC Marketing has a contract with UC Rusal to supply a minimum 1 million tonnes of Alumina per annum, within 2 percent, plus an option to supply an additional 200 thousand tonnes, within 2 percent. The contract expires on 31 December 2016. Pricing is determined by a formula related to the London Metal Exchange Aluminium price.

ENRC Marketing entered into a 10 year contract from 1 April 2007 to supply up to 15 million tonnes of Iron Ore per annum to The Magnitogorsk Iron and Steel Works Open Joint Stock Company (MMK) in Russia. The contract is secured by a pricing formula based on published price indices.

Environmental matters

The enforcement of environmental regulation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

34. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain foreign exchange exposures.

Risk management is carried out by the treasury function under policies approved by the board of directors. The treasury function identifies, evaluates and hedges financial risks in close co-operation

with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

The Group does not require collateral in respect of financial assets. The Group has credit insurance for the majority of its sales and credit limits are set by the credit insurance company for each customer. For those sales where credit insurance is not available, the Group operates a policy of 'cash in advance' and 'letters of credit'. The Group regularly monitors its exposure to bad debts in order to minimise their exposure. At the balance sheet date, there was significant concentration of credit risk principally in respect of Eurasian Bank, a related party. The Group also generates a significant portion of its revenue from key customers and in particular from United Company Rusal and MMK (refer to Note 33). Further, it should be noted that a legal offset mechanism was undertaken as at 30 June 2007 whereby many of the amounts outstanding to and from related parties, with the exception of Eurasian Bank, were settled. As at 30 June 2007, the amount of cash and time deposits receivable from Eurasian Bank amounted to US\$277 million of which there was a significant concentration of credit risk, see Note 5. Management has implemented a policy of diversifying its credit risk exposure by establishing relationships with a number of international and domestic banks.

The Group considers its maximum exposure to credit risk related to the uncollateralised balances to be as follows:

	As at 31 December 2006	As at 30 June 2007
Cash and cash equivalents	336	192
Trade and other receivables	637	877
Restricted cash	6	4
Financial assets	21	—
Loans receivable	261	50

After 30 June 2007 the Group has placed an amount of US\$158 million on deposit with Eurasian Bank until 30 November 2008, see Note 35.

Foreign currency risk

The Group exports production to European countries and generates a substantial amount of foreign currency denominated receivables and is thus exposed to foreign exchange risk. The production costs are denominated in Kazakh tenge (KZT) while sales are denominated in US Dollars (US\$). The Group is therefore exposed to the risk that movements in exchange rates will affect both its net income and financial position.

The Group's foreign currency exposure arises from:

- highly probable forecast transactions (sales/purchases) denominated in foreign currencies; and
- monetary items (mainly intercompany receivables, payables and borrowings) denominated in foreign currencies.

The Group is mainly exposed to KZT/US\$ risks. The Board of Directors sets limits on the level of exposure by currency and in total. Compliance with limits is monitored monthly. The Group's policy is to hedge a portion of foreign exchange risk associated with highly probable forecast transactions and monetary items denominated in foreign currencies. The Group's policy is to hedge the risk of changes in the relevant spot exchange rate. The Group uses forward contracts to hedge foreign exchange risk. As at 30 June 2007, the Group had entered into a number of foreign exchange forward contracts to hedge part of the aforementioned translation risk. Management estimates that those contracts effectively provide for an average rate of US\$1/KZT 120 over three years and represents approx 25% of the Group's Kazakh tenge cost base. Any remaining amount remains unhedged.

Part V: Financial information

As at 30 June 2007, the forward exchange contracts have not been formally designated as hedges and consequently no hedge accounting has been applied. These contracts were formally designated as hedges at 1 September 2007 and accordingly hedge accounting has been applied from this date.

The table below summarises the foreign currency exposure on the net monetary position of each Group entity against its respective functional currency, expressed in the Group's presentation currency.

Entities	KZT	USD	CHF	EUR	GBP	RUB
In millions of US\$						
As at June 30 2007						
Kazakhstan entities (KZT)		578	—	(11)	—	(4)
Marketing entities (USD)	—		(4)	23	20	47
Swiss entities (CHF)	—	—		—	—	—
Netherlands entities (EUR)	205	36	23		—	—
UK Management entities (GBP)	—	11	—	1		—
	205	625	19	13	20	43
As at December 31 2006						
Kazakhstan entities (KZT)		484	—	(9)	—	2
Marketing entities (USD)	—		(93)	18	4	52
Swiss entities (CHF)	1	(38)		—	—	—
Netherlands entities (EUR)	—	30	—		—	—
UK Management entities (GBP)	—	18	—	—		—
	1	494	(93)	9	4	54

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before income tax.

Entities	KZT	USD	CHF	EUR	GBP	RUB
In millions of US\$						
As at June 30 2007						
Total in the consolidated Financial Statements	205	625	19	13	20	43
Reasonable shift in the US\$ exchange rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Increase in profit/equity due to a depreciation of the US\$	10.25	n/a	0.95	0.65	1.00	2.15
Decrease in profit/equity due to an appreciation of the US\$	(10.25)	n/a	(0.95)	(0.65)	(1.00)	(2.15)
As at December 31 2006						
Total in the consolidated Financial Statements	1	494	(93)	9	4	54
Reasonable shift in the US\$ exchange rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Increase in profit/equity due to a depreciation of the US\$	0.05	n/a	(4.65)	0.45	0.20	2.70
Decrease in profit/equity due to an appreciation of the US\$	(0.05)	n/a	4.65	(0.45)	(0.20)	(2.70)

The above table excludes the impact of forward foreign exchange contracts, which have subsequently been hedged.

Commodity price risk

The Group is exposed to the effect of fluctuations in commodity prices. The principal exposures are to the price of chrome ore, high, medium and low carbon ferroalloys, ferro-silicon manganese, iron ore and primary aluminium from which the price of alumina is derived. Prices of the aforementioned commodities are generally quoted in US dollars. Of the aforementioned products, only primary aluminium is determined by reference to a publicly traded price.

The Group does not hedge its exposure to the risk of fluctuations in the price of its products.

Cash flow and interest rate risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates impact primarily deposits, loans and borrowings by changing their future cash flows (variable rate). Management does not have a formal policy of determining how much of the Group's exposure should be at fixed or variable rates and the Group does not use hedging instruments to minimise its exposure. However, at the time of taking new loans or borrowings

Part V: Financial information

management uses its judgement to determine whether it believes that a fixed or variable rate would be more favourable for the Group over the expected period until maturity. The Group's significant interest bearing assets and liabilities are disclosed in notes 20, 21, 23 and 26. The majority of these assets and liabilities bear fixed interest and are thus exposed to fair value interest rate risk.

The Group analyses its sensitivity to interest rates by movements of 1 percent (100 basis points) and the impact on the profit or loss for the six months ended 30 June 2007 is approximately US\$11 million (31 December 2006: US\$10 million).

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure takes into consideration the extensive capital expenditure programme required to achieve growth targets. The Group intends to maintain a conservative capital structure in line with international industry norm and practice.

The Group considers the following balances as a part of its capital management.

	31 December 2006	30 June 2007
	In millions of US\$	
Share capital	200	200
Reserves	2,011	2,516
	2,211	2,716

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, at 30 June 2007, US\$1,483 million, and at 31 December 2006, US\$1,186 million (2005: US\$179 million; 2004 US\$145 million) and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the treasury function aims to maintain flexibility in funding by keeping committed credit lines available. Currently, the Group takes on significant exposure to liquidity risk due to mismatch between terms of the construction of the aluminium smelter (long term) and borrowings and credit lines available to the Group (short term and mid term).

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	At 30 June 2007			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	In millions of US\$			
Forward foreign exchange contracts—held-for-trading				
Outflow	678	480	240	—
Inflow	677	476	239	—

The Group had no forward foreign exchange contracts as of 31 December 2006.

The table below analyses the Group's financial assets and liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted

Part V: Financial information

cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	At 30 June 2007			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	In millions of US\$			
Borrowings	153	301	386	431
Trade and other payables	382	—	—	—
Loans receivables	50	—	—	—
Financial assets at fair value through income statement	—	—	—	—
Trade and other receivables	877	—	—	—

	At 31 December 2006			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	In millions of US\$			
Borrowings	608	15	429	432
Trade and other payables	393	—	—	—
Loans receivables	240	5	10	6
Financial assets at fair value through income statement	21	—	—	—
Trade and other receivables	637	—	—	—

Derivative financial instruments

All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative.

The table below analyses the Group's derivative financial instruments. The amounts disclosed in the table are the carrying balances of the liabilities and assets as at balance sheet date.

	As at 30 June 2007	
	Assets	Liabilities
	In millions of US\$	
Forward foreign exchange contracts—held-for-trading	3	13
Total	3	13
Less non-current portion:		
Forward foreign exchange contracts—held-for-trading	—	9
Total	—	9
Current portion	3	4

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

In April 2007, TNC Kazchrome JSC entered into forward foreign exchange contracts with Morgan Stanley & Co. International Limited to hedge part of its foreign currency risk. Under the terms of the contract, TNC Kazchrome JSC is required to pay Morgan Stanley & Co. International Limited a notional amount of US\$33 million on a monthly basis up to December 2007. On the other hand, Morgan Stanley & Co. International Limited is required to pay TNC Kazchrome JSC on a monthly basis, Kazakh tenge at fixed forward rates up to December 2007.

In June 2007, SSGPO JSC and Aluminium of Kazakhstan JSC entered into forward foreign exchange contracts with Deutsche Bank AG London to hedge part of its foreign currency risk. Under the terms of the contract, SSGPO JSC and Aluminium of Kazakhstan JSC are required to pay Deutsche Bank AG London notional amounts of US\$25 million and US\$15 million, respectively, on a monthly basis up to December 2009. On the other hand, Deutsche Bank AG London is required to pay SSGPO JSC and

Aluminium of Kazakhstan JSC on a monthly basis, Kazakh Tenge at fixed forward rates up to December 2009.

35. Events after the Balance sheet date

US\$100 million prepayment for the acquisition of the Serov group

In July 2007, the Group transferred US\$100 million to a subsidiary of International Mineral Resources B.V. ('IMR'), a company controlled by the Founder Shareholders, as a partial prepayment for the Group's intended acquisition of the Serov Group and certain related entities. The Serov Group's principal activity comprises the mining, processing and sale of ferrochrome.

The Group has completed its due diligence and shareholder approval of the transaction has been granted.

In the event the transaction is not completed, the US\$100 million prepayment will be returned, and interest on the returned prepayment will be payable by IMR to the Group if the failure to reach completion is the result of (i) a breach by the sellers of their obligations or (ii) failure to complete the related purchase of IMR Marketing A.G. and DDK Services Limited. The repayment obligation is secured by a guarantee given by IMR in favour of ENRC NV.

US\$500 million repayment of promissory notes

The Group has repaid the remaining US\$500 million of the promissory notes payable to the Company's shareholders (see Note 5). Of this, US\$250 million was paid in July 2007 and US\$250 million was paid in December 2007. The repayment was financed through an increase in the structured trade finance facility referred to in Note 26.

Loan to Eurasian Bank

In November 2007, the Company agreed to maintain, until 30 November 2008, certain pre-existing term deposits with the Eurasian Bank, amounting to US\$158 million. The average interest rates applied to these deposits are 8% for dollar deposits and 8.5% for Tenge deposits reflecting current market rates of interest.

IPO Bonus plan

The Company has adopted an IPO Plan for management and senior employees providing cash and share awards in respect of their contribution to the Group's preparations for Admission. US\$20.0 million of cash awards have been granted, which are payable in full on Admission. Awards over up to 8 million Ordinary Shares will be granted on or prior to Admission.

Long-term incentive plan

Subject to Admission, the Company has adopted a long term incentive plan for management and senior employees providing awards. The total number of share awards granted pursuant to this long-term incentive plan, in conjunction with all other employee share plans operated by the Group, cannot exceed 10% of the issued share capital of the Company. The share awards will be subject to appropriate performance conditions, and all awards will be granted by the Remuneration Committee.

2007 pre-IPO interim dividend

On 6 December 2007, the Company declared a pre-IPO interim dividend of US\$500 million subject to (*inter alia*) receipt by the Company of the net proceeds of the IPO.

Share split

At an Extraordinary General Meeting of the Company held on 8 November 2007, each of the issued, and each of the authorised but unissued, ordinary shares of US\$10.00 each in the capital of the Company was subdivided into 50 ordinary shares of US\$0.20 each.

Redemption of Special share

Pursuant to the Company's articles of association in place prior to Admission, the one special share of nominal value of £50,000 held by the Committee is to be cancelled upon any admission of the Company's shares on a regulated market. Consequently, upon Admission the special share shall be cancelled. As the share has only been one quarter paid up, £12,500 will be due to the Committee upon such cancellation.

36. Principal subsidiaries

A list of the principal subsidiaries combined and consolidated during the period is set out below:

Subsidiary	Principal activity	Country of incorporation	Combined and consolidated			
			Year ended 31 December			Six months ended 30 June 2007
			2004	2005	2006	
			Group interest %			
Aluminium of Kazakhstan JSC	Mining & Metals processing	Kazakhstan	96.54	96.54	96.60	96.60
Kazakhstan Aluminium Smelter JSC	Refining	Kazakhstan	—	100.00	100.00	100.00
TNC Kazchrome JSC	Mining	Kazakhstan	66.90	66.90	98.30	98.30
SSGPO JSC	Mining	Kazakhstan	58.90	58.90	98.15	98.15
Zhairemsky GOK JSC	Mining	Kazakhstan	100.00	100.00	99.84	99.84
Pavlodar Aluminium Smelter	Mining	Kazakhstan	100.00	100.00	—	—
Eurasian Energy Corporation JSC	Power Generation	Kazakhstan	73.10	73.10	98.37	98.37
ENRC Leasing B.V.	Leasing	Netherlands	100.00	100.00	100.00	100.00
Corica AG	Holding	Switzerland	100.00	100.00	100.00	100.00
RemPut LLP (formerly RemPut JSC) ⁽¹⁾	Transportation	Kazakhstan	100.00	100.00	100.00	100.00
Company Zhol zhondeushi LLP	Transportation	Kazakhstan	100.00	100.00	100.00	100.00
MEK Transsystema LLP	Transportation	Kazakhstan	100.00	100.00	100.00	100.00
TransCom LLP	Transportation	Kazakhstan	99.45	99.45	99.45	100.00
Transremvagon LLP	Transportation	Kazakhstan	100.00	100.00	100.00	100.00
RemPut Ltd. LLP	Transportation	Kazakhstan	100.00	100.00	100.00	100.00
Universal Service LLP	Transportation	Kazakhstan	100.00	100.00	100.00	100.00
RemZholService LLP	Transportation	Kazakhstan	67.00	67.00	100.00	100.00
Lightness LLP	Transportation	Kazakhstan	100.00	100.00	100.00	—
Megastore LLP	Transportation	Kazakhstan	100.00	100.00	100.00	—
Bereke 2004 LLP	Transportation	Kazakhstan	100.00	100.00	100.00	100.00
ENRC Logistics LLP	Transportation	Kazakhstan	100.00	100.00	100.00	100.00
ENRC Marketing AG (formerly ENR Ferroalloys AG)	Sales & Marketing	Switzerland	100.00	100.00	100.00	100.00
Lindex AG	Sales & Marketing	Switzerland	100.00	100.00	—	—
Alloy 2000 B.V.	Sales & Marketing	Luxembourg	100.00	100.00	—	—
Sirinidia Trading AG	Sales & Marketing	Switzerland	100.00	100.00	—	—
Timberco Trading AG	Sales & Marketing	Switzerland	100.00	100.00	—	—
Weckman Trading AG	Sales & Marketing	Switzerland	100.00	100.00	—	—
Energo-Resources Ltd LLP	Sales & Marketing	Kazakhstan	100.00	100.00	100.00	100.00
ENRC Management (UK) Ltd	Group Managing Company	United Kingdom	—	—	100.00	100.00

All companies operate mainly in the countries in which they are incorporated.

Group interest represents the proportion of ordinary shares.

(1) On 28 August 2006 RemPut JSC became RemPut LLP.

During 2005, the trade of certain sales and marketing companies were moved from legacy companies (Lindex AG, Alloy 2000, Sirinidia Trading AG, Timberco Trading AG, Weckman Trading AG) into the new entities, ENR Alumina AG, ENRC Marketing AG, ENR Technik AG, and ENR Iron AG. From 1 January 2007 all sales and marketing activities have been transferred to ENRC Marketing AG.

Part VI: Pro forma financial information

Section A: Unaudited Pro Forma Financial Information

The unaudited consolidated pro forma statement of net assets set out below has been prepared to illustrate the effect of the Global Offer on the net assets of the Company if the Global Offer had taken place as at 30 June 2007. The information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results. The unaudited pro forma statement of net assets is compiled on the basis set out below.

	ENRC at 30 June 2007 (Note 1)	Adjustment (Note 2)	Adjustment (Note 3)	ENRC Pro forma at 30 June 2007
	US\$m	US\$m	US\$m	US\$m
ASSETS				
Non-current assets				
Property, plant and equipment	2,934	—	—	2,934
Goodwill and intangible assets	389	—	—	389
Financial assets	—	—	—	—
Loans receivables	—	—	—	—
Deferred tax asset	15	—	—	15
Other non-current assets	133	—	—	133
	3,471	—	—	3,471
Current assets				
Inventories	385	—	—	385
Trade and other receivables	877	—	—	877
Loans receivables	50	—	—	50
Cash and cash equivalents	192	—	2,110 ³	2,302
	1,504	—	2,110	3,614
Total assets	4,975	—	2,110	7,085
LIABILITIES				
Non-current liabilities				
Borrowings—promissory notes issued to related parties	500	(500) ²	—	—
Borrowings—other	618	500 ²	—	1,118
Deferred tax liabilities	293	—	—	293
Provision for asset retirement obligations	60	—	—	60
Employee benefit obligations	55	—	—	55
Other non-current liabilities	12	—	—	12
	1,538	—	—	1,538
Current liabilities				
Borrowings	153	—	—	153
Trade and other payables	382	—	—	382
Current income tax payable	65	—	—	65
Other taxes payable	56	—	—	56
	656	—	—	656
Total liabilities	2,194	—	—	2,194
Net assets	2,781	—	2,110	4,891

Notes

- The financial information has been extracted, without material adjustment, from the financial information of the Company as set out in Section B of Part V of this document.
- Adjustment to reflect the repayment of US\$500 million of the promissory notes. Of this US\$250 million was paid in July 2007 and US\$250 million was paid in December 2007 financed by an increase in the structured trade finance facility.
- Adjustment to reflect the net proceeds of the Global Offer receivable by the Company of £1,280.0 million (US\$2,592.1 million) (being gross proceeds of £1,363.5 million (US\$2,761.1 million) less estimated fees of approximately £83.5 million (US\$169.0 million) of which £74.6 million (US\$151.0 million) is settled in cash and £8.9 million (US\$18.0 million) is settled by way of the issue of 1,650,000 Ordinary Shares (assuming a share price of 540p)), and payment of the pre-IPO interim dividend of US\$500 million. Therefore the adjustment reflects the gross proceeds less the expense settled in cash and the pre-IPO dividend.
- No adjustment has been made to reflect the trading results of ENRC since 30 June 2007.

Section B: Accountant's Report on the unaudited pro forma financial information



PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

The Directors
Eurasian Natural Resources Corporation PLC
16 St James's Street
London
SW1A 1ER

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London
EC2N 2DB

7 December 2007

Dear Sirs

Eurasian Natural Resources Corporation PLC (the "Company")

We report on the pro forma financial information (the "**Pro forma financial information**") set out in Section A of this Part VI of the Company's prospectus dated 7 December 2007 (the "**Prospectus**") which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the Global Offer might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial information as at and for the period ended 30 June 2007. This report is required by item 7 of Annex II to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro forma financial information in accordance with item 20.2 of Annex I to the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation Rules as to the proper compilation of the Pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

Part VI: Pro forma financial information

any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3 R(2)(f), we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Part VII: Capitalisation and indebtedness

Capitalisation and indebtedness

The following table shows the capitalisation of the Group as at 30 June 2007 and the indebtedness of the Group as at 30 September 2007 prepared under IFRS using policies which are consistent with those used in preparing the interim financial information in Section B of Part V of this document:

	As at 30 September 2007 US\$m ⁽⁴⁾
Current debt	
Guaranteed	—
Secured ⁽²⁾	(211)
Unguaranteed/Unsecured	(33)
Total current debt	(244)
Non-current debt (excluding current portion of long-term debt)	
Guaranteed	(3)
Secured ⁽²⁾	(856)
Unguaranteed/Unsecured	(290)
Total non-current debt	(1,149)
Total debt	(1,393)
	As at 30 June 2007 US\$m
Capital and reserves⁽¹⁾	
Share capital	(200)
Other reserves	(336)
Total	(536)

The following table shows the net financial indebtedness of the Group as at 30 September 2007:

	As at 30 September 2007 US\$m ⁽⁴⁾
Liquidity	
Cash	266
Cash equivalents (short-term deposits and restricted cash)	90
Trading securities	—
Total liquidity	356
Current financial receivable	
Current financial receivable	—
Current financial debt	
Current bank debt	(17)
Current portion of non-current debt	(196)
Other current financial debt	(31)
Total current financial debt	(244)
Net current financial indebtedness	112
Non-current Bank loans	(854)
Bonds Issued	(32)
Other non-current loans	(263)
Non-current financial indebtedness	(1,149)
Net financial indebtedness⁽³⁾	(1,037)

Notes:

- (1) Capital and reserves does not include the profit and loss account reserve.
- (2) The secured debt includes a structured trade finance facility of up to US\$1,480 million. The facility is supported by a security package principally in the form of an assignment of the sales contracts entered into by ENRC Marketing and third-party buyers (and all receivables thereunder). All monies payable by the end purchasers under the sales contracts are required to be paid into bank accounts which are also used to secure the facility. Withdrawals from these bank accounts are subject to restrictions imposed under the terms of the trade finance facility (described in paragraph 15.1 of Part XIII).
- (3) There was no indirect or contingent indebtedness as at 30 September 2007.
- (4) This information is unaudited.

Part VIII: Directors, Senior Managers and corporate governance

Directors

The Directors of the Company and their functions are:

Dr. Johannes Sittard	(Chief Executive Officer)
Mr. Miguel Perry	(Chief Financial Officer)
Sir David Cooksey	(Independent Non-Executive Chairman)
Mr. Gerhard Ammann	(Independent Non-Executive Director)
Mr. Mehmet Dalman	(Independent Non-Executive Director)
Mr. Michael Eggleton	(Independent Non-Executive Director)
Sir Paul Judge	(Independent Non-Executive Director)
Mr. Kenneth Olisa	(Independent Non-Executive Director)
Sir Richard Sykes	(Independent Non-Executive Director)
Mr. Roderick Thomson	(Independent Non-Executive Director)
Mr. Eduard Utepov	(Non-Executive Director and representative of the Committee)
Mr. Abdraman Yedilbayev	(Non-Executive Director appointed by Mr. Ibragimov)
Mr. Daulet Yergozhin	(Non-Executive Director and representative of the Committee)

The following are the Senior Managers of the Company:

Mr. Felix Vulis	(Chief Operating Officer)
Mr. Jim Cochrane	(Head of Sales and Marketing)

The business address of each of the Directors and Senior Managers is Second Floor, 16 St James's Street, London SW1A 1ER.

Directors

Dr. Johannes Sittard (Age 64)—Dr. Sittard is the Chief Executive Officer of the Company. Dr. Sittard has extensive experience in the natural resource and steel industries, having worked in the business for over 25 years. Dr. Sittard is also the Chairman of International Mineral Resources B.V. and a non-executive director of Cunico Resources NV (both companies in which the Founders have a significant interest).

Dr. Sittard commenced his career as an Assistant Professor at the Institute for Iron and Steel at the Technical University of Clausthal-Zellerfeld, Germany (1971-1978). He has a Bachelor's Degree in Iron and Steelmaking from Technical University, Berlin and a Master's Degree in Iron and Steelmaking and a Doctorate in Metallurgy from the Technical University of Clausthal-Zellerfeld. Prior to joining the Group in 2001, Dr. Sittard was the President and Chief Operating Officer of ISPAT International NV (now known as ArcelorMittal).

Mr. Miguel Perry (Age 37)—Mr. Perry is the Chief Financial Officer of the Company and a qualified accountant. Prior to joining the Company in March 2007, Mr. Perry worked at PricewaterhouseCoopers in Russia and Switzerland for fifteen years and was made a partner in 2005 in Russia and Switzerland. During this period he gained extensive experience with companies based in the FSU (including Russia) and advised the Group during 2005 and 2006. Mr. Perry holds a Bachelor's Degree in Modern Languages (Russian & French) from Essex University. His native language is English and he is fluent in Russian and French.

Sir David Cooksey (Age 67)—Sir David Cooksey GBE was one of the founders of the private equity and venture capital industry in Europe. He retired as Chairman of Advent Venture Partners LLP in 2006, a firm that he founded in 1981. He was the first Chairman of the British Venture Capital Association in 1984/5 and Chairman of the EVCA (the European Private Equity & Venture Capital Association) in 2005/6.

Since 2006 he has been Chairman of London & Continental Railways Ltd, the company that built the high speed rail link from London to the Channel Tunnel and owns the British interest in Eurostar. He has been an independent director of Resolution Plc (and its predecessor Resolution Life Group Ltd) since 2003. He chairs its Remuneration Committee and is a member of its Nominations Committee. He

Part VIII: Directors, Senior Managers and corporate governance

was appointed as an independent director of the Establishment Investment Trust plc in 2002 and chairs its Audit Committee.

In February 2005, Sir David retired as a non-executive director of the Bank of England having served on the Court for eleven years and as Chairman of the Committee of Non-Executive Directors since 2001. He was Chairman of the Audit Commission from 1986-1995 and a Governor of the Wellcome Trust from 1995 to 1999.

Sir David holds an MA in Metallurgy.

Mr. Gerhard Ammann (Age 63)—Mr. Ammann, who has been appointed head of the Company's Audit Committee, was CEO of Deloitte & Touche LLP in Switzerland until May 2007. Mr. Ammann has over 30 years experience as an auditor under IFRS and Swiss reporting standards, primarily in banking, finance and international trade. He joined Deloitte as a partner in 1993 and became CEO in Switzerland in 2001. At Deloitte he was Lead Client Service Partner and Advisory Partner for many international companies. He was previously a board member of Homestake Mining Company, San Francisco and the CEO of Experta Audit. He was on the board of the Swiss Chamber of Audit from 2004 until 2007. He has a degree in economics from the University of Siegen.

Mr. Mehmet Dalman (Age 49)—Mr. Dalman has extensive experience of working within the financial services industry and has spent a considerable part of his career at a variety of investment banks. Mr. Dalman is currently the Chief Executive Officer of the WMG Group, a financial services firm that specialises in alternative investments, which he founded in 2004. From June 1997 until September 2004, he was the Head of Investment Banking and a Member of the Board of Managing Directors of Commerzbank AG where he established Commerzbank Securities, a fully integrated global equities business. From 2003-2005, he was a Member of the Supervisory Board of the Deutsche Börse AG.

Prior to joining Commerzbank AG, he was Managing Director of Deutsche Morgan Grenfell Capital Markets Limited, and Head of Japanese Equities and Equity Derivatives for Asia Pacific. From 1990-1995, he was Head of European and Japanese Equities at Credit Lyonnais Securities and Head of Quantitative Marketing at The Nikko Securities Europe. He graduated from the University of London and has an MA from the London School of Economics.

Mr. Dalman is the chief executive officer and majority owner of the WMG Group, a wealth management business, of which Mr. Ibragimov, one of the Founders, is a client.

Mr. Michael Eggleton (Age 39)—Mr. Eggleton has spent over fifteen years as an investment professional in the United States, United Kingdom, Turkey and Russia. In August 2006, he joined TRUST Investment Bank to serve as CEO and Chairman of the bank. Previously he worked for Merrill Lynch as Managing Director, Head of Emerging Markets (CEEMEA) in London and Moscow and headed Credit Suisse First Boston's Tactical Markets Group, where he was responsible for investments in Turkey, the CIS, the Middle East and Northern Africa. He is currently on the board of directors of Moorgate Capital Management, a private equity asset manager formed by the TRUST Banking Group.

Mr. Eggleton holds a BA with Honors from the University of San Diego and an MBA from San Diego State University. He is certified to be a bank president by the Russian, Egyptian and Turkish Central Banks. Mr. Eggleton is a Certified Public Accountant in the United States and also was UK Financial Services Authority qualified whilst at Credit Suisse and Merrill Lynch.

Sir Paul Judge (Age 58)—Sir Paul spent thirteen years with Cadbury Schweppes plc, becoming Group Planning Director. He then led the buyout of its food companies to form Premier Brands Ltd which was successfully sold in 1989. He has subsequently been a government-appointed Member of the Milk Marketing Board, Chairman of Food from Britain, Director General of the Conservative Party, a ministerial adviser at the UK Cabinet Office, a director of Grosvenor Development Capital plc, the Boddington Group plc and WPP plc, and was the key benefactor of the Judge Business School at the University of Cambridge.

Sir Paul is currently the Chairman of Schroder Income Growth Fund plc, Teachers TV, the Enterprise Education Trust, Digital Links International and the British-North American Committee, President of the Association of MBAs and Deputy Chairman of the American Management Association. He is a

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director of the United Kingdom Accreditation Service, Standard Bank Group Ltd of South Africa and of Tempur-Pedic International Inc. of Kentucky. He is a recent chairman of the Royal Society of Arts, President of the Chartered Management Institute and Master of the Worshipful Company of Marketors. Sir Paul was an Open Scholar at Trinity College, Cambridge and a Thouron Fellow at the Wharton Business School, University of Pennsylvania, where he gained his MBA.

Mr. Kenneth Olisa (Age 56)—Mr. Olisa is a non-executive director of Reuters Group plc, is the founder and Chairman of Restoration Partners Limited and a non-executive director of BioWisdom and Open Text Corporation. He currently serves on the Board of, or is an adviser to, several privately held and innovative companies including Prevx, Independent Audit and Metaprxaxis. Mr. Olisa is the former chairman (2000 - 2006) and CEO of Interregnum plc, which he founded in 1992. He worked for Wang Laboratories (1981 - 1992) and was General Manager of Wang Europe, Africa and the Middle East (1990 - 1992).

Mr. Olisa began his career at IBM (1974-1981). He has held non-executive directorships of various information technology companies and is the former UK Postal Services Commissioner. He is a Freeman of the City of London, Warden of the Worshipful Company of Information Technologists, a Fellow of the British Computer Society, Chairman of the homeless charity, Thames Reach, a governor of the Peabody Trust and a director and trustee of the Reuters Foundation. In 2003 Mr. Olisa was awarded the BVCA/Real Deals Private Equity Personality of the Year Award.

Sir Richard Sykes (Age 65)—Sir Richard Sykes is the Rector of Imperial College, London and is the senior non-executive director of Rio Tinto PLC and Rio Tinto Limited. He has approximately 30 years of experience within the biotechnology and pharmaceutical industries, serving as Chief Executive and Chairman of Glaxowellcome from 1995 to 2000 and then as Chairman of GlaxoSmithKline until 2002. He has extensive experience as a director and Chairman of numerous enterprises, including Lonza Group Limited, Merlion Pharmaceuticals Pte. Limited, Circassia Limited and Omnicyte Limited. Sir Richard is Chairman of the Singapore Biomedical Sciences International Advisory Council and a member of the International Advisory Panel of Temasek, which owns and manages the Singapore Government's direct investments. After reading microbiology at the University of London, Sir Richard obtained doctorates in microbial chemistry and science from the University of Bristol and the University of London, respectively.

Sir Richard is a Fellow of the Royal Society.

Mr. Roderick Thomson (Age 68)—Mr. Thomson is an international financier, venture capitalist and philanthropist with over 40 years of international business experience. He has provided capital from his own private investment portfolios to numerous companies in the information technology, biotechnology, oil & gas, real estate and telecommunications sectors. Mr. Thomson has been a founder of and made numerous notable venture capital investments including Instinet, the largest institutional electronic trading market in the United States, Skype, the IP telephony company and Baidu, among others.

Mr. Eduard Utepov (Age 54)—Mr. Utepov has held numerous governmental positions within the Republic of Kazakhstan. Since 2000 he has served as Chairman of the State Property and Privatization Committee of the Ministry of Finance. Prior to this appointment, he acted as First Deputy Chairman of the State Property Committee, Chairman of the State Privatization Committee and Deputy Chairman of the Treasury Committee of the Ministry of Finance. Before his government appointments, Mr. Utepov was Vice-President of GVK "Kazintermetal" and held a management role within UIF "Alem-Bobek". He graduated from the Moscow Institute of Steel and Alloys with a degree in technical sciences and a diploma in metallurgical engineering.

Mr. Abdraman Yedilbayev (Age 48)—Mr. Yedilbayev has wide experience working in the mining industry, having been employed in both the public and private sector, as well as having spent the first ten years of his career as a senior researcher at the Institute of Mining Engineering in Kazakhstan. Mr. Yedilbayev has spent the last eight years working at Gorneo Buro LLP, which provides a variety of technological and scientific services to the mining industry, where he is currently the Chairman and Financial Director. Prior to joining Gorneo Buro LLP, he was General Director at Satpayevsk Titanium Mines Limited, Technical Director of Teskuna Chemicals in

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Hong Kong, Vice-president of Kazintermetal, Deputy Director of Kazmestimpex, and the representative of Euromin AG in Kazakhstan.

Mr. Yedilbayev was educated at Kazakh Polytechnic Institute where he specialised in minerals and metallurgy. He took his postgraduate degree in Moscow where he specialised in the physical processes of mining. Mr. Yedilbayev is the son of Mr. Ibragim Yedilbayev, who is the Group's Vice President of technical development, and is the brother of Gulsara Yedilbayev, who is a manager within the Group's environmental department.

Mr. Daulet Yergozhin (Age 28)—In January 2007, Mr. Yergozhin was appointed to the position of Vice-Minister of Finance of the Republic of Kazakhstan and has held a number of other governmental positions since early 2006. Prior to his governmental appointments, Mr. Yergozhin was Deputy Director of the North-Caspian Project Department of JSC NC KazMunaiGas before moving to a Deputy Director General role in JSC "Offshore Oil Company KazMunayTeniz", a subsidiary of JSC KazMunaiGas. He previously worked for KazTransOil JSC.

Mr. Yergozhin was educated at the Kazakh State Academy of Management and at the Economy and Justice University. In 2003, Mr. Yergozhin obtained a Master's Degree in Business Administration at Suffolk University in the United States.

Senior Management

Mr. Jim Cochrane (Age 43)—Mr. Cochrane is Chief Executive Officer of ENRC Marketing and is responsible for developing and implementing the sales and marketing strategy of the Group. Prior to joining the Group in 2001, Mr. Cochrane gained extensive experience in marketing and business development in the mining industry having spent 12 years with BHP Billiton, and also having worked for Samancor Chrome, Impala Platinum and Schlumberger. Mr. Cochrane holds a Master's Degree in Business Administration from Strathclyde Graduate Business School, and an Engineering Degree, with a focus on mining and petroleum engineering, from Strathclyde University. Since 2006, Mr. Cochrane has been the President of the International Chromium Development Association.

Mr. Felix Vulis (Age 52)—Mr. Vulis has been Chief Operating Officer of the Company since December 2006. Prior to joining the Group in 2001, Mr. Vulis was President of UNICHEM K, LLC where he supervised the development of new technologies and know-how for fertiliser production. From May 1990 to October 1995, he was the President and CEO of AGC Group, Inc., a company that arranges conferences and exhibitions in the United States and the FSU. Mr. Vulis is Deputy Chairman of the Governing Board and Co-Chairman of the Operating Working Group of the Foreign Investors Council of Kazakhstan. Mr. Vulis has a Master of Science Degree in Electrical Engineering from the Novochebarkassk Technical Institute and is studying for a Master's Degree in Business Administration at the Moscow State Institute of International Relations.

Corporate Governance and Board Practices

The Board currently comprises the Chief Executive Officer, the Chief Financial Officer and 11 non-executive directors. Mr. Utepov and Mr. Yergozhin are representatives of the Committee. Under the terms of the Relationship Agreements, each of the Founders has the right to appoint one director to the Board, for so long as his Shareholder Group (as defined in Part IX) controls 10% or more of the voting rights exercisable at general meetings of the Company (see "Part IX: Major shareholders and relationship agreements—Relationship Agreements" for further information about these arrangements). Pursuant to this right, Mr. Ibragimov has appointed Mr. Yedilbayev to the Board. Mr. Chodiev and Mr. Machkevitch have not yet appointed representatives to the Board but the Directors expect that they may do so following Admission.

As recommended by the Combined Code on Corporate Governance (the "Combined Code"), the roles of the Chairman and Chief Executive are separate. Sir Richard Sykes has been appointed as the senior independent director. The role of the senior independent director is to evaluate the performance of the Chairman and address shareholders' concerns that are not resolved through the normal channels of communication with the Chairman, Chief Executive or Chief Financial Officer, or in cases when such communications would be inappropriate.

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The Combined Code recommends that at least half the board (excluding the Chairman) should be non-executive directors who are independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The Group has eight non-executive directors (other than the representatives of the Founders and the Committee referred to above) who, in the opinion of the Board, are independent in character and judgement.

The Founders have entered into relationship agreements with the Company to enable the Group to carry on its business independently, and to ensure that transactions and relationships between the Group and the Founders are at arm's length and on a normal commercial basis (see "Major Shareholders and Relationship Agreements" in Part IX for further information about these relationship agreements).

The composition of the Board will be reviewed regularly. Appropriate training and an induction programme is undertaken in respect of all Directors on appointment and subsequently as necessary, taking into account existing qualifications and experience. One-third of all Directors are subject to annual reappointment by shareholders.

The Board intends to meet at least six times a year. At these meetings the Board will review the Company's long-term strategic direction and financial plans. There is a formal schedule of matters reserved for the Board's decision at each meeting. All Directors have access to the advice and services of the Company Secretary, who is also responsible for ensuring that the Board procedures are followed.

The Company complies and will, at the date of Admission, comply with the recommendations of the Combined Code.

In addition, the Company will, as of Admission, implement a code of securities dealings in relation to the Ordinary Shares, which is based on, and is no less exacting than, the Model Code published in the Listing Rules. This code will apply to Directors and other persons discharging managerial responsibilities.

The Board has recently established the following committees:

Audit Committee

The role of the Audit Committee is to monitor the integrity of the Company's financial reporting, to review the Company's internal control and risk management systems, to monitor the effectiveness of the Group's internal audit function and to oversee the relationship with the Group's external auditors. The Audit Committee focuses particularly on compliance with legal requirements, accounting standards and the rules of the Financial Services Authority. The Audit Committee will meet at least twice a year. The Combined Code recommends that all members of the Audit Committee should be non-executive directors who are independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement and that at least one member should have recent and relevant financial experience. The Audit Committee is chaired by Mr. Ammann and the other members are Sir Paul Judge, Mr. Roderick Thomson, Mr. Michael Eggleton and Mr. Kenneth Olisa. The Company complies with the Combined Code recommendations regarding membership of the Audit Committee.

Remuneration Committee

The role of the Remuneration Committee is to determine and agree with the Board the broad policy for the remuneration of executives and senior management as designated, as well as specific remuneration packages, including pension rights and any compensation payments. The remuneration of the Chairman and Non-Executive Directors is decided upon by the full Board. The Remuneration Committee will meet at least twice a year. The Combined Code recommends that all members of the Remuneration Committee should be non-executive directors who are independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement. The Remuneration Committee is chaired by Sir Richard Sykes and the other members are Sir Paul Judge, Mr. Kenneth Olisa and Mr. Mehmet Dalman. The

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Company complies with the Combined Code recommendations regarding membership of the Remuneration Committee.

Nominations Committee

The role of the Nominations Committee is to identify and nominate candidates for the approval of the Board to fill Board vacancies and to make recommendations to the Board on Board composition and balance. The Nominations Committee will meet at least twice a year. The Combined Code recommends that a majority of the members of the Nominations Committee should be non-executive directors who are independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement. The Nominations Committee is chaired by Sir David Cooksey and the other members are Sir Richard Sykes, Mr. Gerhard Ammann, Mr. Kenneth Olisa, Mr. Michael Eggleton, Sir Paul Judge, Mr. Roderick Thomson and Mr. Mehmet Dalman. The Company complies with the Combined Code recommendations regarding membership of the Nominations Committee.

Health, Safety, Environment and Sustainability Committee

The HSE Committee is chaired by Dr. Johannes Sittard, and Mr. Eduard Utepov, Mr. Felix Vulis (a Senior Manager), and Mr. Abdraman Yedilbayev are also members. The HSE Committee is responsible for formulating and recommending to the Board a policy on health, safety and environmental issues related to the Group's operations, and will meet at least twice a year. In particular, the HSE Committee will focus on compliance with applicable standards to ensure that an effective system of health and safety and environmental standards, procedures and practices is in place at each of the Group's operations. The Group intends to engage specialists with appropriate technical expertise to be members of, or advise, the HSE Committee. The HSE Committee is also responsible for reviewing management's investigation of incidents or accidents that occur to assess whether policy improvements are required. While the HSE Committee is expected to make recommendations, the ultimate responsibility for establishing the Group's health, safety and environment policy remains with the Board.

Part IX: Major shareholders and relationship agreements

The current shareholders of the Company are the Founders, a wholly owned subsidiary of Kazakhmys plc and the Republic of Kazakhstan, as represented by the Committee (together the “Existing Shareholders”), as described in “Additional information—Directors’ and other relevant interests in the share capital of the Company” in paragraph 8 of Part XIII.

Immediately following Admission, the Existing Shareholders will collectively own 79.2% of the issued ordinary share capital of the Company if the Over-allotment Option is not exercised, or 77.7% of the issued ordinary share capital of the Company if the Over-allotment Option is fully exercised.

The following table shows the current beneficial shareholdings of the Existing Shareholders and as they will be immediately following Admission:

Beneficial Owner	Number of existing Ordinary Shares	Percentage of existing issued share capital ⁽¹⁾	Number of Ordinary Shares following the Global Offer	Percentage of the enlarged issued share capital (assuming no exercise of the Over-allotment Option)	Percentage of the enlarged issued share capital (assuming full exercise of the Over-allotment Option)
Mr. Chodiev	187,836,250	18.8%	187,836,250	14.9%	14.6%
Mr. Ibragimov	187,836,250	18.8%	187,836,250	14.9%	14.6%
Mr. Machkevitch	187,836,250	18.8%	187,836,250	14.9%	14.6%
Kazakhmys Eurasia B.V. ⁽²⁾	187,836,250	18.8%	187,836,250	14.9%	14.6%
The Committee ⁽³⁾	248,655,000	24.9%	248,655,000	19.7%	19.3%

(1) Excluding the 10 million shares to be issued to certain directors, employees and consultants on or prior to Admission.

(2) Kazakhmys Eurasia B.V., a subsidiary of Kazakhmys plc, acquired its interest in November 2007 from its Chairman, Mr. Vladimir Kim, pursuant to the exercise of a call option which was granted in 2006.

(3) Assuming that the Special Share held by the Committee is redeemed.

Relationship Agreements

Each of the Founders have, on 7 December 2007, entered into a relationship agreement (each a “Relationship Agreement”) which will, conditional on Admission, regulate the ongoing relationship between each Founder and the Group with a view to ensuring that the Group is capable of carrying on its business independently of the Founders, and to ensure that transactions and relationships between the Group and the Founders are at arm’s length and on a normal commercial basis. Each Founder and his respective associates and affiliates are referred to as a “Shareholder Group”.

Each Relationship Agreement entered into by a Founder shall continue for so long as (a) the relevant Founder and his relevant Shareholder Group collectively controls 10% or more of the voting rights exercisable at general meetings of the Company; or (b) the relevant Founder and his relevant Shareholder Group collectively controls between 5% and 10% of the voting rights exercisable at general meetings of the Company and the Founders collectively control 20% or more of the voting rights exercisable at general meetings of the Company.

Under the terms of each Relationship Agreement, each Founder and the Company agree, *inter alia*, that:

- (a) Each Founder, so long as his Shareholder Group controls 10% or more of the voting rights at general meetings of the Company, shall have the right to appoint one Director to the Board of the Company, provided, however, that in no event may the Founders collectively appoint more than three members of the board.
- (b) Each Founder agrees to exercise his voting rights so as to:
 - ensure that the Company has its own dedicated management;
 - use reasonable endeavours (in so far as he is able) to ensure that there is a majority of independent non-executive Directors on the Board;

Part IX: Major shareholders and relationship agreements

- ensure that the Group is capable at all times of carrying on its business independently of the relevant Shareholder Group; and
 - ensure that the Company operates and makes decisions for the benefit of shareholders as a whole, and independently of the relevant Shareholder Group at all times.
- (c) Each Founder agrees that he shall not and shall procure that each of his affiliates and associates shall not vote on any shareholder or board resolution that is required pursuant to applicable law or regulation to alter the Company's articles or memorandum of association which would be contrary to the maintenance of the Company's ability to carry on its business independently of the relevant Founder and his Shareholder Group, unless such resolution is supported by a vote of the Directors independent of the relevant Shareholder Group.
- (d) Each Founder agrees, in respect of his own Shareholder Group, to:
- use reasonable efforts to ensure any Directors appointed by the Shareholder Group will vote so that the Committees of the Board are in line with the requirements of the Combined Code from time to time;
 - ensure that any Director appointed by such Founder does not vote at Board meetings in respect of related party transactions concerning any of the three Shareholder Groups.
- (e) Each Founder agrees that no member of its Shareholder Group will enter into any material agreement with any member of the Group unless it has been approved by a vote of the Directors independent of the Shareholder Groups.
- (f) Each Founder agrees that all transactions and relationships between any member of his Shareholder Group and any member of the Group will be on arm's length terms and on a normal commercial basis.
- (g) Each Founder agrees that, except as disclosed in the Prospectus, all existing transactions, agreements and arrangements between the Company and his Shareholder Group are on an arm's length and normal commercial basis and are fair and reasonable having regard to the interests of the Company and the Group as a whole.
- (h) Each Founder agrees that (subject always to any confidentiality obligations he may have), if presented with an Investment Opportunity (as defined below), he will within seven days of becoming aware of the substantive details of any such Investment Opportunity first offer to the Company the chance to take up such Investment Opportunity. For these purposes an "Investment Opportunity" is any opportunity to acquire or develop a business concerned with the extraction, production or marketing of natural resources, other than oil, gas and water, in Kazakhstan, Russia, China, Mongolia, Uzbekistan, Turkmenistan, Kyrgyzstan and/or Tajikistan, excluding from this restriction the existing holdings of any Shareholder Group.
- (i) Each Founder agrees not to and will procure that each member of his Shareholder Group will not, for the duration of the relevant Relationship Agreement, recruit, solicit or entice any senior employee of any member of the Group.
- (j) Each Founder agrees not to and to procure that no member of his Shareholder Group shall, for a period of six months following Admission, (i) vote upon any resolution of the shareholders of the Company to cancel the admission of the Ordinary Shares to the Official List; or (ii) do or omit to do anything which would render the Company unsuitable for admission to listing on the Official List or to trading on the LSE.
- (k) Each Founder agrees that any decisions of the Board regarding enforcement of a Relationship Agreement shall be taken by a majority of the independent Directors independent of his Shareholder Group.

The Founders

The Founders, together with a number of related individuals, have been named in an ongoing investigation of certain matters in Belgium (unrelated to the Group's activities) that started in 1996. The Company has been advised by the Founders that the investigation relates to allegations of tax

Part IX: Major shareholders and relationship agreements

evasion in respect of the 1996 tax year. Any use by the Founders of the monies that should, allegedly, have been paid in tax could constitute money laundering under Belgian law, and as a result, although it is derived from tax issues, the investigation has been categorised as a money laundering investigation. The investigation, which commenced in 1996 and could ultimately lead to criminal sanctions, has attracted widespread publicity. To date no charges have been brought against the Founders. The Company has been advised by the Founders that, having taken legal advice, they are confident that the Belgian investigation will not result in the imposition of criminal sanctions. There can be no assurance that criminal proceedings will not be commenced or the timing and nature of the outcome of any such proceedings. Although any such criminal proceedings would not be against the Group and would not involve the Group's assets or operations, if criminal proceedings are commenced against the Founders, there can be no assurance that the Group's reputation will not be materially and adversely affected as a result of its association with the Founders.

Part X: Related party transactions

The following is a summary of the Group's most significant transactions with related parties (other than other members of the Group) for the years ended 31 December 2004, 2005, 2006, and for the six months ended 30 June 2007 and for the period from 1 July 2007 to 6 December 2007 (which date is the latest practicable date prior to publication of this Prospectus). For further details about these transactions, see the historical financial information relating to the Group set out in Part V of this Prospectus.

Significant related party transactions

During the three years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007 ("the Trading Period") members of the Group entered into a number of transactions with entities owned or controlled by the Founders. In accordance with a series of separation agreements entered into in June 2007 (the "Separation Agreements"), several of these related party arrangements have been terminated or brought within the Group. Set out below is a summary of the material related party transactions entered into during the Trading Period, and (to the extent applicable) from the expiry of the Trading Period to 6 December 2007 (the latest practicable date prior to publication of this Prospectus) and the terms of the Separation Agreements.

Finance transactions

Eurasian Bank

Eurasian Bank is a joint-stock company incorporated and operating in Kazakhstan, and controlled and beneficially owned by the Founders. The Group's Kazakh subsidiaries have entered into a number financing transactions with Eurasian Bank for the Trading Period as follows:

- surplus cash available in certain of the Group's Kazakh subsidiaries was deposited with Eurasian Bank in the form of short-term and long-term interest bearing bank deposits. The Group also acquired bonds issued by Eurasian Bank;
- credit facilities were provided to the Group's Kazakh subsidiaries by Eurasian Bank;
- the Group's Kazakh subsidiaries held all of their bank accounts in and undertook all day to day bank transactions through Eurasian Bank.

The table below summarises the Group's outstanding balances with Eurasian Bank during the Trading Period.

	As at 31 December			As at
	2004	2005	2006	30 June 2007
	In millions of US\$			
Bonds with related parties	19	18	—	—
Restricted cash	—	5	6	9
Term deposits	99	61	38	188
Other receivables	1	—	6	1
Cash and cash equivalents	93	111	221	89
Letters of credit	1	2	1	—
Borrowings—non current	(61)	(58)	(12)	(7)
Borrowings—current	(40)	(80)	(1)	—
Other payables	—	(2)	(2)	(1)
Net position	112	57	257	279

The Directors believe that deposits made by the Group are material to the operations of Eurasian Bank and therefore believe that it is likely the bank is reliant on these deposits. As of 30 June 2007, the Group classified certain term deposits amounting to US\$188 million as "short term deposits" within "Trade and other receivables". In November 2007, the Group agreed to maintain, until 30 November 2008, certain pre-existing term deposits with Eurasian Bank, amounting to US\$158 million. The average interest rates applicable to these deposits are 8% for dollar deposits and 8.5% for Tenge deposits reflecting current market rates of interest. Whilst the Group intends to maintain a commercial banking relationship with Eurasian Bank, the Group is currently seeking to diversify its commercial banking relationships to include HSBC and ABN AMRO going forward.

Other credit facilities provided by entities controlled by the Founders

Nordem Overseas Limited and Kherson Holdings B.V.

Nordem Overseas Limited (“Nordem”) and Kherson Holdings B.V. (“Kherson”) are controlled and beneficially owned by the Founders. Pursuant to the assignment of two loan facilities in 2000, the Group received financing from Nordem as follows:

- A US\$40.4 million interest free loan facility provided to EEC with the principal amount to be repaid by 2010.
- A US\$13.8 million interest free loan facility provided to AoK with the principal amount to be repaid by 2010.

In 2005, the benefit of these loan facilities was transferred to Kherson. EEC repaid US\$10.8 million in 2005, US\$13.6 million in 2006 and US\$7.1 million in the first half of 2007 to Kherson in accordance with the loan repayment schedule.

In accordance with the terms of the Separation Agreements, the benefit of these loan facilities has been assigned to ENRC NV, a wholly owned subsidiary of the Company, and accordingly, they are now intra-Group loans (except for US\$2.9 million outstanding under these loan facilities which remains payable to Kherson and which the Group expects to repay shortly).

Kazakhstan Mineral Resources Corporation Investments LLP

In connection with the Founders’ acquisition of EEC, in 1999 EEC entered into an agreement with Kazakhstan Mineral Resources Corporation Investments LLP (“KMRCI”), which is controlled and beneficially owned by the Founders, to finance the expansion of EEC’s generating capacity. Under the agreement, KMRCI committed to advance to EEC US\$5.0 million annually from 2000 until 2009 and US\$19.6 million annually from 2010 until 2024. The total amount to be advanced to EEC was US\$343.8 million. Between 2000 and 2007, loans of US\$35.0 million in aggregate were received by EEC from KMRCI, with US\$5.4 million repaid in 2004, US\$4.9 million repaid in 2005 and US\$5.2 million repaid in 2006. The Group is currently in negotiations to settle the outstanding amounts.

On 24 September 2007 the Committee, the Company, ENRC Kazakhstan Holding B.V., KMRCI and EEC entered into an assignment agreement to assign the obligations to invest in EEC from KMRCI to the Company. Under this assignment agreement the original KMRCI investment agreement was terminated. The Company has undertaken to finance EEC in the remaining amount of US\$308.8 million by 31 December 2011. ENRC Kazakhstan Holding B.V. has undertaken to invest the remaining amount according to the original investment agreement should the Company fail to provide the financing by 31 December 2011.

CIM Global Investment NV

CIM Global Investment NV is controlled and beneficially owned by the Founders. In 2006, it provided a US\$47.0 million short-term loan to Corica AG, the proceeds of which were lent to Kazakhstan Aluminium Smelter JSC for the construction of an aluminium smelter. Interest was payable at a rate of 5% per annum. The loan was settled in June 2007 in accordance with the terms of the Separation Agreements.

ENRC Kazakhstan Holding B.V.

In December 2006, ENRC Kazakhstan Holding B.V. provided a US\$139.0 million short-term loan to Corica AG, the proceeds of which were lent to Kazakhstan Aluminium Smelter JSC for the construction of an aluminium smelter. Interest was payable at LIBOR + 1%. The loan was settled in June 2007 in accordance with the terms of the Separation Agreements.

Alloy 2000 B.V.

Alloy 2000 B.V. (“Alloy”), a company beneficially owned and controlled by the Founders, acted as purchasing agent for ENRC Leasing B.V. in relation to certain equipment that was subsequently leased to EEC and Kazchrome. The amounts attributable to this equipment were treated as loans

from Alloy to the Group. In accordance with the terms of the Separation Arrangements, the benefit of these loans was assigned to ENRC NV and accordingly, they are now intra-Group loans.

Other credit facilities provided to entities controlled by the Founders

Eurasian Financial Industrial Company JSC

Eurasian Financial Industrial Company JSC (“EFIC”) is a joint-stock company registered and operating in Kazakhstan and is controlled and beneficially owned by the Founders. During the Trading Period, the Group provided financing to EFIC as part of a re-allocation of available funds between Group entities and Founders’ entities through Credit Partnership ENRC Credit LLP. As of 31 October 2007, KZT 305 million remains outstanding. During 2004 and 2005, Kazchrome provided interest-free loans to EFIC of KZT 858,000,000 which were fully repaid in 2006.

During the Trading Period, the Group provided the following further credit facilities to finance entities owned and controlled by the Founders in Kazakhstan:

- a credit facility given to Sary-Arka SpetsKoks LLP, an entity controlled and beneficially owned by the Founders, to finance the purchase of production equipment for KZT 1,350,000,000 at 12% annual interest rate expiring August 2010. Amounts outstanding under this facility were taken into account in determining the consideration payable to CIM Global Investment NV (as described in the paragraph headed “The Separation Agreements” below) and the Group is in the process of formally terminating this facility;
- an unsecured credit facility given to Mezhdunarodnye Ugol’nye Technologii JSC (“Mugoteks”), an entity controlled and beneficially owned by the Founders, in 2006 for KZT 490,000,000 at 12% annual interest rate repayable in six annual instalments by 2011. Amounts outstanding under this facility were taken into account in determining the consideration payable to CIM Global Investment NV (as described in the paragraph headed “The Separation Agreements” below) and the Group is in the process of formally terminating this facility;
- an unsecured interest-free credit facility given to Energosystema LLP, an entity controlled and beneficially owned by the Founders, to finance its working capital for KZT 178,000,000 to originally expire in 2005 but extended to 2007; and
- a guarantee contract entered into with Transremmash LLP, an entity controlled and beneficially owned by the Founders, for an amount of KZT 1,460,000,000.

In 2005 and 2006, the Group provided financing to members of the IMR Group and other entities controlled and beneficially owned by the Founders as follows.

- US\$20.6 million credit facility provided to the IMR Group (at an annual interest rate range set by Swiss Government tax regulations) in advance of ferroalloy purchases by the Group. This facility has been settled;
- US\$8.0 million credit facility provided to IMR Marketing A.G. in advance of coke supplies to the Group. This facility has been settled;
- US\$15.5 million credit facility provided to CIM, a private holding company controlled and beneficially owned by the Founders, at 4.5% annual interest. This facility has been settled as part of the Separation Agreements;
- US\$7.9 million facility arising from current account operations provided to Eurasian Natural Resources Corporation, a private holding company controlled and beneficially owned by the Founders. This facility remains outstanding; and
- US\$4.0 million credit facility provided to the Serov Group to finance its financial and commercial activities at an interest rate of LIBOR plus 2%. Following the acquisition of the Serov Group as detailed in paragraph 15.1 of Part XIII, this loan will be intra-Group.

Sales to entities controlled by the Founders

Sales of chrome ore to the Serov Group

During the Trading Period, a majority of the chrome ore supplies used by the Serov Group were supplied by Kazchrome. In 2006, the Serov Group purchased chrome ore worth US\$42.8 million

from Kazchrome. The Serov Group has been a related party since its acquisition by the IMR Group in April 2006. On 4 December 2007, the Group entered into a conditional agreement to acquire a controlling interest in the Serov Group.

Agency fees from IMR Marketing related to Serov business

In 2006, DDK Trading AG (“DDK”), a subsidiary of ENRC Marketing AG, entered into a commission agreement with IMR Marketing AG, a member of the IMR Group, to sell ferroalloys produced by the Serov Group with effect from 1 April 2006. The commission payable to DDK is 100% of its operational and financing costs plus 1%, plus 1% of the resulting profit calculated as 1% of EBITDA less financing costs. For the year ended 31 December 2006, US\$2.1 million is due from IMR Marketing A.G. to DDK and US\$1.8 million is due to DDK for the six months ended 30 June 2007. On 4 December 2007, the Group entered into a conditional agreement to acquire a controlling interest in the Serov Group.

Sales of ferroalloys to Baku Steel Company Limited

Baku Steel Company Limited (“Baku”), a joint venture in which the Founders have a 50% beneficial interest, is a steel producer operating in Azerbaijan. In the years ended 31 December 2005 and 2006, Baku purchased US\$0.9 million and US\$3.5 million of ferroalloys from the Group respectively. In the six months ended 30 June 2007, Baku purchased a further US\$1.0 million of ferroalloys from the Group. This does not represent a substantial part of the Group’s ferroalloy sales. The Group intends to continue dealing with Baku, with all transactions being concluded on an arm’s length basis.

Scrap metal sales to Metallurg LLP

Members of the Group sell scrap metals to Metallurg LLP (“Metallurg”), a limited liability partnership registered and operating in Kazakhstan which is controlled and beneficially owned by the Founders. During the three years ended 31 December 2006 and through the beginning of 2007, scrap metal sales to Metallurg were made at below market value. The Group is currently seeking to acquire Metallurg, which it hopes to conclude by the end of 2007, following which all transactions will be intra-Group.

Sale of land plot in Astana

In October 2007, SSGPO sold a land plot in Astana to Mr. A. Ibragimov, one of the Founders, for KZT 143 million (which was in line with applicable market prices).

Purchases from entities controlled by the Founders

Insurance arrangements with Eurasia Insurance

Eurasia Insurance, a joint-stock company registered and operating in Kazakhstan since 1995, is currently wholly owned by Eurasian Bank, which is controlled and beneficially owned by the Founders. During the Trading Period, the Group’s Kazakh operating entities had extensive insurance arrangements with Eurasia Insurance. The insurance transactions between the Group and Eurasia Insurance have been concluded on normal market terms and conditions, as the insurance rates and premiums are regulated under Kazakh law. Although the rates are regulated, certain insurance coverage provided under these arrangements has exceeded the prudent requirements of the Group’s businesses. Amounts charged by Eurasia Insurance during the three years ended 31 December 2006 were US\$38.0 million in 2004, US\$64.0 million in 2005 and US\$76.0 million in 2006. Amounts charged by Eurasia Insurance during the six months ended 30 June 2007 were US\$27.7 million.

The Group is currently reviewing its insurance requirements and intends to develop an appropriate policy for the Group going forward.

Coal purchases

Mugoteks and Shubarcoal Komir JSC

Mugoteks and Shubarcoal Komir JSC (“Shubarcoal”), joint-stock companies registered and operating in Kazakhstan, are controlled and majority owned by the Founders. Mugoteks and Shubarcoal produce coal from the Zapadny and Shubarcoal coal deposits in Kazakhstan, with the coal then sold through Shubarcoal to the Group. During the Trading Period, Mugoteks and Shubarcoal supplied coal to various members of the Group at below market prices. With effect from 1 January 2007, the prices payable in respect of sales of coal by Mugoteks and Shubarcoal to the Group have been increased. As at the date of this Prospectus, all purchases of coal from Mugoteks and Shubarcoal are conducted on an arm’s length basis.

Coke purchases

Sary-Arka SpetsKoks LLP

Sary-Arka SpetsKoks LLP (“Sary-Arka”), a limited liability partnership registered and operating in Kazakhstan, is controlled and beneficially owned by the Founders. In 2005, Sary-Arka started production of coke from coal mined from the Shubarcoal coal deposits in Kazakhstan. Sary-Arka became a supplier of coke to Kazchrome in 2006. For the year ended 31 December 2006 and the six months ended 30 June 2007 these totalled US\$8.3 million and US\$5.6 million, respectively.

IMR Marketing AG

IMR Marketing AG is a member of the IMR Group. In August 2006, it became a supplier of coke to Kazchrome. All supplies of coke to Kazchrome were conducted on arm’s length terms.

Other goods supplied/services provided by entities controlled by the Founders

Security services

Tarlan Security LLP is controlled and beneficially owned by the Founders. It has provided during the Trading Period, and continues to provide, security services to members of the Group. The Directors intend to review the terms and conditions of contractual arrangements between the Group and Tarlan Security LLP going forward to ensure they are on arm’s length terms.

Fuel and Explosives

For the three years ending 31 December 2006 the Group purchased fuel and explosives from EFIC totalling approximately US\$32.8 million. The Group continues to purchase fuel and explosives from EFIC. These transactions were not and continue not to be on arm’s length terms. The Group is currently reviewing these arrangements to ensure that they are on arm’s length terms in the future.

Other

Energosystema LLP, registered and operating in Kazakhstan and controlled and beneficially owned by the Founders, was a minor electricity provider to Kazchrome until October 2004.

Rudnensk Vodokanal LLP, a former wholly owned subsidiary of SSGPO was sold to EFIC in 2005.

Pavlodar Engineering Factory JSC, registered and operating in Kazakhstan and controlled and beneficially owned by the Founders, supplied spare parts, machinery and equipment to Kazchrome, KAS, AoK and EEC during the Trading Period.

Vostok-Impeks, registered and operating in Kazakhstan and controlled and beneficially owned by the Founders, acted as a sales agent for the Group during the Trading Period under various powers of attorney. These arrangements and all powers of attorney have now been terminated.

Management services in Switzerland and UK

During the Trading Period, certain administrative expenses of the Group were paid by entities controlled by the Founders, or by Alferon Management Limited (“Alferon”), a management company owned and managed by Dr. Sittard and involved with the Founders’ private businesses. Salary related costs paid by certain non-Group companies owned by the Founders in relation to

Part X: Related party transactions

Group employees amounting to US\$15.2 million and US\$16.8 million for the years ended 31 December 2004 and 2005, respectively, were treated as a capital contribution. For the year ended 31 December 2006, legal, consulting, administrative and employee costs totalling US\$21 million borne by an entity controlled and beneficially owned by the Founders, have been re-charged to the Group in 2006 and early 2007. These arrangements have now been terminated.

Shared premises and information systems

During the Trading Period, the Group shared a number of premises with entities controlled by the Founders.

London

The corporate head office of the Company at 16 St. James's Street, London SW1A 1ER, was previously shared with Alferon. Alferon vacated these premises on 9 July 2007 and this lease has now been assigned to the Company.

Zurich

The Group's Zurich office houses both Group businesses and other businesses of the Founders, although the building is divided into two separate areas each with its own entrance. The lease is in the name of Eurasian Capital AG, a company controlled by the Founders. There is no written sublease agreement between Eurasian Capital AG and the Group.

Astana

On 1 November 2006, the Group entered into a lease with EFIC, not on arm's length terms. The Group has signed a new eleven month lease agreement with EFIC that commenced on 1 October 2007. Under the lease terms the rent is US\$55 per square metre, comparable with average market rates for similar properties.

Amsterdam

The Group's offices in Amsterdam are currently shared by businesses owned by Cosena B.V., wholly owned by CIM Global Investment NV. The lease for these premises is currently in the name of Cosena B.V. and the Group is currently in negotiation for the assignment of the lease to it.

Moscow/Dubai

The Group has historically shared office space with related parties in Moscow and Dubai although it now has its own premises in Moscow and Dubai.

Almaty

The Group is currently party to a lease agreement with Eurasia Insurance for its premises in Almaty. This lease agreement expires on 1 April 2008 and the rent is 359,664 KZT per month including VAT. The Group also occasionally holds meetings at the Zhailjou Golf Resort in Almaty, which is beneficially owned by the Founders.

Pavlodar

The Group entered into a lease agreement with EFIC relating to an office building, warehouse, apartment and land plot in Pavlodar City for 1,316,190 KZT per month including VAT. This lease will remain in effect until both parties agree by mutual consent to terminate.

Zhaimem

Pursuant to a lease dated 24 October 2006, Zhaimem leases premises to Eurasian Bank in Zhaimem for 31,050 KZT per month including VAT.

Shared IT facilities

During the Trading Period, the Group shared certain IT facilities in London and Zurich with entities beneficially owned by the Founders. With effect from Alferon vacating the Group's premises in

Part X: Related party transactions

London in July 2007, the Group no longer shares IT facilities with Alferon (or any other entity owned by the Founders) in London. With effect from July 2007, the Group is responsible for its own IT facilities in Zurich.

Shared management

During the Trading Period, senior members of the Group's management have been involved in the management of other entities that are controlled by the Founders. As at the date of this Prospectus, certain senior members of the Group's management also hold roles in entities controlled by the Founders which could give rise to inappropriate information flows or conflicts of interest.

Examples of this include:

- Dr. Sittard is Chairman of International Mineral Resources B.V. ("IMR") and also a non-executive director of Cunico Resources NV, a company in which the Founders have a significant interest.
- Felix Vulis, chief operating officer, and Zaure Zaurbekova, deputy chief financial officer, have held advisory positions for Eurasian Bank.
- Jim Cochrane, Head of Sales and Marketing, and Felix Vulis are board members of certain entities within the Serov Group in Russia.
- Felix Vulis has also managed certain other interests held by the Founders and continues to be a non-executive director of certain companies owned by the Founders (including Cosena B.V., Caracol Road Construction B.V. and Kazspetszmak LLP). Mr. Vulis also has a 15% interest in Medical Centre "Eurasia", a company that provides medical services to employees of the Group (the balance is beneficially owned by his cousin (15%) and the Founders).

Distributions

During the three years ended 31 December 2006, profits generated by members of the Group were partially withdrawn by the Founders from the Group through dividends or distributions declared or made by Group entities and other vehicles. The table below summarises withdrawals made from the Group during the three years ended 31 December 2006 and the six months ended 30 June 2007.

US\$ in millions	Distributions							
	2004		2005		2006		Six months ended 30 June 2007	
	the Founders	other shareholders	the Founders	other shareholders	the Founders	other shareholders	the Founders	other shareholders
Dividends from Kazakh operating entities	2	2	144	88	154	79	—	—
Dividends from Group marketing entities	82	—	264	—	92	—	—	—
Distributions from Group marketing entities ⁽¹⁾	407	—	33	—	11	—	—	—
Distributions from certain historic Russian trading arrangements ⁽²⁾	66	—	28	—	17	—	—	—
Distributions from other business streams	32	—	9	—	2	—	—	—
	589	2	478	88	276	79	—	—

(1) The distributions for 2004 and 2005 are net of certain expenses of the Group paid by the Founders which have been classified as management charges incurred by the Group, which amounted to US\$15 million in 2004 and US\$19 million in 2005.

(2) These figures represent certain profits which have been taken into account in the Group's combined and consolidated financial statements on an accruals basis and which were distributed to the Founders through the historic Russian trading arrangements described in the paragraph headed "Historic Russian Trading Arrangements" below.

Part X: Related party transactions

In addition, on 6 December 2007 the Company declared an interim, pre-IPO dividend of US\$500 million in respect of the year to date. This dividend is subject to certain conditions including the receipt by the Company of the net proceeds of the Global Offer.

Dividends from Kazakh operating entities

Dividends were paid by Kazakh operating entities during the Trading Period. Prior to the Reorganisation in 2006, dividends declared by the Kazakh operating entities were paid through holding companies before being distributed to the Founders.

Dividends and other distributions from Group marketing entities

Over the Trading Period, the Founders and entities affiliated with them received certain distributions totalling US\$889 million in aggregate (other distributions, dividends, quasi-dividends and loans) from the Group's marketing entities. All outstanding loans have now been repaid.

Historic Russian Trading Arrangements

Through 2006, certain sales made by Kazakh operating companies that are now part of the Group to customers in Russia were made through a system organised by an agency which the Company and the Directors believe was neither owned or legally controlled by the Group or its shareholders. The precise structure of the system then operated by the agency is not known to the Group but the Directors believe that the agency arranged for the products sold by the operating companies to be on-sold through a series of intermediary companies and then finally to the end-customers. This system is referred to as the "Russian Trading System" or "RTS". The profits generated by this series of sales through the RTS to end customers (after deduction of the expenses and a commission payable to the agency) were received by the Founders in cash form. These arrangements were voluntarily terminated by the Group in the second half of 2006, following which the Group has made such sales to customers in Russia via its newly established Moscow sales office.

Although the Company and the Directors believe that the RTS companies were neither owned or legally controlled by the Group or its shareholders, the results of the trading through the RTS have been combined into the financial track record of the Group for the three years ended 31 December 2006 because the agency received only a fixed commission of approximately 3% of sales, and the residual profits of the structure were received by the Founders. In addition, the beneficial interest in the profits of the RTS companies for 2006 was transferred to, and included within the results, of ENRC Marketing. Revenues arising from the sales through the RTS were US\$309 million in 2004, US\$385 million in 2005 and US\$178 million in 2006 (representing approximately 11.5%, 13% and 5.5% of the Group's aggregate revenues in 2004, 2005 and 2006 respectively) and profits of US\$111 million in the period from 2004 through 2006 relating to the RTS were distributed to the Founders.

Loans from the Group's marketing entities

In 2005, the marketing entities of the Group advanced excess cash to Ecoma AG, a company controlled and beneficially owned by the Founders, in the form of an interest-free loan of US\$108.2 million with no expiry date. Following the Group's restructuring in 2006, pursuant to which ENRC Kazakhstan Holding B.V. became the holding company of the marketing entities, the loan to be repaid by Ecoma AG was assigned to ENRC Kazakhstan Holding B.V. with an interest rate of LIBOR plus 1%. The balance outstanding as of 30 June 2007 was US\$116 million. In accordance with the Separation Agreements, these loans have now been repaid.

During the Trading Period, loans amounting to US\$7.8 million were paid to J&W Investment AG, a company controlled by and beneficially owned by the Founders. In accordance with the Separation Agreements, these loans have been repaid in full.

Promissory notes issued by the Company

In connection with the restructuring of the Group in December 2006, the Company recorded liabilities of US\$751.0 million and US\$249.0 million respectively to ENRC Kazakhstan Holding B.V. (a company then beneficially owned by the Founders and Vladimir Kim) and the Government of Kazakhstan payable in five equal annual instalments commencing on 19 December 2007 plus

Part X: Related party transactions

accumulated interest at 12 month LIBOR plus 2%. The outstanding amounts could be pre-paid by the Group at its discretion. In the six months ended 30 June 2007, US\$500 million was repaid. In July 2007 an additional US\$250 million was repaid. On 29 November 2007, the Company received notification that ENRC Kazakhstan Holding B.V. had assigned its rights under the promissory note issued to it to Birkhall Holdings Limited, a company that the Directors believe is beneficially owned and controlled by the Founders. The remaining balance of US\$250 million (and outstanding interest) due under this promissory note was repaid in December 2007.

Charitable Donations

During the three years ended 31 December 2006 and the six months ended 30 June 2007 Kazakh operating entities of the Group (Kazchrome, SSGPO, AoK and EEC) made charitable donations to the "Umit Oty" fund and the "Kohzhiiek" fund, registered in Kazakhstan and controlled by the Founders. The donations made by the Group are set out as follows:

ENRC Entity (in thousands of US\$)	Fund	Charitable Donations			
		2004	2005	2006	30 June 2007
SSGPO	Umit Oty, Kohzhiiek	4,913	3,871	1,725	5,789
Kazchrome	Umit Oty, Kohzhiiek	6,192	9,569	3,161	6,891
AoK	Umit Oty	—	56	—	—
EEC	Kohzhiiek	6	—	—	—
Total		11,111	13,496	4,886	12,679

All donations and sponsorships were paid out to third party organisations/associations to fund social infrastructure projects. The Group will continue providing charitable donations as an important part of its ability to maintain good working relationships with local authorities, subject to approval and monitoring by the Board.

Serov Acquisition

On 4 December 2007, the Group entered into a sale and purchase agreement to acquire a controlling interest in the Serov Group and certain related entities (as summarised in paragraph 15.1 of Part XIII) from entities controlled and beneficially owned by the Founders for US\$210 million plus the assumption of certain liabilities. The Group has obtained a valuation report and fairness opinion to assist it in determining the appropriate price to be paid. An initial payment of US\$100.0 million was made on 16 July 2007 with the balance due to be paid on completion. The obligations of the selling entities were guaranteed by IMR, a company controlled and beneficially owned by the Founders and of which Dr. Sittard is Chairman. In addition, Mr. Cochrane and Mr. Vulis are directors of certain companies within the Serov Group. In view of his position as Chairman of IMR, Dr. Sittard did not participate in the negotiations of the transaction and abstained from voting on any board resolutions relating to the transaction. The Serov Group owns a chrome ore mining facility and a ferrochrome smelter in eastern Russia, which produces low- and medium-carbon ferrochrome, and has an annual capacity of 300,000 tonnes. The Directors believe that the acquisition of the Serov Group will not only complement the Ferroalloy Division's existing low- and medium-carbon ferrochrome product range but also provide the Group with an important asset base in Russia, which supports the Group's strategy to pursue regional expansion opportunities.

The Separation Agreements

Pursuant to the terms of the Separation Agreements:

- dividend payments payable to ENRC Kazakhstan Holding B.V., a company owned and controlled by the Founders, totalling US\$97.1 million from the Alumina and Aluminium (US\$24.5 million), Iron Ore (US\$46.1 million), Ferroalloy (US\$25.7 million) and Logistics (US\$0.8 million) Divisions of the Group were assigned to ENRC NV;
- the obligations under loans and other receivables totalling US\$144.3 million owed to the Group by ENRC Kazakhstan Holding B.V. (US\$116.0 million), J&W Investment AG (US\$7.8 million), and CIM Global Investment NV (US\$20.5 million) were assumed by ENRC NV; and

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- the benefits of loans and other obligations totalling US\$273.3 million owed by the Group to Alloy (US\$56.7 million), Kherson (US\$25.5 million), ENRC Kazakhstan Holding B.V. (US\$143.2 million) and CIM Global Investment NV (US\$47.9 million) were assigned to ENRC NV.

The Group made cash payments totalling US\$190.9 million to CIM Global Investment NV, Kloten Branch, an entity controlled and beneficially owned by the Founders, in consideration of the transactions contemplated by the Separation Agreements and certain other arrangements which are in the course of being formally settled and taking into account US\$20.8 million which was owed to the Group by the Founders. The individual transactions subject to the Separation Agreements and the other arrangements in the course of being formally settled are summarised in more detail above.

Transactions with the Republic of Kazakhstan

In addition to conducting transactions with entities controlled by the Founders, the Group conducted transactions with entities controlled by the Republic of Kazakhstan. The principal activities were as follows:

- Provision of railway repair services through Remput LLP and Company Zhol zhondeushi LLP;
- Supply of electricity through EEC; and
- Payment of operating costs, including appropriate taxes.

The related party transactions with government departments and agencies of the Republic of Kazakhstan are set out below:

	Year ended 31 December			Six months ended 30 June 2007
	2004	2005	2006	
	In millions of US\$			
Revenue from the provision of services	16	115	173	60
Revenue from the sale of goods	18	14	5	2

The Group did not have any non-standard or privileged transactions with entities controlled by the Republic of Kazakhstan.

Part XI: The Global Offer and related matters

Pursuant to the Global Offer, which will be fully underwritten by the Joint Bookrunners in accordance with the terms of the Underwriting Agreement (further details of which are set out below and in paragraph 16 of Part XIII), the Company will raise approximately £1,280.0 million (approximately US\$2,592.1 million), net of underwriting commissions and other fees and expenses by the issue of 252,500,000 New Ordinary Shares.

The Global Offer will comprise an issue of 252,500,000 New Ordinary Shares (representing approximately 20.0% of the expected issued ordinary share capital of the Company immediately following Admission, assuming no exercise of the Over-allotment Option).

The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company. The New Ordinary Shares will, immediately following Admission, be freely transferable under the Articles.

Following Admission, it is expected that the Company will be considered for inclusion in the FTSE UK Index Series.

Bookbuilding

Indications of interest in acquiring Ordinary Shares were solicited by the Joint Bookrunners from institutional and certain other investors outside the United States pursuant to Regulation S and in the United States to persons reasonably believed to be QIBs, by private placement in reliance upon Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Based on indications received, the Joint Bookrunners conducted a bookbuilding process pursuant to which they established the Offer Price.

The Offer Price has been agreed among the Joint Bookrunners and the Company having regard to the outcome of the bookbuilding process. All shares issued or sold pursuant to the Global Offer will be issued or sold at the Offer Price. The Offer Price is 540p per Ordinary Share, which will enable the Company to raise gross proceeds of £1,363.5 million (approximately US\$2,761.1 million) (assuming no exercise of the Over-allotment Option).

Among the facts that were considered in determining the Offer Price were prevailing market conditions and the demand for New Ordinary Shares in the bookbuilding.

Completion of the Global Offer will be subject, *inter alia*, to the satisfaction of the conditions in the Underwriting Agreement, including the representations and warranties given at the time of entry into the Underwriting Agreement, being correct in all material respects, there having been no material adverse change, the Company having performed all their obligations under the Underwriting Agreement, Admission occurring and becoming effective on or prior to the Settlement Date or such later time or date as may be determined in accordance with the Underwriting Agreement, and the Underwriting Agreement not having been terminated. Further details of the Underwriting Agreement are set out in paragraph 16 of Part XIII.

Stabilisation and the over-allotment option

In connection with the Global Offer, the Stabilising Manager may over-allot or effect other transactions which stabilise or maintain the market price of the Ordinary Shares or any options, warrants or rights with respect to, or interests in, the Ordinary Shares, in each case at a higher level than might otherwise prevail in the open market. Such transactions may commence on or after the date of publication of the Offer Price and will end no later than 30 days thereafter. Such transactions may be effected on the London Stock Exchange, the over-the-counter market or otherwise. There is no assurance that such transactions will be undertaken and, if commenced, they may be discontinued at any time without prior notice. Save as required by law, it is not intended that the Stabilising Manager will disclose the extent of any over-allotments and/or stabilisation transactions under the Global Offer. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price.

In connection with the Global Offer, the Company has agreed with the Stabilising Manager that Ordinary Shares may be over-allotted for stabilisation purposes up to the maximum percentage permitted by the Stabilisation Regulation of Ordinary Shares to be issued and sold under the Global Offer (assuming no exercise of the Over-allotment Option) and will grant the Stabilising Manager the Over-allotment Option, pursuant to which it may purchase, or procure purchasers for, a maximum number (to be determined) of Over-allotment Shares for the purposes of allowing the Stabilising Manager to cover short positions resulting from such over-allotments. The Over-allotment Option will be exercisable in whole or in part at any time during the period commencing on the date of publication of the Offer Price and ending 30 days thereafter. Any exercise of the Over-allotment Option and the number of Ordinary Shares to be purchased pursuant to such exercise shall promptly be announced.

Admission and Dealings

Admission is expected to take place, and unconditional dealings in the Ordinary Shares are expected to commence, on the London Stock Exchange at 8.00 a.m. (London time) on 12 December 2007. Settlements of dealings from that date will be on a three-day rolling basis. It is expected that Ordinary Shares allotted to investors in the Global Offer will be delivered in uncertificated form and settlement will take place through CREST on Admission. Investors in the Global Offer will pay the Offer Price in respect of the Ordinary Shares to be received by them in such manner as shall be directed to them by the Joint Bookrunners.

It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 7 December 2007. The earliest date for settlement of such dealings will be 12 December 2007. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a “when issued” basis.

If the Global Offer does not become unconditional and Admission does not become effective all such dealings will be of no effect. Any such dealings will be at the sole risk of the parties concerned.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced without a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Shares under the CREST system. The Company has applied for the Shares to be admitted to CREST effective upon Admission. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system, and holders of Shares who wish to receive and retain share certificates will be able to do so. Investors applying for Shares under the Global Offer may, however, elect to receive Shares in uncertificated form if they are a system-member (as defined in the CREST Regulations) in relation to CREST.

Underwriting arrangements

The Company, the Directors, the Founders and the Joint Bookrunners entered into the Underwriting Agreement on 7 December 2007, pursuant to which the Joint Bookrunners have agreed, subject to certain conditions, to procure subscribers or purchasers for, or failing which themselves to subscribe for or purchase, the Ordinary Shares made available in the Global Offer. All such subscriptions and purchases will be at the Offer Price.

Further details of the terms of the Underwriting Agreement are set out in paragraph 16.1 of Part XIII.

Certain of the Joint Bookrunners and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Company, for which they received or will receive customary fees and expenses. Such services include

acting as arrangers under the finance facility agreement entered into by ENRC Marketing, as described in paragraph 15.1(e) of Part XIII.

Lock-up arrangements

Each of the Company, the Directors, the Founders, the Senior Managers, Kazakhmys plc and the Committee have agreed to enter into certain lock-up arrangements. In addition, shares issued to employees under the IPO Plan described in paragraph 13.2 of Part XIII will be subject to restrictions on transfer until the first anniversary of Admission.

Approximately 79.9% of the Ordinary Shares in issue after the Global Offer (assuming no exercise of the Over-allotment Option) will be subject to lock-up arrangements.

Further details of these lock-up arrangements are contained in paragraph 16 of Part XIII.

Costs and expenses

Assuming no exercise of the Over-allotment Option, the maximum total costs and estimated expenses of or incidental to the preparation of this Prospectus, the Global Offer and Admission (including issue costs, commissions, registration fees, professional fees and the cost of printing and distribution) payable by the Company are estimated to amount to approximately £83.5 million (US\$169.0 million) (exclusive of VAT). Approximately £8.91 million (US\$18.04 million) of the expenses will be satisfied by the issue of Ordinary Shares to certain consultants as described in paragraph 4.19 of Part XIII. Net proceeds accruing to the Company from the Global Offer, after settling fees, commissions and expenses, is expected to amount to approximately £1,280.0 million (US\$2,592.1 million) (assuming no exercise of the Over-allotment Option). The New Ordinary Shares will, when issued, be in registered form and certificated form unless requested by Shareholders to be uncertificated form.

Securities laws and restrictions on transfer

General

The distribution of this Prospectus and the offer of Ordinary Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes must inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction. Persons receiving this Prospectus should not distribute or send it into any jurisdiction where to do so would or might contravene local securities laws or regulations.

No action has been taken by the Company or the Joint Bookrunners that would permit, otherwise than under the Global Offer, an offer of Ordinary Shares or possession or distribution of this Prospectus or any other offering material relating to Ordinary Shares in any jurisdiction where action for that purpose is required. No offer is being made to the public in any jurisdiction.

None of the Ordinary Shares may be offered for subscription, sale or purchase or be subscribed, sold or delivered, and this Prospectus and any other material in relation to the Ordinary Shares may not be circulated in any jurisdiction where to do so would violate any securities law or regulation of any such jurisdiction or, other than in the UK, give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

United States

The Ordinary Shares offered by this Prospectus have not been and will not be registered under the Securities Act or under the applicable securities laws of any state of the United States. The Ordinary Shares may not be offered or sold in the United States except in certain transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Each Joint Bookrunner has represented and agreed that it will solicit purchases of Ordinary Shares in the United States only through qualified affiliates or agents to Qualified Institutional Buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another exemption from, or in a transaction not subject to,

the registration requirements of the Securities Act, or outside the United States in compliance with Regulation S under the Securities Act.

In addition, until 40 days after the later of the commencement of the Global Offer and the completion of the distribution of the Ordinary Shares, an offer or sale of Ordinary Shares within the United States by a dealer (whether or not participating in this offering of Ordinary Shares) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

Due to the foregoing restrictions, purchasers of Ordinary Shares should consult legal counsel prior to making any offer for or any resale, pledge or other transfer of the Ordinary Shares.

Each purchaser of the Ordinary Shares offered in reliance on Rule 144A or in the United States in reliance on another exemption from, or in a transaction not subject to, the requirements of the Securities Act, will be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that (terms used herein that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

The purchaser is: (A)(i) a qualified institutional buyer within the meaning of Rule 144A (“QIB”); (ii) acquiring such Ordinary Shares for its own account or for the account of a QIB with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein; (iii) not acquiring the Ordinary Shares with a view to further distribution of such Ordinary Shares; and (iv) if purchasing pursuant to Rule 144A or another exemption from registration, aware that the sale of Ordinary Shares to it is being made in reliance on Rule 144A or another exemption from registration, as the case may be, or (B)(i) acquiring the Ordinary Shares in an offshore transaction outside the United States in a transaction which is in compliance with Regulation S and (ii) not an affiliate of the Company or a person acting on behalf of such an affiliate.

The purchaser understands that the Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States.

In the case of a purchaser in the United States:

- (1) the purchaser agrees that the Ordinary Shares may not be reoffered, resold, pledged or otherwise transferred except: (A)(i) to a person whom the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A; (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S; or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (B) in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Such purchaser acknowledges that the Ordinary Shares (whether in physical, certificated form or in uncertificated form held in CREST) offered and sold in accordance with Rule 144A or another exemption from registration under the Securities Act are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of Ordinary Shares. The purchaser understands that the Ordinary Shares may not be deposited into any unrestricted depositary receipt facility in respect of Ordinary Shares established or maintained by a depositary bank unless and until such time as such Ordinary Shares are no longer restricted securities within the meaning of Rule 144(a)(3) under the Securities Act;
- (2) the purchaser understands that any offer, sale, pledge or other transfer of the Ordinary Shares made other than in compliance with the above-stated restrictions may not be recognised by the Company; and

- (3) the Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(I) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT OR (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) AND (B) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR THE RESALE OF THIS SECURITY.

The Company, the Registrar, the Joint Bookrunners and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Prospective purchasers are hereby notified that sellers of the Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

United Kingdom

Each Joint Bookrunner has represented and agreed that: (i) it has not offered or sold and will not offer or sell any Ordinary Shares to persons in the United Kingdom prior to Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Prospectus Rules or the FSMA, (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Ordinary Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company, and (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Ordinary Shares in, from or otherwise involving the United Kingdom.

European Economic Area

No Ordinary Shares have been offered or sold, or will be offered or sold, to the public in any Member State of the EEA which has implemented Directive 2003/71/EC (the "Prospectus Directive") prior to Admission except: (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

Australia

This Prospectus does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia (the "Corporations Act") and will not be lodged with the Australian Securities and Investment Commission. The Ordinary Shares will be offered to persons in Australia only to the extent that such offers of shares for issue or sale do not need disclosure to investors under Part 6D.2 of the Corporations Act. Any offer of shares received in Australia is void to the extent that it needs disclosure to investors under the Corporations Act. In particular, offers for

Part XI: The Global Offer and related matters

the issue or sale of Ordinary Shares will only be made in Australia in reliance on various exemptions from such disclosure to investors provided by section 708 of the Corporations Act. Any offer of shares received in Australia is void to the extent that it needs disclosure to investors under the Corporations Act. Any person to whom Ordinary Shares are issued or sold pursuant to an exemption provided by section 708 of the Corporations Act must not within 12 months after the issue, offer those Ordinary Shares for sale in Australia unless that offer is itself made in reliance on an exemption from disclosure provided by that section.

Japan

The Ordinary Shares offered by this Prospectus have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (“the Financial Instruments and Exchange Law”). Accordingly, each Joint Bookrunner has represented and agreed that the Ordinary Shares which it purchases will be purchased by it as principal and that it has not offered or sold, and will not offer or sell any Ordinary Shares, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (including Japanese Corporations), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (including Japanese corporations) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and relevant regulations of Japan.

Switzerland

The Ordinary Shares will not be publicly offered, distributed or redistributed in Switzerland. They are offered in Switzerland only to a limited number of institutional investors without any public offering. This document may not be communicated or distributed in Switzerland in a manner that could constitute a public offering within the meaning of Article 652a of the Swiss Code of Obligations. It is not a prospectus within the meaning of this provision and may not comply with the information standards required by it. The Company will not apply for a listing of its shares on the SWX Swiss Exchange and this document may not comply with the information standards required by the Swiss listing regulations. The Ordinary Shares will not be registered with any Swiss authority for any purpose whatsoever.

France

This Prospectus is not being distributed pursuant to a public offer in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and as a result, this Prospectus has not been and will not be submitted to the French Financial Market Authority (*Autorité des Marchés Financiers*) for approval in France. The Ordinary Shares offered have not been offered or sold, and will not be offered or sold, directly or indirectly, to the public in France, and this Prospectus and any other offering related material has not been distributed and will not be distributed to the public in France. Any offers, sales and distributions have only been and will only be made in France to qualified investors (*investisseurs qualifiés*) and/or to a restricted group of investors (*cercle restreint d'investisseurs*), in each case, acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French Monetary and Financial Code. This Prospectus shall not be further distributed or reproduced (in whole or in part) in France by the recipients hereof and any recipient will be deemed to represent and agree that it will only participate in the issue or sale of the Ordinary Shares for its own account and will undertake not to transfer, directly or indirectly, the Ordinary Shares to the public in France, other than in compliance with all applicable laws and regulations and in particular with Articles L.411-1, L.411-2, L.412-1, L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Finland

The Global Offer is targeted only to a limited number of institutional investors and does not constitute a public offering of securities in Finland. Accordingly, this prospectus has not been submitted to the Finnish Financial Supervision Authority for approval. This Prospectus may not be used for any purpose other than evaluating a potential investment in the securities offered hereunder. This Prospectus is being submitted to a limited number of pre-determined professional investors and may not be released to any other persons.

Kazakhstan

This Prospectus has not been and will not be filed, registered or otherwise approved by the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organisations or any other governmental agency in Kazakhstan. The shares have not been and will not be registered in Kazakhstan and are not intended for 'placement' or 'circulation' in Kazakhstan.

Part XII: Taxation

UK Taxation

The following paragraphs are a general statement about the principal UK tax consequences for the absolute beneficial owners of Ordinary Shares and are based upon UK law and HM Revenue and Customs practice in effect as of the date of this Prospectus which may be subject to change, perhaps with retroactive effect. In addition: (a) they only address the principal UK tax consequences for holders who hold the Ordinary Shares as capital assets and do not address the tax consequences which may be relevant to certain other categories of holders, for example, brokers or dealers; and (b) they do not address the tax consequences for holders that are banks, financial institutions, insurance companies, collective investment schemes, tax-exempt organisations, persons connected with the Company or shareholders who have (or are deemed to have) acquired the Ordinary Shares by virtue of an office or employment.

The statements below do not constitute advice to any shareholder on his or her personal tax position. Shareholders who are in doubt as to their UK tax position, and shareholders resident outside the United Kingdom or subject to tax in a jurisdiction other than the United Kingdom, should consult their own professional adviser.

Close Company status

The Company is presently a close company within the meaning of Section 414 of the UK Income and Corporation Taxes Act 1988 and it is considered that it will retain this status, both immediately after Admission and for the foreseeable future.

Taxation of dividends

Under current UK tax legislation, no taxation is withheld at source from dividend payments made by the Company to its shareholders.

Individual shareholders resident in the United Kingdom for tax purposes will be entitled to a tax credit in respect of a dividend paid by the Company at the rate of one ninth of the cash dividend received (equal to 10 per cent. of the aggregate of the cash dividend and the associated tax credit). Such shareholders will be liable to income tax on the aggregate of the dividend and the associated tax credit at, in the case of starting and basic rate taxpayers, the dividend ordinary rate (currently 10 per cent) or, in the case of higher rate taxpayers, the dividend upper rate (currently 32.5 per cent), subject in each case to an offset of the tax credit against their total income tax liability. Therefore, taxpayers who, after taking into account dividend income, are liable to UK income tax at only the starting or basic rate, will in effect have no further liability to income tax as a result of the dividend. Individual shareholders who are required to pay tax at the dividend upper rate will in effect have to pay tax equal to 25% of the cash dividend received.

Shareholders will generally not be able to claim to have the amount of dividend tax credits paid to them.

UK resident corporate shareholders will generally not be subject to corporation tax in respect of dividends received from the Company.

Taxation of chargeable gains

A disposal of Ordinary Shares by a shareholder resident or, in the case of an individual, ordinarily resident for tax purposes in the United Kingdom or a shareholder who carries on a trade, profession or vocation in the United Kingdom through a branch or agency or, in the case of a company, a permanent establishment and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such branch, agency or permanent establishment may, depending on the shareholder's circumstances, and subject to any available exemptions, allowances or reliefs, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. Special rules apply to disposals by individuals at a time when they are temporarily not resident or ordinarily resident in the United Kingdom.

Stamp duty and stamp duty reserve tax

No United Kingdom stamp duty or SDRT will arise on the issue by the Company of the New Ordinary Shares. Transfers of Ordinary Shares which are effected by means of an instrument of transfer will be liable to *ad valorem* stamp duty normally at the rate of 0.5 per cent of the actual consideration paid, rounded up to the nearest multiple of £5. A charge to SDRT, normally at the rate of 0.5 per cent of the consideration, arises, in the case of an unconditional agreement to transfer Ordinary Shares, on the date of the agreement and, in the case of a conditional agreement, on the date the agreement becomes unconditional. However, where an instrument of transfer is executed and the applicable stamp duty is paid before the expiry of a period of six years beginning with the date of that agreement (or the date on which the agreement becomes unconditional, as the case may be), the SDRT charge is cancelled to the extent that the SDRT has not been paid and if any of the SDRT has been paid, a claim may be made for its repayment. Transfers within CREST do not usually involve the execution of an instrument of transfer so are usually subject to SDRT rather than stamp duty.

The statements in this section summarise the current position and are intended as a general guide only. Special rules may apply to shares issued to operators of clearance systems or persons issuing depository receipts and to agreements made by, amongst others, market intermediaries.

The above paragraphs are a general guide only to the tax regime in the United Kingdom and are not exhaustive. If you are in any doubt as to your taxation position you should consult an appropriate professional adviser without delay.

US Taxation*United States federal income taxation*

The following is a general discussion of the principal United States federal income tax considerations relating to the purchase, ownership and disposition of Ordinary Shares by US Holders (as defined below) who purchase New Ordinary Shares for cash in this Global Offer and hold Ordinary Shares as capital assets. This discussion is based on the income tax treaty between the United States and the United Kingdom (the "US Treaty"), the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as in effect and available on the date hereof and all of which are subject to change, possibly with retroactive effect, or to different interpretation. This discussion is for general information only and does not address all of the US federal income tax considerations that may be relevant to specific US Holders in light of their particular circumstances or to US Holders subject to special treatment under US federal income tax law (such as banks, other financial institutions, insurance companies, tax-exempt entities, retirement plans, regulated investment companies, real estate investment trusts, S corporations, other pass-through entities, traders or dealers in securities or currencies, US expatriates, persons subject to the alternative minimum tax, persons who hold Ordinary Shares as part of a straddle, hedge, "synthetic security" or other integrated investment, risk reduction, or constructive sale transaction, persons that have a "functional currency" other than the US Dollar or persons who own (or are deemed to own) 10 per cent, or more (by voting power or value) of the Company's stock). This discussion does not address any US state or local tax considerations or any US federal estate, gift or alternative minimum tax considerations.

As used in this discussion, the term "US Holder" means a beneficial owner of Ordinary Shares that is, for US federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or entity treated as a corporation for US federal income tax purposes) created or organised in the United States, or under the laws of the United States or of any state, including the District of Columbia, (iii) an estate the income of which is included in gross income for US federal income tax purposes, regardless of the source thereof or (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more US persons have the authority to control all of its substantial decisions, or a trust that has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

The Company has not obtained, nor does it intend to seek, a ruling from the United States Internal Revenue Service (the "IRS") or an opinion of counsel with respect to any of the tax matters discussed herein. Thus, there is no assurance that the IRS would not successfully challenge one or more of the statements made or the conclusions expressed in this discussion.

If a partnership holds Ordinary Shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the status and activities of the partnership. Prospective investors that are partnerships (or entities treated as partnerships for US federal income tax purposes) should consult their own tax advisors regarding the US federal income tax considerations to them and their partners of purchasing, owning and disposing of Ordinary Shares.

ANY TAX ADVICE CONTAINED IN THIS PROSPECTUS WAS NOT INTENDED OR WRITTEN TO BE USED AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING ANY FEDERAL TAX PENALTIES THAT THE IRS MAY ATTEMPT TO IMPOSE. SINCE ANY SUCH TAX ADVICE COULD BE VIEWED AS A "MARKETED OPINION" UNDER THE TREASURY REGULATIONS, PROSPECTIVE INVESTORS IN ORDINARY SHARES ARE HEREBY INFORMED THAT ANY SUCH TAX ADVICE WAS WRITTEN TO SUPPORT THE "PROMOTION OR MARKETING" OF THE MATTERS SET FORTH IN THIS PROSPECTUS. PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR AS TO THE MATTERS ADDRESSED IN THIS PROSPECTUS, INCLUDING THE PARTICULAR TAX CONSIDERATIONS APPLICABLE TO THEM RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF ORDINARY SHARES, THE APPLICABILITY OF US FEDERAL, STATE AND LOCAL TAX LAWS OR NON-US TAX LAWS, ANY CHANGES IN APPLICABLE TAX LAWS AND ANY PENDING OR PROPOSED LEGISLATION OR REGULATIONS.

Distributions

Subject to the discussion below in "—Passive foreign investment company considerations", the following rules generally will apply to any cash distribution made by the Company on Ordinary Shares.

Any cash distribution made by the Company on Ordinary Shares generally will be treated as a dividend includible in the gross income of a US Holder to the extent of the Company's current and/or accumulated earnings and profits, as determined under US federal income tax principles. To the extent the amount of such distribution exceeds the Company's current and accumulated earnings and profits as so computed, it will be treated first as a non-taxable return of capital to the extent of such US Holder's adjusted tax basis in such shares and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale or exchange of such shares. Consequently, the US tax authorities are likely to treat all distributions as fully taxable dividend income to a US Holder.

Dividends received by certain non-corporate US Holders from "qualified foreign corporations" may be subject to tax at reduced rates with respect to taxable years beginning on or before 31 December 2010, so long as specified holding period requirements are met and the US Holder refrains from entering into certain hedging transactions. A non-US corporation (other than a passive foreign investment company) generally will be considered to be a qualified foreign corporation if it is eligible for the benefits of a comprehensive income tax treaty with the United States which the US Treasury Department determines is satisfactory for purposes of this special rule and which includes an exchange of information programme (a "Qualifying Treaty"). For this purpose, the US Treaty is considered a Qualifying Treaty. The Company will qualify for benefits under the US Treaty provided that the Ordinary Shares are "regularly traded" on a recognised stock exchange in the United States or United Kingdom, such as the London Stock Exchange. However, no assurance can be given that the Company's Ordinary Shares will be regularly traded for these purposes, and consequently that such a reduced rate will apply to any dividends paid by the Company. Special rules apply for purposes of determining the treatment of "qualified dividend income" in computing the recipient's investment income (which limits deductions for investment interest) and foreign source income (which may affect the amount of foreign tax credit) and to certain extraordinary dividends. Each US Holder that is a non-corporate taxpayer is urged to consult its own tax advisor regarding the possible applicability of the reduced rate on dividends paid by the Company and the related restrictions and special rules.

Any dividends paid on Ordinary Shares generally will constitute income from sources outside the United States and be categorised as “passive category income” or, in certain cases “general category income” for US foreign tax credit limitation purposes, and will not be eligible for the “dividends received” deduction generally allowed to corporate shareholders with respect to dividends received from US corporations. In general, a US Holder may elect to claim a US foreign tax credit against its US federal income tax liability, subject to applicable limitations, for foreign tax withheld from dividends received in respect of the Ordinary Shares. A US Holder who does not elect to claim a US foreign tax credit may instead claim a deduction for foreign income tax withheld, but only for a taxable year in which the US Holder timely elects to do so with respect to all foreign income taxes paid or accrued in such taxable year. The rules relating to the determination of the US foreign tax credit and the limitations relating thereto are very complex. Each US Holder is urged to consult its own tax advisor regarding whether it should elect to claim US foreign tax credits or deductions with respect to foreign income taxes paid or accrued and whether and to what extent it is entitled to claim any US foreign tax credits or deductions.

The US Dollar value of any distribution made by the Company in a non-US currency (such as Sterling) is calculated by reference to the exchange rate in effect on the date of receipt of such distribution by the US Holder, regardless of whether the non-US currency is in fact converted into US Dollars. If the non-US currency so received is converted into US Dollars on the date of receipt, such US Holder generally should not recognise foreign currency exchange gain or loss on such conversion. If the non-US currency so received is not converted into US Dollars on the date of receipt, such US Holder will have a basis in the non-US currency equal to its US Dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the non-US currency generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States.

Sale, exchange or other disposition of Ordinary Shares

Subject to the discussion below in “—Passive foreign investment company considerations”, the following rules generally will apply to any gain or loss upon a sale, exchange or other disposition of Ordinary Shares.

A US Holder generally will recognise gain or loss for US federal income tax purposes upon a sale, exchange or other disposition of Ordinary Shares in an amount equal to the difference between the amount realised from such sale, exchange or disposition (determined in US Dollars) and the US Holder’s adjusted tax basis in such shares (determined in US Dollars). Such gain or loss generally will be a capital gain or loss and will be long-term capital gain (generally taxable at a reduced rate for non-corporate US Holders) or loss if, on the date of such sale, exchange or disposition, such shares were held by such US Holder for more than one year. The deductibility of capital losses by a US Holder is subject to limitations. In general, gain or loss recognised by a US Holder on the sale, exchange or other disposition of Ordinary Shares will constitute gain or loss from sources within the United States for foreign tax credit limitation purposes.

A US Holder’s basis in an Ordinary Share will generally be its US Dollar cost. The US Dollar cost of an Ordinary Share purchased with non-US currency will generally be the US Dollar value of the purchase price on the date of the purchase or, in the case of Ordinary Shares traded on an established securities market, as defined in the applicable Treasury regulations, that are purchased by a cash basis US Holder (or an accrual basis US Holder that so elects), on the settlement date for the purchase. Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

Generally, if non-US currency is received on a sale, exchange or disposition of Ordinary Shares, the amount realised will be the US Dollar value of the non-US currency so received. If the non-US currency is converted into US Dollars on the settlement date, the US Holder will not recognise foreign currency exchange gain or loss on such conversion. If the non-US currency is not converted into US Dollars on the settlement date, such US Holder will have a basis in the non-US currency, equal to its US Dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the non-US currency generally will be foreign currency exchange gain or loss. Foreign currency exchange gain or loss generally will be treated as ordinary income or loss to such

US Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. A US Holder should consult its own tax advisor regarding the US federal income tax consequences of receiving non-US currency from a sale, exchange or other disposition of Ordinary Shares.

Passive foreign investment company considerations

The Directors believe that the Company is not currently, and the Directors do not expect the Company to become, a passive foreign investment company ("PFIC") for US federal income tax purposes. However, because this determination is made annually at the end of each taxable year and is dependent upon a number of factors (including the value of the Company's assets and the amount and type of its income), some of which are beyond the Company's control, there can be no assurance that the Company will not become a PFIC or that the IRS will agree with the Company's conclusion regarding the Company's PFIC status. If the Company is a PFIC in any year, US Holders could suffer adverse consequences as discussed below.

In general, a corporation organised outside the United States will be treated as a PFIC for US federal income tax purposes in any taxable year in which either (i) at least 75 per cent. of its gross income is "passive income" or (ii) on average at least 50 per cent. of the value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions (other than active business gains from the sale of commodities, if substantially all of the Company's commodities are inventory, stock in trade, depreciable property used in the Company's trade or business, or supplies of a type regularly used or consumed by the Company in the ordinary course of its trade or business). In determining whether a foreign corporation is a PFIC, a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25 per cent. interest (by value) is taken into account.

If the Company is a PFIC in any year during which a US Holder owns Ordinary Shares, such US Holder could be liable for additional taxes and interest charges upon certain distributions by the Company or upon a sale, exchange or other disposition of Ordinary Shares at a gain, whether or not the Company continues to be a PFIC. The tax will be determined by allocating such distributions or gain pro rata to each day of the US Holder's holding period. The amount allocated to the current taxable year and any taxable year in the US Holder's holding period before the Company became a PFIC will be included as ordinary income (rather than capital gain) in the US Holder's current taxable year. The amount allocated to other taxable years will be taxed at the highest marginal rates applicable to ordinary income for such taxable years and, in addition, an interest charge will be imposed on the amount of such taxes. In addition, if the Company is a PFIC, a person who acquires Ordinary Shares from a decedent will be denied the step-up of the tax basis for US federal income tax purposes for such Ordinary Shares to fair market value at the date of such decedent's death which would otherwise be available with respect to a decedent dying before 2010, and, instead, such person will have a tax basis equal to the lower of the fair market value or such decedent's tax basis in the Ordinary Shares.

The above rules do not apply if a "mark-to-market" election is available and a US Holder validly makes such an election. If such election is made, such US Holder generally will be required to take into account the difference, if any, between the fair market value and its adjusted tax basis in Ordinary Shares at the end of each taxable year as ordinary income or (to the extent of any net mark-to-market gains previously included in income) ordinary loss. In addition, any gain from a sale, exchange or other disposition of Ordinary Shares will be treated as ordinary income, and any loss will be treated (to the extent of any net mark-to-market gains previously included in income) as ordinary loss. A mark-to-market election is available to a US Holder only if the Ordinary Shares are considered "marketable stock" for these purposes. Generally, stock will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable US Treasury regulations. A class of stock is, in general, regularly traded during any calendar year during which such class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. A non-US securities exchange will constitute a qualified exchange if it is regulated or supervised by a governmental authority of the country in which the market is located and meets certain trading, listing, financial disclosure and other requirements set forth in the

Treasury regulations. Although IRS has not ruled on whether the LSE constitutes a qualifying exchange, it appears that, under the Treasury regulation guidelines, the LSE should constitute a qualifying exchange.

The above rules also would not apply if a US Holder is eligible for and timely makes a valid “QEF election”. If a QEF election is made, such US Holder generally will be required to include in income on a current basis its pro rata share of the ordinary income and net capital gains of the PFIC. In order for a US Holder to be able to make a QEF election, the Company would be required to provide such US Holder with certain information. The Company does not plan to provide US Holders with the required information, in which case a QEF election would be unavailable.

Prospective investors should consult their own tax advisors regarding the US federal income tax consequences of an investment in a PFIC.

Reportable transaction reporting

Under certain US Treasury regulations, US Holders that participate in “reportable transactions” (as defined in the regulations) must attach to their US federal income tax returns a disclosure statement on Form 8886. US Holders should consult their own tax advisers as to the possible obligation to file Form 8886 with respect to the purchase, ownership or disposition of the Ordinary Shares, or any related transaction, including without limitation, the disposition of any non-US currency received as a dividend or as proceeds from the sale of Ordinary Shares.

Backup withholding tax and information reporting requirements

Under certain circumstances, US federal backup withholding tax (currently, at a rate of 28 per cent.) and/or information reporting may apply to US Holders with respect to payments made on, or proceeds from the sale, exchange or other disposition of Ordinary Shares, unless an applicable exemption is satisfied. Backup withholding is not an additional US federal income tax, but rather an advance payment of US federal income tax that may be refunded to the extent it results in an overpayment of such tax so long as the required information is timely furnished to the IRS. Each US Holder is urged to consult its own tax advisor regarding the possible applicability of US federal backup withholding tax and information reporting rules with respect to payments made on, or proceeds from the sale, exchange or other disposition of Ordinary Shares.

The above description is not intended to constitute a complete analysis of all tax consequences relating to acquisition, ownership and disposition of Ordinary Shares. Prospective purchasers should consult their tax advisors concerning the tax consequences of their particular situations.

Part XIII: Additional information

1. Responsibility statement

The Directors, whose names are set out on page 26 of this Prospectus, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and Registration

- 2.1 The Company was incorporated and registered in England and Wales on 8 December 2006 as a public company limited by shares under registered number 06023510. The name of the Company on incorporation was "Eurasian Natural Resources Company PLC" and on 11 December 2006, the name of the Company was changed to "Eurasian Natural Resources Corporation PLC".
- 2.2 On 15 December 2006, the Registrar of Companies issued a certificate under section 117 of the 1985 Act (defined below) enabling the Company to do business or exercise any borrowing powers, whose issue was subject to the Company's allotted paid-up share capital being not less than the authorised minimum of £50,000 (such capital being held as £49,999 by Jeremy Neads and £1 by Beat Ehrensberger).
- 2.3 The registered office and principal place of business of the Company is Second Floor, 16 St James's Street, London SW1A 1ER. The telephone number of the Company's principal place of business is +44 (0) 20 7389 1440.
- 2.4 The liability of members of the Company is limited.
- 2.5 The principal legislation under which the Company operates is the Companies Act 1985 (as amended) (the "1985 Act") and the Companies Act 2006 (the "2006 Act") (together, the "Acts").
- 2.6 The Ordinary Shares are in registered form and their ISIN Code is GB00B29BCK10.

3. Reorganisation and Formation of the Group

A. Introduction

As described in Part II, the Group's principal assets were acquired by the Founders in the mid-1990s. However, these assets did not comprise a single, independent group until 2006, when the Reorganisation described below was implemented and the Company was incorporated. Prior to the Reorganisation, the operating units currently comprising the Group were operated as standalone entities, some of which had securities listed on KASE, with their own management structures and minority shareholders (including the Committee, which held an interest directly in certain of the principal operating subsidiaries). These operating units were ultimately controlled by the Founders, and were informally managed collectively with a number of other non-Group businesses owned or controlled by the Founders. Preparations for the Reorganisation began in 2005 when the Group began taking steps to separate the Group's assets and operations from those of other businesses owned by the Founders and prepare combined and consolidated financial information. As part of the Reorganisation, the interests of the Committee in the operating entities were exchanged for an interest in the Company and the Group has undertaken a tender offer to acquire the shares in the operating subsidiaries held by other minorities (the Company currently owns at least 96% of each of its principal operating subsidiaries).

Prior to the Reorganisation, the Group did not have a formalised system of central management and did not operate on a consolidated basis. Dr. Sittard became Chief Executive Officer of the Group in December 2006 and the Group has recently established a central executive committee, management structure, and formal reporting lines. The Group has also recently implemented a series of internal systems and controls designed to ensure that the

Group has adequate financial reporting procedures and is able to comply with appropriate corporate governance standards.

As a separate, albeit related issue, in connection with the audit of the Group's consolidated accounts for the three years ended 31 December 2006, PricewaterhouseCoopers LLP, the Company's auditors informed the Company that it suspected that certain audit confirmations purported to have been given by the end customers of the Russian Trading System had been falsified and that the agency involved in this trading structure had been unable to substantiate certain payments which may have related to irregular business practices. In April 2007, the Company instructed specialist legal counsel to investigate the matter. The investigation concluded that the purported audit confirmations had indeed been falsified but that there was no evidence to suggest that the Company or its management authorised or were aware of the decision taken by the RTS to produce false audit confirmations. The investigation did not find any evidence to suggest that the Company's senior management were aware of the unsubstantiated amounts or whether they were ultimately attributable to wrongful or unlawful payments. Furthermore, the investigation concluded that there was no evidence of ongoing wrongful or unlawful payments being made by the Group's Moscow sales office although it recommended that a number of improvements were required to both the controls over payments and appointments of agents. The Company is currently taking steps to action these recommendations. During the investigation, certain employees deleted data held on Group computers. Much of this data was subsequently recovered and included as part of the investigation. The employees involved have been subject to appropriate disciplinary action.

B. *Overview of the Reorganisation*

- 3.1 The Company was incorporated on 8 December 2006 as part of a group reorganisation (the "Reorganisation") to act as the holding company of the restructured Group.
- 3.2 Prior to the consummation of the Reorganisation, the operating companies within the Group were majority owned (directly or indirectly) by ENRC Kazakhstan Holding B.V. (whose shareholders were ENRC Kazakhstan B.V. and Bracewood Investment B.V., and whose ultimate beneficial owners at such date were the Founders and Mr. Vladimir Kim). The Government of the Republic of Kazakhstan, as represented by the Committee, also held significant shareholdings in each of the joint stock companies of Kazchrome, SSGPO and EEC.
- 3.3 The ensuing Reorganisation, which was completed on 19 December 2006, involved the pooling of the interests of the Committee in such joint stock companies, each existing as part of the Group, with those of ENRC Kazakhstan Holding B.V., a company with its corporate seat in Amsterdam. A summary of the Reorganisation is set out in paragraphs 3.5 to 3.16 below.
- 3.4 Further to the Reorganisation, the Company transferred its entire shareholding in ENRC NV to ENRC Limited in return for all of the issued share capital in ENRC Limited on 1 March 2007. On 18 April 2007, ENRC Limited underwent a reduction of share capital to enable future declarations of dividends. A summary of the share transfer and reduction of capital are set out in paragraphs 3.17 to 3.20.

Formation of ENRC NV

- 3.5 On 24 November 2006, ENRC NV was incorporated with an authorised share capital of EUR 225,000 and an issued and paid up share capital of EUR 45,000. The issued and paid up share capital was divided into 45,000 shares of EUR 1.00 each, all of which were held by ENRC Kazakhstan Holding B.V.
- 3.6 On 4 December 2006, the 45,000 shares with a par value of EUR 1.00 each, referred to in paragraph 3.5, were subdivided into 4,500,000 shares of EUR 0.01 each by means of an amendment to the articles of association of ENRC NV.

Consolidation of subsidiaries

- 3.7 On 18 December 2006, ENRC Kazakhstan B.V. contributed its shareholdings in ENRC Logistics LLP (99.76%) and Energo Resources LLP (100%) to ENRC Kazakhstan Holding B.V.

Transfer of interests to ENRC NV

- 3.8 On 19 December 2006:
- (a) Eurasian Aluminium Holding B.V. ("EAH") contributed its interests in various Group companies (the "EAH Shares") to ENRC NV in the name and on behalf of ENRC Kazakhstan Holding B.V.;
 - (b) ENRC Kazakhstan Holding B.V. contributed its interests in various Group companies (the "Holding Initial Contribution Assets") to ENRC NV;
 - (c) ENRC Kazakhstan Holding B.V. transferred its interest in ENRC Leasing B.V. to ENRC NV; and
 - (d) The Committee transferred its interests in various Group companies (the "Committee Initial Contribution Assets") to ENRC NV in consideration for the issue of 1,489,259 shares of EURO.01 each in ENRC NV.

Therefore, as at 19 December 2006, ENRC Kazakhstan Holding B.V. and the Committee were the sole two shareholders in ENRC NV, with ENRC NV holding each of the EAH Shares, the Holding Initial Contribution Assets and the Committee Initial Contribution Assets.

Description of interests transferred to ENRC NV

- 3.9 The EAH Shares consisted of:
- (a) 2,050,329 shares with National Identity Number KZ1C04180010 and 649,122 shares with National Identity Number KZ1P04180116 in the share capital of Kazchrome, representing 34.1552% of the share capital;
 - (b) 143,296 shares with National Identity Number KZ1P14340114 in the share capital of EEC, representing 5.0823% of the share capital;
 - (c) 1,555,279 shares with National Identity Number KZ1C10970016 and 522,098 shares with National Identity Number KZ1P10970112 in the share capital of SSGPO, representing 31.957% of the share capital; and
 - (d) 14,937,323 shares with National Identity Number KZ1C02900013 and 4,303,350 shares with National Identity Number KZ1P02900515 in the share capital of Aluminium of Kazakhstan, representing 32.957% of the share capital.
- 3.10 The Holding Initial Contribution Assets consisted of:
- (a) 2,585,767 shares with National Identity Number KZ1C04180010 and 4,038 units with National Identity Number KZ1P04180116 in the share capital of Kazchrome, representing 32.7679% of the share capital;
 - (b) 1,917,350 shares with National Identity Number KZ1C14340018 and 2,687 shares with National Identity Number KZ1P14340114 in the share capital of EEC, representing 68.0978% of the share capital;
 - (c) 1,727,221 shares with National Identity Number KZ1C10970016 and 7,275 shares with National Identity Number KZ1P10970112 in the share capital of SSGPO, representing 26.6845% of the share capital;
 - (d) 18,433,925 shares with National Identity Number KZ1C02900013 and 153,836 shares with National Identity Number KZ1P02900515 in the share capital of Aluminium of Kazakhstan, representing 31.8567% of the share capital;
 - (e) 3,757,460 ordinary shares and 3,602 preference shares in the share capital of Zhairam, representing 99.8384% of the share capital;

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- (f) 10,000 shares in the share capital of Corica AG, representing 100% of the share capital;
 - (g) 100 shares in the share capital of ENRC Alumina AG, representing 100% of the share capital;
 - (h) 500 shares in the share capital of ENRC Marketing, representing 100% of the share capital;
 - (i) 200 shares in the share capital of ENRC Iron AG, representing 100% of the share capital;
 - (j) 300 shares in the share capital of ENRC Technik AG, representing 100% of the share capital;
 - (k) 1,000 shares in the share capital of ENRC Services Limited, representing 100% of the share capital;
 - (l) 99.76% of the authorised capital of 266,402,440 KZT of "Eurasia" Limited Liability Partnership;
 - (m) 100% of the share capital of ENRC Marketing Kazakhstan LLP; and
 - (n) 200 shares in the share capital of ENRC Leasing B.V., representing 100% of the share capital.
- 3.11 The Committee Initial Contribution Assets consisted of:
- (a) 2,479,680 shares in the share capital of Kazchrome, representing 31.3745% of the share capital;
 - (b) 710,225 shares in the share capital of EEC, representing 25.1895% of the share capital; and
 - (c) 2,567,500 shares in the share capital of SSGPO, representing 39.5000% of the share capital.

Transfer of interests to the Company

- 3.12 On 19 December 2006, ENRC Kazakhstan Holding B.V. and the Committee transferred each of their entire respective shareholdings in ENRC NV to the Company.
- 3.13 The consideration for the transfer of ENRC Kazakhstan Holding B.V.'s shares in ENRC NV to the Company was (i) the issuance by the Company of 15,026,900 ordinary shares of US\$10.00 each in the capital of the Company credited as fully paid up; and (ii) a loan note in the amount of US\$751,345,000.
- 3.14 The consideration for the transfer of the Committee's shares in ENRC NV to the Company was (i) the issuance by the Company of 4,973,100 ordinary shares of US\$10.00 each in the capital of the Company credited as fully paid up; and (ii) a loan note in the amount of US\$248,655,000.
- 3.15 The resulting additional capital in the Company aggregated to US\$200,000,000.
- 3.16 In addition, the interests of Jeremy Neads and Beat Ehrensberger in the initial capital of the Company (of £50,000 taken together) were simultaneously transferred to the Committee, following which such shares were immediately re-designated as one Special Share of nominal value £50,000, with such share having particular rights as set out in the restated articles of association of the Company, adopted as of 19 December 2006.

Transfer of ENRC NV by the Company to ENRC Limited

- 3.17 On 1 March 2007, the Company transferred its entire shareholding in ENRC NV to ENRC Limited, a private limited company, newly incorporated in England as a direct subsidiary of the Company on 12 January 2007 with registered number 6050675.
- 3.18 The consideration for the transfer of the Company's shares in ENRC NV to ENRC Limited was the issuance by ENRC Limited of 249,999,999 ordinary shares of US\$10.00 each in the capital

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of ENRC Limited, credited as fully paid up. The resulting issued share capital of ENRC Limited was US\$2,500,000,000.

Reduction of Share Capital of ENRC Limited

- 3.19 On 18 April 2007, a petition was heard at HMCS Companies Court, London, to approve the reduction in share capital of ENRC Limited (pursuant to Section 135 of the 1985 Act), by cancelling and extinguishing paid up capital of ENRC Limited to the extent of US\$9.99 on each issued ordinary share of US\$10.00, thereby reducing the nominal value of each such share from US\$10.00 to US\$0.01.
- 3.20 The reduction being so approved, the capital of ENRC Limited was accordingly reduced from US\$2,500,000,000 to US\$2,500,000. An amount equal to the reduction was credited to ENRC Limited's profit and loss account, giving rise to significant positive balance on such account from which future dividends could now be declared. On 12 September 2007, ENRC Limited declared a dividend of US\$1 billion to the Company and it is expected that this amount will be paid to the Company shortly after Admission.

4. Share Capital

- 4.1 The authorised and issued share capital of the Company as at 6 December 2007 (which is the latest practicable date prior to the publication of this Prospectus) (assuming redemption of the Special Share and the issue of the 10 million shares referred to in paragraph 4.19) was as follows:

	As at the date of this Prospectus	
	Number of Existing Ordinary Shares	Nominal Value US\$
Authorised share capital	2,000,000,000	400,000,000
Issued and fully paid up share capital	1,010,000,000	202,000,000

- 4.2 The authorised and issued share capital of the Company immediately following Admission (assuming that the Over-allotment Option is exercised in full and that the Special Share is redeemed upon or prior to Admission) will be as follows:

	Immediately following Admission	
	Number of Existing Ordinary Shares	Nominal Value US\$
Authorised share capital	2,000,000,000	400,000,000
Issued and fully paid up share capital	1,287,750,000	257,550,000

- 4.3 On incorporation, the authorised share capital of the Company was £50,000. Two initial subscriber shares (two ordinary shares of £1.00 nominal value each, nil paid) were held one each by Instant Companies Limited and Swift Incorporations Limited (pursuant to a shelf company purchase). Such shares were immediately transferred to Jeremy Neads and Beat Ehrensberger, each holding one ordinary share.
- 4.4 On 14 December 2006, Jeremy Neads was further allotted 49,998 non-cumulative redeemable preference shares of £1 nominal value each, paid-up as to one quarter, at no share premium.
- 4.5 On 19 December 2006, the entire interest of Jeremy Neads and Beat Ehrensberger, aggregating to nominal capital value of £50,000, was transferred to the Committee. The existing non-cumulative redeemable preference shares were redesignated, pursuant to Section 122 of the Act, as 49,998 ordinary shares of nominal value £1.00 each. Immediately thereafter, the aggregated 50,000 ordinary shares held by the Committee, were themselves re-designated, pursuant to Section 122, into one Special Share of nominal value £50,000,

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with such preferential rights as set out in the articles of association adopted on 19 December 2006. The Special Share will be redeemed at par on Admission.

- 4.6 Also on 19 December 2006, the Company increased its authorised share capital by US\$200,000,000 divided into 20,000,000 ordinary shares of US\$10.00 each. Pursuant to a written directors' resolution passed on the same date, 4,973,100 ordinary shares were allotted to the Committee and 15,026,900 ordinary shares were allotted to ENRC Kazakhstan Holding B.V.
- 4.7 By resolutions passed on 8 November 2007 (*inter alia*):
- (a) each ordinary share of US\$10 was subdivided into 50 shares of US\$0.20 each;
 - (b) the authorised share capital of US\$200,000,000 was increased by US\$200,000,000 to US\$400,000,000, divided into 2,000,000,000 Ordinary Shares by the creation of 1,000,000,000 new Ordinary Shares;
 - (c) the Directors were generally and unconditionally authorised in accordance with section 80 of the 1985 Act to allot relevant securities (as defined in section 80(2) of the 1985 Act) in connection with the Global Offer and generally up to an aggregate nominal amount equal to one third of the aggregate nominal amount of the Enlarged Share Capital (subject always to an aggregate maximum of up to an aggregate nominal amount of US\$200,000,000), such authority to expire on the earlier of the date falling 15 months from the passing of the resolution and the conclusion of the annual general meeting to be held in 2008; and
 - (d) the Directors were empowered to allot equity securities (as defined in section 94(2) of the 1985 Act) (i) pursuant to the Global Offer, (ii) in respect of rights issues and other pre-emptive offerings and (iii) an aggregate nominal amount equal to 5% of the aggregate nominal amount of the Enlarged Share Capital, as if section 89(1) of the 1985 Act did not apply to such allotment, in the period ending on the earlier of the date falling 15 months after the date of the passing of the resolutions and the conclusion of the annual general meeting of the Company to be held in 2008.
- 4.8 All Ordinary Shares (including the New Ordinary Shares) are or will be eligible for settlement within CREST.
- 4.9 The Ordinary Shares are issued in registered form and will be capable of being held in uncertificated form. The Company's share register is maintained by Computershare Investor Services plc. No temporary documents of title have been or will be issued. Applications have been made for the Ordinary Shares issued and to be issued pursuant to the Global Offer to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities and no application has been or is being made for their admission to listing or trading on any other stock exchange or securities market.
- 4.10 The provisions of section 89(1) of the 1985 Act, which, to the extent not disapplied pursuant to section 95 of the 1985 Act, confer on shareholders' rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, apply to the authorised but unissued share capital of the Company, except to the extent disapplied by the resolutions referred to in paragraph 4.7 above.
- 4.11 Save as disclosed in this paragraph 4, and paragraphs 3 (Reorganisation and formation of the Group) and 15 (Material Contracts), since the formation of the Company:
- (a) there has been no change in the amount of the issued share or loan capital of the Company and no material change in the amount of the issued share or loan capital of any of its subsidiaries other than intra-group issues by wholly-owned subsidiaries and pro rata issues by partly owned subsidiaries; and
 - (b) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share capital of the Company or any of its subsidiaries.

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- 4.12 Save as disclosed in paragraphs 8 (Directors' and other relevant interests in the share capital of the Company) and 13 (Employee Share Incentives), no share of the Company or any subsidiary is under option or has been agreed conditionally or unconditionally to be put under option other than pursuant to the Over-allotment Option.
- 4.13 Save as disclosed in this paragraph 4 and in paragraph 3 (Reorganisation and formation of the Group) and pursuant to the Global Offer, no share or loan capital of the Company has been issued or agreed to be issued or is now proposed to be issued fully or partly paid for cash or any other consideration.
- 4.14 The Ordinary Shares in issue following Admission will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission on the Ordinary Share capital. For the avoidance of doubt, subscribers or purchasers of New Ordinary Shares will not be entitled to participate in the pre-IPO dividend referred to on page 35.
- 4.15 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises, and there are no arrangements in place whereby future dividends are waived or agreed to be waived.
- 4.16 The Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company nor are any proposed to be issued.
- 4.17 Ordinary and preference shares of AoK and Kazchrome were admitted to trading on the Kazakhstan Stock Exchange ("KASE") and listed on the official list of securities category "B" until 2 December 2007 when they were delisted. Ordinary shares of SSGPO are included in the non-listing room of the KASE. Corporate bonds issued by Zhairem and Kazchrome are admitted to trading on the KASE but the Company is seeking to apply for delisting of the Kazchrome bonds. The Company may also seek a dual listing for the Ordinary Shares on the KASE at an appropriate time in the future.
- 4.18 Assuming that 252,500,000 Ordinary Shares are issued pursuant to the Global Offer, the percentage shareholdings of the existing shareholders will be diluted by 20.0%.
- 4.19 The Company has agreed to issue 10 million shares in aggregate to certain directors, employees and consultants on or prior to Admission. Of these, 7,975,000 shares will be issued pursuant to the IPO Plan described in paragraph 13, 375,000 Ordinary Shares will be issued pursuant to Sir David Cooksey's letter of appointment described in paragraph 9 and the balance will be issued to certain consultants to the Company.

5. Subsidiary Undertakings and Investments

5.1 The Company has the following significant subsidiary undertakings:

Name of Company	Country of Incorporation	Principal Activity	Proportion of ownership interest
Aluminium of Kazakhstan	Kazakhstan	Mining and production	96.60% ⁽¹⁾
Corica AG	Switzerland	Holding company	100%
ENRC Marketing Kazakhstan LLP	Kazakhstan	Wholesale and retail trade	100%
ENRC NV	Netherlands	Holding company	100%
ENRC Management (UK) Limited	UK	Services company	100%
ENRC Limited	UK	Treasury company	100%
ENRC Leasing B.V.	Netherlands	Sales and marketing	100%
ENRC Marketing AG	Switzerland	Sales and marketing	100%
EEC	Kazakhstan	Production of electricity and coal mining	98.41% ⁽²⁾
ENRC Logistics LLP	Kazakhstan	Transportation	100%
Kazakhstan Aluminium Smelter JSC	Kazakhstan	Processing of aluminium	100%
SSGPO	Kazakhstan	Mining and production	98.15% ⁽²⁾
TNC Kazchrome JSC	Kazakhstan	Mining and production	98.30%
Zhairem	Kazakhstan	Mining and production	99.84% ⁽²⁾
Company Zhol zhondeushi LLP ⁽³⁾	Kazakhstan	Transportation	100%
Transystem International Forwarding Company	Kazakhstan	Transportation	100%
TransCom LLP	Kazakhstan	Transportation	100%
Transremvagon LLP	Kazakhstan	Transportation	100%
Remput Ltd. LLP	Kazakhstan	Transportation	100%
Universal Service LLP	Kazakhstan	Transportation	100%
RemZholService LLP	Kazakhstan	Transportation	100%

(1) Assuming the acquisition of an interest of 31.76% from the Committee pursuant to the AoK SPA summarised in paragraph 15(f) of this Part XIII.

(2) The Company owns (directly or indirectly) 100% of the issued ordinary share capital. The minority shareholders hold non-voting preference shares.

(3) On 9 April 2007 RemPut LLP was merged into Zhol zhondeushi LLP.

6. Memorandum and Articles of Association

6.1 The Memorandum of Association of the Company provides that the Company's principal objects are to carry on business as a general commercial company, to act as a holding company and to do all such other things as may be considered incidental or ancillary thereto. The objects of the Company are set out in full in clause 4 of its Memorandum of Association, which is available for inspection at the address specified in paragraph 25 of this Part XIII.

The Articles of the Company, which were adopted by special resolution passed on 8 November 2007 (conditionally upon Admission), contain provisions, *inter alia*, to the following effect:

Voting rights

Subject to any rights or restrictions for the time being attached to any shares and to disenfranchisement of a member in respect of shares in the event of non-payment of calls or other sums due and payable in respect of any shares, or in the event of non-compliance with a statutory notice served pursuant to the Acts requiring disclosure as to beneficial ownership in shares, every member present in person or a corporation represented by a duly authorised representative (not being himself a member) has one vote on a show of hands. On a poll every member present or a corporation represented as aforesaid has one vote for each share of which he is the holder.

Major shareholders and disclosure of interests in shares

Nothing in the Articles confers on major shareholders any voting rights which are different from those conferred on the holders of Ordinary Shares as described in the paragraph above (*Voting Rights*).

The provisions of chapter 5 of the Disclosure and Transparency Rules shall apply to the Company.

Pursuant to chapter 5 of the Disclosure and Transparency Rules, any person acquiring an interest of 3 per cent. or more of the issued Ordinary Shares must disclose such holding to the Company. As provided by chapter 5, a person has a notifiable interest in the share capital of the Company when he has a direct or indirect interest in holdings of 3 per cent. or more of the issuer's total voting rights and capital in issue, or holds financial instruments which formally entitle him to acquire 3 per cent. or more of the issuer's total voting rights and capital in issue.

Where notice is served by the Company in accordance with section 793 of the 2006 Act as incorporated into the Articles (a "Section 793 notice") on a member, or another person whom the Company knows or has reasonable cause to believe to be interested in shares held by that member, and the member or other person has failed in relation to any shares (the "default shares") to give the Company the information required within 14 days following the date of service of the Section 793 notice, whereupon the following sanctions apply, unless the board otherwise decides.

- (a) the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by proxy) at a general meeting or at a separate meeting of the holders of a class of shares or on a poll or to exercise other rights conferred by membership in relation to the meeting or poll; and
- (b) where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class:
 - (i) a dividend (or any part of a dividend) or other amount payable in respect of the default shares shall be withheld by the Company, which has no obligation to pay interest on it; and
 - (ii) no transfer of any of the default shares shall be registered unless the transfer is an excepted transfer (e.g. a transfer pursuant to a takeover offer for the Company) or the member is not himself in default in supplying the information required and the member proves to the satisfaction of the board that no person in default in supplying the information required is interested in any of the shares the subject of the transfer or registration of the transfer is required by any relevant system.

Where the sanctions in (i) above apply in relation to any shares they shall cease to have effect and any dividends withheld under (ii) shall become payable if the shares are transferred by means of an excepted transfer but only in respect of the shares transferred or at the end of the period of seven days following receipt by the Company of the information required by the notice and the board being fully satisfied that such information is full and complete.

General meetings

An annual general meeting shall be held once a year.

Subject to a member's right to requisition an extraordinary general meeting pursuant to any applicable provision of the Acts, general meetings of the Company are convened at the discretion of the Board, and, with the exception of the annual general meeting, all such general meetings of the Company shall be extraordinary general meetings.

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution or (except as provided by statute) a resolution of which special notice has been given to the Company, shall be called by at least 21 clear days' notice in writing. Any other extraordinary general meeting shall be called by at least 14 clear days'

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notice to the Company. Notice may be via a website where the member agrees and is informed that the notice has been published on the website, the address of which is known to him. Notice shall be given to all members and the Directors.

Every notice calling a general meeting shall specify the place, day and hour of the meeting. Every notice must include a reasonably prominent statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company.

Changes in capital

The Company may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, or sub-divide all or any of its shares into shares of a smaller amount.

The Company may by ordinary resolution cancel any shares which have not been taken (or are subject to agreement to take) and diminish the amount of its share capital by the nominal amount of the shares so cancelled.

The Company may, subject to the provisions of the Acts, by special resolution reduce its share capital, any capital redemption reserve and any share premium account or other undistributable reserve in any way.

Purchase of own shares

Subject to and in accordance with the applicable provisions of the Acts, the Company may purchase any of its own shares (including redeemable shares) of any class in any way. Any shares to be so purchased may be selected on any basis and in any manner whatsoever.

Variation of rights

The rights attached to any class of shares may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated with the consent in writing of the holders of three-fourths in nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

Transfer of shares

Shares may be transferred by an instrument in writing in any usual form or in any other form approved by the Board. The Board may in its absolute discretion and without giving any reason decline to register a transfer of a share which is:

- (a) not fully paid or on which the Company has a lien; provided that, where any such share is listed on the London Stock Exchange, such discretion may not be exercised in such a way as to prevent dealings in shares of that class from taking place on an open and proper basis; or
- (b) not lodged and duly stamped at the registered office or another place determined by the Board; or
- (c) not accompanied by documents reasonably required by the Board to show the right of the transferor to make the transfer; or
- (d) in respect of more than one class of share; or
- (e) in favour of a single transferee or renounee, a transfer to more than four transferees or renounees.

Dividends and other distributions

Subject to the Acts and the Articles (together the "Statutes"), the Company may by ordinary resolution declare dividends in accordance with the respective rights of members but no

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dividend shall exceed the amount recommended by the Board. If, in the opinion of the Board, the profits of the Company available for distribution justify such payments, the Board may pay fixed dividends payable on any shares of the Company with preferential rights half-yearly or otherwise on fixed dates, and from time to time pay interim dividends to the holders of any class of shares. Subject to any special rights attaching to or terms of issue of any shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid (excluding amounts paid up in advance of a call).

The Company may, upon the recommendation of the Board, by ordinary resolution, direct payment of a dividend wholly or partly by the distribution of specific assets.

No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Acts.

All dividends unclaimed may be invested or otherwise used at the Board's discretion for the benefit of the Company until claimed and all dividends unclaimed after a period of 12 years from the date when such dividend became due for payment shall be forfeited and shall revert to the Company.

The Board may, if so authorised by ordinary resolution, offer Shareholders in respect of any dividend the right to elect to receive Ordinary Shares by way of scrip dividend instead of cash.

The Company may cease to send any cheque or warrant through the post or may stop the transfer of any sum by any bank or other sums transfer system for any dividend payable if, in respect of at least two consecutive dividends, the cheques or warrants have been returned undelivered or remain uncashed or the transfer has failed or, in respect of one dividend, the cheques or warrants have been returned undelivered or remain uncashed or the transfer has failed and reasonable enquiries made by the Company have failed to establish any new address of the holder.

The Company or the directors may specify a "record date" on which persons registered as the holders of shares shall be entitled to receipt of any dividend.

Distribution of assets on a winding up

On a winding up, the liquidator may on obtaining any sanction required by the Acts divide among the Company's members in kind the whole or any part of the assets of the Company and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may not distribute to a member without his consent, an asset to which there is attached a liability or potential liability.

Pre-emption rights

Pursuant to the 1985 Act, unless otherwise provided by a special resolution of the Company, the Company may not allot any of the authorised but unissued Ordinary Shares of the Company unless the shares are to be allotted wholly or partly paid up otherwise than in cash or unless the Company has followed the procedure laid down by section 89(1) of the 1985 Act. Pursuant to this procedure, before agreeing to allot any Ordinary Shares to persons who are not Existing Shareholders, the Company must make an offer in writing to each existing holder of Ordinary Shares to allot to him on the same or more favourable terms a proportion of the shares to be allotted pro rata to his existing holding. The offer must be sent to his registered address in the United Kingdom or to the address in the United Kingdom supplied by him to the Company for the giving of notice to him. The offer must state the period of not less than 21 days during which the offer may be accepted; and the offer shall not be withdrawn before the end of that period. Only after the period during which the offer may be accepted has expired or after the Company has received notice of the acceptance or refusal of every offer so made, may it allot the shares which are the subject of the offer to a person other than the offeree.

Right to certificates

Subject to the Acts, the requirements of (to the extent applicable) the Listing Rules and/or the London Stock Exchange, and the Articles, every person (except any person in respect of whom the Company is not required by the Acts to complete and have ready for delivery a share certificate), upon becoming the holder of a certificated share is entitled, without charge, to one certificate for all the certificated shares of a class registered in his name or, in the case of certificated shares of more than one class being registered in his name, to a separate certificate for each class of shares, unless the terms of issue of the shares provide otherwise.

Where a member (other than a person in respect of whom the Company is not required by the Acts to complete and have ready for delivery a share certificate) transfers part of his shares comprised in a certificate he shall be entitled, without charge, to one certificate for the balance of certificated shares retained by him.

The Company is not bound to issue more than one certificate for certificated shares held jointly by two or more persons. Delivery of a certificate to one joint holder shall be sufficient delivery to all joint holders.

A certificate shall specify the number and class and the distinguishing numbers (if any) of the shares in respect of which it is issued and the amount paid up on the shares. It shall be issued under the Seal, which may be affixed to or printed on it, or in such other manner as the Board may approve, having regard to the terms of issue and the requirements of (to the extent applicable) the Listing Rules and/or the London Stock Exchange.

Uncertificated shares

The Board may resolve that a class of shares is to become, or is to cease to be, a participating security (as defined in the Articles).

Shares of a class shall not be treated as forming a separate class from other shares of the same class as a consequence of such shares being held in certificated or uncertificated form or of any provision in the Articles or the uncertificated securities regulations (as defined in the Articles) applying only to certificated shares or to uncertificated shares.

Any share of a class which is a participating security may be changed from an uncertificated share to a certificated share and from a certificated share to an uncertificated share in accordance with the uncertificated securities regulations.

The Articles apply to uncertificated shares of a class which is a participating security only to the extent that the Articles are consistent with the holding of such shares in uncertificated form, with the transfer of title to such shares by means of the uncertificated system and with the uncertificated securities regulations.

The Board may lay down regulations not included in the Articles which (in addition to or in substitution for any provisions in the Articles):

- (i) apply to the issue, holding or transfer of uncertificated shares;
- (ii) set out (where appropriate) the procedures for conversion and/or redemption of uncertificated shares; and/or
- (iii) the Board considers necessary or appropriate to ensure that these Articles are consistent with the uncertificated securities regulations and/or the Operator's rules and practices.

For any purpose under the Articles, the Company may treat a member's holding of uncertificated shares and of certificated shares of the same class as if they were separate holdings, unless the Board otherwise decides.

The Board may take such steps (subject to the uncertificated securities regulations and to such rules and practices) as may be required or appropriate, by instruction by means of the uncertificated system (CREST) or otherwise, to effect such disposal, forfeiture, enforcement

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or sale of any shares of a class which is a participating security and that is held in uncertificated form including (without limitation):

- (i) requesting or requiring the deletion of any computer-based entries in the uncertificated system relating to the holding of such shares in uncertificated form;
- (ii) altering such computer-based entries so as to divest the holder of such shares of the power to transfer such shares other than to a person selected or approved by the Company for the purpose of such transfer;
- (iii) requiring any holder of such shares, by notice in writing to him, to change his holding of such uncertificated shares into certificated form within any specified period;
- (iv) requiring any holder of such shares to take such steps as may be necessary to sell or transfer such shares as directed by the Company;
- (v) otherwise rectify or change the register of members in respect of any such shares in such manner as the Board considers appropriate (including, without limitation, by entering the name of a transferee into the register of members as the next holder of such shares); and/or
- (vi) appointing any person to take any steps in the name of any holder of such shares as may be required to change such shares from uncertificated form to certificated form and/or to effect the transfer of such shares (and such steps shall be effective as if they had been taken by such holder).

Untraced shareholders

Subject to the Acts, the Company may sell any shares in the Company registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the member, the net proceeds of sale may either be employed in the business of the Company or invested in whatever investments as the Board sees fit, in either case at the discretion of the Board. The proceeds will not carry interest.

Non-United Kingdom shareholders

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the ordinary shares. However, if a member (or, in the case of joint holders, the person first named in the register) has a registered address outside the United Kingdom but has notified the Company of an address in the United Kingdom at which notices or other documents may be given to him, or an address to which notices may be given by electronic communication, he is entitled to have notices given to him at that address, but otherwise no such member or person is entitled to receive a notice or other document from the Company.

Appointment of Directors

Unless otherwise determined by ordinary resolution, the number of Directors (other than alternate Directors) shall be not less than two but shall not be subject to any maximum in number. Directors may be appointed by an ordinary resolution of the Company or by the Board. A Director appointed by the Board holds office only until the next following annual general meeting and, if not re-appointed at such annual general meeting, shall vacate office at its conclusion.

Removal of Directors by ordinary resolution

The Company may by ordinary resolution remove a Director before the expiry of his period of office and may appoint another person who is willing to act to be a Director in his place.

No share qualification

A Director shall not be required to hold any shares in the capital of the Company by way of qualification.

Retirement of Directors by rotation

At every annual general meeting, a minimum of one-third of the Directors, or if their number is not three or a multiple of three, the number nearest to one-third, shall retire from office. The Directors to retire by rotation shall be first, any Director who wishes to retire and not offer himself for re-election and secondly, those Directors who have been longest in office since their last appointment or re-appointment, or in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot. A retiring Director shall be eligible for re-election.

Remuneration of Directors

The remuneration of a Director holding executive office in accordance with the Articles may be a fixed sum of money, or wholly or in part governed by business done or profits made, or as otherwise decided by the Board. This may be in addition to or instead of a fee payable to him for his services as a Director.

The ordinary remuneration of the Directors for their services (excluding amounts payable under any other provision of these Articles) shall not exceed in aggregate £3 million per annum or such higher amount as the Company may from time-to-time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. In addition, any Director who performs special services which in the opinion of the Board are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of additional fee, salary, commission or otherwise as the Board may determine.

In addition to any remuneration to which the Directors are entitled under the Articles, they may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of shares or otherwise in connection with the discharge of their duties, including any professional fees incurred by them in taking independent professional advice in connection with the discharge of such duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family or any person who is or was dependent on him. The Board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums.

Permitted interests of Directors

Subject to the provisions of the Acts, and provided that he has disclosed to the Board the nature and extent of any material interests, a Director, notwithstanding his office:

- (a) may be a party to, or otherwise interested in, any transaction or arrangement with the Company in which the Company is otherwise interested;
- (b) may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor), and he or his firm shall be entitled to remuneration and otherwise as the Board may arrange in addition to or in lieu of any remuneration provided for by the Articles;
- (c) may be a director or other officer of, or employed by or a party to any transaction or arrangement with, or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested; and
- (d) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

Restrictions on voting

A Director shall not vote on any resolution of the Board concerning a matter in which he has an interest which (together with any interest of any person connected with him) is to his knowledge material, but these prohibitions shall not apply to:

- (a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;
- (b) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility (in whole or in part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- (c) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) a resolution concerning any other body corporate in which he or any person connected with him is interested, directly or indirectly, and whether as an officer, Shareholder, creditor or otherwise, if he and any persons connected with him do not to his knowledge hold an interest representing 1% or more of either any class of the equity share capital of such body corporate (or any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of the Articles to be a material interest in all circumstances);
- (e) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and
- (f) a contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any Directors or for persons who include Directors.

Indemnity of officers

Subject to the provisions of the Acts but without prejudice to any indemnity to which a Director may otherwise be entitled, every Director and alternate Director shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.

Borrowing powers

Subject to the Articles, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security, for any debt liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to ensure (as regards subsidiary undertakings, to the extent possible by such exercise) that the aggregate principal amount outstanding in respect of monies borrowed by Group Undertakings does not at any time, without the previous sanction of an ordinary resolution, exceed a sum equal to four times the adjusted capital (as defined in the Articles) and reserves.

7. Property, Plant and Equipment

7.1 The Group's material existing tangible fixed assets, other than its mines, the licence and contract terms of which are summarised in Part II and the MER, are summarised below:

The Ferroalloy Division

Location	Assets	Ownership basis
Aksu Plant, Pavlodar Province	Land	Approximately 67% of units owned, with the remainder leased
	Buildings/Premises	All units owned
	Plant/Equipment	All units owned
	Trucks/Excavators	All units owned
Aktobe Plant, Aktobe Province	Land	All units owned
	Buildings/Premises	Approximately 96% of units owned
	Plant/Equipment	Approximately 98% of units owned
	Trucks/Excavators	All units owned
Karaganda, Karaganda Province	Land	Approximately 66% of units leased
	Buildings/Premises	All units owned
	Plant/Equipment	All units owned
	Trucks/Excavators	All units owned
Donskoy, Aktobe Province	Land	Almost all units owned ⁽¹⁾
	Buildings/Premises	Almost all units owned ⁽²⁾
	Plant/Equipment	Approximately 98% of units owned
	Trucks/Excavators	All units owned
Zhairam, Karaganda Province	Land	All units owned
	Buildings/Premises	Almost all units owned ^{*(3)}
	Plant/Equipment	All units owned
	Trucks/Excavators	All units owned [*]

* Security has been granted over these assets.

(1) Less than 1% of units leased.

(2) Less than 1% of units leased.

(3) Less than 1% of units leased.

The Iron Ore Division

Location	Assets	Ownership basis
Rudni, Kostanay Province	Land	All units leased
	Buildings/Premises	All units owned
	Plant/Equipment	All units owned
	Trucks/Excavators	Almost all units owned ⁽¹⁾

(1) Less than 1% of units leased.

The Alumina and Aluminium Division

Location	Assets	Ownership basis
Pavlodar Alumina Refinery, Pavlodar Province	Land Buildings/Premises Trucks/Excavators	All units leased* All units owned* All units owned
Keregetas branch, Pavlodar Province	Land Buildings/Premises Trucks/Excavators	Unit leased* All units owned All units owned
Krasno—Oktyabrskoye bauxite ore branch, City of Lisakovsk, Kostanay Province	Land Buildings/Premises Trucks/Excavators	All units leased* All units owned All units owned
Torgay bauxite ore branch, City of Arkalyk, Kostanay Province	Land Buildings/Premises Trucks/Excavators	All units leased* All units owned All units owned
Aluminium Smelter under construction, Kostanay Province	Land Buildings/Premises Plant/Equipment Trucks/Excavators	Approximately 50% owned Approximately 50% owned Almost all units owned ⁽¹⁾ Approximately 93% of units owned

* Security has been granted over these assets.

(1) Less than 1% of units leased.

The Energy Division

Location	Assets	Ownership basis
Vostochny Coal Mine, Kibastuz City, Pavlodar Province	Land Buildings/Premises Plant/Equipment Trucks/Excavators	Approximately 66% of units leased All units owned All units owned* Almost all units owned ⁽¹⁾
Power station, Aksu City, Pavlodar Province	Land Buildings/Premises Plant/Equipment Trucks/Excavators	Approximately 50% owned All units owned All units owned* All units owned

* Security has been granted over these assets.

(1) One excavator leased.

The Logistics Division

Assets	Ownership basis
Land	Almost all units owned* ⁽¹⁾
Buildings/Premises	Almost all units owned* ⁽²⁾
Plant/Equipment	All units owned*
Trucks/Excavators/Automobiles/Wagons/Platforms	All units owned*

* Security has been granted over these assets.

(1) One unit leased.

(2) One unit leased.

8. Directors' and other relevant interests in the share capital of the Company

- 8.1 The Directors and the Senior Managers, their functions within the Company and their biographies are set out in "Part VIII: Directors, Senior Managers and corporate governance".
- 8.2 Each of the Directors and Senior Managers can be contacted at the Company's principal place of business at 16 St. James's Street, London SW1A 1ER.

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- 8.3 As at 6 December 2007 (the latest practicable business day prior to the date of this Prospectus), insofar as known to the Company, the interests of the Directors, Senior Managers, their immediate families and those of any connected person (within the meaning of the provisions of the Disclosure and Transparency Rules), the existence of which is known to, or could with reasonable diligence be ascertained by, that Director or Senior Manager whether or not held through another party, in the share capital of the Company together with any options in respect of such capital were as follows:

Director	Number of Ordinary Shares ⁽¹⁾	Percentage of Issued Share Capital	Options
Dr. Johannes Sittard	1,850,000 ⁽²⁾	0.2%	—
Mr. Miguel Perry	600,000 ⁽²⁾	0.1%	—
Sir David Cooksey	375,000 ⁽³⁾	0.0%	—
Mr. Gerhard Ammann	—	—	—
Mr. Mehmet Dalman	—	—	—
Mr. Michael Eggleton	—	—	—
Sir Paul Judge	—	—	—
Mr. Kenneth Olisa	—	—	—
Sir Richard Sykes	—	—	—
Mr. Roderick Thomson	—	—	—
Mr. Eduard Utepov ⁽⁵⁾	—	—	—
Mr. Abdraman Yedilbayev ⁽⁴⁾	—	—	—
Mr. Daulet Yergozhin ⁽⁵⁾	—	—	—
<i>Senior Managers</i>			
Mr. Felix Vulis	700,000 ⁽²⁾	0.1%	—
Mr. Jim Cochrane	750,000 ⁽²⁾	0.1%	—

(1) Including the 10 million shares referred to in paragraph 4.19.

(2) These shares were issued pursuant to share awards granted under the IPO Plan described in paragraph 13.2.

(3) In connection with his appointment as Chairman, the Company has agreed to issue Sir David Cooksey these 375,000 Ordinary Shares on the earlier of (i) obtaining any necessary consents from existing shareholders and (ii) Admission. 92,592 of these Ordinary Shares will be issued to Advent Ltd. Pension Fund.

(4) Mr. Abdraman Yedilbayev is the appointed representative of Mr. Alijan Ibragimov who is the registered and beneficial owner of 187,836,250 Ordinary Shares.

(5) Mr. Eduard Utepov and Mr. Daulet Yergozhin are the appointed representatives of the Committee which is the registered and beneficial owner of 248,655,000 Ordinary Shares.

- 8.4 Immediately following Admission, the interests of the Directors, Senior Managers, their immediate families and those of any connected person (within the meaning of the provisions of the Disclosure and Transparency Rules), the existence of which is known to, or could with reasonable diligence be ascertained by, that Director or Senior Manager whether or not held

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through another party, in the share capital of the Company together with any options in respect of such capital, were as follows (assuming no exercise of the Over-allotment Option):

Director	Number of Ordinary Shares	Percentage of Issued Share Capital	Options
Dr. Johannes Sittard	1,850,000 ⁽¹⁾	0.15%	—
Mr. Miguel Perry	601,851 ⁽¹⁾	0.05%	—
Sir David Cooksey	560,185 ⁽²⁾	0.04%	—
Mr. Gerhard Ammann	22,222	0.00%	—
Mr. Mehmet Dalman	92,592	0.01%	—
Mr. Michael Eggleton	—	—	—
Sir Paul Judge	—	—	—
Mr. Kenneth Olisa	—	—	—
Sir Richard Sykes	18,518	0.00%	—
Mr. Roderick Thomson	—	—	—
Mr. Eduard Utepov ⁽⁴⁾	—	—	—
Mr. Abdraman Yedilbayev ⁽³⁾	—	—	—
Mr. Daulet Yergozhin ⁽⁴⁾	—	—	—
<i>Senior Managers</i>			
Mr. Felix Vulis	700,000 ⁽¹⁾	0.06%	—
Mr. Jim Cochrane	758,333 ⁽¹⁾	0.06%	—

- (1) These shares were issued pursuant to share awards granted under the IPO Plan described in paragraph 13.2 (other than 1,851 of the shares held by Mr. Perry and 8,333 of the shares held by Mr. Cochrane).
- (2) 375,000 of these shares were issued pursuant to Sir David Cooksey's letter of appointment, as described in paragraph 9.1 of this Part XIII. Of these 375,000 shares, 92,592 shares were issued to Advent Ltd. Pension Fund and the balance were issued to Sir David Cooksey.
- (3) Mr. Abdraman Yedilbayev is the appointed representative of Mr. Alijan Ibragimov, who is the registered and beneficial owner of 187,836,250 Ordinary Shares.
- (4) Mr. Eduard Utepov and Mr. Daulet Yergozhin are the appointed representatives of the Committee, which is the registered and beneficial owner of 248,655,000 Ordinary Shares.

8.5 Save as disclosed in Parts IX, X and this paragraph 8 and paragraph 9 (Directors and Senior Managers) of this Part XIII:

- (a) no Director (nor any of their connected persons within the Disclosure and Transparency Rules) has any interests, whether beneficial or non-beneficial, in the issued share capital of the Company;
- (b) the Directors are not aware of any person interested, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company (being a notifiable interest pursuant to section 793 of the 2006 Act);
- (c) the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company;
- (d) no Director has had any interest, direct or indirect, in any assets which, within the period of 2 years immediately preceding the date of this Prospectus, have been or which are proposed to be acquired, disposed of by or leased to the Company or any of its subsidiaries; and
- (e) there are no loans or guarantees outstanding which have been granted or provided by the Company or any of its subsidiaries to or for the benefit of any of the Directors.

9. Directors and Senior Managers

9.1 The Directors have entered into the following service agreements and letters of appointment with the Company:

- (a) a service agreement dated 1 May 2007 between (1) the Company and (2) Dr. Johannes Sittard. Dr. Sittard is employed as the Chief Executive Officer of the Company. Dr. Sittard's appointment is terminable by either party giving to the other no less than 12 months' notice in writing. Dr. Sittard's annual salary is £1.5 million and is reviewed annually with no obligation requiring it to be increased. Dr. Sittard is entitled to receive

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a bonus calculated in accordance with terms set out by the Board. He is entitled to a contractually guaranteed bonus of not less than £1 million pounds in respect of the year ended 31 December 2007. Dr. Sittard has also been awarded a cash award of US\$2,250,000 and share awards over 1,850,000 Ordinary Shares under the IPO Plan described in paragraph 13.2. He is entitled to participate in benefits offered to directors and senior employees (including share option schemes, life assurance, long term disability insurance, accident insurance, private medical insurance and directors' and officers' liability insurance). Dr. Sittard is also entitled to a company car and driver.

If the Company is subject to a change in control, Dr. Sittard is entitled to resign and receive a payment of £8.5 million.

The Company may at any time terminate Dr. Sittard's employment by paying him in lieu of his notice. Dr. Sittard is subject to restrictive covenants which seek to prevent him from soliciting customers or employees and/or competing with the Company's business for six months following termination of his employment;

- (b) a service agreement dated 5 March 2007 between (1) the Company and (2) Mr. Miguel Perry. Mr. Perry is employed as the Chief Financial Officer of the Company. Mr. Perry's appointment is terminable by either party giving to the other no less than 12 months' notice in writing. Mr. Perry's annual salary is £600,000, which is reviewed annually with no obligation requiring it to be increased. Mr. Perry is entitled to receive a potential bonus of up to £400,000 calculated in accordance with terms set out by the Board. Mr. Perry has also been awarded a cash award of US\$800,000 and share awards over 600,000 Ordinary Shares under the IPO Plan described in paragraph 13.2. He is entitled to participate in benefits offered to directors and senior employees (including a long-term incentive plan, share option schemes, life assurance, long term disability insurance, accident insurance, private medical insurance and directors' and officers' liability insurance).

If the Company is subject to a change of control, Mr. Perry is entitled to resign and receive a payment of £3.0 million.

The Company may at any time terminate Mr. Perry's employment by paying him in lieu of his notice. Mr. Perry is subject to restrictive covenants which seek to prevent him from soliciting customers or employees and/or competing with the Company's business for six months following termination of his employment;

- (c) Sir David Cooksey has entered into a letter of appointment with the Company dated 28 November 2007, the terms of which are effective from Admission, which is subject to termination upon written notice of no less than six months. A sum equivalent to six months of the annual fee is payable in lieu of notice by the Company should it request his resignation as a director with immediate effect. The letter of appointment relates to the provision of services by him to the Company as the Chairman of the Company with effect from 12 November 2007 and he is entitled to an annual fee of £500,000. In connection with his appointment as Chairman, the Company has agreed to issue Sir David Cooksey 375,000 Ordinary Shares on the earlier of (i) obtaining any necessary consents from existing shareholders and (ii) Admission. Sir David Cooksey will be responsible for settling all taxes payable by him on the receipt of these shares and he has agreed to invest a further £500,000 in acquiring New Ordinary Shares pursuant to the Global Offer;
- (d) Mr. Gerhard Ammann has entered into a letter of appointment with the Company dated 14 November 2007, the terms of which are effective from Admission, which is subject to termination upon written notice of no less than six months. A sum equivalent to six months of the annual fee is payable in lieu of notice by the Company should it request his resignation as a director with immediate effect. Pursuant to the letter of appointment, he is entitled to an annual fee of £120,000 that includes a fee of £20,000 for acting as Chairman of the Audit Committee;
- (e) Mr. Mehmet Dalman has entered into a letter of appointment with the Company dated 5 December 2007, the terms of which are effective from Admission, which is subject to

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termination upon written notice of no less than six months. A sum equivalent to six months of the annual fee is payable in lieu of notice by the Company should it request his resignation as a director with immediate effect. Pursuant to the letter of appointment, he is entitled to an annual fee of £100,000;

- (f) Mr. Michael Eggleton has entered into a letter of appointment with the Company dated 15 November 2007, the terms of which are effective from Admission, which is subject to termination upon written notice of no less than six months. A sum equivalent to six months of the annual fee is payable in lieu of notice by the Company should it request his resignation as a director with immediate effect. Pursuant to the letter of appointment, he is entitled to an annual fee of £100,000;
- (g) Sir Paul Judge has entered into a letter of appointment with the Company dated 16 November 2007, the terms of which are effective from Admission, which is subject to termination upon written notice of no less than six months. A sum equivalent to six months of the annual fee is payable in lieu of notice by the Company should it request his resignation as a director with immediate effect. Pursuant to the letter of appointment, he is entitled to an annual fee of £100,000;
- (h) Mr. Kenneth Olisa has entered into a letter of appointment with the Company dated 15 November 2007, the terms of which are effective from Admission, which is subject to termination upon written notice of no less than six months. A sum equivalent to six months of the annual fee is payable in lieu of notice by the Company should it request his resignation as a director with immediate effect. Pursuant to the letter of appointment, he is entitled to an annual fee of £100,000;
- (i) Sir Richard Sykes has entered into a letter of appointment with the Company dated 4 December 2007, the terms of which are effective from Admission, which is subject to termination upon written notice of no less than six months. A sum equivalent to six months of the annual fee is payable in lieu of notice by the Company should it request his resignation as a director with immediate effect. Pursuant to the letter of appointment, which relates to the provision of services by him as senior independent director of the Company, he is entitled to an annual fee of £250,000;
- (j) Mr. Roderick Thomson has entered into a letter of appointment with the Company dated 15 November 2007, the terms of which are effective from Admission, which is subject to termination upon written notice of no less than six months. A sum equivalent to six months of the annual fee is payable in lieu of notice by the Company should it request his resignation as a director with immediate effect. Pursuant to the letter of appointment, he is entitled to an annual fee of £100,000;
- (k) Mr. Eduard Utepov has entered into a letter of appointment with the Company dated 27 November 2007, the terms of which are effective from Admission, which is subject to termination upon written notice of no less than six months. A sum equivalent to six months of the annual fee is payable in lieu of notice by the Company should it request his resignation as a director with immediate effect. Pursuant to the letter of appointment, he is entitled to an annual fee of £100,000;
- (l) Mr. Abdraman Yedilbayev has entered into a letter of appointment with the Company dated 29 November 2007, the terms of which are effective from Admission, which is subject to termination upon written notice of no less than six months. A sum equivalent to six months of the annual fee is payable in lieu of notice by the Company should it request his resignation as a director with immediate effect. Pursuant to the letter of appointment, he is entitled to an annual fee of £100,000; and
- (m) Mr. Daulet Yergozhin has entered into a letter of appointment with the Company dated 27 November 2007, the terms of which are effective from Admission, which is subject to termination upon written notice of no less than six months. A sum equivalent to six months of the annual fee is payable in lieu of notice by the Company should it request his resignation as a director with immediate effect. Pursuant to the letter of appointment, he is entitled to an annual fee of £100,000.

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9.2 The Directors and Senior Managers have not held any directorships of any company (other than companies in the Group and companies which are subsidiaries of companies of which the Director or Senior Manager is or was also a director) or partnerships within the last five years, except as set forth below:

Name	Current directorship/partnership	Previous directorships/partnerships
Dr. Johannes Sittard	Alloy 2000 B.V. Cellino Trading B.V. Erida Trading B.V. Kolga Trading B.V. Kermas SA (pty) Ltd Samancor Chrome Ltd. Alferon Limited Alferon Management Limited On Geo (partnership) Feni Industries AD Chambishi Metals PLC Luanshya Copper Mines PLC Metal, Germany NewCo Ferronikeli Complex LLC Kosovo Nickel LLC Chambishi Marketing (Pty) Ltd.	Arduina Holding B.V. Asmare B.V. Bakusteel Co Limited Bateman Eurasia Gas & Oil Company B.V. Brixia Holding B.V. Canopus Investment B.V. Cosena B.V. Dysona Holding B.V. Honeybee Investments B.V. Insparo Investments B.V. Isoda Holding B.V. Izarus Investment B.V. Kherson Holding B.V. Kherson Trading Holding B.V. Kromet B.V. Lava Investments B.V. Metallah Investments B.V. Odin Petroleum Trading Holding B.V. Odin Petroleum N.V. Odin Petroleum Holding B.V. Oterna Holding B.V. Vangelis Holding B.V. Corica AG J&W Holding AG LNM International Ventures Limited Societe Metallurgique de Revigny Trefrileurope GmbH Oxigeno del Balsas, S.A. de C.V. Pena Colorada Servicios, S.A. de C.V. Productor Mexicana De Servicios PMT Servicios Siderurgicos Integrados III Kote, Inc III Tek, Inc Enya Holding B.V. International Mineral Resources B.V. Palazzo Holding B.V. Savodelli B.V. Moreni B.V.
Mr. Miguel Perry	—	PricewaterhouseCoopers A.G.

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Name	Current directorship/partnership	Previous directorships/partnerships
Sir David Cooksey	The Establishment Investment Trust PLC Diamond Light Source Limited Resolution PLC London & Continental Railways Limited Advent Management II Ltd Partnership Advent Management III Ltd Partnership Advent Management IV Ltd Partnership	Bespak PLC Foresight 4 VCT PLC Foresight 3 VCT PLC VCF Fund Managers Limited The Balance Charitable Foundation for Unclaimed Assets Resolution Life Group Limited Advent Investments Limited Advent Venture Partners LLP Advent 2 Fund Managers Limited Advent Management Limited Advent Management II Limited Advent Management III Limited Advent Management IV Limited Advent Nominees Limited Advent Limited Advent Trustee Limited Advent GPIC Limited William Baird plc Baird Group Pension Trustees Limited Bank of England Micropore International Limited Ozone Industries Limited ITouch Plc
Mr. Gerhard Ammann	Welinvest Ltd	Deloitte AG
Mr. Mehmet Dalman	WMG Holdings Limited WMG Limited WMG Funds Limited WMG Services Limited WMG Advisors LLP WMG (Bermuda) Limited WMG General Partner Limited WMG Blixen Fund Limited WMG Blixen Master Fund Limited Tormen Finance Inc. WMG Asia Limited WMG Asian Equity Fund Limited WMG Asian Equity Master Fund WMG Strategic Fund Limited WMG Photography Fund Limited WMG Cyprus Limited WMG Management (Bermuda) Limited Ocero Advisory Limited	Commerzbank AG Deutsche Boerse AG EUREX Zurich AG EUREX Cleaning AG EUREX Frankfurt AG Tosca WMG European Quantitative Fund WMG European Quantitative Master Fund Limited WMG Global Macro Fund Limited WMG Global Macro Master Fund Limited
Mr. Michael Eggleton	Trust Investment Bank Trust Investment London Limited National Bank Trust Management Company Trust Moorgate Capital Shoal Bay West Properties LLC Shoal Bay West Developers LLC	Merrill Lynch (Russia) Credit Suisse First Boston (Russia, Ukraine, Egypt, Cayman, Turkey)
Sir Paul Judge	Schroder Income Growth Fund Plc Oxbridge Capital Limited Enterprise Education Trust St Dunstan's Educational Foundation Digital Links International RSA Adelphi Enterprises Limited The Crown Agents Foundation United Kingdom Accreditation Service Westminster Corporate Finance Limited Standard Bank Group Ltd Standard Bank of South Africa Ltd Tempur-Pedic International Inc. NFTE 2006 Panoramic Lease Limited	Cambridge Technology Management Limited Thirty Club of London, Limited (The) Concourse Communications Ltd Strategy Ventures Limited

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Name	Current directorship/partnership	Previous directorships/partnerships
Mr. Kenneth Olisa	Restoration Limited Fitzwilliam Society Trust Limited Update.com Inc. Case Estates Trading Limited Case Estates Investment Limited Reuters Group Plc Biowisdom Limited Reuters Foundation Restoration Partners Limited Independent Audit Limited Retento Limited Thames Reach Bondway Open Text Peabody Trust	Interregnum Venture Marketing Ltd Datapoint Newco1 Limited uDate.com Limited Interregnum Advisory Partners Interregnum Advisory Partners Ltd Interregnum Plc Link Software
Sir Richard Sykes	Rio Tinto PLC Rio Tinto Ltd Circassia Limited Lonza Group Ltd Metabometrix Limited Omnicyte Limited Healthcare Advisory Group Bio*One Capital Pte Ltd Merlion Pharmaceuticals Pte Ltd Imperial College Healthcare NHS Trust	GlaxoSmithKline PLC Glaxo Wellcome & Co., Inc. Cephalon Holdings Limited The Gregor Mendel Trust Limited Abraxis Bioscience, Inc. The Engineering and Technology Board Leadership for Environment and Development International, Inc.
Mr. Roderick Thompson	—	DFJ ePlanet Ventures
Mr. Eduard Utepov	NK NIT UPDK Agency Khabar	NK Kazakhtelecom NK Kazmortransflot KIMEP AO Kazmunaygaz
Mr. Abdraman Yedilbayev	Gornoe Buro LLP	Satpayevsk Titanium Mines Limited
Mr. Daulet Yergozhin	AO KIK AO ZSSBK AO KFGIK AO GSKEKI	AO Samruk AO Kazyna AO KazAgro
Mr. Felix Vulis	FJ Vulis Inc Caracol Road Construction B.V. Kazspetszmak LLP Walford Construction Holding NV Cosena B.V. FJV Corporation Ltd OAO Saranovskaya Mine Rwanaya	Insurance Eurasia Senim Pension Fund Asmare B.V. Savodelli B.V.
Mr. Jim Cochrane	Landmark Developments Ltd Ark Joinery Ltd DDK Services Limited OAO Serov Ferrochrome Factory OAO Saranovskaya Mine Rudnaya Alloy 2000 B.V.	Cobalt Development Institute Chambishi Marketing (Pty) Ltd

9.3 Save as disclosed in paragraph 9.4, in the five years preceding the date of this Prospectus, none of the Directors or Senior Managers have:

- (a) received any convictions in relation to fraudulent offences;
- (b) been declared bankrupt or entered into any individual voluntary arrangement;
- (c) been a director with an executive function of any company at the time of, or within 12 months preceding, any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;
- (d) been a partner in a partnership at the time of, or within 12 months preceding, any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;

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- (e) had any of his assets the subject of any receivership or has been a partner of a partnership at the time of, or within 12 months preceding, any assets thereof being the subject of a receivership; or
 - (f) been subject to any public incrimination and/or sanctions by any statutory or regulatory authorities (including any designated professional bodies) or has ever been disqualified by a court from acting as a director or member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.
- 9.4 Dr. Johannes Sittard was a director of J&W Holding AG, a wholly owned indirect subsidiary of the Company, when it was put into voluntary liquidation on 1 November 2006 as part of an internal group reorganisation.
- 9.5 Mr. Yedilbayev is a representative of one of the Founders and, therefore, has a potential conflict of interest between his duties as a director of the Company and his private interests by virtue of his relationship with the Founders and the beneficial interests held by the Founders in a number of counterparties to historic and ongoing related party arrangements undertaken by the Group (please see the sections headed "Finance Transactions", "Other credit facilities provided by entities controlled by the Founders", "Other credit facilities provided to entities controlled by the Founders", "Sales to entities controlled by the Founders", "Purchases from entities controlled by the Founders", "Shared premises and information systems", "Distributions", "Charitable Donations", "Serov Acquisition", and "The Separation Agreements" of Part X for further details of these related party arrangements).
- Mr. Utepov and Mr. Yergozhin are representatives of the Committee and hold positions within the Kazakh government. As such, they have potential conflicts of interest between their duties as directors of the Company and their interests and duties as members of the Kazakh government and representatives of the Committee (please see the sections titled "Transactions with the Republic of Kazakhstan" of Part X for further details). Dr. Sittard has a potential conflict of interest by virtue of being the Chairman of IMR and his interest in Alferon Management Limited (both of which are counterparties to historic and ongoing related party arrangements undertaken by the Group) (please see the sections titled "Other credit facilities provided to entities controlled by the Founders", "Agency fees from IMR Marketing related to Serov business", "Coke purchases", "Management services in Switzerland and UK" and "Shared Management" of Part X for further information), Mr. Felix Vulis and Mr. Jim Cochrane have potential conflicts of interest by virtue of them being directors of certain companies within the Serov Group (please see the sections titled "Shared Management" and "Serov Acquisition" of Part X for further information).
- 9.6 Save as disclosed in paragraph 9.5, in respect of each of the Directors and Senior Managers, there are no conflicts of interest between any duties they have to the Company and the private interests and/or other duties they also have.
- 9.7 Each of the Directors, Senior Managers and the Founders have agreed to enter into certain lock-up arrangements, details of which are set out in paragraph 16 below. Approximately 79.9% of the Ordinary Shares in issue after the Global Offer (assuming no exercise of the Over-allotment Option) will be subject to lock-up arrangements, details of which are set out in paragraph 16 below.
- 9.8 Under the terms of the Relationship Agreements, each of the Founders has the right to appoint one director to the Board for so long as his Shareholder Group (as defined in Part IX) controls 10% or more of the voting rights exercisable at general meetings of the Company (see "Part IX: Major shareholders and relationship agreements—Relationship Agreements" for further information about these arrangements). Pursuant to this right, Mr. Ibragimov has appointed Mr. Yedilbayev to the Board. Mr. Chodiev and Mr. Machkevitch have not yet appointed representatives to the Board but the Directors expect that they may do so following Admission.

10. Remuneration and Benefits

- 10.1 The aggregate emoluments paid to the Directors and Senior Managers for the year ended 31 December 2006 (including salaries, fees, bonus payments, and benefits in kind but excluding the pension contributions referred to in paragraph 10.2) from the members of the Group were as follows:

Directors

Dr. Johannes Sittard	US\$460,000
Mr. Miguel Perry	—
Sir David Cooksey	—
Mr. Gerhard Ammann	—
Mr. Mehmet Dalman	—
Mr. Michael Eggleton	—
Sir Paul Judge	—
Mr. Kenneth Olisa	—
Sir Richard Sykes	—
Mr. Roderick Thompson	—
Mr. Eduard Utepov	—
Mr. Abdraman Yedilbayev	—
Mr. Daulet Yergozhin	—

Senior Managers

Mr. Felix Vulis	US\$1,700,000
Mr. Jim Cochrane	US\$2,040,000
Total	US\$4,200,000

- 10.2 For the year ended 31 December 2006, the Group paid pension contributions of US\$46,000 in respect of Dr. Sittard and US\$11,258 in respect of Mr. Jim Cochrane. No other pension or retirement benefits were provided to Directors or Senior Managers for the year ended 31 December 2006.
- 10.3 It is estimated that the aggregate amounts payable to the Directors and Senior Managers for the year ending 31 December 2007 under the arrangements in force at the date of this Prospectus (including salaries, fees, bonus payments, benefits in kind and pension contributions) from the members of the Group will be approximately US\$18,290,000 (including the maximum amount of the IPO cash awards that are payable to Directors and Senior Managers as detailed in paragraph 13.2).

11. Employees

Set out below are the total number of employees (including Executive Directors) employed by the Group at the end of each period covered by the financial information contained in Part V of this Prospectus:

	Years ended 31 December			Six months ended 30 June
	2004	2005	2006	2007
	58,911	60,580	61,656	62,085

As at 31 October 2007 (being the latest practicable date prior to publication of this Prospectus), the Group employed 62,491 employees.

12. Significant Interests of Shareholders

- 12.1 As at 6 December 2007 (being the latest practicable date prior to publication of this Prospectus), and in addition to the interests of certain Directors, as set out in paragraph 8.3 above, the Company is aware of the following persons who, directly or indirectly, have an

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interest in 3 per cent. or more of the Company's issued ordinary share capital (being a notifiable interest pursuant to section 793 of the 2006 Act):

Shareholder	Percentage of Issued Share Capital ⁽¹⁾	Number of Ordinary Shares
Mr. Chodiev	18.8%	187,836,250
Mr. Ibragimov	18.8%	187,836,250
Mr. Machkevitch	18.8%	187,836,250
Kazakhmys Eurasia B.V.	18.8%	187,836,250
The Committee	24.9%	248,655,000

(1) Excluding the 10 million shares to be issued to certain directors, employees and consultants on or prior to Admission.

Save for the shareholdings detailed above, the Company is not aware of any person who will directly or indirectly be interested in 3 per cent. or more of the share capital immediately following Admission. Save as disclosed in paragraphs 8, 12 and 21 of this Part XIII, the Directors are not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control of the Company.

- 12.2 None of the Company's major shareholders, or persons interested (directly or indirectly) in 3 per cent. or more of the Company's issued share capital have or will have different voting rights attached to the Ordinary Shares they hold in the Company.
- 12.3 As far as the Company is aware, as at 6 December 2007 (being the last practicable date prior to the publication of this Prospectus) there are no arrangements the operation of which may at a later date result in a change of control of the Company.

13. Employee Share Incentives

13.1 *The ENRC Long Term Incentive Plan (the "LTIP")*

The LTIP was adopted by the Board on 6 December 2007 to provide awards ("Awards") to senior employees and executive directors of any company in the Group, in the form of share awards and phantom share awards. Awards cannot be granted until Admission, and may only be granted in the 42 days following Admission, in the 42 days following the announcement of the Company's results, or other times believed by the Remuneration Committee of the Board to be exceptional circumstances.

Share Awards

Share awards are awards of Ordinary Shares that will be transferred to the awardholder at the date on which they vest, if the awardholder remains an employee of the Group on that date. Share Awards are to be limited to ten per cent. of the issued Ordinary Shares in any ten year period, when added to awards under any other employee share plan.

Phantom Share Awards

Phantom share awards are awards that on vesting result in a cash payment by the Company to the awardholder equal to the total market value of the Ordinary Shares over which the phantom share award was made.

Vesting

Awards vest on the date set out in the award certificate and decided by the Board, its remuneration committee, or the trustee of any employee benefit trust which is granting the award. The vesting date may not be less than three years before the date of grant. Awards will lapse on the awardholder leaving employment, unless the Board or its remuneration committee decide that the award shall vest within 90 days of leaving employment (except in cases of dismissal for gross misconduct). Awards shall vest on the change of control of the Company.

Performance Conditions

The Board, its remuneration committee or, for share awards granted by an employee benefit trust, the trustees, shall set performance targets to which the Award will be subject. Any performance target must be objective. If the party issuing the performance target then believes that target is no longer appropriate, it may amend the target to one not materially less difficult to satisfy.

Taxation

Any phantom share award will be paid net of employee's national insurance contributions and income tax. The Company reserves the right to retain Ordinary Shares under share awards to accounts for any employee's national insurance contributions or income tax. The LTIP also permits the Company to impose a requirement for the awardholder to pay employer's national insurance contributions on a share award.

Amendment

The terms of the LTIP may be amended by the Remuneration Committee of the Board. Without the prior approval of the Remuneration Committee of the Board, amendments may not be made to the advantage of awardholders relating to vesting, eligible employees for awards, plan limits, adjustments on a reorganisation or the amendment powers, except for minor amendments or those necessary to take account of changes to legislation or tax treatment. No amendments may be made that prejudice the rights of present awardholders.

13.2 *The ENRC IPO Plan (the "IPO Plan")*

The IPO Plan was adopted by the Board on 6 December 2007 to provide incentives in respect of Admission to senior employees of the Group, in the form of share awards and cash awards. Awards are to be granted by the Board or a subcommittee of the Board, and in relation to senior managers and executive directors, the Board will delegate to the Remuneration Committee all its rights and obligations in relation to the IPO Plan. Share awards of 7,975,000 Ordinary Shares and cash awards of US\$21,595,000 in aggregate have been granted to the Group's management and senior employees, subject to Admission. Of these, share awards of 3.9 million Ordinary Shares and cash awards of US\$4.8 million have been granted to Directors and Senior Managers.

Share Awards

Share awards are awards of Ordinary Shares that will be issued to the awardholder on Admission, if the awardholder remains an employee of the Group on that date. Ordinary Shares issued pursuant to the IPO Plan will be issued at par.

Cash Awards

Cash awards are awards that, on vesting result, in a cash payment by the Company to the awardholder.

Taxation

The awardholder is required to indemnify the Group for any employee's national insurance contributions and income tax. Where the awardholder requests, the Company will extend a loan to the awardholder to meet any tax liability that becomes due on the grant of an award.

Vesting

Share awards and cash awards will vest on Admission.

Amendment

The terms of the IPO Plan may be amended by the Board. Amendments may not be made relating to eligible employees for awards, plan limits, adjustments on a reorganisation or the

amendment powers, except for minor amendments or those necessary to take account of changes to legislation or tax treatment. No amendments may be made that prejudice the rights of present awardholders without their consent.

14. Litigation and Arbitration Proceedings

Save as disclosed in this paragraph 14, no member of the Group is engaged in or, so far as ENRC is aware, has pending or threatened against it, any governmental, legal or arbitration proceedings which may have, or have had during the recent past (covering the twelve months preceding the date of this Prospectus), a significant effect on the Company's and/or Group's financial position or profitability.

- 14.1 The European Commission recently initiated investigations into whether ENRC Marketing is selling silicomanganese and ferrosilicon, which is produced by Kazchrome in Kazakhstan, at depressed prices on the EU market ("dumping"). The investigations resulted from complaints by an EU ferroalloys producers association.

If the investigations were to find (a) more than minimal dumping, (b) that this dumping has caused material injury to EU-based producers of the same products, and (c) that the interest of the EU ferroalloy producers to have measures imposed is greater than the interest of the EU users of silicomanganese and ferrosilicon not having measures imposed, the EU could decide to impose anti-dumping measures for a period of five years. If measures are imposed, imports into the EU of silicomanganese and ferrosilicon from Kazakhstan (including from Kazchrome) would be subject to an additional duty or a minimum price.

In November 2007, the EU proposed that a duty of 6.5% be set on imports of silico-manganese. On 4 December 2007, the European Commission confirmed the imposition of the 6.5% duty, and suspended the application of the duty for nine months. ENRC intends to challenge the duty on its silico-manganese to the EU market through the European Court of First Instance.

As the ferrosilicon investigation is ongoing, it is not possible for the Company to predict its outcome. A final decision on the ferrosilicon case is expected in February 2008. In addition, the EU has imposed a provisional anti-dumping duty of 33.9% on Kazchrome's ferrosilicon imports although this rate is yet to be confirmed as definitive.

Having taken legal advice, the Directors do not believe that the investigations and the potential imposition of any anti-dumping measures on the Group's exports will have a material adverse effect on the Group's financial position or profitability.

- 14.2 ENRC Marketing is currently subject to a claim for unpaid import taxes of US\$13,000,000 made by United States Customs. The claim concerns the import into the USA of certain ferroalloys and related products by ENRC Marketing's exclusive US distributor, Traxys North America, LLC. United States Customs maintains that the imported goods do not meet the requirements of the US Generalized System of Preferences programme and so are therefore liable for import duty.

Having taken legal advice, the Directors believe that the products do satisfy the requirements of the programme to be treated as duty free and are intending to contest the claim.

- 14.3 ENRC Marketing is currently engaged in a number of disputes with the Russian customs authorities relating to import duties of US\$11,589,765 in aggregate on chrome ore and iron ore and other related matters. Having taken legal advice, the Directors believe that these disputes will not have a material adverse effect on the Group's financial position or profitability.

15. Material Contracts

- 15.1 The following contracts are all the material contracts (except for contracts entered into in the ordinary course of business) which have been entered into within the two years prior to the date of this Prospectus by members of the Group and the contracts (except for contracts entered into in the ordinary course of business) entered into at any time by members of the

Group which contain provisions under which any member of the Group has an obligation or entitlement which is or may be material to the Group as at the date of this Prospectus:

- (a) The Underwriting Agreement, further details of which are set out in paragraph 16.1 below;
- (b) The Relationship Agreements, further details of which are set out in Part IX;
- (c) On 7 December 2007 the Company entered into a deed of indemnity (the "Indemnity") with the Founders pursuant to which each Founder agreed to severally indemnify the Company and each other member of the Group against any liability of a member of the Group (including in respect of interest, penalties or fines) arising directly as a result of the use of the RTS and that is claimed (i) by any authority (governmental, local, state, federal, fiscal, revenue or other), body, agency or official whatsoever of any jurisdiction; or (ii) by a person who was a shareholder of the Company (or any predecessor company or other member of the Group) at the time of the relevant act or omission giving rise to the relevant liability. The Indemnity will extend to all reasonable costs and expenses properly incurred by the Group in either making a successful claim or satisfying or settling any liability in respect of a successful claim made under the Indemnity.

However, in addition to certain other limitations (including a US\$2 million deduction), the Founders will not be liable in respect of any claim under the Indemnity unless notice of any claim under the Indemnity is given in writing to the Founders within four years of the date of the Indemnity. The aggregate maximum liability of the Founders under the Indemnity will be US\$94 million (being the amount of the distributions retained by the Founders in respect of RTS profits in 2004, 2005 and 2006).

- (d) On 4 December, 2007, ENRC NV, a wholly owned subsidiary of the Company, entered into a share purchase agreement (the "Serov SPA") with Industrial Metals Technology Limited, Chesswood Holdings Limited, Blackmore Holdings Limited, Prentice Holdings Limited, Cretown Corporate Advisory B.V. (together, the "Serov Sellers") and International Mineral Resources B.V. (the "Serov Guarantor"). The Serov Guarantor and the Serov Sellers are all ultimately indirectly owned equally by the Founders.

Pursuant to the Serov SPA, but subject to the satisfaction or waiver of conditions precedent set out in therein, ENRC NV will acquire from the Serov Sellers aggregate direct interests of 75.31% of the shares of OAO "Serov Ferrochrome Factory" ("SFF"), 61.71% of the shares of OAO "Saranovskaya Mine 'Rudnaya'" ("SMR"), and 51.00% of the shares of OAO "Serov Metalconcentrate Works" ("SMW" and together with SFF and SMR, the "Serov Entities", and such interests the "Serov Interests") and 100% of the shares of OOO "Industrial Metals", which itself owns 19.95% of the shares of SFF and 7.55% of the shares of SMR. SFF also owns directly 19.87% of the shares of SMR and 49.00% of the shares of SMW. Pursuant to the Serov SPA, ENRC NV will pay total aggregate consideration of US\$210 million (the "Serov Consideration") less the amount paid for the purchase of IMR Marketing A.G. and DDK Services Limited described below for the purchase of the Serov Interests, US\$100 million of which was pre-paid by ENRC NV to the Serov Sellers on 16 July 2007 (the "Prepayment Consideration") and the balance of which will be paid to the Serov Sellers upon completion of the transfer of the Serov Interests.

Completion of the purchase of the Serov Interests pursuant to the Serov SPA is conditional upon, among other things, consent to the transaction from the Russian Anti-monopoly Service, the acquisition by ENRC Marketing or one of its affiliates of IMR Marketing A.G. and DDK Services Limited (companies affiliated with the Serov Sellers), the receipt of necessary corporate approvals of the Company, and the receipt of any other necessary or desirable governmental or third party consents or authorisations. The Serov SPA provides that if completion does not occur by 31 January 2008, or if the Serov SPA is otherwise terminated prior to such date, the Serov Sellers are required to return the Prepayment Consideration to ENRC NV plus, in the case that completion has not occurred as of such date as a result of a breach by the Serov Sellers of their obligations under the Serov SPA, the failure to obtain consent from the Russian Anti-Monopoly

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Service, or the failure to complete the transfer of IMR Marketing A.G. and/or DDK Services Limited to ENRC Marketing, interest calculated at a rate of 12 month LIBOR plus 2.31% per annum. The obligations of the Serov Sellers, including such repayment obligation, are guaranteed by the Serov Guarantor.

The Serov SPA contains customary warranties for a transaction of its type, including, without limitation, as to the title to the shares being transferred, mining licences, tax matters, and environmental matters. The Serov SPA also contains a tax covenant pursuant to which the Serov Sellers have agreed to indemnify ENRC NV against certain tax risks. Except in cases involving fraud, the liability of the Serov Sellers under the Serov SPA is limited to the total amount of the Serov Consideration, except with respect to tax matters, in which case liability is limited to US\$26.6 million, and environmental matters, in which case liability is limited to US\$8 million.

- (e) ENRC Marketing entered into a Structured Trade Finance Facility Agreement on 15 December 2006, with ABN AMRO Bank N.V., Barclays Capital and Deutsche Bank AG Amsterdam Branch as Arrangers and Original Lenders, Deutsche Bank AG Amsterdam Branch as Agent, and Deutsche Bank AG Amsterdam Branch as Security Trustee, as amended by a Supplemental Agreement dated 12 January 2007 (the "Facility Agreement"), to borrow up to US\$1.0 billion from a syndicate of lenders (the "Lenders"). The Facility Agreement was further amended by a Second Supplemental Agreement dated 12 April 2007 increasing the facility amount by an additional US\$480 million to a total of US\$1.48 billion. Kazchrome has entered into a Guarantee and Indemnity with Deutsche Bank AG Amsterdam Branch as Security Trustee (the "Guarantee") to provide a guarantee of ENRC Marketing's obligations under the Facility Agreement, as amended.

Loans may be drawn down under the Facility Agreement for an availability period of 12 months following the date of the Facility Agreement. After a grace period of 12 months following the date of the Facility Agreement, principal is to be repaid in 48 equal monthly payments, with all amounts due under the Facility Agreement to be repaid no later than the date five years after the date of the Facility Agreement. Interest on the loans is paid monthly in arrears, with no grace period. The loans are for general corporate purposes, including, without limitation, funding of the operations of other members of the Group.

Pursuant to the terms of the Facility Agreement, ENRC Marketing is required to open and maintain a bank account with Deutsche Bank AG Amsterdam Branch (the "Collection Account") and to ensure that all amounts paid by third-party buyers to ENRC Marketing under ferroalloys sales contracts are paid directly by such third-party buyers into the Collection Account. ENRC Marketing must ensure that no later than three business days prior to any interest or principal payment date under the Facility Agreement the amount standing to the credit of the Collection Account is sufficient to discharge all amounts due and payable on such date. If during any interest period the amount standing to the credit of the Collection Account is sufficient to pay all amounts that will be due and payable under the Facility Agreement on the next interest or principal payment date, the excess amount may be transferred to a separate account as directed by ENRC Marketing.

If one of the following events occurs:

- (i) the Founders together no longer have Shareholder Control or Effective Control; or
- (ii) a person or persons acting in concert has Effective Control or Shareholder Control or owns more shares in the relevant holding company of the Group than are held by the Founders at the date of the Facility Agreement; or
- (iii) ENRC Marketing and Kazchrome cease to be subsidiaries of the same holding company;

where "Shareholder Control" means holding directly or indirectly shares in the issued share capital of ENRC Marketing carrying the right to exercise more than 30% of the votes exercisable at a general meeting of the shareholders of ENRC Marketing, and

“Effective Control” means the ability to give directions with respect to the operating and financial policies of a company with which the directors or equivalent officers of such company are obliged to comply (ignoring, for the avoidance of doubt, the powers of any sub-committee of the board of directors or equivalent to which the board of directors have delegated certain of their powers), then any Lender may decline to fund a drawdown and any Lender may cancel its commitment under the Facility Agreement and require, following notice to the Agent, its portion of any outstanding loans be due and payable in full at the end of the then current interest period. Additionally, if it is or will become unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by the Agreement or to fund or maintain its participation in any Loan, the commitment of that Lender under the Facility Agreement will be immediately cancelled and ENRC Marketing will be required to repay that Lender’s portion of the outstanding loans on the last day of the then current interest period.

ENRC Marketing and Kazchrome are obliged under the Facility Agreement and Guarantee, respectively, to comply with the terms of an export contract for the supply of Ferroalloys by Kazchrome to ENRC Marketing and ENRC Marketing is also obliged under the Facility Agreement to comply with its obligations under various ferroalloy sales contracts with third-party buyers. ENRC Marketing is also obliged to ensure that the contract value of the third-party sales of ferroalloys in each month are at least 135% of the aggregate interest and principal owed under the Facility Agreement for that month (the “Coverage Ratio”) and if the Coverage Ratio falls below 130% for any month, ENRC Marketing is obliged to (i) procure that Kazchrome sell to ENRC Marketing, and then ENRC Marketing shall enter into additional third party sales contracts, so that the total amount of ferroalloys to be sold in such month is increased such that the Coverage Ratio is increased to at least 135% or (ii) prepay such part of the loans as is required to ensure that the Coverage Ratio is increased to at least 135%.

The Guarantee includes covenants that prohibit Kazchrome from having total debt of greater than US\$1.5 billion outstanding at any time during the duration of the facility. In addition, the Guarantee provides that Kazchrome may pay dividends only if the amount of a dividend in any financial year does not exceed Kazchrome’s net income for the financial year, provided that Kazchrome can still declare a dividend in excess of net income if immediately after payment of such dividend the ratio of Kazchrome’s total equity to total debt would be equal to or greater than 0.4:1. The Facility Agreement places certain restrictions on ENRC Marketing’s ability, *inter alia*, to create security interests and requires ENRC Marketing to, *inter alia*, maintain all authorisations applicable to it, comply with all laws applicable to it, maintain certain insurance coverage, and maintain a positive tangible net worth. The Guarantee places certain restrictions on Kazchrome’s ability, *inter alia*, to make loans, give guarantees or indemnities, create security interests, or change its business, and requires Kazchrome to, *inter alia*, maintain all authorisations applicable to it, comply with all laws applicable to it, maintain certain insurance coverage, and maintain full ownership of the ferroalloy production facilities.

In addition to the Guarantee, the Facility Agreement is secured by:

- (i) An amended and restated deed of disclosed pledge dated 12 January 2007 between ENRC Marketing, as pledgor, Deutsche Bank AG Amsterdam Branch, as pledgee, and Deutsche Bank AG Amsterdam Branch, as bank, under which ENRC Marketing granted security to Deutsche Bank AG Amsterdam Branch, acting as Security Trustee on behalf of the Lenders, over the Collection Account for the duration of the Facility Agreement.
- (ii) A seller assignment agreement dated 15 December 2006 between Kazchrome as assignor, and Deutsche Bank AG Amsterdam Branch, as Security Trustee, pursuant to which Kazchrome has assigned all of its right, title, benefit and interest to any moneys received under certain insurance policies held by Kazchrome.

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- (iii) A borrower assignment agreement dated 15 December 2006 between the ENRC Marketing, as assignor, and Deutsche Bank AG Amsterdam Branch, as Security Trustee, under which ENRC Marketing has agreed to assign all its right, title, benefit and interest in respect of (i) the export contract between ENRC Marketing and Kazchrome in respect of the ferroalloys sold by Kazchrome to ENRC Marketing, (ii) the sales contracts that ENRC Marketing has to sell ferroalloys to third-party buyers, (iii) any other contracts entered into by ENRC Marketing with third parties from time to time in relation to the sales of ferroalloys, and (iv) any moneys received under certain insurance policies held by ENRC Marketing.
- (f) On 25 April 2003, Corica AG, a subsidiary of the Company, entered into a share sale and purchase agreement (the "AoK SSPA") with the Committee. Pursuant to the AoK SSPA, subject to the satisfaction or waiver of the condition precedent described below, Corica AG will acquire from the Committee 18,533,668 Ordinary Registered Shares, being 31.76% of the issued share capital, of AoK (the "AoK Interests"). Corica AG has paid a total aggregate consideration of 3,190,950,000 Tenge (the "AoK Consideration") for the purchase of the AoK Interests. The ownership of legal title to the AoK Interests remains subject to Corica AG fulfilling a contractual condition to ensure a new aluminium smelter (the "smelter") with a design capacity of sixty thousand (60,000) tons of aluminium per annum, is commissioned by no later than 31 December 2007 (the "condition precedent") in accordance with the AoK Notification Agreement referred to in paragraph (g) below. The AoK Interests will be transferred within seven days of satisfaction of the condition precedent. If the condition precedent is not satisfied, the legal title of the AoK interests will revert to the Committee and, provided that the State has not violated the provisions of the AoK SSPA, Corica AG's expenses relating to the purchase of the Shares and the construction of the smelter will not be reimbursed to Corica AG. Corica AG has also undertaken, *inter alia*, to ensure the construction of an aluminium smelter with a design capacity of two hundred and forty thousand (240,000) tons of aluminium per annum, to be built in Pavlodar Oblast and to guarantee the procurement of alumina and electricity from Kazakh producers in order to meet the requirements of the Smelter and in the amounts necessary in order to produce the quantity of aluminium necessary to construct the Smelter.
- (g) On 14 May 2003, Corica AG entered into a Notification Agreement (the "AoK Notification Agreement") with the Committee, in accordance with the provisions of AoK SSPA entered into on 23 April 2003. Pursuant to the AoK Notification Agreement, the Committee and Corica AG, within 7 days following the date on which Corica AG fulfilled all obligations with respect to the payment for the AoK Interests under the AoK SSPA, issued an order to the Company's independent registrar instructing it to make the relevant changes in the register of holders of securities of the Company, and to carry out any other actions that may be necessary in connection with this. As a result, Corica AG became the registered holder of the AoK Interests, although it is prohibited from transferring its interest or promoting any action undertaken by AoK to increase its share capital. If the condition precedent referred to in paragraph (f) above is not satisfied, legal title to the AoK Interests will revert to the Committee.
- (h) On 22 December 2006, AoK issued a corporate guarantee with ABN AMRO Bank Kazakhstan guaranteeing repayment of a loan taken by KAS under the terms of credit line facility dated 19 July 2006 in the amount of US\$80 million. The obligations of AoK amounted to KZT 11,259,600,000, and these sums have been repaid.
- (i) On 30 December 2005, KAS entered into a construction contract with China Nonferrous Metal Industry's Foreign Engineering & Construction Co. Ltd, as the main contractor and AoK, as a sub-contractor, for the construction of an aluminium smelter facility, including water supply system, heating, ventilation, sewerage, electricity and an inter-plant railway system.
- (j) Pursuant to the terms of a loan agreement dated 30 May 2006, Kazchrome issued a corporate guarantee to Bank TuranAlem JSC in connection with a US\$110 million loan granted to Transsystem International Forwarding Company LLP, RemPut JSC, Universal

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Service LLP, Transremvagon LLP, TransCom LLP, Lightness LLP, Megastore LLP and other entities in the Logistics Division under which Kazchrome guaranteed repayment of KZT 10,129,942,262 and US\$30,744,418. These sums have been repaid.

- (k) Pursuant to an agreement for the sale and purchase of securities dated 19 October 2006, Kazchrome agreed to purchase from Stells Company LLP 226,802 shares in ATF Bank JSC for KZT 1,701,015,000.
- (l) Pursuant to an agreement for the sale and purchase of securities dated 19 October 2006, Kazchrome agreed to purchase from Karat-24 LLP 58,475 shares in ATF Bank JSC for KZT 438,562,500.
- (m) Pursuant to an agreement for the sale and purchase of securities dated 19 October 2006, Kazchrome agreed to purchase from Dakot LLP 177,449 shares in ATF Bank JSC for KZT 1,330,867,500.
- (n) Pursuant to an agreement for the sale and purchase of securities dated 19 October 2006, Kazchrome agreed to purchase from Scientific-Industry Firm "Implant" LLP 117,674 shares in ATF Bank JSC for KZT 882,555,000.
- (o) Kazakhstan Aluminium Smelter Joint Stock Company ("KAS") entered into a Facility Agreement on 18 August 2007, with The Export-Import Bank of China as Lender (the "Lender") (the "Facility Agreement"), to borrow up to US\$292,800,000.

The loans under the Facility Agreement are to finance the costs incurred by KAS under the "Construction Contract on the First Phase of Construction of the Primary Aluminium Plant in Pavlodar Oblast of the Republic of Kazakhstan" dated 2 September 2005 between KAS and China Non-ferrous Metal Industry's Foreign Engineering and Construction Co, Ltd. ("NFC")(the "Construction Contract") and the supply agreement dated 2 September 2005 between KAS as purchaser and NFC as supplier. The loans may be drawn down under the Facility Agreement from the date of the Facility Agreement up to the earlier of the date on which the construction of the aluminium plant the subject of the Construction Contract is completed (and is more particularly described in the Facility Agreement) and 31 December 2008. Commencing on 21 July 2009, principal amount of the loans is to be repaid in 32 equal quarterly payments, with all amounts due under the Facility Agreement to be repaid no later than 21 April 2017. Interest on the loans is paid quarterly in arrears.

Pursuant to the terms of the Facility Agreement, KAS is required to open and maintain debt service accounts and revenue receipt accounts with a bank approved by the Lender. KAS must ensure that (1) no later than two months prior to the next payment date of the principal amount outstanding (the "Repayment Date") until one month prior to such Repayment Date the amount standing to the credit of the debt service account is not less than one-third of the amount which is sufficient to discharge all amounts due and payable (the "Scheduled Payment") on such date, (2) no later than one month prior to the Repayment Date until such Repayment Date the amount standing to the credit of the debt service account is not less than two-thirds of Scheduled Payment, and (3) on the Repayment Date the amount standing to the credit of the debt service account is equal to the Scheduled Payment. KAS must also ensure that all amounts received under the agreements for the sale and purchase of aluminium (and being in respect of the sale of not less than 30,000MT of aluminium in any financial year) must be credited to the revenue receipt account.

If one of the following events occurs:

- (i) the Company ceases to beneficially own, directly or indirectly, 100% of the outstanding Capital Stock of KAS; or
- (ii) the Company ceases to have, directly or indirectly, the power to direct the management and operations of KAS, including the power to appoint or remove all, or the majority, of the Board of Directors of KAS,

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then the facility will be cancelled and all outstanding loans, together with accrued interest, and all other amounts accrued or payable under the Finance Documents, shall become immediately due and payable. Additionally, if it becomes unlawful in any applicable jurisdiction for the Lender to perform any of its obligations as contemplated by the Facility Agreement or to fund, issue or maintain its participation in any loans, the commitment of the Lender under the Facility Agreement will be immediately cancelled and KAS will be required to repay the Lender's participation in the loans on the last day of the then current interest period.

KAS is obliged under the Facility Agreement to comply with the terms of the project documents that are relevant to the construction of the aluminium plant the subject of the Construction Contract.

The Facility Agreement places certain restrictions on KAS's ability, *inter alia*, to incur further indebtedness, create security interests, make acquisitions, enter into mergers, amalgamations and consolidations, dispose of its assets, grant loans and guarantees and to declare and make dividend payments. KAS is required to provide the Lenders with its annual and semi-annual financial statements and to comply with undertakings usual for project financing facilities including undertakings to, *inter alia*, maintain all authorisations applicable to it, comply with all laws applicable to it and maintain certain insurance coverage. KAS is also subject to periodic testing of its financial condition. The Facility Agreement also contains the usual events of default for project financing facilities the occurrence of which will enable the Lender to accelerate the loans and demand immediate repayment of all amounts outstanding under the Facility Agreement.

It is proposed that AoK (the "Guarantor") will provide a Guarantee of KAS's obligations under the Facility Agreement. It is anticipated that the terms of the Guarantee will include a provision requiring the Guarantor to maintain its tangible net worth at above US\$400,000,000 during the term of the Facility Agreement. The Guarantee may also place restrictions on the Guarantor's ability, *inter alia*, to create security interests over its assets, dispose of its assets, enter into mergers or change the general nature of its business. In addition to the events of default contained in the Facility Agreement, if the Guarantor does not comply with the undertakings contained in the Guarantee, fails to maintain the required "tangible net worth" or if any circumstance occurs which has or is reasonably likely to have a "Material Adverse Effect" (as such term is defined in the Guarantee), then, even under this proposal, the occurrence of each such event would constitute an event of default under the Facility Agreement.

In addition to the Guarantee, the Facility Agreement is secured by:

- (i) A pledge over 31.76% of the shares in the Guarantor between Corica AG (the "Shareholder") and the Lender;
- (ii) A pledge over 100% of the shares in KAS between the Shareholder and the Lender;
- (iii) A bank accounts agreement relating to the Debt Service Account, the Debt Service Reserve Account and the Revenue Receipts Account between KAS, the Account Bank (to be determined) and the Lender;
- (iv) An agreement on pledge of bank accounts relating to the Debt Service Account and the Debt Service Reserve Account between KAS, the Account Bank (to be determined) and the Lender;
- (v) A contracts security assignment agreement in respect of agreement number 145 for alumina purchase dated 5 September 2005 between KAS as purchaser and the Guarantor as seller, the electric power supply contract dated 27 September 2005 and numbered 943/05 between KAS and Eurasian Energy Corporation JSC, and the "Offtake Agreement" between KAS and the Lender;
- (vi) A pledge agreement granting exclusive security (whether pledge or mortgage) over all assets listed in Part B of Schedule 10 (*Project Assets*) of the Facility Agreement and

a pledge (or similar agreement) granting equivalent security over all other Project Assets (other than Common Infrastructure Assets) (all as more particularly described in the Facility Agreement);

- (vii) A pledge agreement granting first ranking security (whether pledge or mortgage) over all assets listed in Part A of Schedule 10 (*Project Assets*) of the Facility Agreement and a pledge (or similar agreement) granting equivalent security over all other Common Infrastructure Assets (as more particularly described in the Facility Agreement);
- (viii) The assignment of insurance policies dated on or about the date of the Facility Agreement between KAS and the Lender;
- (ix) The Assignment of Reinsurances between each "Direct Insurer" and the Lender; and
- (x) The subordination deed and the assignments of "Equity Loans" contemplated by paragraph (b) of the definition thereof contained in the Facility Agreement;

For details of material contracts with related parties, please see "Part X: Related party transactions".

16. Underwriting Arrangements

16.1 An Underwriting Agreement was entered into on 7 December 2007 among, *inter alios* the Company, the Founders, Deutsche Bank, Credit Suisse, Morgan Stanley and ABN AMRO Rothschild and contains, *inter alia*, the following provisions:

- (a) The Company confirmed the appointment of Deutsche Bank as Global Co-ordinator, Sponsor and Joint Bookrunner and each of Credit Suisse, Morgan Stanley and ABN AMRO Rothschild as Joint Bookrunners in relation to the Global Offer.
- (b) The Joint Bookrunners agreed subject to certain conditions, on a several basis to procure subscribers, or failing which, to subscribe themselves, for the New Ordinary Shares at the Offer Price.
- (c) The Company has, subject to certain conditions, undertaken to Deutsche Bank as Stabilising Manager, that on the relevant over-allotment closing date, it will allot and issue, in accordance with the terms and conditions of the Global Offer, the number of the additional Ordinary Shares as is notified in writing to the Company by Deutsche Bank at any time up to and including the thirtieth day following the first closing date. The Over-allotment Shares shall be allotted and issued fully paid up in cash, free from all encumbrances and shall be identical to all other Ordinary Shares. The undertaking will be provided for the sole purpose of enabling the Stabilising Manager to satisfy its obligations in respect of over-allocations, if any, made in connection with the Global Offer and to cover the short positions resulting from stabilising transactions. Save as required by applicable law or regulation, Deutsche Bank does not intend to disclose the extent of any over-allotment made and/or stabilisation transactions.
- (d) The Company has agreed to pay to the Joint Bookrunners a commission of 2.25 per cent. (plus a further 0.5 per cent. at the discretion of the Company) of the aggregate proceeds from the Global Offer.
- (e) The obligations of the Company to issue Ordinary Share and the obligations of the Joint Bookrunners to procure subscribers for, or failing which, themselves to subscribe for Ordinary Shares are subject to certain conditions including, among others, that Admission occurs on or prior to the Settlement Date. In certain circumstances, the Joint Bookrunners will be able to terminate the Underwriting Agreement at any time on or before Admission. These circumstances include the occurrence of certain material changes in the condition (financial or otherwise), prospects or earnings of the Company or of the Group and certain changes in financial, political or economic conditions, as more fully set out in the Underwriting Agreement.

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- (f) The Company has agreed to pay any stamp duty and/or stamp duty reserve tax and other tax, charge or duty and any related costs, fines, penalties or interest arising in respect of the issue of the New Ordinary Shares under the Global Offer and in respect of the issue of Over-allotment Shares, if any, pursuant to Over-allotment Option.
- (g) The Company has undertaken to pay or cause to be paid (together with any related value added tax) all of its costs, charges, fees and expenses of, in connection with or identical to, *inter alia*, the Global Offer, Admission and the arrangements contemplated by the Underwriting Agreement.
- (h) The Company has given customary representations and warranties in relation to the Company and its business to each of the Joint Bookrunners. In addition, the Company has given certain indemnities, standard for a document of this type, to each of the Joint Bookrunners.
- (i) The Company has agreed, subject to certain exceptions, which include any existing employee stock option plans, long-term incentive plans, share award plans, stock ownership plans or dividend reinvestment plans of the Company, among other things, not to directly or indirectly offer, issue, lend, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing for a period of 180 days after Admission, without first obtaining the written consent of the Joint Bookrunners.

The Underwriting Agreement is governed by the laws of England.

- 16.2 In connection with settlement and stabilisation, the Stabilising Manager has entered into a stock lending agreement (the "Stock Lending Agreement") on 7 December 2007 with one of the Founders, pursuant to which the Stabilising Manager, on Admission, will be able to borrow up to 10% of the total number of Ordinary Shares comprised in the Offer for the purposes, among other things, of allowing the Stabilising Manager to settle, at Admission, over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Ordinary Shares pursuant to the Stock Lending Agreement, it will be required to return equivalent securities to the relevant Founder by no later than the thirtieth day after Admission.
- 16.3 In addition to the lock-up undertakings entered into by the Company pursuant to the Underwriting Agreement (as described in paragraph 16.1(i) of this Part XIII), the Founders, the Directors, certain members of management, certain employees who have been granted share awards under the IPO Plan (the "IPO Plan Employees"), Kazakhmys plc and the Committee will enter into the following lock-up agreements:
- (a) Subject to certain exceptions that are market standard for transactions of this type, each of the Founders, each of the Directors, certain members of management and the IPO Plan Employees will agree not to directly or indirectly offer, sell or contract to sell, pledge or otherwise dispose of any Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing for a period of 180 days in the case of the Founders and 360 days in the case of the Directors, certain members of management and the IPO Plan Employees without first obtaining the written consent of the Joint Bookrunners.
 - (b) Subject to certain exceptions that are market standard for transactions of this type, each of Kazakhmys plc and the Committee will enter into agreements comparable to those described in paragraph 16.3(a) above for the same period of time as the Founders.

In addition, shares issued to employees under the IPO Plan described in paragraph 13.2 will be subject to restrictions on transfer until the first anniversary of Admission.

17. Working Capital

- 17.1 The Directors believe that, having regard to the bank facilities available to the Group and the net proceeds receivable under the Global Offer, the working capital available to the Group is sufficient for its present requirements, that is, for at least the next twelve months from the date of publication of this Prospectus.

18. No Significant Change

- 18.1 Save for the declaration of a pre-IPO dividend of US\$500 million as described on page 35, the drawdown of US\$724 million under the trade finance facility described in paragraph 15.1 of this Part XIII and the repayment of the remaining balance of US\$250 million (plus outstanding interest) due under the promissory notes as described on page 200, there has been no significant change in the financial or trading position of the Group since 30 June 2007, being the date to which the financial information in Part V has been prepared.

19. Consents

- 19.1 PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales and has given and not withdrawn its written consent to the inclusion of its Accountants' Report on the Company in Part V of this Prospectus and its report on the unaudited pro-forma statement of net assets in Part VI of this Prospectus in the form and context in which they appear and has authorised the contents of those Parts of this Prospectus for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.
- 19.2 SRK has given and not withdrawn its written consent to the inclusion in this Prospectus of its report on the Company in the form and context in which it is included, and has authorised the contents of its report for the purposes of item 5.5.3R2(f) of the Prospectus Rules.
- 19.3 ERM has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion of its name in this Prospectus and references to its name in the form and context in which they appear.
- 19.4 CRU has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion of its name in this Prospectus and the references to the information provided by it in the form and context in which they appear.
- 19.5 Heinz H. Pariser has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion of its name in this Prospectus and the references to the information provided by it in the form and context in which they appear.

20. CREST

- 20.1 Any shares in the Company may be issued, held, registered, converted, transferred or otherwise dealt with in an uncertificated form in accordance with the Regulations and practices instituted by the operator of the relevant system. Any provisions of the Articles shall not apply to any uncertificated shares to the extent that such provisions are inconsistent with:
- (a) the holding of shares in uncertificated form;
 - (b) the transfer of the title of shares by means of relevant system; or
 - (c) any provision of the Regulations.
- 20.2 Subject to the CREST Regulations and facilities and requirements of the relevant system, the Board may, in its absolute discretion, determine the manner in which conversion of certificated shares into uncertificated shares may be made.
- 20.3 The Articles contain other provisions in respect of transactions with the shares in the Company in uncertificated form and generally provide for the modifications of certain provisions of the Articles so that they can be applied to transactions with shares in the Company in uncertificated form.

21. City Code on Takeovers and Mergers

- 21.1 As an English public limited company, the Company will be subject to the UK City Code on Takeovers and Mergers (the "City Code").
- 21.2 Rule 9.1 ("Rule 9") of the City Code stipulates that where any person acquires an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carries 30 per cent. or more of the voting rights of a company subject to the City Code, that person or group of persons is normally obligated to make a general offer to all holders of any class of equity share capital, whether voting or non-voting, and also to the holders of any other class of transferable securities carrying voting rights. Any such offer (a "Rule 9 Offer") must, in respect of each class of share capital involved, be in cash or accompanied by a full cash alternative at not less than the highest price paid by the offeror or any person acting in concert with it for any interest in shares of that class during the 12 months prior to the announcement of the offer. For the purposes of the City Code, a person will be treated as being interested in securities of a company if he has long economic exposure, whether absolute or conditional, to changes in the price of those securities. Examples of interests in securities are set out in the City Code.
- 21.3 Rule 9 also provides that where any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, that person must normally make a Rule 9 Offer on the same basis as is set out above.
- 21.4 On Admission, assuming no exercise of the Over-allotment Option, each of the Founders and Kazakhmys plc will hold 14.9 per cent. of the Ordinary Shares in issue following Admission, while the Committee will hold 19.7 per cent. (each such party being referred to as an "Original Shareholder"). 12,625,000 New Ordinary Shares comprising part of the Global Offer and representing 5.0% of the Company's issued share capital following Admission, will be subscribed at the Offer Price by certain friends and family members of certain of the Founders and/or the Directors. If, following Admission, any Original Shareholder either alone or together with any person or persons acting in concert with it acquires an interest in Ordinary Shares so as to become interested in 30 per cent. or more of the Ordinary Shares in issue, then any such Original Shareholder (and its concert parties) would normally be required to make a Rule 9 Offer. In addition, if any Original Shareholder is acting in concert with any other Original Shareholder(s) and they are, together, interested in 30 per cent. or more of the issued Ordinary Shares but do not hold more than 50 per cent. of the issued Ordinary shares, and following Admission any of them acquires any additional interests in Ordinary Shares, such Original Shareholders would normally be required to make a Rule 9 Offer. If any Original Shareholder is acting in concert with any other Original Shareholder(s) and they are, together, interested in more than 50 per cent. of the issued Ordinary Shares, then following Admission they would normally be free, acting together, to acquire additional individual interests in Ordinary Shares (up to maximum individual holdings of 30%) without being required to make a Rule 9 Offer. If any Original Shareholder is acting in concert with any other Original Shareholder(s) and, together, they hold more than 50 per cent. of the issued Ordinary Shares, then following Admission they would normally be free, acting together, to acquire additional individual interests in Ordinary Shares (up to maximum individual holdings of 30%) without being required to make a Rule 9 Offer. The Company has not sought a determination from the UK Panel on Takeovers and Mergers on which of the Original Shareholders or friends and family members referred to above (if any) might be considered to form a concert party as at Admission.

22. Auditors

PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH, a member of the Institute of Chartered Accountants of England, is auditor of the Company.

23. Miscellaneous

- 23.1 Each New Ordinary Share to be issued under the Global Offer will be issued at a premium of 530.1p to its nominal value of US\$0.20 (on the basis of an exchange rate of £1:US\$2.025).
- 23.2 Assuming no exercise of the Over-allotment Option, the maximum total costs and estimated expenses of or incidental to the preparation of this Prospectus, the Global Offer and Admission (including issue costs, commissions, registration fees, professional fees and the cost of printing and distribution) payable by the Company are estimated to amount to approximately £83.5 million (US\$169.0 million). Approximately £8.91 million (US\$18.04 million) of the expenses will be satisfied by the issue of Ordinary Shares to certain consultants as described in paragraph 4.19 of Part XIII. Net proceeds accruing to the Company from the Global Offer, after settling fees, commissions and expenses, is expected to amount to approximately £1,280.0 million (US\$2,592.1 million) (assuming no exercise of the Over-allotment Option). The New Ordinary Shares will, when issued, be in registered form and certificated form unless requested by Shareholders to be uncertificated form.
- 23.3 The financial information contained in this Prospectus does not constitute statutory accounts within the meaning of section 240 of the 1985 Act.
- 23.4 The accounting reference date for the Company is 31 December.
- 23.5 Where information in this Prospectus has been sourced from a third party it has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third party sources have been used they have been referenced accordingly in this Prospectus.

24. Publication of Document

Copies of this Prospectus will be available free of charge at the offices of Jones Day, 21 Tudor Street, London EC4Y 0DJ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the date one month after the date of Admission.

25. Documents Available for Inspection

Copies of the following documents may be inspected at the Registered Office of the Company and at the office of Jones Day, 21 Tudor Street, London EC4Y 0DJ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Prospectus until one month after the date of Admission:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the service contracts and letters of appointment referred to in paragraph 9 of Part XIII; and
- (c) the reports set out in Section A of Part V and Section B of Part V and Annex A of this Prospectus.

Dated 7 December 2007

Part XIV: Definitions and glossary

The following definitions apply throughout this Prospectus, unless the context requires otherwise:

“ABN AMRO Rothschild” . . .	ABN AMRO Bank N.V. and N.M. Rothschild & Sons Ltd together acting jointly
“Adjusted EBIT Margin”	profit before finance income, finance costs and income tax expense, as further adjusted to add back exceptional items, as a percentage of revenue
“Adjusted EBITDA”	profit before finance income, finance costs, income tax expense and depreciation and amortisation (including negative goodwill), as further adjusted to add back exceptional items
“Adjusted EBITDA Margin” . .	Adjusted EBITDA as a percentage of revenue
“Admission”	the admission of the Existing Ordinary Shares and the New Ordinary Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with the Listing Rules and the London Stock Exchange’s Admission and Disclosure Standards
“Aksu Plant”	the Ferroalloy Division’s ferroalloy production plant in Aksu, northeast Kazakhstan
“Aktobe Plant”	the Ferroalloy Division’s ferroalloy production plant in Aktobe, northwest Kazakhstan
“Alumina and Aluminium Division”	JSC Aluminium of Kazakhstan and its subsidiaries, and JSC Kazakhstan Aluminium Smelter and its subsidiaries
“Aluminium of Kazakhstan” or “AoK”	JSC Aluminium of Kazakhstan and its subsidiaries
“Articles”	the articles of association of the Company
“Assumptions”	means the assumptions referred to under the heading “Share Capital Assumptions” in the section headed “Presentation of information and general disclosures”
“Board” or “Directors”	the board of directors of the Company, whose names appear on page 26 of this Prospectus
“CIS”	Commonwealth of Independent States
“Combined Code”	The Combined Code on Corporate Governance which is a list of the principles of good governance and code of best practice appended to the Listing Rules
“Committee”	The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan
“Company”	Eurasian Natural Resources Corporation PLC a public limited company incorporated in England and Wales
“Credit Suisse”	Credit Suisse Securities (Europe) Limited
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	The Uncertificated Securities Regulations 2001
“CRU”	CRU Strategies Limited, a subsidiary of CRU International Limited
“DDK”	DDK Trading AG

Part XIV: Definitions and glossary

“Deutsche Bank”	Deutsche Bank AG, London Branch
“Directors”	the Executive Directors and Non-Executive Directors as listed in Part VIII
“Donskoy Unit”	JSC Donskoy GOK and its subsidiaries
“DRI”	Direct reduced iron
“EEA”	European Economic Area
“EEC”	Eurasian Energy Corporation JSC and its subsidiaries
“Energy Division”	EEC
“Enlarged Share Capital”	the issued share capital of the Company as enlarged by the issue of the New Ordinary Shares
“ENRC Marketing”	ENRC Marketing AG
“ERM”	Environmental Resources Management
“EU”	the European Union
“Eurasia Insurance”	Eurasia Insurance Company JSC
“Eurasian Bank”	Eurasian Bank JSC
“Executive Directors”	the executive Directors of the Company, namely Dr. J. Sittard and Mr. M. Perry
“Existing Ordinary Shares”	the existing Ordinary Shares in issue at the date of this Prospectus
“Existing Shareholders”	the Founders, Kazakhmys Eurasia B.V. and the Committee
“Ferroalloy Division”	Kazchrome and Zhairam
“Financial Services Authority”	the Financial Services Authority of the United Kingdom
“Founders” or “Founder Shareholders”	Mr. Patokh Chodiev, Mr. Alijan Ibragimov and Mr. Alexander Machkevitch
“FSMA”	the United Kingdom Financial Services and Markets Act 2000, as amended
“FSU”	the Former Soviet Union
“GAAP”	generally accepted accounting practices
“Global Offer”	the conditional global offer by the Company (underwritten by the Joint Bookrunners) of the New Ordinary Shares at the Offer Price
“Glencore”	Glencore International AG
“Group” or “ENRC”	the Company and each of its subsidiaries
“IFRS”	International Financial Reporting Standards
“IMR”	International Mineral Resources B.V.
“IMR Group”	IMR and its subsidiaries from time to time
“Iron Ore Division”	SSGPO
“Joint Bookrunners”	Deutsche Bank, Credit Suisse, Morgan Stanley and ABN AMRO Rothschild
“JORC Code”	the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004

Part XIV: Definitions and glossary

“KAS”	Kazakhstan Aluminium Smelter JSC and its subsidiaries
“KASE”	the Kazakhstan Stock Exchange
“Kazchrome”	TNC Kazchrome JSC and its subsidiaries
“Kazmarganets Unit”	JSC Kazmarganets GOK and its subsidiaries
“Krasno-Oktyabrskoye Unit”	the Alumina and Aluminium Division’s bauxite mining operations at Krasno-Oktyabrskoye
“KZT” or “Tenge”	Kazakh Tenge
“Listing Rules”	the listing rules made by the Financial Services Authority pursuant to Section 74 of the FSMA
“LME”	London Metal Exchange
“Logistics Division”	Transsystem, TransCom LLP, Universal Service LLP, Company Zhol zhondeushi LLP, Transremvagon LLP, Bereke 2004 LLP and Remput Ltd. LLP (including their subsidiaries)
“London Stock Exchange” or “LSE”	London Stock Exchange PLC
“Member State”	a member state of the EU
“MER”	the Mineral Experts Report on the mining, processing and power assets of the Company included at Annex A of this Prospectus
“Ministry of Energy and Mineral Resources” or “MEMR”	the Ministry of Energy and Mineral Resources of the Government of the Republic of Kazakhstan
“MMK”	Magnitogorsk Metallurgical Kombinat
“Model Code”	the model code on directors’ dealings in securities, as set out in the appendix to chapter 9 of the Listing Rules
“Morgan Stanley”	Morgan Stanley Securities Limited
“National Monopolies Regulation Agency”	the Republic of Kazakhstan’s National Monopolies and Regulation Agency
“New Ordinary Shares”	the new Ordinary Shares to be issued pursuant to the Global Offer
“Non-Executive Directors”	the non-executive Directors of the Company, namely Sir David Cooksey, Mr. Gerhard Ammann, Mr. Mehmet Dalman, Mr. Michael Eggleton, Sir Paul Judge, Mr. Kenneth Olisa, Sir Richard Sykes, Mr. Roderick Thomson, Mr. Eduard Utepov, Mr. Abdraman Yedilbayev and Mr. Daulet Yergozhin
“Offer Price”	540 pence per New Ordinary Share
“Official List”	the official list maintained by the Financial Services Authority for the purposes of Part VI of the FSMA
“Ordinary Shares” or “Shares”	ordinary shares of US\$0.20 each in the capital of the Company
“Over-allotment Option”	the option to be granted by the Company to the Sole Global Coordinator (on behalf of the Joint Bookrunners) to require the Company to issue up to the maximum extent permitted of Over-allotment Shares at the Offer Price to cover over-allotments

Part XIV: Definitions and glossary

	in connection with the Global Offer and to cover short positions resulting from such over-allotments
"Over-allotment Shares"	the additional new Ordinary Shares to be allotted by the Company pursuant to the Over-allotment Option
"Prospectus"	this document relating to the Company and the New Ordinary Shares prepared in accordance with the Listing Rules and the Prospectus Rules and the MER included as Annex A to this document
"Prospectus Rules"	the prospectus rules made by the Financial Services Authority for the purposes of Part VI of the FSMA
"Qualified Institutional Buyer" or "QIB"	a qualified institutional buyer as defined in Rule 144A
"Regulation S"	Regulation S under the Securities Act
"Relationship Agreements"	the relationship agreements described in Part IX of this Prospectus
"Reorganisation"	the reorganisation of the Group described in Part XIII of this Prospectus
"Rule 144A"	Rule 144A under the Securities Act
"Sales and marketing function"	ENRC Marketing and its subsidiaries
"screenings"	material passing a screen in connection with sales of iron ore pellets and can also refer to fines below a specified pellet parameter
"SEC"	the US Securities and Exchange Commission
"Securities Act"	the US Securities Act of 1933, as amended
"Senior Managers"	Mr. Felix Vulis and Mr. Jim Cochrane
"Settlement Date"	12 December 2007
"Shareholders"	holders of Ordinary Shares
"Sole Global Coordinator"	Deutsche Bank
"Sponsor"	Deutsche Bank
"SRK"	SRK Consulting Limited
"SSGPO"	Sokolovsko-Sarbaykoe Mining and Processing Unit JSC and its subsidiaries
"Stabilising Regulation"	Commission Regulation No. 2273/2003 of 22 December 2003 relating to exemptions for buy-back programmes and stabilisation of financial instruments
"Stabilising Manager"	Deutsche Bank
"State"	the Republic of Kazakhstan
"Sterling" or "£"	the lawful currency for the time being of the United Kingdom
"Subsurface Law"	the law of Kazakhstan on Subsoil and Subsoil use, first adopted on 27 January 1996
"Torgay Unit"	The Alumina and Aluminium Division's bauxite mining operations at Torgay, central Kazakhstan
"TransCom"	TransCom LLP and its subsidiaries

Part XIV: Definitions and glossary

“Transsystem”	Transsystem International Forwarding Company LLP (formerly known as MEK Transsistema LLP) and its subsidiaries
“UC RUSAL”	United Company Rusal
“UK” or “United Kingdom” .	the United Kingdom of Great Britain and Northern Ireland
“Underwriting Agreement” .	the underwriting agreement entered into among, inter alia, the Company, the Sponsor and the Joint Bookrunners, as further described in paragraph 16.1 of Part XIII
“US Dollar”, “\$” or “US\$” . . .	the lawful currency for the time being of the United States
“US” or “United States”	the United States of America, each state thereof, its territories, possessions and all areas subject to its jurisdiction
“WME Group”	WME Limited and its subsidiaries and affiliated entities
“Zhairem” or “Zhairem Unit”	Zhairemsky GOK JSC and its subsidiaries

Expressions defined in the manual published by CRESTCo Limited from time to time in connection with the operation of CREST bear the same meaning when used in this Prospectus.

ANNEX A

MINERAL EXPERTS' REPORT

**AN INDEPENDENT MINERAL EXPERTS' REPORT
ON THE MINING, PROCESSING AND POWER ASSETS OF
EURASIAN NATURAL RESOURCES CORPORATION PLC**

Prepared for:

The Board of Directors
Eurasian Natural Resources Corporation PLC
16 St James St
London SW1A 1ER
England
United Kingdom

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
England
United Kingdom

and the other Joint Bookrunners

Prepared by:

SRK Consulting (UK) Limited
Churchill House
17 Churchill Way
Cardiff CF10 2HH
Wales
United Kingdom

Tel: +44-(0)29-2034 8150

Fax: +44-(0)29-2034 8199

7 December 2007

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AN INDEPENDENT MINERAL EXPERTS' REPORT ON THE MINING, PROCESSING AND POWER ASSETS OF ENRC Plc

1 INTRODUCTION

1.1 Background

SRK Consulting (UK) Limited ("SRK") is an associate company of the international group holding company, SRK Global Limited (the "SRK Group"). SRK has been commissioned by the board of directors of Eurasian Natural Resources Corporation PLC (ENRC, also referred to as the "Company") to prepare an independent mineral experts' report ("MER") on the mining, processing, smelting and power generation assets (the "Assets") of the Company. This MER is intended to be included in the prospectus (the "Prospectus") to be published by the Company in connection with the offering of ordinary shares ("Ordinary Shares") and the proposed admission of the Ordinary Shares of the Company to the Official List maintained by the Financial Services Authority ("FSA") and the admission of such shares to trading on the London Stock Exchange plc's (the "LSE") main market for listed securities (the "Offer").

1.2 Review Process

This MER is dependent upon technical, financial and legal input. In respect of the technical information as provided to, and taken in good faith by, SRK, this has not been independently verified by means of re-calculation. SRK has, however, conducted a review and assessment of all material technical issues likely to influence the future performance of the Mining Assets, which included the following:

- Inspection visits to the Assets (mining, processing facilities, power stations and associated surface structures and infrastructure) most of which were visited in February 2007, though the KBRU assets were visited in February 2006;
- Discussion and enquiry following access to key project and head office personnel between December 2005 and September 2007;
- An examination of historical information (2004, 2005, 2006 and H1 2007) and results made available by the Company in respect of the Assets; and
- A review and, where considered appropriate by SRK, modification of the Company's production forecasts contained in the Life-of-Mine plans ("LoMp").

SRK has also assumed certain macro-economic parameters and commodity prices and relied on these as inputs to derive the Mineral Resource and Ore Reserve Statements.

Where fundamental base data have been provided (LoMp, capital expenditures, operating budgets, etc) for the purposes of review, SRK has undertaken a series of checks to validate and verify the information in order to place an appropriate level of reliance on such information.

1.3 Requirement, Structure and Compliance

1.3.1 Requirement

The MER has been prepared by SRK and will be included in the Prospectus to be published by the Company in connection with the offering of Ordinary Shares and the proposed admission of the Ordinary Shares of the Company to the Official List maintained by the FSA and the admission of such shares to trading on the LSE's main market for listed securities (the "Offer").

The MER has been prepared in accordance with the following rules and recommendations (hereinafter referred to as the “Rules”):

- The Prospectus Rules (the “Prospectus Rules”) published by the FSA from time to time and governed by the United Kingdom Listing Authority (“UKLA”);
- The Prospectus Directive (the “Prospectus Directive”) published by the FSA from time to time and governed by the UKLA; and
- “CESR’s recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses No. 909/2004”, published in January 2005: specifically paragraphs 131 to 132, section 1b—Mineral Companies, hereinafter referred to as the “CESR Recommendations”.

The MER is addressed to ENRC and Deutsche Bank acting as Sponsor, Sole Global Coordinator and Joint Bookrunner, and Credit Suisse, Morgan Stanley and ABN AMRO Rothschild acting as Joint Bookrunners for the IPO of ENRC.

Drafts of the MER were provided to the Company to confirm both the accuracy of factual information and the reasonableness of assumptions relied upon in this MER.

1.3.2 Structure

This MER has been structured on a discipline basis where technical descriptions include: Geology; Mineral Resources and Ore Reserves; Mining; Tailings Disposal; Engineering Infrastructure and Capital Expenditure; Management and Industrial Relations; and Risks and Opportunities.

In assessing the economic viability of the Ore Reserves, SRK reviewed and/or estimated closure costs for the assets. Environmental and social issues have not been reviewed, as these have been addressed by another participant in the compilation of this prospectus, the environmental consultancy ERM.

For reporting purposes the valuation of the Mining Assets and the assessment of the economic viability of the Ore Reserves, the Mining Assets have been grouped in accordance with the following divisions:

- Ferroalloy Division: Joint Stock Company (“JSC”) Kazchrome (“Kazchrome”), JSC Zhairemsky GOK (“Zhairemsky”);
- Iron Ore Division: JSC SSGPO (“SSGPO”);
- Alumina and Aluminium Division: JSC Aluminium of Kazakhstan (“AoK”), JSC Kazakhstan Aluminium Smelter (“KAS”); and
- Energy Division: JSC EEC (“EEC”).

All entries, including text, tables and other data, are quoted assuming 100% ownership within the tax entity, unless otherwise stated.

SRK did not review the transportation or marketing groups belonging to ENRC.

1.3.3 Compliance

This MER has been prepared in accordance with the Rules. Specifically, the standard adopted for the reporting of the Mineral Resource and Ore Reserve statements for the Mining Assets is that defined by the terms and definitions given in The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”) as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia. The JORC Code is considered a mineral resource and ore reserve reporting code which is acceptable to the FSA.

This MER has been prepared under the direction of the Competent Persons as defined by the JORC Code who assume overall professional responsibility for the document (Section 1.7 of this MER). The MER, however, is published by SRK, the commissioned entity, and accordingly SRK assumes responsibility for the views expressed herein. Consequently with respect to all references to Competent Person and SRK: all references to SRK mean the Competent Person and vice-versa.

For the purpose of Prospectus Rule 5.5.3R(2) (f) SRK is responsible for this MER, and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 of the Prospectus Rules.

SRK confirms that the presentation of information contained elsewhere in the Prospectus which relates to information in the MER is accurate, balanced and not inconsistent with the MER.

SRK notes that this MER has undergone regulatory review. SRK understands that the Company will also conduct an internal review of this MER to ensure that the information provided to SRK is accurate.

1.4 Effective date and Base Technical Information date

The effective date (the "Effective Date") of this MER is deemed to be 1 July 2007. To the knowledge of SRK, as informed by the Company, there has been no material change in respect of the Mining Assets since 1 July 2007.

The Ore Reserves are dependent upon the following:

- Technical information as generated by the Company in accordance with its annual planning process defined as the Base Information Date, which is 1 January 2007 (SRK subsequently adjusted the data to reflect the position of the Mining Assets at 1 July 2007); and
- Appropriate adjustments made by SRK to technical information which inter alia include any additional material information provided by the Company from the Base Information Date to the Effective Date.

1.5 Verification, Validation and Reliance

1.5.1 Technical Reliance

SRK relies on the Company and its technical representatives to ensure all technical information provided to SRK as at 1 July 2007, is accurate.

1.5.2 Financial Reliance

In consideration of all financial aspects relating to the Mining Assets, SRK has placed reliance on the Company that the following information for the Tax Entities is appropriate as at 1 July 2007:

- The structure of the various tax entities;
- Depreciation;
- Opening balances for debtors, creditors and stores;
- Working capital logic; and
- Taxation (corporate, social, value added, royalty, property) logic.

1.5.3 Legal Reliance

In consideration of all legal aspects relating to the Mining Assets, SRK has placed reliance on the representations by the Company that the following are correct as at 1 July 2007 and remain correct until the date of the document:

- That, save as disclosed in the Prospectus, the Directors of the Company are not aware of any legal proceedings that may have an influence on the rights to explore for minerals;
- That the statements regarding the permissions to extend the mining contracts are valid;
- That the legal owners of all mineral and surface rights have been verified; and
- That, save expressly mentioned in the Risk Factors of the Prospectus, no significant legal issue exists which would affect the likely viability of the Mining Assets and/or the estimation and classification of the Mineral Resources and Ore Reserves as reported herein.

The legal representatives of the Company are Denton Wilde Sapte LLP.

1.6 Commodity Prices

In consideration of all aspects relating to the forecasting of commodity prices, SRK has placed reliance on the representations by the Company and that these are reasonable as at 1 July 2007 and that these remain reasonable until the date of the document. The commodity prices are based on consensus market prices (refer to Section 3 for further details) and adjusted by ENRC Marketing for factors including: geographic location; transportation arrangements (distance and costs); and historical achieved prices from local customers.

1.7 Limitations, Reliance on Information, Declaration, Consent and Copyright

1.7.1 Limitations

Save for the responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law, SRK does not assume any responsibility and will not accept any liability to any other person for any loss suffered as a result of, arising out of, or in connection with this MER or statements contained therein, required by, and given solely for the purpose of complying with item 23.1 of Annex 1 to the Prospectus Directive, consenting to its inclusion in the Prospectus.

The Company has confirmed in writing to SRK that to its knowledge the information provided by it was complete and not incorrect or misleading in any material respect. SRK has no reason to believe that any material facts have been withheld and the Company has confirmed in writing to SRK that it believes it has provided all material information.

1.7.2 Reliance on Information

SRK believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in the MER. The preparation of a MER is a complex process and does not lend itself to partial analysis or summary.

Further, SRK has no obligation or undertaking to advise any person of any change in circumstances which comes to its attention after the date of this MER or to review, revise or update the MER or opinion.

1.7.3 Declaration

SRK will receive a fee for the preparation of this report in accordance with normal professional consulting practice. This fee is not contingent on the outcome of the Offer and SRK will receive no other benefit for the preparation of this report. SRK does not have

any pecuniary or other interests that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Mineral Resources and Ore Reserves of the Mining Assets of the Company.

Neither SRK, nor the Competent Persons, nor any Directors of SRK have at the date of this report, nor have had within the previous two years, any shareholding in the Company, the Mining Assets or advisors of the Company.

Consequently, SRK, the Competent Persons and the Directors of SRK consider themselves to be independent of the Company.

In this MER, SRK provides assurances to the Board of Directors of the Company that the technical economic parameters, including production profiles, operating expenditures and capital expenditures, of the Mining Assets as provided to SRK by the Company, and reviewed and where appropriate modified by SRK, are reasonable, given the information currently available.

This report includes technical information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them to be material.

1.7.4 Consent

SRK has given and has not withdrawn its written consent to the inclusion of its MER and references to its report and its name in the form and context in which they are respectively included and has authorised the contents of its report and context in which they are respectively included and has authorised the contents of its report for the purposes of paragraph 5.5.4R(2)(f) of the Prospectus Rules and item 23.1 of Annex X of the Commission Regulation (EC) 809/2004.

Subject to the foregoing, neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of SRK as to the form and context in which it appears.

1.7.5 Copyright

Copyright of all text and other matter in this document, including the manner of presentation, is the exclusive property of SRK. It is an offence to publish this document or any part of the document under a different cover, or to reproduce and/or use, without written consent, any technical procedure and/or technique contained in this document. The intellectual property reflected in the contents resides with SRK and shall not be used for any activity that does not involve SRK, without the written consent of SRK.

1.8 Disclaimers and Cautionary Statements for US Investors

The United States Securities and Exchange Commission (the "SEC") permits mining companies, in their filings with the SEC, to disclose only those mineral deposits that a company can economically and legally extract or produce from. Certain terms are used in this report, such as "mineral resources", that the SEC guidelines strictly prohibit companies from including in filings.

Ore Reserve estimates are based on many factors, including, in this case, data with respect to drilling and sampling. Ore Reserves are derived from estimates of future technical factors, future production costs, future capital expenditure, future product prices and the exchange rate between the Kazakh Tenge and the US dollar. The Ore Reserve estimates contained in this report should not be interpreted as assurances of the economic life of the Mining Assets or the future profitability of operations. As Ore Reserves are only estimates based on the factors and assumptions described herein, future Ore Reserve estimates may need to be revised. For example, if production costs increase or product prices decrease, a portion of the current Mineral Resources, from which the Ore Reserves are derived, may

become uneconomical to recover and would therefore result in lower estimated Ore Reserves.

Forward looking statements may be included in this report. These forward-looking statements are necessarily estimates and involve a number of risks and uncertainties that could cause actual results to differ materially.

1.9 Qualifications of Consultants

The SRK Group employs more than 600 staff, offering expertise in a wide range of resource engineering disciplines. The SRK Group has a demonstrated track record in undertaking independent assessments of resources and reserves, project evaluations and audits, MERs and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions worldwide. The SRK Group has also worked with a large number of major international mining companies and their projects, providing mining industry consultancy service inputs. SRK also has specific experience in commissions of this nature.

This MER has been prepared based on a technical and economic review by a team of 36 consultants sourced from the SRK Group's offices in the United Kingdom, Russia, Australia and South Africa over a nine-month period. These consultants are specialists in the fields of geology, resource and reserve estimation and classification, underground and open pit mining, rock engineering, metallurgical processing, and mineral economics.

The individuals who have provided input to this MER, who are listed below, have extensive experience in the mining and smelting industry and most are members in good standing of appropriate professional institutions.

- Alex Mitchell, BSc (Hons), MIMMM, C.Eng;
- Alexander Sharomov, Diploma of mining engineer and geologist;
- Alexander Taskaev, MAusIMM, PhD;
- Andrey Melnikov, MBA, Diploma in Mathematics—Financial Modelling;
- Anton Brooks, BSc (Hons), C Eng, F Inst M C, FIEE;
- David Pearce, CPMIn, FAusIMM, MEng, MBA;
- David Wood, BSc(Chem Eng), Grad. Dip. Ind. Eng., PhD;
- Ebrahim Takolia, BEconSc, MBA, ELP, MSI;
- Ekaterina Vershinina, Degree in Engineering, Environmental sciences;
- Fiona Cessford, CBiol (UK), PrSciNat (SA), MSc;
- Graham Tye, BSc (Hons), FIMMM, FIQ, C.Eng;
- Hans-Jürgen Hugon, Dipl.-Ing.;
- Herbert Papachek, Dipl.-Ing., PhD;
- Howard Baker, BSc, MSc, MAusIMM;
- Iestyn Humphreys, MIMMM, AIME, PhD;
- Inge Moors, MSc;
- Johan Basson, MSAICHe, Pr Eng, MEng, MBL, MPhil;
- Jurgen Fuykschot, MSc, MBA;
- Kris Bezemer, Dip.Chem.Eng., Dip.B.A.;
- Kris Czajewski, P.Eng.;
- Len Holland, BSc, C Eng, FMES, FIMMM;

- Mark Campodonic, FGS, AIQ, MSc;
- Mark Dodds-Smith, CBiol, PhD;
- Mark Wanless, Pr.Sci.Nat, BSc (Hons);
- Mark Zed, BE (Chem), GDip Bus, AMIChemE.;
- Mike Cave, MA (Cantab), FIMMM;
- Mikhail Sivkov, PhD, Diploma in finance and banking, Diploma in financial management;
- Neil Marshall, CEng, MSc, (DIC) MIMMM;
- Paul Bright, MIMMM, C.Eng, BSc;
- Ramachandran Balakrishnan, MIMM, PhD;
- Rick Skelton, MIMMM, MSAIMM, MSc, DIC;
- Sabine Anderson, MEng;
- Sean Cremin, BSc (Hons), MIMMM;
- Steffen Schmidt, Dipl.-Geol., P.Geo. (APGO);
- Svetlana Polutornaya, PhD, Masters Degree—Management in the Mining Industry; and
- Thoralf Klehm, Dipl.-Ing.

The Mineral Resource and Ore Reserve Statements for the individual entities have been prepared by Professional Geologists and Professional Engineers with a minimum of five years of relevant professional experience for the deposit types, respectively, the operational properties in question.

The Competent Person with overall responsibility for the reporting of Mineral Resources is Mr. Steffen Schmidt, who has 18 years of experience in the mining industry, of which two-and-half have been at SRK.

The Competent Person with overall responsibility for the reporting of Ore Reserves and who will take overall responsibility for the document is Mr. David Pearce, who has 19 years of experience in the mining industry, eight of which have been at SRK.

2 ENRC PLC

2.1 Introduction

This section gives an overview of the Company and its Mining Assets including historical company development, location and property description and historical (2004, 2005, 2006, and H1 2007) and forecast (H2 2007, 2008, 2009, 2010, and Life-of-Mine (H2 2007 up to end of mine life)) operating results. Specifically where reference is made to legal compliance (in respect of title) within the regulatory environments in which the Company operates, SRK has placed reliance on the Company.

The historical production and expenditure statistics as reported in this section have, on an asset by asset basis, unless otherwise stated, been derived from the Company's management accounts and on-mine statistics. These in addition to historical information reported may differ from the Company's published financial statements which are subject to equity reporting principles or such adjustments which may be included for public domain reporting.

Furthermore the cash cost statistics are reported on the basis of metals produced and not metal sold. Therefore the historical information as presented may not be directly comparable with similar information as presented in the Prospectus.

2.2 Overview of Assets

For reporting purposes of the Mining Assets and the assessment of the economic viability of the Ore Reserves, the Mining Assets have been grouped in accordance with the following divisions:

- Ferroalloy Division: Joint Stock Company ("JSC") Kazchrome ("Kazchrome"), JSC Zhairemsky GOK ("Zhairemsky");
- Iron Ore Division: JSC SSGPO ("SSGPO");
- Alumina and Aluminium Division: JSC Aluminium of Kazakhstan ("AoK"), JSC Kazakhstan Aluminium Smelter ("KAS"); and
- Energy Division: JSC EEC ("EEC").

2.2.1 Ferroalloy Division

Kazchrome comprises Donskoy (mines and processing plants) and smelters (Aktobe and Aksu), as well as the Kazmaganets manganese operation. These operations are vertically integrated with most of the final products of the mines being processed at the Aktobe and Aksu ferroalloy smelters, with part of the high-grade ore and some concentrates sold to external customers. Kazmaganets has two open pits and on-site concentrators. The concentrates from Kazmaganets are used in the Aksu ferroalloy smelter.

Zhairemsky produces manganese and iron ore concentrates which are sold to consumers in Kazakhstan and exported. The principal operations at Zhairemsky comprise one large and one small open pit operation and both individual and central beneficiation and maintenance facilities. Several development projects are under consideration.

The Kazmaganets and Zhairemsky manganese operations, which are operated independently, are located in close proximity in central Kazakhstan. These operations are relatively small and therefore not material to the business of the Ferroalloy Division, and consequently ENRC.

2.2.2 Iron Ore Division

The registered name of the company is Sokolovsko-Sarbaiskoye Ore Mining and Processing Association (SSGPO).

SSGPO is a vertically integrated business producing iron ore concentrate and pellets. The operations are centred around the town of Rudni, which was established to support the iron ore operations, which in turn is located some 45 kilometres south-west of the city of Kostanai in the north of Kazakhstan. The centralised facilities are located near Rudni whilst the mines are located between 5 and 60 kilometres from the town.

In April 2007, ENRC entered into a long-term contract with Magnitogorsk Iron & Steel Works OJSC (MMK) (a leading Russian steel producer) that extends until 2016 and requires MMK to purchase specified quantities of pellets and concentrate at prices determined by reference to published world price indices.

2.2.3 Alumina and Aluminium Division

ENRC's Alumina and Aluminium Division comprises two separate business units: AoK and KAS.

AoK is a vertically integrated alumina producer consisting of five business units that include the Krasno-Oktyabrskoye bauxite mines ("KBRU"), the Torgay bauxite mines ("TBRU"), the Keregetas limestone mine ("KIR"), the Pavlodar-1 power station and the Pavlodar alumina plant. AoK's main activities are the extraction of bauxite and production of metallurgical alumina and related by-products. Alumina, the raw material for aluminium production, accounts for over 90% of AoK's revenues. AoK's most important customer is the Russian aluminium producer United Company RUSAL which purchases 89% of AoK's alumina and with which it has a long-term supply agreement (through ENRC Marketing AG) until 2016.

KAS is constructing a new aluminium smelter in the Pavlodar region of Kazakhstan, fulfilling ENRC's aim to vertically integrate the operation by 2012. Construction began in 2005 and the current investment programme comprises two construction stages:

- Phase 1 is the construction of a 62,500 tonnes per annum aluminium smelter by 31 December 2007, with an expansion to 125,000 tonnes per annum by 2009.
- Phase 2 is the expansion of the aluminium smelter plant by 2011 to 250,000 tonnes per annum (first production 2010).

2.2.4 Energy Division

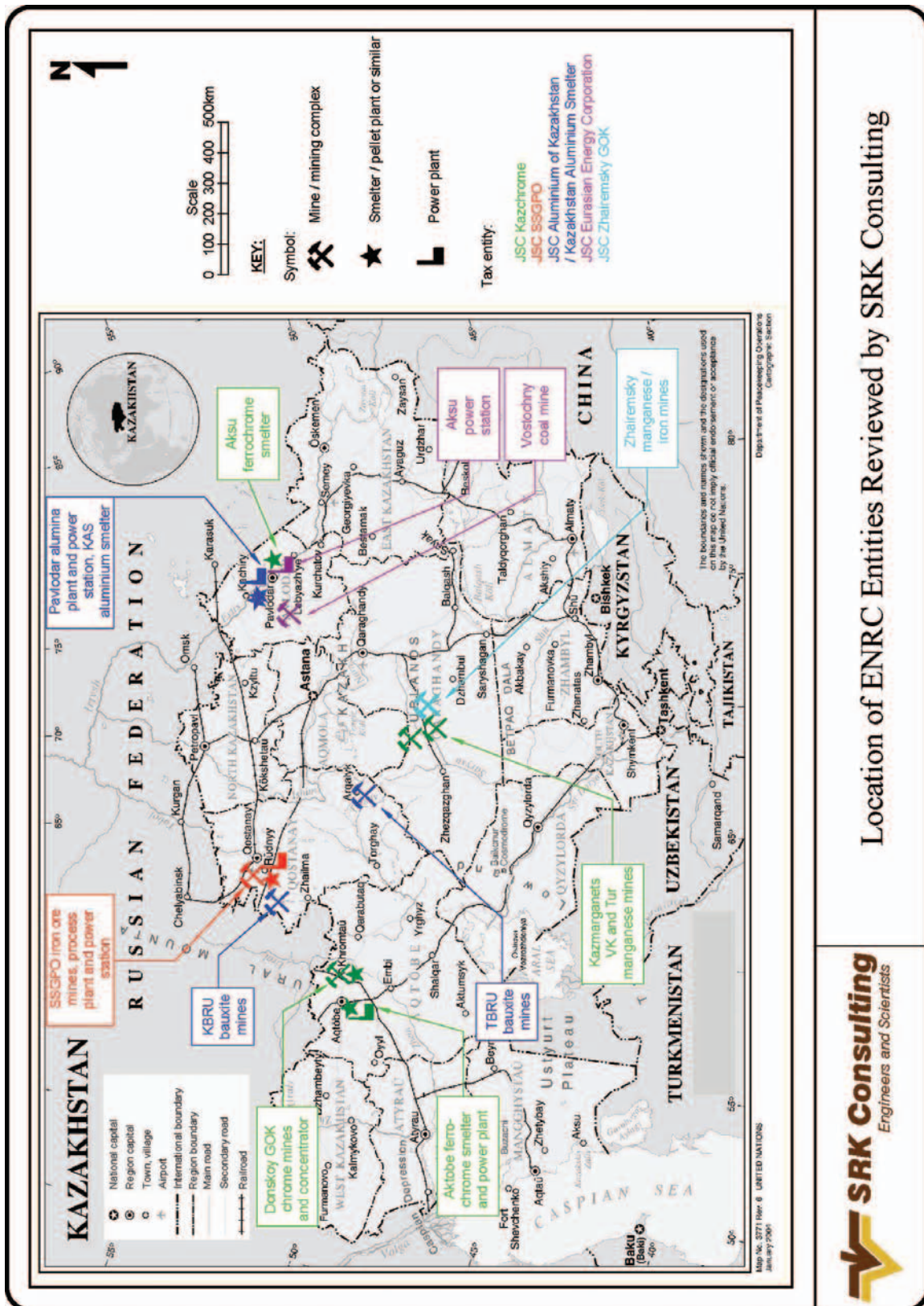
ENRC's Energy Division comprises two main businesses: the Vostochny coal mine and Aksu power station held within the JSC EEC tax entity.

The Vostochny coal mine is one of three mines working the Ekibastuz basin. Combined, these mines produce a significant quantity of Kazakhstan's coal and the prices charged by the Ekibastuz coal mines are regulated by the Kazakh government. Most of the coal is supplied to ENRC's power stations, though some is exported to Russia.

2.3 Mineral Resource and Ore Reserve Statements

Resource and reserve estimates for all ENRC mines are prepared and reported following GKZ guidelines. This system is used in Russia and most CIS countries, including Kazakhstan. In order of decreasing level of confidence, this system distinguishes A, B, C1, C2 and P resources. SRK reviewed, adjusted where necessary, and re-stated the company's Mineral Resources and Ore Reserves in line with the provisions of the JORC Code, an internationally recognised Reporting Code for Mineral Resources and Ore Reserves. Details are provided in section 9—Appendices of the MER.

Figure 2-1 Location of Assets



Location of ENRC Entities Reviewed by SRK Consulting

3 MACRO-ECONOMIC AND COMMODITY PRICE ANALYSIS

The following section includes an analysis of the macro-economic and commodity price environments within which the Mining Assets operate. The information contained in this section has been sourced from Heinz Pariser and CRU Strategies Limited (“CRU”).

Due to the nature of the energy industry and market in the former CIS countries the prices for the Energy Division, namely coal and electricity, have been determined using historical trends and forecast energy demand in this region.

3.1 Macro-economic Analysis

The base case macro-economic forecasts used by SRK are included in Table 3-1.

Table 3-1 Base Case macro-economic projections^{(1),(2)}

Parameter	Units	2007	2008	2009	2010	2011	LT ⁽³⁾
US CPI	(%)	2.1	2.6	2.7	2.5	2.5	2.5
Kazakhstan CPI	(%)	7.0	5.0	5.0	4.9	4.9	4.9
Exchange Rate—Real	(USD:KZT)	120.0	117.0	117.0	117.0	117.0	117.0
Exchange Rate—Nominal	(USD:KZT)	125.8	125.5	128.3	131.3	134.4	134.4

(1) All exchange rates are quoted at the closing period of 31 December.

(2) CPI rates for 2007 are annualised.

(3) LT = Long Term.

3.2 Commodity Price Analysis

The base case commodity price forecasts used by SRK are included in Table 3-2.

Table 3-2 Base Case commodity price projections⁽¹⁾

Parameter	Units	2007	2008	2009	2010	2011
Chrome (Source: Heinz Pariser)—Real						
Charge HCFeCr	(USD/lb)	0.91	1.05	1.09	1.10	0.93
Iron Ore (Source: CRU)—Nominal⁽²⁾						
Hamersley fines	(US cents/dltu)	82	125	128	112	106
CVRD Tubarao pellets	(US cents/dmtu)	118	162	167	151	143
Aluminium (Source: CRU)—Nominal						
Aluminium	(USD/t)	2,594	2,232	2,073	1,988	1,955
Alumina ⁽³⁾	(USD/t)	379	324	301	288	283
Energy (Source: historical data)—Real						
Coal						
Internal plants of ENRC	(USD/t)	5.84	6.01	6.01	6.01	6.01
Outside companies	(USD/t)	6.50	6.49	6.49	6.49	6.49
Electricity						
ENRC Group	(USD/MWh)	11.36	12.39	12.39	12.39	12.39
Other consumers	(USD/MWh)	17.98	17.42	17.42	17.42	17.42

(1) All commodity prices are quoted at the closing period of 31 December.

(2) The data shown is CRU Strategies' interim update of its price forecast, which was prepared by CRU Strategies for ENRC in October 2007, ahead of CRU Analysis Iron Ore Market Service in November 2007. CRU Analysis is a sister company to CRU Strategies.

(3) FOB Australia.

3.2.1 Ferroalloy Division

Chrome

The chrome ore market currently measures 21.5 Mt of final product. Chrome ore has three main applications—metallurgical, chemical and refractory, with metallurgical being the largest. The majority of world chromite resources are located in three countries namely South Africa, Zimbabwe and Kazakhstan which together account for 90% of the world's

reserves. The major producers are South Africa, Kazakhstan and India feeding their domestic ferrochrome operations.

A key factor for the future is likely to be the limitation on exports from India in an effort to preserve limited reserves and protect the local stainless steel industry. Since the industry is dominated by integrated producers that plan expansions to coincide with ferrochrome growth, the market is likely to remain relatively in balance.

Prices are likely to be supported by higher freight costs from South Africa to China as well as the overall strength of the ferrochrome industry and particularly its expansion in China. ENRC sells the majority of chrome ore to low carbon ferrochrome producers on a formula based on the price of low carbon ferrochrome.

High Carbon Ferrochrome

Around 90 percent of the world's ferrochrome is used in the production of stainless steel. There are no known substitutes for ferrochrome in this application. Over the long term the annual growth rate of stainless steel has been in excess of 5.5 percent and the near to medium term forecast is conservatively estimated at 4.5 percent by most analysts. In line with these expectations ferrochrome demand remains robust. Although the barriers to enter to the chrome business remain low, a significant oversupply is not anticipated in the near future.

Low and Medium Carbon Ferrochrome

Until recently low carbon and medium carbon ferrochrome have fared worse than high carbon ferrochrome due to the impact of technology which allowed them to be substituted in the production of stainless steel. The negative impact of technological change and resultant decrease in demand for these products ended in 2003 and demand for these products now follows the fortunes of the alloy and stainless steel industries. The annual growth of alloy steel in recent years has exceeded 10%.

Manganese Ore

Since 2003 the growth rate in crude steel production has increased annually in excess of six percent and is forecasted to increase by most analysts by more than five percent annually in the next five years. Strong consumption of manganese alloys in turn leads to a strong demand for manganese ore. A tightness is expected to develop as supply struggles to keep up with demand. In line with the tightening supply, prices are likely to remain strong for the time being. ENRC's manganese ore quality is inferior to that of the high grade producers in Brazil, South Africa and Gabon. However quality inferiority is offset by favourable logistic costs in delivering to ENRC's Russian customer base. Since Russia is forecast to remain a significant importer of manganese ore it is anticipated that the Company will retain a sufficient customer base.

3.2.2 Iron Ore Division

Globally, CRU sees supply in line with demand and does not expect a period of significant excess capacity before 2011. It is noted that capacity utilization is forecasted to remain high in 2010 although a price reduction of 10%–13% is predicted. The CRU analysis also indicates strong steel growth in China and Russia, hence regional supply/demand is likely to remain in line with global demand.

ENRC currently supplies three markets: China, Kazakhstan and Russia. Russian and Kazakh sales are on a long term basis with prices being set at 100% of Tex report (a Japanese publication) world market prices. It is anticipated that Chinese sales will reduce in the longer term. For the time being it is expected that Chinese prices will correspond to world market prices as imports dominate Chinese iron ore supplies. This has been the company's experience in recent times and the situation is anticipated to continue. It is company policy to maintain pricing based on a world market index and it is anticipated that this will be

continued in the future. The long term price is expected to be supported by the relatively high cost of Chinese iron ore production and the continued high costs of freight costs.

3.2.3 Alumina and Aluminium Division

Alumina

Although demand is likely to remain robust, the supply of alumina from new projects is likely to exceed the additional demand. ENRC prices are supported by the fact that currently all sales contracts are based on a LME aluminium price. It is company policy to retain long term contracts based on LME pricing and it is anticipated that this practice will continue in the future. Sales and pricing in the region are likely to be maintained as the demand shortfall of alumina in Russia and China is forecast to continue for the foreseeable future. Logistic costs to import alumina from the international market will support favourable DAF ("Delivered at Frontier") sales terms. All sales are undertaken on a DAF basis. It is not foreseen that distribution costs will increase to the extent that they have a major impact on the business.

Aluminium

The world production of primary aluminium for 2006 reached 33.9 Mt and is forecast to grow by more than 2.2 Mt in 2007. As is the case with many other commodities, the current growth is driven by the increased consumption in China, which is believed to be averaging at approximately 15% year on year. Since aluminium is used in a wide range of industrial manufacturing processes and products, consumption on the long run is estimated to increase from 31.9 Mt in 2005 to 73.7 Mt in 2030.

The market for primary aluminium can be considered to be truly global. Although producers will focus on geographical regions bearing lower costs and higher premiums, LME deliverable metal can be viewed as generic product and delivered globally to end users or to various LME warehouses in the Far East, Asia, and the USA. Since ENRC will supply a fraction of global demand with a commodity product it is expected that there is no great risk in finding end customers.

3.2.4 Energy Division

Coal

In Kazakhstan coal prices are subject to anti monopoly regulation. Prices are expected to show growth slightly in excess of CPI. In Russia ENRC has been conservative with price forecasts with the expectation that prices will stay below world market norms.

Electricity

In the medium term Kazakhstan in particular is anticipated to have an electricity shortfall. Energy demand in Russia is also anticipated to have significant growth. Due to the nature of the markets in this region energy prices do not follow international prices. In Russia there is connectivity to international markets due to the export potential. It is believed that prices in Russia in particular will trend higher as international pricing and higher electricity prices filter into the market.

4 FERROALLOY DIVISION

4.1 Introduction

This section gives an overview of the assets of the Ferroalloy Division, including historical company development, location and property description and operating results. Specifically where reference is made to legal compliance within the regulatory environments in which the business operates, SRK has placed reliance on ENRC. In terms of environmental compliance, SRK has assessed the closure cost requirements for each of the operations, and these have been incorporated into the evaluation of the economics of Mineral Resources and Ore Reserves. The primary assets of the Ferroalloy Division are Kazchrome's Donskoy mines and concentrators, and Kazchrome's Aktobe and Aksu ferroalloy smelters. Other assets within this division include Kazmarganets, which is owned by Kazchrome, and Zhairmsky.

4.2 Infrastructure, History and Location—Chromite Mines and Ferroalloy Plants

Table 4-1 provides details on the principle infrastructure at Donskoy, and the smelting and power operations.

Table 4-1 Ferroalloy Division—Summary of Infrastructure, Chromite Mines and Ferroalloy Division Plants⁽¹⁾

Type	Infrastructure	Detail
Mining (Donskoy)	Two underground and two open pit mines	Production RoM (chrome ore): 2006 (4.4 Mt), H1 2007 (2.4 Mt)
Processing (Donskoy)		
DOF-1	Concentrator plant	Processing: 2006 (2.1 Mt), H1 2007 (1.0 Mt)
DOF-2	Concentrator plant	Processing: 2006 (3.8 Mt), H1 2007 (1.6 Mt)
Smelting		
Aktobe	Smelting shops and other infrastructure	Processing: 2006 (0.4 Mt), H1 2007 (0.2 Mt)
Aksu	Smelting shops and other infrastructure	Processing: 2006 (1.0 Mt), H1 2007 (0.5 Mt)
Power		
Aktobe power station	Turbines and thermal power plant	135 MW power station

(1) Kazmarganets and Zhairmsky are described in detail later in this section.

4.2.1 Donskoy Mining and Processing Combine GOK

Donskoy operates chromite ore mines around the town of Khromtau in north-west Kazakhstan, 90 kilometres east of Aktobe, the provincial capital. The complex consists of two underground mines, two open pit mines and two processing plants. The mines are located within 22 kilometres of each other. In 2006, the mines produced jointly 4.4 Mt of chromite ore grading 41.8% Cr₂O₃. A further 1.5 Mt was recovered from low-grade stockpiles. The various processing facilities produced 2.4 Mt of chromite concentrate, 0.2 Mt of briquettes and 0.4 Mt of pellets in 2006. Some 70% of the concentrates are supplied to the Kazchrome ferroalloy plants with the remainder sold to external customers, mainly in Kazakhstan, Russia and China. Based on present reserves and forecast production rates, the mine complex is projected to continue until 2048.

The chromite deposits were discovered in the 1930s, and production from the Donskoy open pit started in 1938. Annual output exceeded 1 Mt in 1959 and 3 Mt in 1973. Mining from the underground Molodezhnaya mine started in 1982, and the "10th Anniversary of Kazakhstan Independence" shaft was commissioned in 1999. A total of 111 Mt of high-grade chromite ore has been produced to date from the mines in this district. A total of 24 open pits have been worked since the first production in 1938. Of these, the Poiskovoye and Yuzhny pits are still in production. The Poiskovoye pit has been mined since 1988 and is scheduled to close in two years. The Yuzhny open pit is scheduled to close in

2021. In 1995, the Donskoy mining and concentration facilities were merged with the Aktobe and Aksu ferroalloy plants to form JSC Kazchrome. Refer to Figure 4-1.

Donskoy is serviced by a sealed road and railway lines west to Aktobe and east to Astana and the Aksu ferroalloy plant. Electricity is supplied from the Russian power grid. The topography of the whole central to northern area of Kazakhstan is essentially flat, tree-less open steppe. As all Kazchrome sites, the area of Donskoy is subject to a central continental climate with hot dry summers with temperatures peaking over 40°C and winters with temperatures dropping below -40°C. The temperature is on average below 0°C for some 200 days of the year, although no permafrost exists. The sites are semi-arid with a mean annual precipitation of 350 mm, most of which occurs in autumn and winter. Thunderstorms can result in peak rainfall events with more than 50 mm of precipitation during the event.

Table 4-2 Ferroalloy Division—Production Statistics of Kazchrome’s Donskoy, Aktobe and Aksu Operations

		Historical				Forecast			
		2004	2005	2006	H1 2007	H2 2007	2008	2009	2010
Production									
Donskoy Chrome Ore Products⁽¹⁾	(kt)	3,320	3,580	3,410	1,887	1,821	3,579	3,606	3,874
Aktobe									
HCFeCr	(kt)	265	282	281	150	154	296	324	324
MCFeCr	(kt)	40	38	42	18	19	37	37	37
LCFeCr	(kt)	33	34	35	16	17	33	33	33
Fe Si15G	(kt)	1	1	1	1	1	1	1	1
Total Aktobe	(kt)	339	355	360	185	191	367	396	396
Aksu									
HCFeCr	(kt)	622	674	682	390	392	724	757	801
FeSiCr	(kt)	91	85	103	63	63	121	119	128
FeSi75	(kt)	61	61	50	17	17	29	29	29
FeSiMn	(kt)	137	155	203	77	77	143	143	128
Total Aksu	(kt)	911	975	1,038	546	550	1,017	1,048	1,086
Total Ferroalloy Division*	(kt)	1,249	1,330	1,398	730	740	1,384	1,444	1,482
Unit Cash Costs^{(2),(3),(4)}									
Underground Mining	(USD/t)	14	15	16	29	31	43	39	38
Open Pit Mining	(USD/t)	11	9	9	11	11	9	8	8
Processing	(USD/t)	10	11	22	28	29	28	27	26
Smelting	(USD/t)	293	305	323	287	284	300	293	293
Total	(USD/t)	327	341	370	356	355	380	367	365

(1) Concentrate, pellets, briquettes, crushed high-grade ore.

(2) Costs set against Total Ferroalloy Division*.

(3) Represents on-site cash cost of production. Excludes some USD200 million per annum of centralised general and administrative costs (which includes distribution costs for chrome ore and ferroalloys), and royalties.

(4) Cash costs exclude depreciation and forecast costs are in real terms.

SRK was provided with detailed costs for up to H1 2007. Based on this information and the production schedules SRK determined the forecast costs. SRK notes that there have been significant increases in operating costs historically. These changes include national inflation of 7% to 9% per annum, increases in key consumables seen globally in the mining industry, and changes in accounting practices. Operating costs per tonne of total production have been increasing since 2004, and this trend is projected to continue until 2008. This unit cost is then expected to fall, partly due to increasing recovery rates in the plants, and partly due to lower absolute costs. Despite the increase in costs in the near future, SRK notes that the operations remain low cost producers.

4.2.2 Aktobe Ferroalloy Plant

The Aktobe Ferroalloy Plant is located in the town of Aktobe. The first furnace was commissioned in 1943, followed by frequent additions and changes to the plant to produce a wide variety of alloys and metals over its history. The three current smelting complexes were built in the 1950s to 1970s. The plant produced about 0.4 Mtpa of ferroalloy products in 2006.

An integral part of the plant is the 135 MW Aktobe Power Station. The main facilities of the power station include a 98 MW gas turbine commissioned in 1998, a utility boiler with a capacity of 160 tonnes of steam per hour, and a 37 MW steam turbine.

The Aktobe Ferroalloy Plant comprises three production shops and a metal recovery plant, with associated maintenance workshops, laboratory and other services. The smelting shops consist of the following:

- Smelting Shop No 1, equipped with 7 open submerged-arc furnaces, produces high carbon ferrochrome (HCFeCr);
- Smelting Shop No 2, equipped with 7 open-arc furnaces, produces low carbon ferrochrome (LCFeCr) and medium carbon ferrochrome (MCFeCr);
- Smelting Shop No 3, with three electric furnaces, produces 15% grade ferrosilicon, chromium metal (when required) and experimental alloys (presently producing HCFeCr, using waste streams); and
- Metal recovery plant, with crushing, screening, jigging and magnetic separation equipment, yielding saleable HCFeCr and middlings (50% ferrochrome, 50% slag), which are re-melted in Shop No 3. The barren slag product only contains 0.3-0.4% alloy and is used in the construction industry.

Electric power is supplied from three sources:

- The plant's own gas and steam turbine facilities, with an installed capacity of 135 MW;
- Aktobe thermoelectric power station, which supplies between 10 and 15 MW; and
- National power grid, which supplies between 10 and 30 MW.

The present plant requirement is about 160 MW.

Chrome ore and concentrates are supplied from Donskoy in various types and size fractions. Reductants comprise coal, coke and semi-coke and are supplied by mines and plants in Kazakhstan, Russia and China. Raw materials are usually delivered by rail.

The engineering workshops are equipped to make almost all spares needed for the plant, including steel and non-ferrous castings, forgings, and specific items such as steel ropes, lifting hooks, bridles and shackles. A well-equipped workshop can handle the machining of a variety of shapes, including specialised tasks such as manufacturing gears with diameters up to one metre. SRK considers that whilst such an approach ensures control over the supply of parts and is normal in countries of the FSU, there may be opportunities to source some parts, especially those where quality is critical, from specialised suppliers.

The cooling water requirement is pumped from the Ilek river and from local boreholes.

The plant employs approximately 3,300 personnel.

4.2.3 Aksu Ferroalloy Plant

The Aksu Ferroalloy Plant is located six kilometres north of the town of Aksu, 40 kilometres to the northeast of the regional centre Pavlodar. The smelting facility at Aksu consists of four smelting complexes built in 1968, 1970, 1974 and 1982. The workshops were initially designed to produce ferrosilicon but then were converted to produce ferrochrome and ferrosilicomanganese. The plant produced about 1.0 Mt of ferroalloy products in 2006.

The Aksu Ferroalloy Plant has the following facilities on site:

- Smelting Shop No 1, equipped with six submerged-arc furnaces, four of them produce ferrosilicomanganese (FeSiMn) alloys, and the other two high-carbon ferrochrome (HCFeCr);
- Smelting Shop No 2, equipped with 8 submerged-arc furnaces, produces HCFeCr with low phosphorus content;
- Smelting Shop No 4, equipped with 8 submerged-arc furnaces, produces ferrosilicon (FeSi) and ferrosilicochrome (FeSiCr) alloys;
- Smelting Shop No 6, equipped with four submerged-arc furnaces, produces HCFeCr;
- Metal from slag recovery plant, including crushing, screening, dry magnetic and radiometric separating equipment, yields saleable HCFeCr and utilisable waste product (50% FeCr and 50% slag) that is re-melted in Smelting Shops No 1, 2, and 6; and
- Coke plant, with 64 bee hive coke ovens, producing approximately 100,000 tonnes of coke from 154,000 tonnes per annum of coal feed, entirely imported from Russia.

The main processes of the plant are concentrated at the 26 submerged arc electric furnaces of 21 to 63 MW power rating, placed in four Smelting Shops No 1, 2, 4, and 6. The total installed power capacity of the plant exceeds 900 MW, whilst actual average power load for 2006 was 623 MW. All furnaces are of a cylindrical form with three self-baking electrodes of Söderberg type with a hydraulic system to regulate the electrode height.

Electricity is supplied from the ENRC Energy Division's Aksu power station. Process water is supplied from the nearby Irtysh river. The reductants for the smelting of ferroalloys comprise coal, coke and semi-coke supplied by mines in Kazakhstan, Russia and China. A portion of the coke requirement is supplied from the internal coke plant on site. Delivery of chrome ore and concentrates, manganese ore concentrates, coal, coke, quartzite, limestone and other materials is by means of open railway trucks. Raw materials are offloaded from the railway trucks into designated storage areas in large centralized buildings.

4.3 Geology—Donskoy GOK

4.3.1 Title

The Donskoy mines are operated according to the terms and conditions of the contract MG No. 110 issued on 3 March 1997 and valid to 21 March 2041. Further, Kazchrome has a contract to mine chromite ores from low-grade stockpiles at Donskoy (No. 665), which is valid from 26 April 2001 to 26 April 2012, and from low-grade stockpiles/deposits at Millionnoye (No. 886), which is valid from 10 February 2002 to 13 February 2018, though these resources could not be verified and consequently have not been included in the resource statement. Donskoy has advised SRK that it owns the surface rights for the areas required to develop and dispose of the waste for each site, including Yuzhny. A new tailings storage facility is being built near the DOF-2 processing plant and the company already owns the mine allotment for this facility.

Table 4-3 Ferroalloy Division—Summary of Mining Exploration Contracts for Donskoy⁽¹⁾

Asset	Status	Asset Type	Contract Expiry Date	Contract Area (ha)
Molodezhnaya	Production	u/g	07/06/2015	240
10th Anniversary Mine	Production	u/g	27/03/2047	260
Poiskovoye	Production	o/p	07/06/2012	75
Yuzhny (20th Anniversary)	Development	o/p	27/07/2023	23
Daul'sko Kokpektinsky	Exploration	s/e	28/10/2009	449

(1) o/p—open-pit; u/g—underground; and s/e—surface exploration.

Figure 4-1 Ferroalloy Division—Donskoy Site Plan

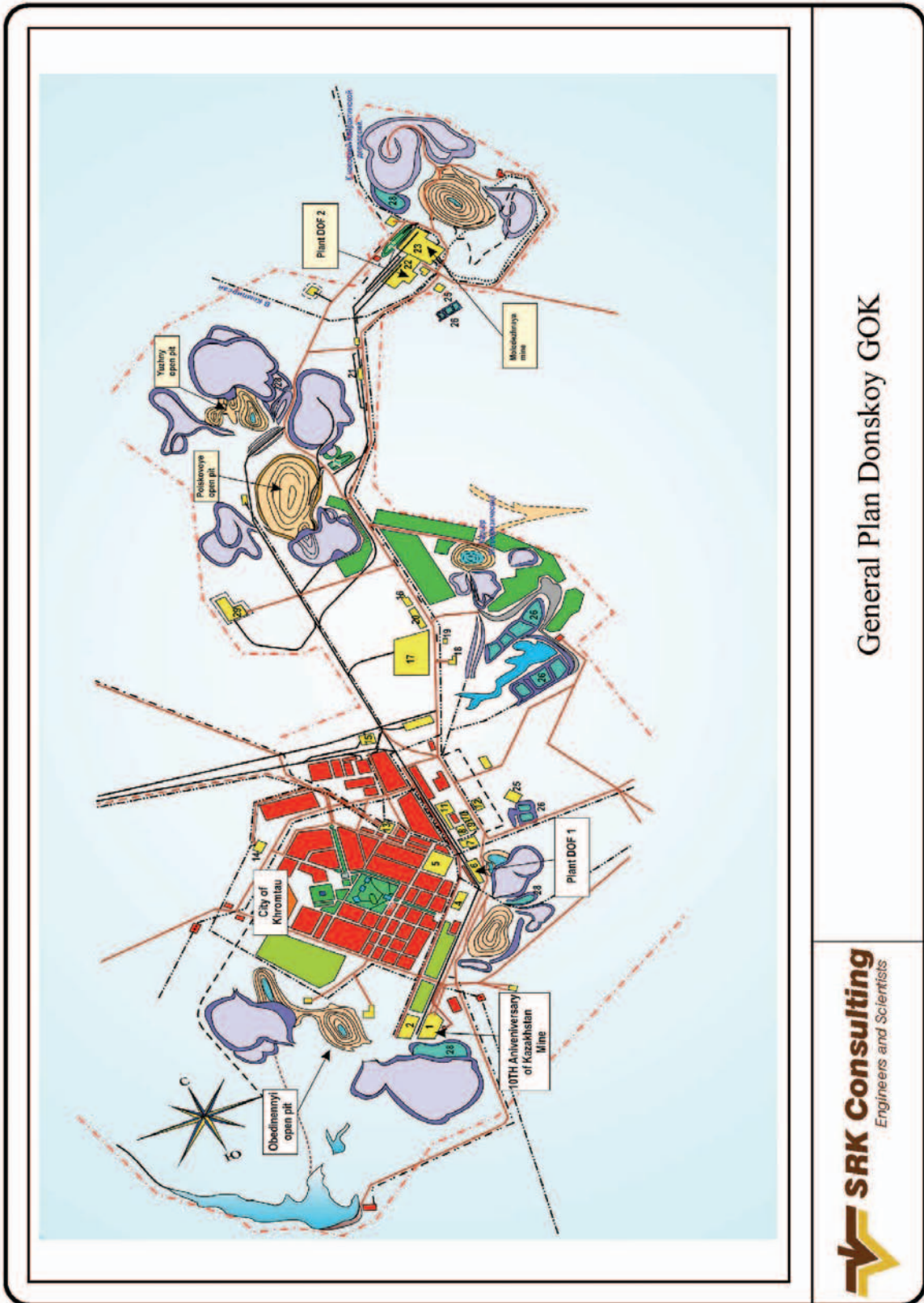
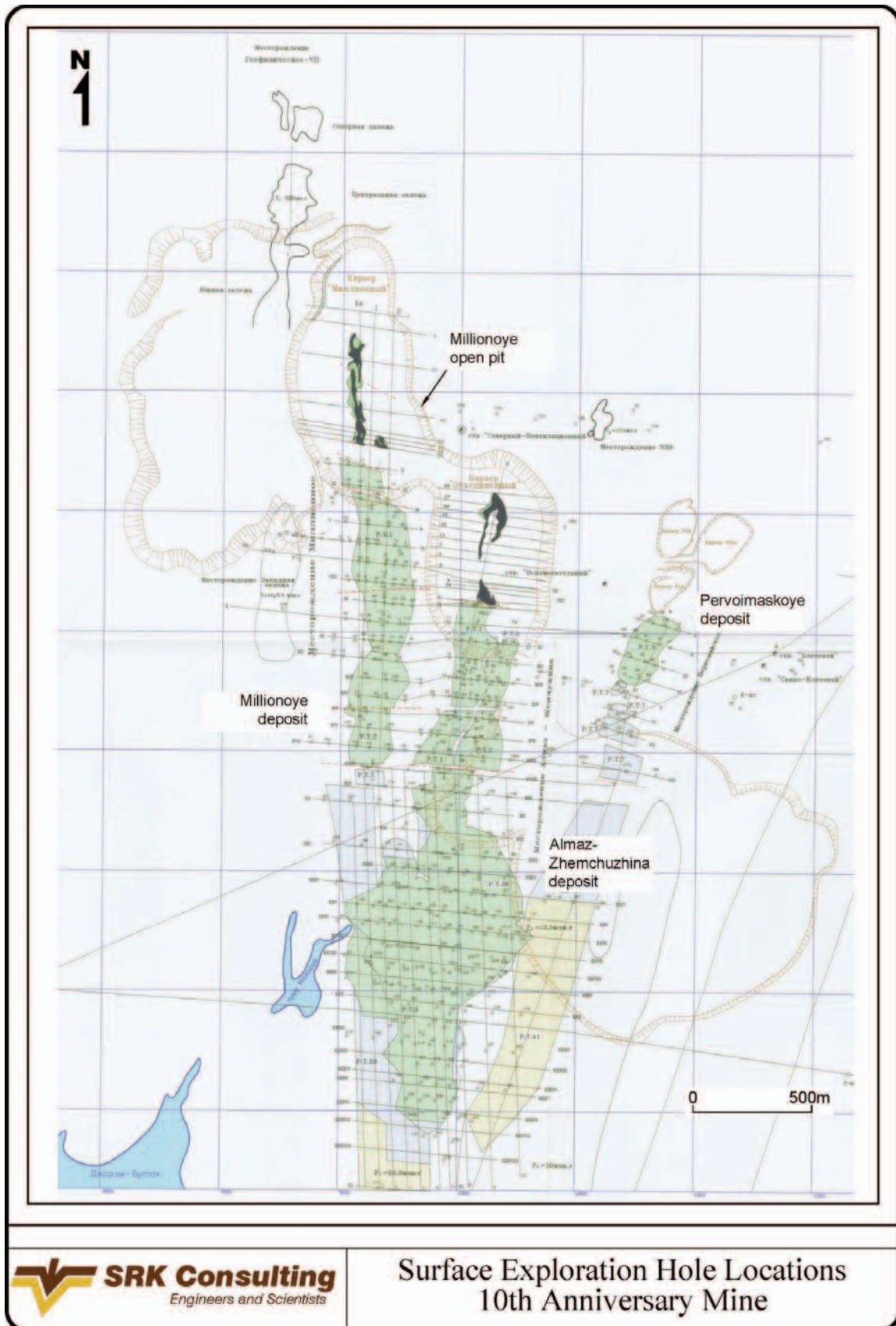


Figure 4-3 Ferroalloy Division—Plan of surface exploration hole locations at the “10th Anniversary of Kazakhstan Independence” Mine



4.3.2 Regional Geology

The chromite deposits at Khromtau are located at the southern fringe of the Ural mountain chain, in the Kempirsai Massif, a Variscian ophiolite complex extending over 2000 square kilometres. There are several chromite deposit areas within the Kempirsai Massif, but the deposits near Khromtau are the largest and highest grade. The Donskoy chromite deposits of the main ore field are found over an area measuring some 22 kilometres in length and 7 kilometres in width.

4.3.3 Deposit Geology

The chromite pods generally consist of dense to massive chromite ((Fe,Mg)(Cr,Al,Fe)₂O₄) a chromium-rich mineral. The pods are typically elongated and continuous for several hundred metres along plunge and have variable thicknesses, averaging around some 50 metres.

The contact between the chromite pods and the host rock, serpentinite, is typically very sharp or gradational over 1 or 2 metres, with fine disseminations of chromite. Most of the ore is classified as 'Massive Ore', which represents over 90% of the chromite with a grain size of 2 to 20 millimetres, with the 'Disseminated Ore' excluded from the GKZ resource estimates due to its low-grade and 'Porphyry Ore', consisting of a matrix containing 0.5 to 10 centimetre diameter chromite ovals comprising 1 millimetre-size chromite grains.

A number of south-dipping normal faults offset the pods by as much as 300 metres vertically and 80 metres laterally.

Chromite mineral grains in all ore types have a very high Cr/Al ratio, with pure chromite at Donskoy usually assaying 60-63.5% Cr₂O₃ (chromium oxide). This fact distinguishes the main ore field pods from occurrences elsewhere in the Kempirsai Massif where ratios and grades are lower. The Cr/Al ratio at Donskoy is also higher than the South African chromite.

Six deposits have been defined as material for the current review, four of which are part of the "10th Anniversary of Kazakhstan Independence" mine:

- "40 years of KazSSR" / Molodezhnaya shaft: The deposit lies 15 kilometres north-northeast of Khromtau and consists of 25 orebodies, three of which contain or contained a significant tonnage. The No.22 orebody is the largest and is currently being mined by underground mining methods. Orebody No.22 is located at a depth of between 420 and 600 metres. The orebody has a strike length of more than 1,500 metres, a maximum width of over 300 metres, and a maximum thickness of 140 metres with an average thickness of over 50 metres. The dip of the orebody steepens to 40° in the south west. The average in-situ grade is over 51% Cr₂O₃.
- Poiskovoye: The deposit lies 10 kilometres north-northeast of Khromtau and is mined by open pit methods from the outcrop. The deposit consists of two flat to shallow dipping orebodies, with complex distribution of internal waste zones, which is selectively removed during production. The average grade is approximately 47% Cr₂O₃.
- Almaz-Zhemchuzhina: The deposit is located 2 kilometres southwest of Khromtau and comprises 15 individual orebodies, four of which contain significant tonnages. The depth of the lenses varies from 140 metres in the north to over 1,350 metres in the south. The lenses are relatively thick (up to 200 metres thick, but usually 25 to 100 metres thick) and extend down-plunge for considerable distances (up to 1.6 kilometres). Numerous faults divide the orebodies which can make the shape more difficult to mine. The grades of the larger lenses are above 50% Cr₂O₃.
- Millionnoye: The deposit consists of two generally north-south striking lenses with a strike length of 760 metres and 540 metres, an average width of 180 metres, and a thickness of some 25 to 75 metres on average. These lenses have been explored to a depth of 1,000 metres and the deposit is open at depth.

- Pervomaiskoye: The deposit consists of four lenses with comparatively complex shapes and has been intersected by a number of significant faults. The average grade of the main lens is 45% Cr₂O₃.
- No. 21: This deposit is located some 4 kilometres east of the Millionnoye pit and consists of 11 lenses, of which two are relatively substantial, though thin compared with those in the other deposits (8-50 metres). Where several lenses are stacked together and create a mineable unit, the average grade (46.8% Cr₂O₃) is diluted by the waste interburden. Stacked lenses are described as complicated in form and variable in orientation.

The Almaz-Zhemchuzhina, Millionnoye, Pervomaiskoye and No. 21 lenses form the resource base of the “10th Anniversary of Kazakhstan Independence” mine.

4.3.4 Exploration Potential

SRK considers that the Ore Reserves defined in Table 4-5 are sufficient to maintain the forecast production rates for approximately 40 years. SRK considers that during this period ways to economically mine parts of the remaining resources will be defined, thereby extending the life of the operations.

SRK considers that the principal opportunity lies with proving up the mining methods required to mine those portions of the Almaz-Zhemchuzhina and Millionnoye deposits (in Phase 2) that SRK did not include in its assessment of the Ore Reserves. SRK considers that, whilst the proposed cut-and-fill mining method is an established technique, there are a number of topics which need to be addressed before its application in specific parts of the Almaz-Zhemchuzhina deposit, which are located closely to the underground capital infrastructure. SRK notes that trials of the cut-and-fill mining method are scheduled and is confident that Donskoy will identify appropriate solutions before production starts in this deposit.

SRK is of the opinion that at the present production levels the high rock stress is adequately handled by a combination of support, production planning, draw control, and repairs to drives and drawpoints. The “Reinforced level block caving” method developed for production at the deeper levels has never been used anywhere else. SRK, however, does not foresee any major impediments in its future application, considering the experience gained by Donskoy in mining the upper levels. Should the “Reinforced level block caving” method not work, an alternative mining method, the above mentioned cut-and-fill mining is available, which can achieve higher extraction at a lower dilution, albeit at higher costs.

4.4 Mineral Resources and Ore Reserves—Donskoy GOK

4.4.1 QA/QC Procedures

An internal Department of Standards is responsible for quality control and monitors ore and product quality from the surface stockpiles through beneficiation to saleable products. On a monthly basis, ore grades from each source are reported and these are used to correct grade data gathered by each mining centre, and ultimately the loss and dilution records for each caving block.

The central laboratory operates 24 hours per day, processing 30,000 samples per month. Half of the pulp is kept as a duplicate record and the other half is submitted to chemical assay. Splits of the assay sample are assayed for Cr₂O₃, Fe₂O₃, SiO₂, CaO, MgO and the main deleterious elements, sulphur and phosphorus. As Donskoy is fully ISO 9000 accredited, so is the central laboratory.

There is a five yearly external check on the laboratory, although comparisons with customer assays provide more frequent checks.

SRK is satisfied that the quality controls are appropriate for resource estimation.

4.4.2 Base Data for Resource Estimation

Over 125 kilometres of surface exploration drilling has been completed, providing a total of 7,780 cored ore intersections. The diameter of the core was either 93 or 76 millimetres. The drill-holes were surveyed using downhole inclinometry at regular intervals, indicating partly significant drill-hole deviation in deeper holes. Whilst the core recovery was only 80%, SRK considers that the losses are not material given the massive nature of the mineralisation.

The drill core was sampled at 2 and 5 metre intervals depending on the ore type. Little, if any, core was kept for reference purposes.

The grade of the samples was assayed at the Eastern Urals Geological Exploration Mission Laboratory ("EUGEML"). Internal control checks on chromium oxide grades at the laboratory indicated that the error was on average less than 0.7%. External control assays were undertaken at the Central Laboratory of Western Kazakhstan and the results were within 2% relative of the EUGEML results. SRK considers that this difference is not material for the type of mineralisation.

Density and moisture content determinations were undertaken on 23% of ore samples and standard formulae have been developed to determine density from ore grade.

4.4.3 Resource Estimation Technique

The deposit was classified as having a geological complexity rating of 2 according to GKZ standards (that is, large and generally continuous deposits). Consequently, C2 resources are defined by a grid spacing of 80 × 120 metres, whilst C1 resources, and B resources in the central thicker parts of the larger deposits, are defined by a grid spacing of 80 × 60 metres.

At the end of the exploration drilling stage, estimates of deposit tonnage and grades were made based on methods stipulated by the GKZ for large podiform chromite deposits. Mine plans and the cut-off grade were developed by appropriate technical institutes. The estimates were checked and adopted by the GKZ and the mineral inventory at each deposit was recorded on the State Balance, categorised by geological confidence. Low-grade and difficult areas to mine, usually at the fringes of the lenses, or otherwise non-viable parts of the deposits were recorded as 'off-balance'.

Resources were estimated from cross-sections. Geological cross-sections were drawn showing drill-holes, sample grades and the interpretation of the geological boundaries and features. Separate outlines were made for very low grade (off-balance), average grade and high-grade (balance) resources according to the following GKZ estimation criteria:

- Minimum grade for 'off-balance' resource 10% Cr₂O₃;
- Minimum grade for 'balance' resource 30% Cr₂O₃;
- Minimum grade for 'high-grade balance' resource 45% Cr₂O₃;
- Minimum orebody thickness 2.5 metres; and
- Minimum thickness of 'off-balance' or waste interburden 4 metres.

The area of each grade category and classification category was calculated on each section and the volume of ore between two sections for each ore type was calculated by multiplying the average of the area of each ore-type for the two sections by the distance between the two sections.

The chromium oxide and other grades of each resource block were determined by taking a length weighted average of the sample values within that block. The tonnage of each resource block was estimated by multiplying the volume by the specific gravity which was based on the chromium oxide grade using a regression formula derived from the chromium oxide grades in the density samples. The density of the ore averages 3.6 tonnes per cubic metre.

SRK conducted spot checks on the calculations and is satisfied that this approach was applied as described. SRK considers that the density of drilling, given the large and generally continuous nature of the deposits and regular drill pattern, is appropriate for defining the orebody outline. SRK notes that the deposit outline is only slightly modified by subsequent 'operational planning' infill drilling results. SRK also considers the grade distribution in each of the outlined parts of the deposit to be reasonably simple, making the use of a length weighted average an acceptable approach to estimating average grades.

4.4.4 Resource Classification

In determining how to reclassify the GKZ resource estimates using the guidelines of the JORC Code, SRK assessed the continuity of mineralisation and the data spacing as defined by each of the B, C1 and C2 resource categories. Having reviewed these areas and how the robustness of the original interpretation is normally substantiated by later infill drilling, SRK considers the B category in the larger, thicker deposits to be equivalent to Measured Mineral Resources and the C1 category to be equivalent to Indicated Mineral Resources. As Donskoy only plans to mine resources with a C1 category or better, the C2 category applies to extensions and smaller lenses with very few sample borehole intersections resulting in low confidence estimates, which SRK considers to be appropriate for Inferred Mineral Resources.

4.4.5 Mine Plans

Long term mine designs are based upon design work carried out by a technical mine design institute. SRK notes that the open pit designs appear to be optimised for maximum recovery of ore, rather than being defined by economic limits, and SRK considers that there is a minor opportunity to optimise the open pit design for the Yuzhny deposit. The mine plans are updated by short-term planning which is carried out on site by Donskoy's mining engineering department and utilises additional drilling information collected to define the orebody limits more accurately.

In the underground mines, the deposits are subdivided into 80 metre high levels and 40 metre wide mining blocks. Each mining block, once accessed, is drilled out with fans of 40 millimetre core diameter drill-holes from the cross cuts established at 12 metre intervals. The core recovery from this drilling is reportedly 75-80%.

The results from the infill and exploration drill-holes are used to re-interpret the deposit outline and re-estimate the size of the orebodies, the proportions of high and low-grade ore, and the average grades of these categories. This estimate comprises the 'Operational Reserve' on which basis the short and medium term mine planning and evaluation work is carried out. SRK considers that the revised outlines compare well with the original estimates.

Short-term stope design is carried out in-house by the Donskoy engineers utilising detailed geological sections derived from extensive underground orebody definition drilling. Flow DNM (a Kazakh custom designed mining software programme) is then used to create an 'Operational Reserve' for each developed panel. This information is compiled in the form of a pre-mining report for each panel, showing the tonnages and grades to be drawn over specified periods. The plan is then evaluated by the Technical Department which determines the actual ore draw and extraction sequences to be followed, taking into account stress and stability issues.

Once mining commences in any particular panel, production information is monitored and subsequently compared against the design tonnage for each panel to ensure that design tonnes are achieved. Subsequent to this, panels can continue to be drawn until the grade (as determined in regular samples taken in the relevant scraper drive) falls below the defined cut-off of 10% Cr₂O₃. Historically, as is typical with caving operations, some panels are overdrawn, whilst others had been stopped prior to drawing of all design tonnes due to unacceptable grade performance. Overall, the reconciliation studies indicate that the design criteria are being met.

Donskoy proposes to adopt new mining methods to increase resource recovery where caving is unacceptable due to surface and underground infrastructure and to enable deeper resources to be recovered.

The Almaz-Zhemchuzhina deposit represents the largest resource in the current mine plan, the bulk of which is located at a depth of 700 to 960 metres below surface. At this depth, the generally poor ground conditions combined with the high in-situ stress state (up to 30 MPa, which is equivalent to the intact strength of the orebody rock mass) leads to extremely challenging mining conditions. Most of the deposit is to be mined by a form of block caving, which SRK has referred to as “Reinforced level block caving”. SRK considers that some changes to the “Reinforced level block caving” method are required to prevent excessive damage to the draw levels. Technical drawings and reports describing the method have been shown to SRK, and production parameters such as costs, dilution and losses have been given. The Phase 2 capital development is being undertaken at the moment and production from the -560 Level is expected to start in 2019. Whilst SRK considers that some further work is required to define details such as the development schedule and support requirements, SRK considers that there is sufficient time for these studies, as production is not scheduled to begin from this deposit until 2019.

4.4.6 Reconciliation and Modifying Factors

Actual production is reconciled against the monthly production plan, which is created yearly. The reports record adjustments due to the following causes:

- Variations in the ore amount and grade drawn compared to the planned production calculated with block-caving software;
- Design losses such as pillars and areas which are impractical to include in stope designs;
- Exploration gains and losses: significant changes to the exploration interpretation following definition drilling; and
- Other circumstances.

The tonnages and grades are closely monitored through the mining and beneficiation processes and back-allocated to the mining sources. The technical departments monitor material flows from their various working areas and ultimately back-assign diluted tonnage and grade to each working area.

SRK believes this provides a sound basis for understanding unplanned mining losses and dilution. This can be combined with the planned losses and dilution which result from technical studies for each mining area in order to assess the total loss and dilution which should be applied to the State Balance resource numbers in order to derive JORC Ore Reserve tonnages and grades. SRK notes that accurate reconciliations can only be developed when the GKZ blocks are fully mined.

Open pit mining has been carried out at the site since the 1930s with more than 20 open pits of significant dimensions mined to date. SRK reviewed the reconciliation results for Poiskovoye for the past two years. Whilst the contained metal mined matches the in-situ GKZ resource estimate well, SRK notes that the actual tonnage recovered is 17% higher and the actual grade is on average 17% lower.

Underground production is controlled by sampling at the draw points, wagon counting, rapid X-ray fluorescence (XRF) scans of trains delivering material to the underground coarse ore bins, and weightometers on the skip loaders and stockpile samples. XRF and weightometers are regularly calibrated by the Department of Standards. The XRF train scans are directly used to decide whether a given train delivers to waste, high-grade or low-grade bins. SRK considers that the grade control system is robust and effective.

In the underground operations at Molodezhnaya, 10 mining blocks accounting for a production of 22 Mt have been fully mined, allowing a full reconciliation against the GKZ resource estimate, whilst at the “10th Anniversary of Kazakhstan Independence” complex,

no blocks have yet been completed. Consequently, SRK has based its opinion on the results achieved at Molodezhnaya.

SRK notes that on average, due to loss and dilution, the tonnes recovered were 7.7% higher and grade 15.5% lower than in the GKZ resource. The actual tonnes mined and grades are very close to the “Operational Reserves” defined during short-term planning. Further, SRK notes that the actual recovery was lower than the Operational Reserve near faults and at the edge of the chromite orebody.

Consequently, SRK has adjusted Donskoy’s Operational Reserve estimate to reflect uncertainties in resource recovery due to the proportional impact of edge effects on the block recovery based on the relative thickness of the orebody and the location of the block. The mining losses and dilution factors SRK has applied to the Mineral Resource to define the Ore Reserve are summarised in Table 4-4.

Table 4-4 Ferroalloy Division—Modifying Factors applied by SRK at Donskoy⁽¹⁾

Asset	Status	Asset Type	Included in Mine Plans	Dilution	Loss
Molodezhnaya	Phase 1	u/g	100%	17%	17%
Almaz-Zhemchuzhina	Phase 1	u/g	80%	16%	15%
	Phase 2	u/g	65%	12%	14%
Millionoye		o/p	100%	17%	0%
	Phase 1	u/g	95%	16%	15%
	Phase 2	u/g	65%	16%	17%
Pervomaiskoye		u/g	80%	5%	7%
No. 21		u/g	90%	5%	7%
Poiskovoye		o/p	100%	17%	0%
Yuzhny (20th Anniversary)		o/p	100%	17%	0%

(1) o/p—open-pit; u/g—underground.

The inclusion of Mineral Resources in the current mine plans depends on a combination of the applicability and economic viability of a specific mining method, rock stress, and geometry of the orebody.

4.4.7 Mineral Resource and Ore Reserve Statements

Mineral Resource estimate

SRK has not independently re-estimated the Mineral Resource estimates for the individual deposits, but has rather reviewed the existing interpretation of the deposit geology, the means by which tonnage and grade have been estimated for these, the quantity and quality of sampling data used for these, and the production data which provides further backup to these estimates.

The Mineral Resource Statement as at 1 July 2007 is presented in Table 4-5.

Ore Reserve estimate

SRK has reviewed Donskoy’s plans for mining the Mineral Resources to verify whether it is technically feasible to mine the resources using the mining method proposed; whether appropriate Modifying Factors can be defined with sufficient confidence either from extrapolating current performance or from technical studies; and whether the resultant material can be economically mined.

SRK has noted several factors which will limit the potential to convert portions of the Mineral Resource to an Ore Reserve and has also adjusted the mining loss and dilution parameters to reflect actual performance.

The principal constraints identified are:

- Portions of the deposit may not be feasible to mine with the mining method proposed due to the shape of the orebody. The portion that can be mined is included in the current mine plans as indicated in the Modifying Factors Table 4-4;
- SRK considers that more detailed plans are required showing the implementation of the cut-and-fill mining method being developed to mine the deeper deposits. This is indicated by the conversion of only 65% of the Mineral Resources into Ore Reserves for the mine plan for phase 2 of mining the Almaz-Zhemchuzhina and Millionnoye deposits.

SRK notes that much of the Almaz-Zhemchuzhina deposit is located below a water reservoir. However, Donskoy has planned to re-locate the reservoir away from the subsidence cone over the coming years. SRK understands that the permission to set up the new reservoir will not be withheld by the environmental authorities.

SRK's reclassified Ore Reserve statement for the Donskoy chrome assets as at 1 July 2007 is shown in Table 4-5 and is based on the Mineral Resource estimates of Donskoy as audited and reclassified by SRK, under application of Modifying Factors derived from production and reconciliation data and reports provided by Kazchrome.

Table 4-5 Ferroalloy Division—Ore Reserves and Mineral Resources for Donskoy—1 July 2007^{(1),(2)}

Ore Reserve Category	Tonnage (Mt Dry)	Grade (% Cr ₂ O ₃)	Content (Mt Cr ₂ O ₃)
PROVED			
Underground			
10th Anniversary ⁽³⁾	—	—	—
Molodezhnaya	6.9	39.6	2.7
Open Pit			
Poiskovoye	—	—	—
Yuzhny (20th Anniversary)	—	—	—
Stockpiles			
0-10mm Concentrate	—	—	—
Unconditioned	—	—	—
Tailings	—	—	—
TOTAL	6.9	39.6	2.7
PROBABLE			
Underground			
10th Anniversary ⁽³⁾	117.3	44.0	51.6
Molodezhnaya	21.3	42.2	9.0
Open Pit			
Poiskovoye	0.9	39.7	0.3
Yuzhny (20th Anniversary)	3.3	41.7	1.4
Stockpiles			
0-10mm Concentrate	9.1	35.9	3.3
Unconditioned	1.9	19.7	0.4
Tailings	8.6	29.6	2.5
TOTAL	162.4	42.2	68.5
TOTAL PROVED AND PROBABLE	169.3	42.1	71.3

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

(3) Includes phases 1 and 2.

Mineral Resource category ^{(1),(2)}	Tonnage (Mt Dry)	Grade (% Cr ₂ O ₃)	Content (Mt Cr ₂ O ₃)
MEASURED			
Underground			
10th Anniversary ⁽³⁾	64.1	50.6	32.4
Molodezhnaya	18.3	50.9	9.3
Open Pit			
Poiskovoye	—	—	—
Yuzhny (20th Anniversary)	—	—	—
Stockpiles			
0-10mm Concentrate	—	—	—
Unconditioned	—	—	—
Tailings	—	—	—
TOTAL	82.5	50.7	41.8
INDICATED			
Underground			
10th Anniversary ⁽³⁾	164.3	50.5	82.9
Molodezhnaya	11.4	51.0	5.8
Open Pit			
Poiskovoye	0.7	48.2	0.4
Yuzhny (20th Anniversary)	2.9	48.8	1.5
Stockpiles			
0-10mm Concentrate	9.1	35.9	3.3
Unconditioned	1.9	19.7	0.4
Tailings	8.6	29.6	2.5
TOTAL	198.9	48.6	96.7
TOTAL MEASURED AND INDICATED	281.3	49.2	138.5
INFERRED			
Underground			
10th Anniversary	48.8	48.4	23.8
Molodezhnaya	3.7	51.0	1.9
Open Pit			
Poiskovoye	—	—	—
Yuzhny (20th Anniversary)	—	—	—
Stockpiles			
0-10mm Concentrate	—	—	—
Unconditioned	—	—	—
Tailings	—	—	—
TOTAL	52.5	48.6	25.7
TOTAL MEASURED, INDICATED AND INFERRED	333.8	48.8	162.8

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

(3) Includes Phase 1 and 2.

4.5 Mine Operations—Donskoy GOK

4.5.1 Geotechnical considerations

The geotechnical conditions in the underground operations are an important factor as the ground conditions are considered to range from “poor” to “exceptionally poor” according to international rock mass rating criteria. These ground conditions in combination with the orebody geometry are suitable for the block caving mining methods employed by Donskoy.

In a few places in the Millionnoye deposit and Molodezhnaya mine, rapid weathering of the rock can occur leading to swelling of the rock mass by 10 to 15 percent, which can result in the floor lifting by 0.4 metres within six months of underground development, adding to the expected gravitationally induced stress. The swelling issue is being studied by the BTG research institute.

Whilst Donskoy utilises a two-dimensional computer package to estimate the support likely to be required in a particular area based on rock mass properties, SRK understands

that the actual in-situ stress is not measured. So far this approach has been effective, although SRK considers that further monitoring of in-situ stresses would help optimise the design of the operations and development sequence.

At Molodezhnaya, the cave front is converging in orebody No. 22 which will increase ground stresses. Donskoy has carried out theoretical stress studies that tend to indicate that, because the cave front for each advancing face will interact, it is possible that the overburden load will decrease and the extraction level will end up in a stress shadow. This stressing/de-stressing scenario could result in significant damage to the haulage level, but SRK understands that Donskoy has made the necessary provision for increased support in this area. As a contingency, Donskoy is also considering leaving the ore unmined in the closure position and recovering it from the lower extraction level at a later date.

At present, the principal underground operations at the "10th Anniversary of Kazakhstan Independence" mine are on the -160 Level, a depth of 560 metres below surface. As deeper deposits are developed, the gravitationally induced stresses will increase, and it may be necessary to modify or change the mining method and mining layout, thereby changing the resource recovery, dilution and economic parameters. Donskoy's engineers are aware of this fact and have developed alternative mining methods for the deeper deposits.

4.5.2 Mining methods, equipment and access

Open pit mining

The Poiskovoye open pit mine was commissioned in 1988 and is due to be closed in 2008. At this pit, the ore and waste are blasted and loaded into 40 to 150 tonne dump trucks using rope shovels. All of the mining equipment has been sourced from CIS suppliers and is fully maintained by Donskoy's own maintenance department. The deposit is mined in 10 metre benches, split into sub benches as necessary to maximise recovery of ore and/or minimise dilution. The pits are mined to an overall slope angle of 53°. All open pit ore is processed at the DOF-2 processing facility.

Stripping has commenced for the cutback in the Yuzhny open pit located some 2.5 kilometres north of the Poiskovoye pit, accessing the "20 Years of KazSSR"-deposit. Production is scheduled to last from 2009 to 2021. Some limited reserves are still being mined in 2007 in the centre of the Yuzhny pit.

Some open pit mining is being undertaken in the Millionnoye pit, above the Almaz-Zhemchuzhina deposit.

Underground mining

The mining method used underground is a form of block caving. Footwall and hangingwall drives are connected at intervals of 40 to 60 metres by collection or haulage drives. The drives, numbered consecutively to define mining blocks, are connected by cross drives at intervals of approximately 40 to 60 metres. Scraper drifts are developed from the hangingwall of the cross drives every 12 metres. Draw-points approximately 1.8 metres wide and 2.2 metres deep are developed at 8 metre centres along the scraper drift.

To initiate a cave, 10 metre raises are developed from a number of draw-points and are connected with each other by drilling drives. Rings of holes drilled from these drives are choke-blasted to increase mobility of the orebody. In all other draw-points, 5 metre high cones (draw-bells) are formed by drilling and blasting and ore is drawn progressively from the draw-points to manage the caving process.

The basic underground support system is the three-part, yielding steel arch set. The spacing, capacity and design of the support system for a specific area depend on rock mass conditions and the level of stress anticipated. The Kazakhstan scientific institutes have developed a set of standard underground support design criteria for the country's mining industry which are based on rock support interaction algorithms. The scientific institutes work in conjunction with mine technical personnel to develop site specific modifying

factors for the standard design criteria. By undertaking a series of design analyses using mathematical closed form methods, the scientific institutes have also developed criteria to assess the position and magnitude of the high stress abutment ahead of the cave face. Mine support is therefore designed using a combination of these criteria.

The most widely used support system comprises 22 kilograms per metre section arch sets spaced at intervals of between 300 millimetres and 500 millimetres. Weld mesh is placed between and behind the arches and the void is packed with waste rock blocks to improve support pressures. Double arch support with interspaced timber lagging, shotcrete applied between arches, additional concrete layers up to 600 millimetres thick and using heavier (27 kilograms per metre) steel sections are techniques that are used to increase support capacity as required.

The number of scraper drifts in operation at any time is restricted to three to control stress distribution and minimise damage caused by abutment stress. Scraper drifts are fully refurbished either after 40,000 tonnes have been drawn from the cave, or after two to three months of production.

When the base of the orebody lies above a level, sub-levels are developed to access the orebody.

In a few areas of Molodezhnaya, hydrogen gas may be detected, but the gas has not presented any hazard so far in the whole operation. The possible gas hazard issue is being studied by the BTG research institute.

Condition of facilities

The mining equipment appeared to be relatively old but adequately maintained. The hoisting shafts and winding installations appeared to be in a good condition and able to maintain production at the projected rate.

SRK considers that the working conditions underground are difficult, due to the confined space and the need to re-excavate drives and replace supports on a regular basis to maintain adequate access. It has been observed that the underground crews are working in a safe, planned manner, without undue production pressure as planning rates are conservative and development maintenance works have been included in the mine production schedule.

As operations are run on a state approved plan, planned productions from draw-points are adhered to, unless unforeseen dilution is encountered.

4.5.3 Historical and Forecast Operating Statistics

Table 4-6 provides historical and forecast mining statistics at Donskoy. Historically, a significant portion of the mining has been focused on the underground Molodezhnaya mine and the open pit mines.

Based on the Ore Reserve estimate at 1 July 2007, mining is scheduled to continue for 42 years, with some 169 Mt of ore mined. Future mining activity will be centred around the 10th Anniversary Mine; which will account for some 78 percent (118 Mt over 42 years) of ore delivered to the processing plants; with three percent (5 Mt over 15 years) coming from open pit mining. A further seven percent of ore delivered to the processing plant is expected to be sourced from stockpiles, with the remaining 12 percent sourced from re-processing of tailings.

Table 4-6 Ferroalloy Division—Key Historical and Forecast Mining Statistics at Donskoy

	Historical				Forecast				
	2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	LoM
Mining—underground									
Molodezhnaya Mine									
RoM (dry) (Mt)	1.80	1.81	1.82	1.11	0.89	2.50	2.50	2.50	29.26
Low Grade (%)	41.7	42.8	42.1	42.2	42.0	42.2	42.2	42.2	42.2
10th Anniversary Mine									
RoM (dry) (Mt)	0.70	0.80	0.80	0.52	0.49	1.50	1.70	1.70	117.74
Low Grade (Mt)	0.19	0.26	0.42	0.24	0.22	0.90	1.02	1.02	70.64
High Grade (Mt)	0.50	0.54	0.38	0.27	0.27	0.60	0.68	0.68	47.10
Grade (%)	44.5	44.4	41.5	43.4	44.0	42.9	42.9	42.8	44.0
Low Grade (%)	34.1	35.2	36.2	37.0	38.3	39.2	39.1	38.9	40.8
High Grade (%)	48.4	49.0	49.1	50.7	48.9	48.5	48.5	48.5	48.4
Mining—open pit									
RoM (dry) (Mt)	1.35	1.40	1.82	0.72	0.64	0.33	0.10	0.20	4.83
Grade (%)	34.7	34.3	41.8	42.9	41.4	41.8	41.9	41.9	42.0
Total RoM (dry) (Mt)	3.8	4.0	4.4	2.4	2.0	4.3	4.3	4.4	151.8

4.6 Mineral Processing—Donskoy GOK

Two processing plants, named “DOF-1” and “DOF-2”, are located near each of the underground shaft complexes. DOF-1, near the “10th Anniversary of Kazakhstan Independence” shaft, crushes and sizes almost all the high-grade ore, which is sent straight to the ferroalloy plants or external customers after crushing and sizing. Some low-grade ore is concentrated in DOF-1 and saleable concentrates and briquettes are produced. Most of the low-grade ore is processed in DOF-2, located near the Molodezhnaya shaft, to produce briquettes, pellets and a variety of concentrates. Most of the concentrate and high-grade ore (70%) is railed to Donskoy’s own ferroalloy smelters, and the remainder is railed to external customers such as the affiliated Serov ferroalloy plant in Russia.

Plant DOF-1

High-grade and low-grade ore are received separately by conveyor from the “10th Anniversary of Kazakhstan Independence” shaft and by rail cars from Poiskovoye and Yuzhny open pits.

High-grade ore is crushed and screened at 10 mm to produce lump and fine products.

Low-grade ore is crushed and screened. The coarse fraction is concentrated using dense media separation (“DMS”). The DMS tails are sent to a tailings disposal site. The fine fraction is screened again using a finer screen and the coarse fraction is concentrated using jigs. The fines are classified to remove slimes and then concentrated using jigs. The rejects from the jigs are milled and combined with the classifier fines and concentrated using two stages of spirals. Slime tails from the spirals are pumped to a settling area and after drying transported to a dump. Tails grade is approximately 14% Cr₂O₃.

The very fine concentrate is utilised as feed to a briquetting plant with a capacity of 200,000 tonnes per annum, which is to be increased to 240,000 tonnes per annum in 2011. The balance is used in a pellet plant located at DOF-2.

Apart from Run-of-Mine ore, DOF-1 and DOF-2 have been processing stockpiled 0-10 mm low-grade ore since 1995. Processing of stockpiled DOF-2 fines is scheduled to start in 2007 at a rate of 300,000 tonnes per annum increasing to 600,000 tonnes per annum in 2009.

Plant DOF-2

Ore is received directly from Molodezhnaya shaft, by rail from Poiskovoye open pit, and from processing plant dumps. In addition, the Molodezhnaya mine supplies high-grade ore

which is crushed at DOF-2 to produce a saleable product without requiring any further concentration.

Low-grade ore from the open pit and underground mine is crushed and screened. The fine fraction is sorted using an online X-Ray sorter (RKS) into high- and low-grade streams. Two grades of high-grade fines are despatched, with some of the higher grade fines being used as pellet plant feed. Low-grade fines are treated by the fines plant with the excess sent to stockpile.

Coarse ore is treated by two DMS lines to produce a high-grade coarse product, an intermediate product and tailings. The intermediate product is currently sent to stockpile, but Donskoy proposes to treat the coarse and slime fractions separately through the fines plant (OMK1). The DMS tailings processing unit was commissioned in May 2007.

The fines plant was commissioned in late 2005 and treats fines from current processes (OMK1) at a rate of 100 tonnes per hour or 600,000 tonnes per annum. After screening, the coarser fraction is concentrated by jigs, whilst the fine fraction is concentrated by two sets of spirals. The fines concentrate is used in the pellet plant. The tails grade in 2006 was 22% Cr₂O₃ which was higher than the design grade of 8%.

A 1 Mtpa fines plant (OMK2) has been ordered and is scheduled to be commissioned in 2008. It will use a dense media separator for the coarse fraction and spirals and a centrifugal fines concentrator to concentrate the fines fraction. A plate filter will be provided to dewater the slimes. Fines treatment is forecast to build up to 1.4 Mtpa in 2009 and 1.6 Mtpa from 2010. Donskoy also plans to reprocess the stockpiles of 0-10 millimetre ore which currently contains 9.1 Mt. These stockpiles will be depleted by 2016 in the present schedule.

A pellet plant designed and supplied by Outokumpu was commissioned at the end of 2005. Fine concentrate is wet milled with 2% coke and filtered on ceramic disc filters before balling in a drum with 0.8% bentonite added. Pellets are screened before feeding to the sintering area. The green pellets are dried and sintered in a downdraught of reheated gas from the cooling section. The pellets are then cooled by the updraught. The waste gas from the drying/sintering section is scrubbed through four parallel scrubber lines. Availability in the first year of operation has been poor at 75% as there were problems with the pumps and the conveyors. Also, 12% of the feed is lost as dust, although this is recovered by the scrubbers. Donskoy is currently investigating how to recycle this material. SRK has assumed that this loss is reduced to the design level of 3.5% by 2009.

A second 700 ktpa pelletizing plant is scheduled to be commissioned in 2009 and it is expected to attain full production capacity of 1,400 ktpa of pellets by 2011.

Whilst SRK supports the initiatives to improve the recovery of fines and the reprocessing of old stockpiles, SRK considers that the present metal accounting system of Donskoy is inadequate and can be improved. This would also enable Donskoy to model and optimise its future operations.

Condition of facilities

Overall, SRK considers that the processing plants are in a good condition with a significant amount of new investment having been spent in recent years.

4.7 Tailings disposal—Donskoy GOK

Over the mine life, at DOF1 reprocessing of DMS tailings is scheduled to commence in summer 2007 at a rate of 97,000 tonnes per annum and is scheduled to build up to 450,000 tonnes per annum by 2009. Initially, operations will be limited to the summer months, though a processing building is scheduled to be completed in May 2008 to enable tailings to be processed throughout the year. The tailings will be classified and the coarse fraction concentrated using spirals. The fines fraction will be concentrated by a two-stage high-intensity magnetic separation process. Test-work conducted by the equipment

supplier CETCO showed that over 60% of the chromite fines could be recovered to produce a concentrate with a grade greater than 50% Cr₂O₃. It is for this reason that tailings disposal over the Life-of-Mine is expected to be approximately 25 percent.

The presented plans for the future pond constructions are regarded as appropriate by SRK. According to statements by Donskoy no objections are to be expected for the acquisition of required land for the construction of the tailings ponds.

Table 4-7 Ferroalloy Division—Historical and Forecast Tailings Statistics

		Historical				Forecast				
		2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	LoM
Ore Processed	(Mt)	6.2	6.5	5.8	2.6	2.5	5.8	5.6	6.0	172.0
Tailings	(%)	27	28	31	28	27	28	27	25	25
	(Mt)	1.7	1.8	1.8	0.7	0.7	1.6	1.5	1.5	43.7

4.8 Ferroalloy Division Smelters

The upgrading of the mined material into chrome and manganese ferroalloy products occurs at the Aktobe Ferrolloy Plant and the Aksu Ferroalloy Plant.

4.8.1 Aktobe Ferroalloy Plant

Description of Plant

The bulk of the production at the Aktobe Ferroalloy Plant is generated at Smelting Shops No 1 and 2. Generally, each one of the three existing production shops consists of electric ore-smelting furnaces of the open type, some of which (the HCFeCr furnaces) are fixed and some (the MCFeCr and LCFeCr furnaces) are equipped with a furnace tilting mechanism. The furnaces are traditionally lined with magnesite refractory brick. To an extent, the plant's smelting shops can switch from producing one grade of ferrochrome to another, if required.

Liquid alloy is tapped from the furnaces into the transfer ladles, from which the ferrochrome is poured into casting moulds with the help of bridge cranes. Marketable final products are produced after the cooled alloy is crushed by jaw crushers and screened. Slag is reprocessed to recover residual metal using jigs and magnetic separation. The main products from the recovery operations are saleable HCFeCr and middlings, which are re-melted in Smelting Shop No 3.

The furnaces are of a standard Giprostal Institute design with the hearth insulated along the perimeter with a thick lining of refractory bricks and magnesite bricks used as the working lining. The furnace hoods are high and all maintenance on the electrode components has to be carried out inside the furnace hood. SRK notes that the electrode holder components (especially contact shoes and pressure rings) are poorly protected from flame and hot gas/dust impingement and that water-cooling of these critical components is sub-optimal.

SRK also notes that the furnace feeds appeared to contain excessive proportions of fines and that the sizing of some ingredients varied over a wide range. This is particularly evident for the chrome ores, which were noted to contain excessively large lumps as well as a considerable proportion of extremely fine material. Occasionally, this was also the case with the briquettes from Donskoy, which arrive on site with excessive fines. Chrome ore is crushed and sized in the charge preparation shop, but excessive quantities of fines still report to the furnaces. SRK believes that this wide size distribution of feed reduces overall efficiency.

Also, SRK considers that the tapping arrangement does not allow for a proper separation of slag and metal from the tap-hole, resulting in reduced metal recovery during furnace operation. This again results in an excessive amount of alloy that needs to be recovered in

the slag processing plant, resulting in the output of finalised product of the furnaces being somewhat below capacity rating.

Considering these observations, together with the fact that the furnaces are manually controlled (which often leads to unbalanced conditions) and inadequate rabbling to keep the areas around the electrodes filled, SRK considers that the power consumptions as reported are reasonable. In more modern operations, lower power consumptions are evident, but to achieve these levels more control over feed sizing, automatic furnace control and adequate rabbling are considered essential. A more efficient skimming operation during tapping would considerably reduce the need for reprocessing slag and re-melting of contaminated metal.

The availability and load factor of the furnaces is generally somewhat lower than the international industry norm. SRK believes that one of the reasons for the low availability of the furnaces at Aktobe is the reliance on manufacturing parts on site which tend to be lower quality, especially the electrode components.

The production of MCFeCr and LCFeCr is basically a batch process and lower utilisations can therefore be expected. SRK considers that the process of producing the high carbon ferrochrome is conventional, whilst the process for producing the medium and low carbon ferrochrome is somewhat unconventional. The MCFeCr/LCFeCr process combines melting ore and lime and the silicothermic reduction of the oxides with FeSiCr and FeSi in an open arc AC furnace. SRK considers that this process has its limitations in terms of the final product qualities obtainable.

The furnaces are rebuild on a regular schedule. It is planned to rebuild two furnaces during each financial year, generally using equipment spares that are manufactured in the plant's own workshops. The manufacturing includes the casting of copper contact shoes, the assembly of crane ropes, the repair of ladles and casting equipment.

Processing statistics

A selection of efficiency parameters achieved in 2006 for the different processes is shown in Table 4-8. Production details are included in Table 4-2.

Table 4-8 Ferroalloy Division Division—Key Operating Statistics (2006)—Aktobe, furnace operation including metal recovery plant

Parameter		HCFeCr	MCFeCr	LCFeCr	FeSi 15G
Specific energy consumption	(kWh/t)	3,774	2,974	3,647	2,872
Cr Recovery	(%)	85.1	83.2	64.5	n/a

n/a not applicable

SRK considers these values to be reasonable and can make the following comments:

- The specific energy consumption for HCFeCr is within the acceptable range. Further improvements could be achieved by increasing furnace availability, reducing fine ore in feed and tapping losses; and
- The efficiencies for MCFeCr and LCFeCr are deemed reasonable, given the inefficient smelting conditions in the open arc furnaces. These processes are rather unique, so comparable benchmark information is not readily available.

Condition of facilities

Although the smelting shops of the plant are at various ages, with the oldest, Smelting Shop No 1, constructed in 1943, the plant is in a generally good condition. The plant is neat and all operating areas are well laid out for the general plant logistics. The equipment also seems well maintained and few signs of serious deterioration were observed. Nevertheless, the plant has embarked on an extensive programme of refurbishment and modernisation.

4.8.2 Aksu Ferroalloy Plant

Description of Plant

The Aksu Ferroalloy Plant focuses on bulk commodity products rather than refined, speciality products. It generates substantial economies of scale benefits due to the size of the plant and volumes produced.

In the smelting shops, chrome ore concentrates, manganese ore concentrates, quartzite, coke, coal, secondary raw materials and flux, together with materials sourced from the warehouses and the furnace burden preparation Shops No 1 and 2 are smelted at the submerged arc electric furnaces.

The processes employed for production of the respective alloys are all conventional. SRK considers that, within the constraints of the limitations of raw material quality, furnace configuration and product handling, the operating results are reasonable and within acceptable parameters. It must be noted that the furnace design for the majority of furnaces (semi-open type with partially closed roof and open choke feeding adjacent to electrodes) is typical for the post-Soviet era, but not commonly used elsewhere. These furnaces do not have the benefits of closed furnaces (such as the production of carbon monoxide gas and reduction of hexavalent chromium), but have benefits compared to open furnaces. Due to the fact that the physical quality of the raw materials is not optimised (excessive fines entering the furnaces), frequent rabbling of the furnaces next to the electrodes is still required, the majority of which is performed manually.

The raw material feed system to the various shops is centralised in two main facilities, using two main control systems for batching and dosing. The system is automated and largely computerised and seems to be functioning efficiently. Due to the long transport distances and multitude of transfer points it was acknowledged by plant personnel that the raw materials break down and generate fines.

Processing statistics

Key efficiency parameters for the different processes are shown in Table 4-9. Production details are included in Table 4-2.

Table 4-9 Ferroalloy Division—Key Operating Statistics (2006)—Aksu, furnace operation including metal recovery plant

Parameter		HCFeCr	FeSiCr 48	Fe SiCr40	FeSi 75	FeSiMn
Specific energy consumption	(kWh/t)	4,038	7,082	6,521	10,316	4,696
Cr Recovery	(%)	88.3	92.1	91.2	n/a	n/a

n/a not applicable

SRK considers these results as being within acceptable limits for comparable furnaces. The specific energy consumptions are generally high, which could be attributed to the size of the furnaces. SRK considers that this is due to the size distribution in the ore feed and recovery would benefit from increased pellet supply in future.

Condition of facilities

Although sections of the plant are of various ages with the oldest shop spanning back to the 1960s, the plant is in a generally good condition. The plant is neat and all operating areas are well laid out for the general plant logistics. The equipment generally seems well maintained and no signs of serious deterioration were observed.

The furnace maintenance philosophy is based on regular four- to six-monthly planned maintenance in order to minimise unscheduled maintenance (breakdowns). This philosophy, although maintaining the furnaces in generally good condition, results in furnace availabilities that are regarded as below international benchmarks. The furnaces are also scheduled to be rebuilt every 8 years. This requires that approximately three

furnaces to be rebuilt during each financial year. All rebuilds are planned and executed internally, including the manufacture and construction of replacement sections. This does not include common spare parts.

SRK considers that, generally, the equipment used on the furnaces is relatively simple. SRK also considers that the operational performance of equipment, such as the electrodes which are manufactured in-house, is somewhat lower than the comparable international equipment. By using modern, albeit substantially more expensive, equipment, SRK considers that operating performance could improve substantially, with concomitant improvement in furnace output and efficiencies.

Workshops are generally functional and cover a wide range of capabilities, though SRK questions whether this approach is as cost-effective as relying on outsourcing particular specialist functions.

4.8.3 Historical and Forecast Operating Statistics—Chrome Ore and Chrome Ferroalloy Division

Table 4-10 provides historical processing and smelting statistics at Kazchrome. Historically, some 30% of Run-of-Mine ore were only crushed or directly sold as lump ore, the remainder was upgraded. Pelletising of fines started in 2006. The increased production of pellets is expected to lead to greater efficiency and less tailings disposal.

Table 4-10 Ferroalloy Division—Historical and Forecast Processing and Smelting

		Historical				Forecast				
		2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	LoM
PROCESSING										
Ore Processed (dry)	(Mt)	6.2	6.5	5.8	2.6	2.5	5.8	5.6	6.0	172.0
Concentrate produced	(Mt)	1.2	1.3	1.2	0.8	0.8	1.3	0.8	0.8	36.8
Crushed ore	(Mt)	1.4	1.6	1.4	0.7	0.6	1.4	1.5	1.6	24.7
Lump ore	(Mt)	0.4	0.5	0.3	—	—	—	—	—	—
Pellets produced	(Mt)	—	—	0.4	0.2	0.3	0.7	1.1	1.3	53.1
Briquettes produced	(Mt)	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2	9.0
SMELTING										
Aktobe Smelter										
Feed tonnage	(Mt)	0.7	0.7	0.8	0.4	0.4	0.8	0.8	0.8	31.3
Total Production	(Mt)	0.3	0.4	0.4	0.2	0.2	0.4	0.4	0.4	14.5
Aksu Smelter										
Feed tonnage	(Mt)	1.4	1.5	1.5	0.8	0.9	1.6	1.6	1.7	83.7
Total Production	(Mt)	0.9	1.0	1.0	0.5	0.5	1.0	1.0	1.1	45.9
Total feed tonnage	(Mt)	2.1	2.3	2.3	1.2	1.3	2.4	2.4	2.5	115.0
Total production	(Mt)	1.2	1.3	1.4	0.7	0.7	1.4	1.4	1.5	60.4

Whilst SRK was not provided with the relevant operating efficiency statistics, SRK believes that the production at Aktobe is achievable given the continued systematic increases in transformer capacities, planned improved raw material handling systems and improvements in the furnace conditions and control systems that have been implemented in the past few years and were evident during SRK's visit. It is SRK's contention that there is, based on improved furnace availabilities alone, a potential to improve capacity by at least 5%, excluding any transformer capacity increases.

At Aksu, production rates increase in 2007 and again in 2010 as a result of the increase in the supply of pellets which increases operating efficiencies. Further, Smelting Shop No 5 is due to be constructed to produce HCFeCr from 2010.

4.9 Investment Plan and Capital Expenditure—Chrome Ore and Chrome Ferroalloy Division

Table 4-11 Ferroalloy Division—Historical and Forecast Capital Expenditure

	Historical				Forecast ⁽¹⁾				
	2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	LoM
Project									
Donskoy (USDm)	5	11	14	17	32	68	34	27	568
Aksu and Aktobe (USDm)	11	23	29	7	5	82	91	51	388
Subtotal (USDm)	16	34	42	24	37	150	126	78	956
Sustaining									
Donskoy (USDm)	20	33	32	14	26	31	34	25	630
Aksu and Aktobe (USDm)	30	45	43	25	19	46	44	43	1,381
Subtotal (USDm)	49	78	75	39	45	77	78	68	2,011
Kazchrome									
administration (USDm)	—	—	8.2	0.2	1.6	1.0	1.0	1.0	42.6
Total (USDm)	65	112	125	63	83	228	205	147	3,009

(1) Forecast costs are in real terms.

4.9.1 Donskoy GOK

The sustaining capital is that required to maintain an ongoing production rate. The project capital expenditure consists largely of underground development costs and expenditures on infrastructure. The principal investments are the:

- Construction of a second pelletizing plant, which is expected to attain full production of 700 ktpa by 2011 (USD111 million). This is to allow using chromite fines for HCFeCr production, where either lumpy or agglomerated feed is required. This plant will increase operating efficiency by lowering the electricity requirement and increasing production; and
- Construction of a new fines processing plant to improve recoveries (USD21.5 million).

SRK is of the opinion that the total capital expenditures programme is complete and well scheduled, allowing the continuation of underground production after cessation of the open pits and upgrading the processing plants, resulting in increased recovery and lower losses.

4.9.2 Aktobe

The plant has embarked on an extensive programme of refurbishment and modernisation over the coming 10 years, which is reflected in the project costs. SRK considers that the sustaining expenditure covers the issues required to achieve the production targets.

4.9.3 Aksu

The project initiatives relate to the construction of an additional ash dump and the investment in a sintering plant. SRK considers that the sustaining expenditure requirements for achieving the production targets are adequate. Principal growth investments include:

- The smelting Shop No 5, which is due to be constructed to produce an additional 200 ktpa of HCFeCr from 2011.

Including Shop No 5, total capital expenditure for initiatives to increase production at Aksu from H2 2007 to 2016 is estimated at USD279 million.

4.10 Management and Industrial Relations—Chrome Ore and Chrome Ferroalloy Division

4.10.1 Donskoy GOK

At Donskoy, there is one labour union. The relationship with the management is good. The Kazakh government has developed a compulsory three party agreement (employees, employers and the government) which is renewed every year. Overall, SRK considers that the management have the necessary skills and experience to implement the initiatives proposed and to achieve the projected targets. As elsewhere within JSC Kazchrome, the management believes that there is a lack of engineers and qualified workers. To reduce the shortage, Donskoy is promoting mining and processing studies among new students.

4.10.2 Aktobe

SRK considers that the management have the necessary skills and experience to be able to implement the proposed initiatives and achieve the production and cost forecasts. The Company is one of the largest single employers in Aktobe. The operation takes a prominent role in the provision of housing and recreation facilities, schools, and the organisation of sports events.

4.10.3 Aksu

SRK considers that the senior management at Aksu have the necessary skills and experience to achieve the forecasted production targets. SRK also notes that the town of Aksu is totally dependent on the existence of the ferroalloy plant complex and this may limit the drive to improve operating efficiencies as such improvements are likely to result in reductions in manpower. Management is encouraging younger workers to join the workforce to keep consistent personnel levels.

4.10.4 Terminal benefits

SRK has made a provision for terminal benefits based on an assessment of relevant labour legislation in Kazakhstan. This amount is USD17 million in 2007 money terms.

4.10.5 Health and Safety

Health and safety management is focused on the development of company wide health and safety policies, taking cognisance of the legislation and regulatory environment.

4.11 Environmental Considerations—Chrome Ore and Chrome Ferroalloy Division

SRK conducted a high-level review of the closure costs prepared by ENRC to evaluate whether the estimate is prepared in accordance with other mining operations in Kazakhstan. In general the rates used have been adequately justified and appear realistic. Based on this review, SRK determined closure costs attributable to Kazchrome, which are presented in the Table 4-12.

Table 4-12 Ferroalloy Division—Environmental Closure Costs⁽¹⁾

	Closure Costs (USDm)
Donskoy	11.3
Aktobe	12.8
Aksu	21.1
Total	45.2

(1) Forecast costs are in real terms.

4.12 Kazmarganets

4.12.1 Introduction

Kazmarganets operates two open pit mines with on-site concentrators in Central Kazakhstan, some 200 km north east of Zhezkazgan: Vostochny Kamys and Tur. The head office of Kazmarganets is in the city of Karaganda. The concentrators consist of several modules including seasonal washing operations and all-year classification operations. The concentrate is sized and transported to Kazchrome's Aksu ferroalloy plant. Two new processing units have recently been added, one at each site, to recover low-grade material from the existing tailings discharge, and reprocessing of existing tailings and low-grade stockpiles. These additional inventories of mineralized material are not included in the Mineral Resource and Ore Reserve statements presented herewith.

The Vostochny Kamys deposit was discovered by regional exploration in the 1950s. Trial mining started in 1996 and in 2002, the deposit was purchased by Kazchrome. In the same year, a revised GKZ resource statement was approved. Production capacity is 0.4 Mtpa. The Tur deposit was discovered in 1986 with help of regional-scale geophysics. The GKZ resource statement was approved in the 1998 and trial mining started in the same year.

In 2006, the mines jointly produced 1.1 Mt of manganese ore grading 23.4% Mn. Based on present reserves and forecast production rates, the operations are projected to continue mining until 2010 at Vostochny Kamys and until 2020 at Tur.

Table 4-13 Ferroalloy Division—Key Historical and Forecast Production Statistics at Kazmarganets

		Historical				Forecast			
		2004	2005	2006	H1 2007	H2 2007	2008	2009	2010
MINING AND PROCESSING									
Ore	(Mt)	1.2	1.1	1.1	0.5	0.6	1.0	0.9	0.9
Grade Mn	(%)	24.0	23.0	23.4	24.0	24.0	21.8	22.2	19.3
Grade Fe	(%)	5.7	6.6	7.1	8.6	8.6	7.7	7.5	7.4
Waste	(Mm ³)	4.3	4.5	4.6	2.3	2.5	4.3	4.3	4.1
Strip Ratio	(m ³ /t)	3.5	4.0	4.1	4.4	4.2	4.3	4.7	4.6
Mn concentrate	(Mt)	0.33	0.31	0.36	0.17	0.20	0.37	0.33	0.32
CASH COSTS⁽¹⁾									
Mining	(USD/t)	22.3	24.1	27.7	23.9	24.3	28.9	36.7	36.1
Processing	(USD/t)	16.3	21.0	15.4	14.7	14.2	17.5	17.7	18.0
Other	(USD/t)	0.0	0.0	7.5	8.2	7.9	8.8	7.8	7.9
Total costs	(USD/t)	38.6	45.1	50.6	46.8	46.4	55.2	62.2	62.1

(1) Cash costs exclude depreciation and forecast costs are in real terms.

4.12.2 Geology

Title

Mining operations at Tur operate under the terms and conditions of sub-soil contract No. 380, valid from 24 November 1999 to 24 November 2019, whilst Vostochny Kamys operates under the terms and conditions of sub-soil contract No. 162, valid from 15 January 1998 to 26 June 2018. Kazmarganets has advised SRK that it owns the surface rights for the area required to develop and dispose of the waste for each site.

Table 4-14 Ferroalloy Division—Summary of Mining Exploration Contracts at Kazmarganets⁽¹⁾

Asset	Status	Asset Type	Contract Expiry Date	Contract Area (ha)
Tur	Production	o/p	07/10/2021	46
Vostochny Kamys	Production	o/p	28/06/2018	152

(1) o/p—open-pit.

Regional Geology

The manganese deposits are of synsedimentary-exhalative (SEDEX) origin and were deposited in graben valleys formed by tectonic movements in the Devonian and Middle Carboniferous periods. The iron-manganese mineralisation is stratiform and intercalated with limestone. The manganese was concentrated during Mesozoic times by chemical weathering of the limestone. The area was then covered by Tertiary and Quaternary sediments.

Deposit Geology

Vostochny Kamys

Mineralisation at the Vostochny Kamys deposit occurs in a synclinal structure with steeply dipping limbs. Within the main Kamys syncline, bedding and mineralisation are folded by small-scale subsidiary folds generally with amplitudes in the range of 5 to 20 metres. Two major faults exist running parallel to the syncline: one south of the current pit (North-East Fault); whilst the other runs through the southern portion of the pit (South-West Fault). Displacement along the North-East Fault is reported to be up to 100 metres. Mineralisation at the Kamys area is stratiform and generally stratabound. Manganese mineralisation occurs in 8 beds stratigraphically superimposed above each other. Four of these zones occur in the Vostochny Kamys mine and only zones 4, 5 and 6 are mined. Thicknesses for the zones range from 0.8 to 55 metres, with a typical thickness of around 5 to 8 metres. The entire stratigraphic package containing these units can range from 60 to 120 metres. The Vostochny Kamys deposit has been delineated along strike on each of the syncline limbs for approximately 470 metres. The primary manganese mineral is psilomelane, although numerous other manganese minerals are also present.

Tur

The manganese deposits at Tur are also present in strata-controlled beds, but in contrast to Vostochny Kamys in sub-horizontal orientation. Two zones containing economically significant grades have been defined across an area of 1,500 by 1,600 metres. They are cut by minor faults. The thickness of each of the two zones ranges from 0.5 to 15 metres. In some areas, these two zones merge into one where both units can be mined together. Manganese grades for these zones range from 10% to 56% Mn. Bedding in the pit area is slightly undulating with an amplitude of about 180 metres. The principal manganese minerals are pyrolusite, vernadite and psilomelane. Two mineralisation textures have been recognized: hard laminated or bedded ore; and loose earthy ore. High-grade manganese ore is associated with lower iron grades of less than 5% whilst lower grade manganese ore is associated with iron grades up to 10%.

4.12.3 Mineral Resources and Ore Reserves

QA/QC Procedures

SRK was advised that the same sampling and quality assurance programmes were followed at both operations and that all core samples used in grade estimation were sampled and analysed according to GKZ protocols. Core samples are analysed using wet chemistry techniques, initially in approved state laboratories, later also in the mine laboratories. As part of well-established protocols, there are routine internal checks within the mine laboratory that include: Analysis of manganese and iron government certified standards; Re-assays of pulps; and Submission of 5% of pulps to external labs for analysis. QA/QC programmes are under control of the Chief Geologist.

Together with information supplied by the GKZ reports for the respective deposits, SRK concludes that the quality of drill-hole information and assays is sufficient for the estimation resources.

Base Data for Resource Estimation

The Vostochny Kamys mine has been delineated by approximately 328 diamond core drill-holes, 2,541 samples in the weathered rock and 414 samples in primary or unweathered rock.

Drill-hole patterns over the oxide portion of the deposit consist of section lines approximately perpendicular to the axial plane of the syncline spaced from 80 to 40 m. Drill-holes along each of the section lines are spaced generally between 10 to 20 m. For the delineation of unweathered, primary resources section lines are spaced from 100 to 75 m with 50 to 100 m spacing along each section line.

The Tur deposit has been delineated by some 414 cored drill-holes providing a total of 22,914 m of core and some 1,870 samples. The deposit is delineated exclusively with vertical drill-holes with the majority of holes drilled to depths of about 100 m. Drilling patterns were based on section lines orientated spaced at 200 m with drill-hole spacings along the section lines at 100 to 50 m. A second more detailed drill-hole spacing pattern consists of section lines spaced from 100 to 70 m apart with drill-hole spacing at approximately 50 m along the section lines.

Average core recovery in the mineralised intervals was about 85%.

Resource Estimation Techniques

Resources are estimated using manual sectional estimation techniques. Mine resources are based on an estimate that was completed by an independent technical institute using data collected by drilling completed by 2002. The most recent resource estimate for both mines was approved by GKZ in 2002.

Contours of a mineralisation were determined using 9% Mn cut-off grade at Vostochny Kamys and 7.5% Mn cut-off grade at Tur with a minimum thickness of the orebodies of 1.0 metre, and maximum waste interburden of 2.0 metre.

At Tur, material with an iron content greater than 25% is consigned to an "iron ore" stockpile and is not sent for processing. SRK considers that the cut-off grades used are slightly lower than the current economic cut-off grades.

Computerised geological block models and wireframe outlines have been developed for both deposits by Kazchrome and a Kazakh consulting group in 2004. This block model is currently used for grade control and for building a detailed model of mineralisation based on new drilling and pit mapping. SRK has not seen any comparison of the kriged resource estimates and the sectional estimates used for reporting to the GKZ.

SRK conducted spot-checks on the calculation of the average grades, density and estimation of tonnage, an overall, SRK found the original GKZ calculations to be reliable.

Resource Classification

Resources are classified on the basis of drill hole spacing as per the standard GKZ guidelines for manganese ore. At Vostochny Kamys, section lines spaced 75 metres apart, with a drill spacing along each section of 10 to 20 metres, define oxide resources classified by GKZ as C1 category. Unweathered or primary ore at Kamys has been explored at a drill hole spacing of 150 metres sectional spacing and 100 to 200 metres drill hole spacing along section lines. Locally, primary mineralisation has been explored at 50 to 80 metres spaced sections with 60 to 180 metres spacing along each section line. At Tur, oxide resources defined by section lines spaced 70 to 100 metres apart and drill spacing along each section at 50 metres are classified as C1 category, whilst oxide resources delineated by section lines spaced 200 metres apart and drill spacing along each sectional line at 100 to 200 metres are classified as C2 category.

In summary, SRK reclassified C1 material as Indicated and C2 material as Inferred Resources. Specific adjustments were done for iron-rich material and primary manganese resources.

At Tur, the mine geologists recalculated resources within C2 resource blocks following infill drilling. This enabled SRK to convert 1.5 Mt of this ore into Indicated Resources.

Mine Plans

Long term mine plans were prepared in 2002. These were developed manually and SRK considers that they are appropriately detailed to define the mining limits and mining sequence. At Tur, the mining schedule consisted of two stages with the second stage involving the development of the deeper deposits to the north with a much higher strip ratio. The mining sequence at Tur was updated in 2006 to bring overburden stripping forward to maintain a more constant workload. SRK considers that some of the high strip ratio ore scheduled to be mined in the second stage at Tur is marginal with respect to economics. SRK has not seen calculations supporting the estimates of equipment requirements, though considers that the operations have sufficient equipment to achieve the production targets.

Reconciliation and Modifying Factors

The Vostochny Kamys mine produces manganese ore from three orebodies, which generally vary in thickness between 2 and 10 metres and all are steeply dipping or vertical. The ore is mined with small rope shovels with 5 cubic metre buckets. Mining dilution and mining loss figures are reported by Vostochny Kamys' technical staff to be 4% and 3% respectively based on regular reconciliation studies done by the mine. The mine utilises a marginal cut-off grade of 7% manganese, with low-grade ore of grade between 7% and 16% being transported to stockpiles. Ore with grade of in excess of 16% manganese is transported directly to the process plant.

The Tur mine produces manganese ore from orebodies with variable thicknesses between 1 and 4 metres which are flat dipping and folded. The ore is mined with small rope shovels with 5 cubic metre buckets. The mining dilution and mining loss figures are reported to be 9.4% and 7.7% respectively according to regular reconciliation studies by the mine. The mine utilises a marginal cut-off grade of 9% manganese. However, unlike Vostochny Kamys, the mine does have some high-iron manganese ore, necessitating this material to be stockpiled and where possible blended with low-iron manganese ore. It was reported to SRK that state standards dictate that iron in manganese ore should not exceed 12%.

Both mines reconcile actual production against both the 2002 GKZ resource estimate and block model every quarter, however, little detail was available. SRK notes that the reconciliation indicates a reasonable correlation of estimated tonnages and actual tonnages mined. However, SRK notes that the reconciliation does not compare equivalent areas and that additional tonnage has been defined due to small-scale folding of strata at the mine. SRK suspects that the mining losses and dilution are higher due to the type of mining equipment used but that the impact is partially off-set by the methodology used to define the resources. The factors applied by SRK to convert the Mineral Resource into an Ore Reserve are summarised in Table 4-15.

Table 4-15 Ferroalloy Division—Modifying Factors applied by SRK at Kazmarganets⁽¹⁾

Asset	Asset Type	Included in Mine Plans (%)	Dilution (%)	Loss (%)
Vostochny Kamys	o/p	100%	4%	3%
Tur	o/p	100%	9%	8%

(1) o/p—open-pit.

Mineral Resource and Ore Reserve Statement

Mineral Resource estimate

SRK has not independently re-estimated the Mineral Resource estimate for the Vostochny Kamys and Tur mines, but has rather reviewed and commented upon the quantity and

quality of the underlying data and methodologies used to derive the estimates approved by GKZ and reported by Kazmarganets GOK, and subsequently converted these estimates using the JORC Code guidelines.

Ore Reserve estimate

SRK has reviewed the Kazmarganets plans for mining the Mineral Resources at Vostochny Kamys and Tur to verify whether it is technically feasible to mine the resources using the mining method proposed, whether appropriate Modifying Factors can be defined with sufficient confidence either from extrapolating current performance or from technical studies, and whether the resultant material can be economically mined.

SRK's reclassified Ore Reserve statement is based on the Mineral Resource estimates of Kazmarganets as audited and reclassified by SRK and on Modifying Factors derived from production and reconciliation data and reports provided by the mines.

The Mineral Resource and Ore Reserve Statement as at 1 July 2007 is presented in Table 4-16.

Table 4-16 Ferroalloy Division—Ore Reserves and Mineral Resources at Kazmarganets—1 July 2007^{(1),(2)}

Ore Reserve Category	Tonnage (Mt Dry)	Grade (Mn %)	Grade (Fe %)
PROVED			
Open Pit			
Vostochny Kamys	—	—	—
Tur	—	—	—
TOTAL	—	—	—
PROBABLE			
Open Pit			
Vostochny Kamys	1.7	18.6	4.3
Tur	6.7	22.3	8.6
TOTAL	8.3	21.6	7.6
TOTAL PROVED AND PROBABLE	8.3	21.6	7.6
<hr/>			
Mineral Resource category	Tonnage (Mt Dry)	Grade (Mn %)	Grade (Fe %)
MEASURED			
Open Pit			
Vostochny Kamys	—	—	—
Tur	—	—	—
TOTAL	—	—	—
INDICATED			
Open Pit			
Vostochny Kamys	1.7	19.4	4.5
Tur	6.7	24.8	7.8
TOTAL	8.4	23.7	7.1
TOTAL MEASURED AND INDICATED	8.4	23.7	7.1
INFERRED			
Open Pit			
Vostochny Kamys	1.2	19.3	3.0
Tur	2.8	15.3	14.6
TOTAL	4.0	16.5	11.1
TOTAL MEASURED, INDICATED AND INFERRED	12.4	21.4	8.4

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

4.12.4 Mine Operations

At the Vostochny Kamys mine, oxide ore as well as waste are mined using standard drill, blast, load and haul open pit mining techniques. Historically, the mine has produced in excess of 0.4 Mtpa of manganese ore and is scheduled to continue to produce at similar levels in future years. During winter, only the crushing and screening plant is used as the washing plant is rendered inoperative and mining operations are generally focused on waste stripping.

At Tur mine, ore and waste is mined using standard load and haul open pit mining techniques. Historically, the mine has produced in excess of 0.7 Mtpa of manganese ore, but is scheduled to reduce production over the coming years to approximately 0.5 Mtpa. As with Vostochny Kamys, during harsh winter conditions, only the crushing and screening plant is operated as the washing plant is rendered inoperative at low temperatures.

The condition of the mining equipment at both Vostochny Kamys and Tur open pits was observed to be satisfactory or better and adequately maintained though no statistics were available to define the reliability of the fleet. The maintenance programme is typical of CIS countries where components are replaced on failure and not at the expected life of the components.

4.12.5 Mineral Processing and Tailings

At Vostochny Kamys, the operational ore processing line employs crusher and vibrating screens with handpicking of the final concentrate. A new summer washing process line has been added so that the existing winter dry process line and an enhanced summer wet process line can be run in parallel. The enhanced summer washing and processing line was commissioned in 2006, and enables a concentrate to be produced from the 10-40 millimetre and 0-10 millimetre size fractions. Besides improving recovery, this enables off-balance material to be processed and recovery of low-grade material and fines which used to be discarded.

At Tur, the processing lines are similar to the main plant at Vostochny Kamys. The coarse final concentrate is sold as direct smelter feed, whilst the finer grained industrial product and fines are both stockpiled. The over-sized material from the second line is passed to the first process line for crushing. The dry process beneficiation lines recover 25-26% as a coarse product with an average grade of approximately 42.0% Mn, whilst a further 26-30% is recovered as the secondary product of 10-40 millimetre size with an average grade of approximately 20% Mn. This is upgraded by washing to a saleable product grading on average >39% Mn.

SRK considers that the processing equipment is in a good condition and that there is an appropriate maintenance system in place.

4.12.6 Capital Expenditure

The capital expenditure requirements for Vostochny Kamys and Tur relate solely to mining and specifically to the repair and replacement of mining equipment utilised within open pit operations.

With respect to Vostochny Kamys, with stripping ratios planned to reduce significantly in the coming years, there will not be significant requirement for major capital expenditure on mining equipment and a total expenditure of USD3.4 million is considered to be reasonable and appropriate given the relatively short life of the operation.

At Tur, with the total volume of ore and waste to be mined remaining relatively constant after 2008, some mining equipment will need to be replaced. The budget of USD7.8 million is considered to be reasonable given the excess of equipment currently available and the availability of equipment from the Vostochny Kamys mine once the mine is closed in 2011. SRK expects that the major share of capital will be spent in the mine as there are no large scale projects contemplated for the plant.

4.12.7 Management and Industrial Relations

The main Kazmarganets offices are located in Karaganda with the mine site teams limited to operational and maintenance staff. SRK considers that the management teams have the necessary experience to achieve the long term projections.

Terminal benefits

SRK has made a provision for terminal benefits based on an assessment of relevant labour legislation in Kazakhstan. This amount is USD0.5 million in 2007 money terms.

Health and Safety

Health and safety management is focused on the development of company wide health and safety policies, taking cognisance of the legislation and regulatory environment.

4.12.8 Environmental Considerations

SRK conducted a high-level review of the closure costs prepared by ENRC to evaluate whether the estimate is prepared in accordance with other mining operations in Kazakhstan. In general the rates used have been adequately justified and appear realistic. Based on this review, SRK determined that the closure cost attributable to Kazmarganets is USD0.8 million.

4.13 Zhairemsky GOK

4.13.1 Introduction

Zhairemsky's mining and processing facilities are located some 330 kilometres southwest of Karaganda, the provincial capital with some 400,000 inhabitants, providing the full range of infrastructure including universities and a large range of heavy industry.

The various iron, manganese, barite and polymetallic deposits of the Zhairemsky area, central Kazakhstan were discovered by geological and geophysical prospecting between the 1930s and 1960s. Subsequently, staged exploration campaigns were undertaken by the Zhairemsky Geological Expedition. This included several 100,000 metres of drilling and several kilometres of underground exploration drifting in the different deposits.

In 1972, the Zhairemsky Mining and Ore Treatment Plant (GOK) was founded to mine base metal mineralisation in the Zhairemsky mining camp. Between 1978 and 1995, some 22 million tonnes of low-grade zinc-lead ore including barite-dominated mineralisation were mined. Processing was undertaken off-site, involving transport distances of over 1,000 kilometres.

Following privatisation in 1996, the management focussed primarily on manganese and iron ore production, while pursuing further investigations in the economic use of the known barite and base metal resources. In 2004/05, the company was integrated in the Eurasian Industrial Association, predecessor of ENRC.

In 2006, mining from two open pits totalled some 1.4 Mt of manganese ore and 0.3 Mt of iron ore. Mining in the Zhairem camp based on SRK's adjusted LoM is expected to continue for 16 years.

The surrounding of the Zhairemsky complex is flat steppe (semi-desert), with weakly undulating elevations between 375 and 425 metres above sea level. The mining activities support a small township of some 10,000 inhabitants (called Zhairem). Apart from this, only extensive agriculture (cattle and horse breeding) is undertaken in the surrounding of the mines. Population density is less than one person per square kilometre.

The Zhairemsky complex lies a few kilometres south of the main Karaganda-Zheskazkhan highway and main railway line. The company has its own railhead and is accessible by hard-surface all-weather roads. Karaganda has an international airport with several weekly flights to Almaty, Moscow and Western Europe. Power is supplied from the national grid as required.

Climate at Zhairemsky is central continental climate, with temperatures extremes ranging from below -40°C in winter to above +40°C in summer. Average annual precipitation is less than 200 millimetres.

Table 4-17 Ferroalloy Division—Key Historical and Forecast Production Statistics at Zhairemsky

	Historical				Forecast				
	2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	
MINING									
Total open pit									
Manganese	(kt)	1,067	1,018	1,383	627	654	1,600	1,500	1,100
Iron	(kt)	302	385	301	134	248	500	500	500
Total ore	(kt)	1,369	1,403	1,684	761	779	2,100	2,000	1,600
Waste	(000 m ³)	7,457	9,735	9,059	4,414	4,838	10,620	9,620	8,220
Stripping ratio	(m ³ /t)	5.4	6.9	5.4	5.8	6.2	5.1	4.8	5.1
Stockpile I (Mn ore)	(kt)	316.5	254.5	369.5	208.3	41.7	50.0	69.5	—
PROCESSING⁽¹⁾									
Manganese concentrate . .	(kt)	495	421	502	272	267	426	402	288
Iron concentrate	(kt)	326	356	314	114	218	365	365	365
UNIT CASH COSTS⁽²⁾									
Ore mining	(USD/t of ore)	9.77	9.99	11.79	15.87	15.76	18.1	19.2	21.5
Manganese processing . . .	(USD/t of Mn ore)	6.09	11.49	4.61	5.84	6.82	5.1	5.2	5.6
Iron processing	(USD/t of Fe ore)	0.85	0.96	1.20	1.70	1.94	3.0	3.0	3.2

(1) Historic and H2 2007 processing includes (re-) treatment of various stockpiles not included in the LoM.

(2) Cash costs exclude depreciation and forecast costs are in real terms.

4.13.2 Geology

Title

Zhairemsky provided a list of the principal operating and exploration Contracts covering the deposits described herewith. SRK cannot comment on their validity, but has no reason to believe that there are obstacles related to Contract issues that would impact on sustained production from the currently operating mines. There are certain time constraints imposed on exploration Contracts, and the company (and its consultants) are trying to meet the relevant deadlines for submittal of exploration reports. There is no guarantee that these deadlines and all requirements of the GKZ are met within the tight timeframes. However, SRK assumes that the current timeframes can and will be extended if required, given the status of the company as active miner in the area in question.

Table 4-18 Ferroalloy Division—Summary of Mining Exploration Contracts at Zhairemsky⁽¹⁾

Asset	Status	Asset Type	Contract Expiry Date	Contract Area (ha)
Ushkatyn-III	Production	o/p	07/06/2015	360.2
Zhomart	Production	o/p	07/06/2013	387.0
Ushkatyn-I	Exploration	planned o/p	25/12/2026	82.0
Zapadny-Zhomart	Exploration	planned o/p	14/05/2009	206.0
Perstenevsky	Exploration	planned o/p	expired 28/03/2007 ⁽²⁾	62.0
Dalnezapadny-Zhairem ⁽³⁾	Production	suspended o/p	Suspended until 2012	450.0
Zapadny-Zhairem ⁽³⁾	Production	suspended o/p	Suspended until 2012	192.3

(1) o/p—open-pit.

(2) Resource Report submitted, Territorial Reserve Commission was approached to grant extension of Contract term.

(3) The Dalnezapadny-Zhairem and Zapadny-Zhairem mines are regulated by the same subsurface use contract.

Regional and Deposit Geology

The Zhairemsky mining camp is part of the Atasui ore province, which comprises about 20 main manganese and/or barite-polymetallic deposits in an area of some 150 by 150 kilometres. All these are hosted in Devonian to Carboniferous Sediments (with subordinate volcano-sedimentary and volcanogenic intersections). The sediments are described as marine clay-siliceous-carbonaceous sequences with Flysch-affinity, deposited in a rift zone, bounded by deep faults, which provided pathways to mineralising fluids. The area was affected by the Variscian orogenesis and exhibits complex tectonics.

Manganese and iron mineralisation is of synsedimentary exhalative (SEDEX) origin, thus in reasonably continuous layers, showing partly distinct mineralogical composition between subsequent layers. Polymetallic mineralisation is often concentrated along hinges and thought to be of metasomatic origin. Partial baritisation is seen as final stage of the mineralisation.

Deposits of Atasui group of deposits display low impurities of phosphorus and sulphur. Manganese is mainly present in (primary) manganese-oxide minerals (hausmannite, Mn_3O_4) and subordinate Mn-silicates (braunite, Mn_7SiO_{12}) and Mn-carbonates (rhodochrosite, $MnCO_3$). Main iron mineral is hematite, with minor magnetite, hydro-magnetite and martite. In some layers, Fe and Mn occur together in the mineral jacobsite, $(Mn,Fe)_2O_4$. Main gangue minerals are calcite and quartz.

In Cenozoic times, the upper 50 to 100 metres of the deposits were oxidised, and secondary Mn minerals formed (psilomelane, $(Ba,H_2O)_2Mn_5O_{10}$, pyrolusite, MnO_2). Surface erosion and karstification occurred, and the Paleozoic strata was partly covered by a few ten metres of Palaeogene, Neogene and Quaternary sediments.

Exploration Potential

As at 1 July 2007, SRK classified the underground portion of the Ushkatyn-III deposit as Inferred Mineral Resource. Further resource modelling work is expected to transfer a part of the Inferred Resources into the Indicated category. Together with mine planning to Pre-Feasibility level, it is expected that several million tonnes of the underground material at Ushkatyn can be converted into Ore Reserves.

At Zhomart / Zapadny-Zhomart, an updated "GKZ"-style resource report has been submitted during H1 2007. This has yet to be reviewed by SRK. Mine planning is underway for a combined open pit operation including the current Zhomart pit and the Zapadny-Zhomart Resources.

At Ushkatyn-I, the economic potential of jacobsite mineralisation is under review. In addition, the potential of the base metal mineralisations is under review.

The company is investigating the possibility to establish a zinc operation centred around the currently mothballed Dalnezapadny Zhairem mine.

4.13.3 Mineral Resources and Ore Reserves

QA/QC Procedures

Generally, sample preparation was undertaken on site by the Zhairemsky Geological Expedition, using the mine facilities. Some samples were assayed on site and some by accredited laboratories in Karaganda. QA/QC was documented according to GKZ practices, and consisted of internal and external re-assaying and some standard samples. External control samples amount typically to 3 to 8% of the total. In line with standard GKZ procedures, no duplicates, blanks or hidden standards were used, and no drill core samples were retained for inspection. The majority of QA/QC tests passed the required thresholds.

Although not completely in line with modern industry practice, SRK is satisfied that the QA/QC methods applied were appropriate and SRK considers that the results are appropriate for generating Mineral Resource estimates.

Base Data for Resource Estimation

In general, drilling was either by core drilling or, in case of some of the manganese deposits, by hydro-reverse-circulation drilling, the latter of which provides comparatively poor-quality samples.

Resource estimation for the individual deposits was based on the following data sets:

- Ushkatyn-I: Combined for Fe-Mn and polymetallic ores 419 cored boreholes, totalling some 78,900 metres, with 12,484 assay values. The boreholes are generally spaced on a 50 × 50 metre grid.
- Ushkatyn-III: Resource reports to date are based on the drillhole data as available in 1984; later infill drilling (several 10,000 metres) has not been included: 416 cored drill-holes and 127,372 running meters and 25,139 assays. Average core recovery is 71% in manganese ore. Main section spacing is 200 metres, but the data set also includes intermediate drill sections.
- Perstenevsky: 50 diamond drill holes (6,000 m) and 108 hydro-reverse-circulation holes (6,800 m). Tight drill spacing, often exceed requirements for C1 reporting in “complexity type 3” (100 m section, 50 to 100 m down-dip spacing).
- Zhomart: exploration database includes 166 exploration holes, 219 “shallow mapping holes”, 186 shallow shafts, one shaft and 9 trenches, providing in total 927 core samples and 93 channel samples. Average core recovery in mineralised intervals improved from 82% in the first campaign (1949-1961) to 93% in 1994/95. Section spacing 50 to 100 metres.
- Zapadny-Zhomart: 139 exploration (core) holes (12,000 metres) and 798 hydro-reverse-circulation holes (19,000 metres) were drilled, with section spacing of 35 to 70 metres.
- Zapadny-Zhairem / Dalnezapadny-Zhairem: Some 1500 cored drillholes with an aggregate length of 270,000 metres and average recoveries around 80%.

Historically, core recoveries have been in the range of 70 to 80%, low compared to modern standards. A review undertaken by relevant technical institutes showed that this lead to a slight overestimation of the Mn grade, which subsequently has been accounted for during resource estimation. SRK concurs with Zhairemsky’s view that recovery issues have been adequately addressed.

SRK reviewed the geological logging process and found that this had been generally done in a thorough manner. Sampling of the mineralised intersections generally honours lithological boundaries, and interval lengths are normally 1 to 2 metres long, which SRK considers to be adequate for this type of deposits. Many of the boreholes also had downhole geophysical studies undertaken to confirm the logging and downhole interval lengths.

Resource Estimation Techniques

The Mineral Resources reported by the company are based on a series of GKZ-style resource estimates for the individual deposits. These have been prepared by relevant Technical Institutes, and most of them have been approved by the GKZ. Where a final approval by the GKZ is outstanding, SRK assessed that the resource estimation process matches the requirements of an approved GKZ estimate.

Cut-off grades for the Mn deposits were between 9 and 12% Mn and generally 30% Fe for iron deposits (although the current mining practice takes a 40% Fe cut-off into account). Definition of the cut-off parameter for polymetallic mineralisation dates largely back to Soviet times and does not reflect economically reasonable values. Example is Ushkatyn-I, where lead ores are delineated at a 0.8% Pb cut-off. Exception is Dalnezapadny-Zhairem, with a minimum grade of 2.6% ZnEq over 4 metres width. SRK used manual adjustments to remove clearly uneconomic mineralisation from the resource statements of polymetallic mineralisation.

These resource estimates were derived using a polygonal method from blocks drawn on paper copies of Vertical Longitudinal Projections (“VLPs”). Due to the complex shape of some of the deposits, being strongly folded in both plan and sectional views, SRK considers the two-dimensional approach to resource calculation underestimates the tonnage, whilst the grade is over-estimated as the grade continuity is not as continuous as this method implies. Further, the way that the orebody is projected onto the VLP’s may indicate result in the minimum thickness cut-off parameter not being applied appropriately, potentially overestimating tonnage above cut-off by a small amount.

SRK checked the calculation of individual blocks and is satisfied that the estimates have been prepared in a diligent manner and that the method follows correctly GKZ principles. SRK considers that the correlation between the different ore layers, especially at Ushkatyn-III, where drillhole spacing is comparatively wide, can be locally poor. Whilst the impact of these errors does not affect the global resource estimate, they do limit the accuracy of short term planning.

SRK notes that infill drilling and in-pit mapping has not been considered when revising the resource estimates. Since 1984, some 185 cored holes have been drilled at Ushkatyn-III, which show that whilst the local resource estimates are relatively poor, the overall estimate is reasonably confirmed.

For Ushkatyn-III, a 3D computer model has been generated by a consulting company and is now used for short-term planning in the pit. SRK briefly reviewed the model, and undertook reconciliation studies. Using the resulting adjustment factors between model depletion and factual production, SRK considers that this model provides a valid tool for in-pit resource and reserve estimates.

Resource Classification

The Mineral Resources as reported by the company were classified according to the standard GKZ methodology, based on drill spacing for given commodity (iron, manganese, polymetallics) and complexity type (2 or 3). As for manganese ore, to attain C1 status, deposits would have to be drilled at a section spacing of 100-200 metres and down-dip spacing of 100-200 metres for complexity type 2B and at 100 metres section spacing and 50 to 100 metres down-dip spacing for complexity type 3. Whilst the GKZ resource classification is mainly based on data spacing, the resources may be downgraded if specific technical studies are missing or if there is less confidence in the main method of data collection. This occurred at the Perstenevsky and Zapadny-Zhomart deposits, where the GKZ classification was downgraded from C1 status to C2.

SRK reviewed the individual resource estimates, including data distribution on VLPs and reclassified the individual resources from the GKZ classes into JORC classification as deemed appropriate. SRK considers that the Ushkatyn-III deposit is at least as complex as the other deposits, and that the classification as complexity type 2B is not justified. SRK considers the data spacing and the current resource estimate for Ushkatyn-III insufficient to support Pre-Feasibility level mine planning in an underground development and downgraded the underground portion to Inferred status.

Mine Plans

SRK reviewed the mine plans for the individual deposits within the Zhairemsky mining camp. For Ushkatyn-I, a new mining plan calls for extraction of iron-rich mineralisation close to surface. Despite lack of some technical background studies, this appears feasible due to the simple mining approach, low capacity, very low strip ratio and a location adjacent to the well established Ushkatyn-III mine. Only iron ore will be produced during the stage-I operation at Ushkatyn-I.

At Ushkatyn-III, the existing mine plan from 2005 identified that part of the deposit had very high strip ratios, and the company commissioned a technical study to establish an alternative approach, combining open pit and underground mining methods. While the

open pit design is essentially based on the current approved design, but focuses on mining of the wider central zone only, the underground mining study has not been completed yet. The underground mine plan is aimed at using either shrinkage stoping or sub-level open stoping, with mined out areas being backfilled with weakly cemented fill. A footwall access will be developed from adits from the open pit side walls with on-strike development to access the stopes.

SRK considers that the open pit plan is adequate for the purposes of defining an Ore Reserve though notes that the pit limits cannot be classified as optimum due to the concerns regarding the accuracy of the computerised geological model. At this stage, SRK considers that the underground plan needs to be studied further before an Ore Reserve can be declared as the development of a multi-layered low-grade operation is relatively complex, even when the flexibility provided by developing a footwall access from adits in the open pit allowing the mine plans to be fine-tuned in the short term is taken into account.

Reconciliation and Modifying Factors

Detailed reconciliation is available between the 3D computer model for the Ushkatyn-III orebody and open pit operation on a yearly basis. The reconciliation indicates about the same tonnage but 20% lower grades. SRK considers that, whilst the terms "losses" and "dilution" are not strictly correct in this situation, as the Modifying Factors also include an adjustment to reflect the inaccuracy of the geological model, the numeric adjustments are appropriate to estimate the likely production. For the sake of resource and reserve reporting the entire discrepancy was thus attributed to dilution.

Manual reconciliation was undertaken between the GKZ model and the production from Zhomart, indicating reasonable correlation.

For the planned operation at Ushkatyn-I, SRK considers that the assumed Modifying Factors are reasonable.

The specific circumstances of the deposits lead to the fact that "dilution" occurs partly as cross-dilution between the individual oretypes, and Fe grades of Mn ore become higher due to dilution with Fe ore and vice versa.

Mineral Resource and Ore Reserve Statement

Mineral Resource Estimate

SRK has not independently re-estimated a Mineral Resource estimate for Zhairemsky, but has rather reviewed and commented upon the quantity and quality of the underlying data and the methodologies used to derive the estimates as reported by Zhairemsky and then re-reported these using the terminology and guidelines of the JORC Code. SRK applied high-level adjustments to the resource estimates prior to reclassification where required due to inclusion of subeconomic material in the original estimate. SRK considers that additional material will be economically produced from the significant amount of stockpiled material not reported herewith.

Ore Reserve estimate

SRK has reviewed the mining plans for the Mineral Resources at the different mining projects of Zhairemsky to verify whether it is technically feasible to mine the resources using the mining method proposed, whether appropriate Modifying Factors can be defined with sufficient confidence either from extrapolating current performance or from technical studies, and whether the resultant material can be economically mined.

SRK's reclassified Ore Reserve statement is based on the Mineral Resource estimates of Zhairemsky as audited and reclassified by SRK and on Modifying Factors derived from production and reconciliation data and reports provided by the mines. SRK excluded the underground mining project at Ushkatyn-III from the current Reserve report as the

underlying Mineral Resource model is considered inadequate to produce a robust Pre-Feasibility level mine plan.

Historic mining from polymetallic deposits accounted for some 22 Mt of comparatively low-grade mineralisation. There are currently conceptual mine plans at best for the polymetallic deposits, and no Ore Reserves are reported herewith for these deposits.

The Mineral Resource and Ore Reserve Statements as at 1 July 2007 are presented in Tables 4-19 to 4-23.

Table 4-19 Ferroalloy Division—Ore Reserves and Mineral Resources at Zhairemsky: Manganese Ore—1 July 2007^{(1),(2)}

Ore Reserve Category	Tonnage (Mt Dry)	Grade (Mn %)	Grade (Fe %)
PROVED			
Open Pit			
Ushkatyn-I	—	—	—
Ushkatyn-III	—	—	—
Perstenevsky	—	—	—
Zhomart	—	—	—
Zapadny-Zhomart	—	—	—
Underground			
Ushkatyn-III	—	—	—
Stockpiles			
Ushkatyn-III / Stock No. 1	—	—	—
TOTAL	—	—	—
PROBABLE			
Open Pit			
Ushkatyn-I	—	—	—
Ushkatyn-III	14.7	17.5	2.8
Perstenevsky	—	—	—
Zhomart	1.2	23.2	8.8
Zapadny-Zhomart	—	—	—
Underground			
Ushkatyn-III	—	—	—
Stockpiles			
Ushkatyn-III / Stock No. 1	0.2	12.6	4.8
TOTAL	16.1	17.9	3.2
TOTAL PROVED AND PROBABLE	16.1	17.9	3.2

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves

Annex A: MER

Mineral Resource category ^{(1),(2)}	Tonnage (Mt Dry)	Grade (Mn %)	Grade (Fe %)
MEASURED			
Open Pit			
Ushkatyn-I	—	—	—
Ushkatyn-III	—	—	—
Perstenevsky	—	—	—
Zhomart	—	—	—
Zapadny-Zhomart	—	—	—
Underground			
Ushkatyn-III	—	—	—
Stockpiles			
Ushkatyn-III / Stock No. 1	—	—	—
TOTAL	—	—	—
INDICATED			
Open Pit			
Ushkatyn-I ⁽³⁾	18.7	11.7	30.6
Ushkatyn-III	15.6	21.1	2.8
Perstenevsky	—	—	—
Zhomart	1.2	25.0	10.2
Zapadny-Zhomart	3.6	19.1	13.3
Underground			
Ushkatyn-III	—	—	—
Stockpiles			
Ushkatyn-III / Stock No. 1	0.2	12.6	4.8
TOTAL	39.3	16.5	17.3
TOTAL MEASURED AND INDICATED	39.3	16.5	17.3
INFERRED			
Open Pit			
Ushkatyn-I ⁽³⁾	0.4	12.2	35.2
Ushkatyn-III	—	—	—
Perstenevsky	0.8	21.0	10.2
Zhomart	—	—	—
Zapadny-Zhomart	1.3	23.9	13.7
Underground			
Ushkatyn-III	50.9	21.6	7.2
Stockpiles			
Ushkatyn-III / Stock No. 1	—	—	—
TOTAL	53.3	21.5	7.6
TOTAL MEASURED, INDICATED AND INFERRED	92.7	19.4	11.7

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves

(3) Ushkatyn-I resources relate to a particular iron manganese mineralisation.

**Table 4-20 Ferroalloy Division—Ore Reserves and Mineral Resources at Zhairesmsky:
Iron Ore—1 July 2007^{(1),(2)}**

Ore Reserve Category	Tonnage (Mt Dry)	Grade (Mn %)	Grade (Fe %)
PROVED			
Open Pit			
Ushkatyn-I	—	—	—
Ushkatyn-III	—	—	—
Perstenevsky	—	—	—
Zhomart	—	—	—
Zapadny-Zhomart	—	—	—
Underground			
Ushkatyn-III	—	—	—
TOTAL	—	—	—
PROBABLE			
Open Pit			
Ushkatyn-I	3.2	6.0	45.3
Ushkatyn-III	0.6	6.5	37.8
Perstenevsky	—	—	—
Zhomart	0.6	1.3	46.0
Zapadny-Zhomart	—	—	—
Underground			
Ushkatyn-III	—	—	—
TOTAL	4.3	5.4	44.3
TOTAL PROVED AND PROBABLE	4.3	5.4	44.3
Mineral Resource category			
	Tonnage (Mt Dry)	Grade (Mn %)	Grade (Fe %)
MEASURED			
Open Pit			
Ushkatyn-I	—	—	—
Ushkatyn-III	—	—	—
Perstenevsky	—	—	—
Zhomart	—	—	—
Zapadny-Zhomart	—	—	—
Underground			
Ushkatyn-III	—	—	—
TOTAL	—	—	—
INDICATED			
Open Pit			
Ushkatyn-I	5.6	1.6	44.1
Ushkatyn-III	0.8	2.7	42.7
Perstenevsky	—	—	—
Zhomart	1.4	1.6	48.3
Zapadny-Zhomart	—	—	—
Underground			
Ushkatyn-III	—	—	—
TOTAL	7.8	1.7	44.7
TOTAL MEASURED AND INDICATED	7.8	1.7	44.7
INFERRED			
Open Pit			
Ushkatyn-I	—	—	—
Ushkatyn-III	—	—	—
Perstenevsky	—	—	—
Zhomart	—	—	—
Zapadny-Zhomart	—	—	—
Underground			
Ushkatyn-III	3.6	1.5	40.1
TOTAL	3.6	1.5	40.1
TOTAL MEASURED, INDICATED AND INFERRED	11.4	1.6	43.3

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

**Table 4-21 Ferroalloy Division—Ore Reserves and Mineral Resources at Zhairesky:
Polymetallic ore—1 July 2007^{(1),(2)}**

Ore Reserve Category	Tonnage (Mt dry)	Lead grade (% Pb)	Zinc grade (% Zn)
PROVED			
Open Pit			
Ushkatyn-I	—	—	—
Dalnezapadny-Zhairesm	—	—	—
TOTAL	—	—	—
PROBABLE			
Open Pit			
Ushkatyn-I	—	—	—
Dalnezapadny-Zhairesm	—	—	—
TOTAL	—	—	—
TOTAL PROVED AND PROBABLE	—	—	—
<hr/>			
Mineral Resource category	Tonnage (Mt dry)	Lead grade (% Pb)	Zinc grade (% Zn)
MEASURED			
Open Pit			
Ushkatyn-I	—	—	—
Dalnezapadny-Zhairesm	—	—	—
TOTAL	—	—	—
INDICATED			
Open Pit			
Ushkatyn-I	11.3	3.3	1.2
Dalnezapadny-Zhairesm	21.5	1.2	5.7
TOTAL	32.8	2.0	4.2
TOTAL MEASURED AND INDICATED	32.8	2.0	4.2
INFERRED			
Open Pit			
Ushkatyn-I	0.4	1.9	0.5
Dalnezapadny-Zhairesm	1.5	0.5	3.4
TOTAL	1.9	0.8	2.8
TOTAL MEASURED, INDICATED AND INFERRED	34.8	1.9	4.1

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

**Table 4-22 Ferroalloy Division—Ore Reserves and Mineral Resources at Zhairemsky:
Barite Polymetallic ore—1 July 2007^{(1),(2)}**

Ore Reserve Category	Tonnage (Mt dry)	Lead grade (% Pb)	Zinc grade (% Zn)	Barite grade (% BaSO ₄)
PROVED				
Underground				
Zapadny-Zhairem	—	—	—	—
Open Pit				
Ushkatyn-I	—	—	—	—
Ushkatyn-III	—	—	—	—
Zapadny-Zhairem	—	—	—	—
Dalnezapadny-Zhairem	—	—	—	—
TOTAL	—	—	—	—
PROBABLE				
Underground				
Zapadny-Zhairem	—	—	—	—
Open Pit				
Ushkatyn-I	—	—	—	—
Ushkatyn-III	—	—	—	—
Zapadny-Zhairem	—	—	—	—
Dalnezapadny-Zhairem	—	—	—	—
TOTAL	—	—	—	—
TOTAL PROVED AND PROBABLE	—	—	—	—
<hr/>				
Mineral Resource category	Tonnage (Mt dry)	Lead grade (% Pb)	Zinc grade (% Zn)	Barite grade (% BaSO ₄)
MEASURED				
Underground				
Zapadny-Zhairem	—	—	—	—
Open Pit				
Ushkatyn-I	—	—	—	—
Ushkatyn-III	—	—	—	—
Zapadny-Zhairem	—	—	—	—
Dalnezapadny-Zhairem	—	—	—	—
TOTAL	—	—	—	—
INDICATED				
Underground				
Zapadny-Zhairem	—	—	—	—
Open Pit				
Ushkatyn-I	1.9	3.7	—	8.8
Ushkatyn-III	4.1	2.9	—	13.8
Zapadny-Zhairem	8.0	1.9	4.7	16.4
Dalnezapadny-Zhairem	8.2	2.1	3.8	56.9
TOTAL	22.2	2.3	3.1	30.3
TOTAL MEASURED AND INDICATED	22.2	2.3	3.1	30.3
INFERRED				
Underground				
Zapadny-Zhairem	20.3	1.5	4.2	19.1
Open Pit				
Ushkatyn-I	0.1	3.8	—	9.5
Ushkatyn-III	0.1	4.5	—	9.4
Zapadny-Zhairem	—	—	—	—
Dalnezapadny-Zhairem	0.3	1.3	1.7	65.4
TOTAL	20.8	1.5	4.1	19.7
TOTAL MEASURED, INDICATED AND INFERRED	43.0	1.9	3.6	25.2

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

**Table 4-23 Ferroalloy Division—Ore Reserves and Mineral Resources at Zhairesmsky:
Barite ore—1 July 2007^{(1),(2)}**

Ore Reserve Category	Tonnage (Mt Dry)	Barite grade (% BaSO ₄)
PROVED		
Underground		
Zapadny-Zhairem	—	—
Open Pit		
Zapadny-Zhairem	—	—
Dalnezapadny-Zhairem	—	—
TOTAL	—	—
PROBABLE		
Underground		
Zapadny-Zhairem	—	—
Open Pit		
Zapadny-Zhairem	—	—
Dalnezapadny-Zhairem	—	—
TOTAL	—	—
TOTAL PROVED AND PROBABLE	—	—
<hr/>		
Mineral Resource category	Tonnage (Mt Dry)	Barite grade (% BaSO ₄)
MEASURED		
Underground		
Zapadny-Zhairem	—	—
Open Pit		
Zapadny-Zhairem	—	—
Dalnezapadny-Zhairem	—	—
TOTAL	—	—
INDICATED		
Underground		
Zapadny-Zhairem	—	—
Open Pit		
Zapadny-Zhairem	4.2	70.4
Dalnezapadny-Zhairem	0.6	60.4
TOTAL	4.8	69.2
TOTAL MEASURED AND INDICATED	4.8	69.2
INFERRED		
Underground		
Zapadny-Zhairem	9.7	43.0
Open Pit		
Zapadny-Zhairem	0.1	74.6
Dalnezapadny-Zhairem	0.1	66.5
TOTAL	9.9	43.7
TOTAL MEASURED, INDICATED AND INFERRED	14.7	52.0

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

4.13.4 Mining

Ushkatyn-III mine commenced in 1985, and focussed initially more on lead-barite than manganese-iron mineralisation. Ore and waste is mined using standard drill, blast, load and haul open pit mining techniques. Historically the mine has produced in the region of 1.2 Mt manganese ore and 0.3 Mt iron ore per annum. Due to high strip ratios, the company is currently investigating an alternative mining approach, combining open pit and underground mining methods.

Underground development and production is scheduled to commence in 2007. The underground mine is scheduled to produce at an annual rate of between 0.45 and 0.50 Mt manganese ore and 0.30 Mt iron ore per annum, although detailed design studies have yet to be completed. Zhairemsky proposes that a mix of shrinkage stoping in thicknesses of less than 3 metres, and cut and fill mining in thicknesses of greater than 3 metres will be employed underground. Loss and dilution are estimated at 3-4.5% and 10-12%, respectively.

Ushkatyn-I open pit mine was scheduled to commence production in June 2007, but this has now been delayed to a later time due to delays with the upgrading of the beneficiation plant. The mine will initially exploit only iron resources using standard drill, blast, load and haul open pit mining techniques. Historically, the mine has produced only very limited quantities of material. However, the mine is planned to produce some 300,000 tonnes ore at a low stripping ratio of 1.4 cubic metres per tonne for at least ten years.

As the Ushkatyn-I project is located adjacent to Ushkatyn-III mine, it has the benefit of shared infrastructure, including the use of explosives magazines, explosives delivery, workshops, campsite and stores.

At Zhomart, ore and waste is mined using standard drill, blast, load and haul open pit mining techniques. Historically, the mine has produced in the region of 155,000 tonnes manganese ore per annum, but is scheduled to increase production in the coming years to 400,000 tonnes and 100,000 tonnes per annum manganese ore and iron ore respectively. Zhairemsky's plan to sustain production at these higher levels is dependent upon concurrent production from Zhomart and Zapadny-Zhomart mines. The relevant resource report was approved by the GKZ during the first half of 2007 and mine design work was commissioned, using an approved Design Institute. Production following the new plan is expected to start in 2009.

The mine currently produces oxidised manganese and iron ore. Iron ore is currently stored, awaiting the construction of a plant to process this material.

SRK observed the mining equipment at the Ushkatyn-III and Zhomart open pits to be satisfactory to good, and adequately maintained. However, no statistics were available to assess the reliability of the mining fleet.

4.13.5 Mineral Processing and Tailings

At Ushkatyn-III the manganese ore is crushed at the mine site in a crushing plant with 1.8 Mtpa rated capacity and then railed 14 kilometres to the Enrichment Plant. This plant processed 1.2 Mt in 2006 and Zhairemsky plans to increase this to a capacity of 1.5 Mt in 2007. Historically, typical grades of the manganese concentrates were around 38% Mn and 5% Fe. However, the Company produces also 'unconventional' concentrates with lower manganese and higher iron grades, which are sold based on specific contracts, normally in small quantities. SRK considers the plant and equipment to be in good condition.

There are two mixed iron-manganese materials at Ushkatyn-III: first, discrete iron and manganese mineralisation that is too closely spaced to be mined separately and secondly, mineralisation by a manganese-iron mineral, jacobsite, which does not allow separation of iron and manganese by physical means. While Zhairemsky has successfully demonstrated that jacobsite can be enriched, there is currently no proven market for this product. The company is engaged in identifying possible purchasers for this product. Zhairemsky

proposes that the mixed ore be treated in relatively small amounts in the Enrichment Plant. However, the recovery of a saleable product is very low.

The Ushkatyn-III iron ore is processed at the mine site in three mobile crushing and screening plants. The ore is crushed and screened to produce either a 10 millimetre or 60 millimetre product. Zhairesmsky stated that the former assays 2-3% Mn and 47-50% Fe and the latter assays 5-8% Mn and 45% Fe. The screen oversize is hand sorted by give a residual product assaying 15% Mn and 30% Fe. Manganese is also processed in these plants to produce material for a customer in Russia. The screens are set to produce a size fraction -50, +8 millimetres assaying 21.5% Mn. The +50 millimetre and the 8 millimetre fractions are sent to the enrichment plant.

The Zhomart manganese ore processing scheme is a basic crushing and screening plant, but incorporates magnetic separation to remove the iron-rich fraction. The screen undersize is stockpiled for treatment in the washing plant in the warmer weather. The washings and scrubber undersize are sent to tailings dam, while the scrubber oversize and sands are sent to the concentrate stockpile. The scrubber undersize is classified with a spiral classifier. Typical manganese concentrate from Zhomart grades 35% Mn and 9% Fe. Iron ore from Zhomart is currently stockpiled, awaiting the construction of a suitable crushing / screening plant to produce saleable concentrates.

4.13.6 Capital Expenditure

The capital expenditure programme is summarised in Table 4-24.

Table 4-24 Ferroalloy Division—Forecast Capital Expenditure at Zhairesmsky⁽¹⁾

		Forecast			
		H2 2007	2008	2009	2010
Total	(USDm)	5	8	9	6

(1) Forecast Costs are in real terms.

4.13.7 Management and Industrial Relations

The company employs well qualified and educated personnel and efforts to introduce modern technology to bring the facilities up to international standards are undertaken. The isolated location and lack of exposure to other (and international) mining operations is a disadvantage with respect to professional development and adoption of good industry practice.

The small township of Zhairam depends largely on the mining enterprise; there is very little alternative employment in the town or its surroundings. At the same time, the isolated location will make it more difficult for the company to retain qualified personnel.

Terminal benefits

SRK has made a provision for terminal benefits based on an assessment of relevant labour legislation in Kazakhstan. This amount is USD5 million in 2007 money terms.

Health and Safety

Health and safety management is focused on the development of company wide health and safety policies, taking cognisance of the legislation and regulatory environment.

4.13.8 Environmental Considerations

SRK conducted a high-level review of the closure costs prepared by ENRC to evaluate whether the estimate is prepared in accordance with other mining operations in Kazakhstan. In general the rates used have been adequately justified and appear realistic.

Based on this review, SRK determined that the closure cost attributable to Zhairemsky is USD3.3 million.

4.14 Risks and Opportunities—Ferroalloy Division

4.14.1 Risks

SRK considers that the following principal risks exist for the Ferroalloy Division:

- At Donskoy, the rock is generally weak and rock stresses are increasing as the operations progress deeper. Whilst SRK is confident that Donskoy's engineers will define ways to mine the ore, SRK considers that there is a medium risk that operational performance will not be as effective as predicted, leading to reduced production and higher costs. SRK considers that the impact of this risk is reduced by the fact that such conditions are not likely to be experienced before 2019.
- Whilst the cash-flow forecasts made to assess economics for Ore Reserve estimation include an allowance for addressing identified environmental risks as identified by ERM and SRK, the actual costs may be higher if additional action is required to improve environmental standards.
- Finer size manganese concentrate is produced at Tur, despite the fact that the market for this material as a single product is not established and processing appears dependent upon the establishment of a sintering process at the Aksu ferroalloy plant. SRK recommends that Kazchrome considers market demands before creating products for which little or no demand exists.
- The operations at Zhairemsky are relatively complex due to the wide range of ore qualities and the Mn/Fe ratio. Production of the optimum range of saleable products requires advanced project evaluation skills and the sale of manganese concentrates with high iron content is sensitive to general availability of manganese concentrates on the market.

4.14.2 Opportunities

SRK considers that the following principal opportunities exist:

- As a vertically integrated operation, there has been little need to date to communicate the economic efficiency of activities to the line managers. Consequently, SRK has observed that operating efficiencies could be improved through ensuring that line managers are equipped with the necessary knowledge to assess the financial impact of current performance.
- Improvement of the metal accounting system in the whole material flow from mines to smelters. This will allow a more efficient evaluation of factors affecting the recovery and losses and any improvements made concerning these areas.
- Re-evaluation of the final open pit for Donskoy's Yuzhny deposit, balancing economic considerations and metal recovery. This will probably result in a new, more economic pit design.
- Proving up the application of the cut and fill mining method required to mine those portions of the Almaz-Zhemchuzhina and Millionnoye deposits that SRK did not include in its assessment of the Ore Reserves. This will probably result in increased in Ore Reserves as SRK could not include 30% of the Mineral Resources due to their close location to underground capital workings.
- SRK considers that the efficiencies in the ferroalloy smelters could be improved through reviewing the size distribution of the ore feed, the way the ore is charged around the electrode, and the quality of the electrode. Other opportunities for improvement at the smelters are:
 - Recovery of alloy from historic slag dumps;

- The potential implementation of DC furnace technology;
- Increased pellet supply from Donskoy should impact substantially and favourably on furnace efficiencies and output;
- Screening of ores. Improved screening practices of the course ore feed should impact favourably on furnace efficiencies and output;
- Construction of a sintering plant at Aksu;
- Plant expansion; and
- Improved furnace availability. There is substantial potential to improve the availability of the furnaces. An estimated improvement of 5% is regarded as achievable. The impact of such improvement will directly impact on operating capacity and operating cost.
- The Kazmarganets and Zhairmsky GOK manganese operations are located near each other in central Kazakhstan, although these are operated independently. The manganese deposits are essentially the same and SRK recommends investigating the possibility of combining the operations.
- Some 9 Mt of Inferred Mineral Resources have been identified at Ushkatyn-III that could be mined by underground methods, using adits from the planned pit. Some additional work is required to upgrade the resources to Indicated Mineral Resource status and to complete a Pre-Feasibility level mine plan.
- There may be an opportunity to develop a zinc operation to mine and process the large, low-grade zinc deposits that exist near the existing iron-manganese operations. SRK considers that the development costs are likely to be relatively low as much of the necessary infrastructure exists but further work is needed to enable the viability of the project to be evaluated.

5 IRON ORE DIVISION

5.1 Introduction

This section gives an overview of the assets of the Iron Ore Division, including historical company development, location and property description and operating results. Specifically where reference is made to legal compliance within the regulatory environments in which the business operates, SRK has placed reliance on ENRC. In terms of environmental compliance, SRK has assessed the closure cost requirements for each of the operations, and these have been incorporated into the evaluation of the economics of Mineral Resources and Ore Reserves.

5.2 Infrastructure, History and Location

The first iron ore deposits in northern Kazakhstan were discovered in the late 1940s, near Kostanai, the regional capital city. Further assessments of the deposits identified additional deposits leading to the development of open pit operations at the Sokolovsky deposit in 1955, at the Sarbaisky deposit in 1957, and the Kacharsky deposit in 1975, whilst underground mining started at the Sokolovsky deposit in 1967. Open pit operations commenced at the Korzhinkol'skoye deposit in 1981 but were suspended in 1998 due to adverse economic conditions and then re-opened in 2004. Several drilling programmes were undertaken between 1949 and 1985, with more than 900 kilometres being drilled and 90,000 assays being sampled. SSGPO was privatised in 1996. In 1998 it acquired the Rudni power station, refurbished the facility and expanded it to 204 megawatt.

The mining operations are located in northern Kazakhstan near the town of Rudni, which was established to support the mining operations, and is located approximately 45 kilometres south-west of Kostanai. Rudni has a population of some 120,000.

Sokolovsky and Sarbaisky are located some 5 to 8 kilometres north of Rudni. Kacharsky is located some 48 kilometres north of Rudni, and Korzhinkol'skoye some 60 kilometres south west of Rudni. The central processing facilities, pelletising plant and power station are located near the Sokolovsky and Sarbaisky mines. The terrain around the mines comprises barren hills extending up to 150 metres above sea level with the surrounding area largely unoccupied. The climate is strongly continental with winter temperatures dropping to minus 25-30°C, while the summer temperatures exceed plus 30°C.

Table 5-1 Iron Ore Division—Operations

Asset Type	Infrastructure	Production Rate
Mining		
Sokolovsky	Underground mine (iron)	Production: 2006 (1.6 Mt), H1 2007 (1.2 Mt)
Sokolovsky-Sarbaisky	Open pit mine (iron)	Production: 2006 (19.7 Mt), H1 2007 (9.2 Mt)
Kacharsky	Open pit mine (iron)	Production: 2006 (15.3 Mt), H1 2007 (7.8 Mt)
Korzhinkol'skoye	Open pit mine (iron)	Production: 2006 (2.2 Mt), H1 2007 (1.3 Mt)
Sarbaisky	Open pit mine (bentonite clay)	
Alekseevskoe	Open pit mine (dolomite)	
Kzyl-Zharskoye	Open pit mine (limestone)	

Centralised Facilities		Detail
Crushing Plant	Iron ore	Production: 2006 (38.8 Mt), H1 2007 (19 Mt)
Concentrator Plant	Iron ore	Production: 2006 (16.1 Mt), H1 2007 (8.3 Mt)
Pelletising Plant	Iron concentrate, bentonite clay and limestone	Production: 2006 (8.5 Mt), H1 2007 (4.4 Mt)
Explosives Plant	n/a	45 ktpa
Railroad Service Operations	Electric: Iron ore and waste; Diesel: finished product	
Repair / Maintenance Workshop	n/a	
Power Plant	n/a	204 MW capacity

n/a not applicable

The principal mining assets in the iron ore operations are:

- Sokolovsky Underground Mine. The Sokolovsky deposit is located five kilometres north of Rudni. This business unit is responsible for mining the iron ore deposits that are scheduled to be mined using underground methods. These comprise underpit resources of the Southern and Central areas and the Northern and Epicentre 6 production areas. In 2006, 1.56 Mt of iron ore was mined at a grade of 30.8% Fe using sub-level caving techniques;
- Sokolovsky-Sarbaisky Open Pit Mines. The Sarbaisky and Sokolovsky groups of deposits are located within five kilometres of each other. This business unit is responsible for the open pit operations at both Sarbaisky and Sokolovsky. In 2006, 9.8 Mt at 27.1% Fe was mined from Sokolovsky open pit and 9.9 Mt at 38.3% Fe from Sarbaisky open pit. The ore and waste are drilled, blasted and loaded into either railway trucks or off-highway trucks. Ore is transported to the central processing facilities by rail;
- Kacharsky Open Pit Mine. This open pit is located 48 kilometres north of Rudni. In 2006, 15.3 Mt was mined at 32.2% Fe. The ore is railed to the central processing facility in Rudni. The iron ore deposit was covered by a very thick layer of recent sediments, up to 200 metres thick, most of which has been stripped. The pit is currently 343 metres deep and is planned to be 700 metres deep by the end of the mine's life. One cut-back is planned. The ore and waste are drilled and blasted and then loaded into either railway trucks or off-highway trucks. An in-pit crushing and conveying system is planned to enhance material handling for mining from the deeper levels; and
- Korzhinkol'skoye Open Pit Mine. This open pit is located 60 kilometres south of Rudni and was only recently reopened. The mine produced 2.2 Mt at 34.6% Fe in 2006. SSGPO is constructing a crushing and dry magnetic separation plant as a pilot scheme to crush and pre-process the ore locally to reduce the tonnage of ore that requires to be railed to the central process plant at Rudni.

There are also various central facilities including:

- Central processing facility and pelletising plant. All of the iron ore is processed at this facility. The process flow sheet includes five stages of crushing and dry magnetic separation, two stages of grinding and finally, wet magnetic separation. The pelletising plant is one of the oldest in the former Soviet Union. At present some two-thirds of the concentrate produced is converted into pellets. SSGPO aims to produce 21 Mt of concentrate by 2018;
- Power plant. This coal-fired power station has a capacity of 204 MW and supplies SSGPO with electricity and the town of Rudni with electricity, heat and hot water through the district heating system. Coal is supplied from the Vostochny coal mine, which is part of ENRC's Energy Division;
- Rail network. SSGPO operates its own rail network for transporting iron ore from the mines to the central processing facility and for transporting waste from some of the open pits;

- Explosives manufacturing facility. This facility manufactures bulk explosives for each of the mining operations;
- Repair and maintenance workshop. This facility is responsible for providing a central maintenance support service for the major overhauls. Day to day maintenance is managed by each individual mining operation; and
- SSGPO also recovers bentonite clay from the overburden at Sarbaisky and operates two small quarries mining limestone used for pelletising, and dolomite for metallurgical use.

Table 5-2 Iron Ore Division—Key Historical and Forecast Production Statistics

		Historical				Forecast			
		2004	2005	2006	H1 2007	H2 2007	2008	2009	2010
Mining									
Underground mining	(Mt)	3.1	2.0	1.6	1.2	1.6	4.5	5.0	5.7
Open pit mining	(Mt)	32.7	28.6	37.2	18.3	20.4	38.6	38.3	38.5
Total Mined*	(Mt)	35.8	30.7	38.8	19.5	22.1	43.2	43.2	44.2
Processing									
Concentrate Produced	(Mt)	15.4	12.9	16.1	8.3	9.3	18.1	18.1	18.8
Sales⁽⁴⁾									
Concentrate sold	(Mt)	5.2	4.7	7.0	3.6	4.3	8.5	8.5	9.2
Pellets sold	(Mt)	9.4	7.2	9.0	4.3	4.4	8.9	8.9	8.9
Unit Cash Costs^{(1),(2),(3)}									
Underground mining	(USD/t)	3.7	4.7	9.5	8.8	7.6	5.9	5.5	5.3
Open pit mining	(USD/t)	3.2	4.1	4.9	5.4	5.7	6.0	6.5	6.4
Processing	(USD/t)	2.2	2.7	2.9	2.9	2.9	3.0	3.0	2.9

(1) Costs / Total Mined* (underground / open pit as applicable).

(2) Represents on-site cash cost of production. Excludes some USD90 million per annum of centralised general and administrative costs and some USD150 million per annum for transportation costs, and royalties.

(3) Cash costs exclude depreciation and forecast costs are in real terms.

(4) Figures reflect sales of SSGPO, which due to time delays might be slightly different to onward sales by the Company.

5.3 Geology

5.3.1 Title

All SSGPO mining authorisations are subject to an initial base contract which was signed with the government of Kazakhstan on 25 December 1996, and become effective when registered on 6 February 1997. All subsequent revisions, extensions and amendments of this contract are recorded as an annexure to the base contract. The current contract is valid until May 2015 as the mining licence was issued in May 1995 for a period of 20 years. Clauses within the base contract state that the period of the contract may be extended for a maximum further period of 20 years until May 2035. Under recent new laws, SSGPO is entitled to apply for a mining contract that could potentially be valid for a further 45 years due to the size of the resource base. For the IPO, the government of Kazakhstan has indicated in an official letter, which SRK has seen, that the mining Contract will be extended but this does not constitute a guaranteed Contract approval.

Table 5-3 Iron Ore Division—Summary of Mining Contracts

Asset ⁽¹⁾	Status	Asset Type	Contract Expiry Date	Contract Area (ha)
Sarbaisky	Production	o/p	10/05/2015	1,770.0
Sokolovsky (Central, Southern)	Production	o/p	10/05/2015	643.7
Kacharsky	Production	o/p	10/05/2015	1,080.1
Korzhinkol'skoye	Production	o/p	10/05/2015	468.0
Sokolovsky (northern)	Production	u/g	10/05/2015	384.0
Alekseevskoe (dolomite)	Production	o/p	07/06/2015	652.5
Kzyl-Zharskoe (limestone)	Production	o/p	29/09/2015	55.1
Sokolovsky (building stone)	Production	o/p	09/04/2015	1,019.0
Sarbaisky (bentonite clay)	Production	o/p	06/11/2027 ⁽²⁾	47.0

(1) o/p—open-pit; u/g—underground.

(2) This is the expiration date of the contract as no licence was issued.

5.3.2 Regional Geology

The mineralisation is hosted in Carboniferous carbonate sediments and extrusive volcanic rocks, underlain by porphyritic granitoid intrusions. The economic mineralisation is a result of highly iron-enriched, hot metasomatising fluids passing through the limestones and tuffaceous volcanics along pre-existing faults and weak zones in the generally porous volcanic rocks as a result of the intrusion of the granitoids.

All of the deposits are covered by sedimentary waste rocks with thicknesses varying from around 100 metres at Sarbaisky and Sokolovsky to up to 200 metres at Kacharsky.

The ore host rocks are folded into large, generally open, fold structures. Both the Paleozoic rocks and the granitoids are affected by faulting. In some areas, the Palaeozoic sequences show evidence of weathering, and some collapse structures, and oxidation of the magnetite to martite and hematite.

5.3.3 Deposit Geology

The Sarbaisky and Sokolovsky deposits are situated on opposite limbs of an anticlinal structure, with a porphyritic granite intrusion between the remnant limbs of the partially eroded feature. The dip of the strata ranges from around 45° to vertical or slightly overturned.

At Sokolovsky, mineralisation has been traced for approximately 7.5 kilometres along its length, with widths varying from 180 to 650 metres. The Lower Carboniferous rocks were reworked during the middle and upper Carboniferous period, and this resulted in subsidence of the original rock mass creating conglomerates and breccias consisting of the original limestone and volcanic rocks with the resultant cavities filled with clay material. This has not affected the mineralisation of the mining operations.

At Sarbaisky, three ore zones have been identified that are present in a complex of contact-metasomatic formations, consisting of magnetite ore and barren skarns and hornfels. The zones are continuous along strike and dip, except where they are disrupted by faults and diorite intrusions. The eastern and western orebodies are larger, similar in size at 1,700 metres and 1,900 metres strike length respectively, and 180 metres wide. Both orebodies have also been intersected at depths of over 800 metres. The smaller south-eastern orebody is approximately 100 metres long, 170 metres wide, and has been drilled to depths of just less than 800 metres. Exploration in the 1980s has outlined a region of stockwork vein type mineralisation, close to surface near the southern boundary of the current open pit.

At Kacharsky, the host rocks have been extensively folded with fold axes along azimuths of between 10° and 50°. The limbs of the folds dip at angles varying between 15° and 70°. The wavelength of the folds range from 2 to 4 km, but are interrupted by extensive faulting of various directions and magnitude with displacements up to 300 metres. Three main areas of mineralisation have been outlined at the deposit. These zones comprise a total length of

4.5 kilometres along strike, between 50 and 2,000 metres down dip, and between 7 and 170 metres in width. Forty distinct orebodies have been defined in the Mineral Resources, with the higher grade of them being massive and stockwork vein types.

At Korzhinkol'skoye, the mineralisation is less massive than the three deposits described above, and occurs as more discrete and irregularly shaped pods, and lenses that vary in scale from approximately 10 metres to over 60 metres wide. Over 250 individual orebodies have been identified at Korzhinkol'skoye. The general dip of the mineralisation varies between 20° and 60° towards the north east but has been experienced to be highly variable.

While there are local variations in all the deposits, they have similar genesis, and as a result can be described with certain general characteristics. The ore occurs as massive, banded, disseminated, and stockwork vein types in various portions of the deposits. The major iron bearing minerals are magnetite, pyrite, pyrrhotite, and, less commonly, markasite. Titanomagnetite occurs only in specific parts of the deposits.

The magnetite content of the massive ore ranges from 60 to 80%, from 20 to 60% in the banded ore, and from 20 to 55% in the disseminated and stockwork vein ore types. The pyrite content of the ore varies between 0.1 and 15%. Concentrations of pyrite are generally highest at Sokolovsky.

Hypogene alteration together with calcite forms veins of up to 0.5 metres wide.

Since the bulk of the RoM ore (73%) will be extracted from Sarbaisky (19%) and Kacharsky (54%), geological details on these assets have been provided. Refer to Figures 5-3 to 5-6.

5.3.4 Exploration Potential

A significant quantity of iron ore has been defined and estimated at the existing sites. In some cases mine plans have been developed but were not included in the Ore Reserves by SRK as they were not scheduled to be mined in the near future. Therefore SRK notes that there is a significant potential to convert known Mineral Resources to Ore Reserves as required.

In addition to the Mineral Resources reported, the Kostanai area has been extensively explored by geophysical methods and there are reportedly in excess of 90 identified significant anomalies, some of which have already been explored by diamond drilling by the State. The Kazakh authorities have begun putting these deposits out to tender and SSGPO has successfully bid on the Sorsky deposit, and are considering bidding for further deposits if they become available.

5.4 Ore Reserves and Mineral Resources

5.4.1 QA/QC Procedures

Samples from Kacharsky are analysed at the Central Laboratory of the North Kazakhstan Processing-Geological Department, whilst samples from Sarbaisky and Sokolovsky are analysed at the chemical laboratory of the Kostanai Geology Exploration Department, and the Central Laboratory of the Ural State University. During the exploration phase, the principal elements tested were iron, sulphur and phosphorus; however composite samples were created and analysed for 20 elements.

Quality control sampling was restricted to analysis of duplicates, amounting to about 10% of the total samples, split between internal and external laboratories. This is in line with standard GKZ practice.

SRK's checks did not identify any systematic discrepancies for the analysed iron grades in the quality control/quality assurance programmes, although SRK did note some minor discrepancies for sulphur and phosphorous analyses, however, at low absolute values. Given the consistency of the reported grades, as well as the long operating history of the

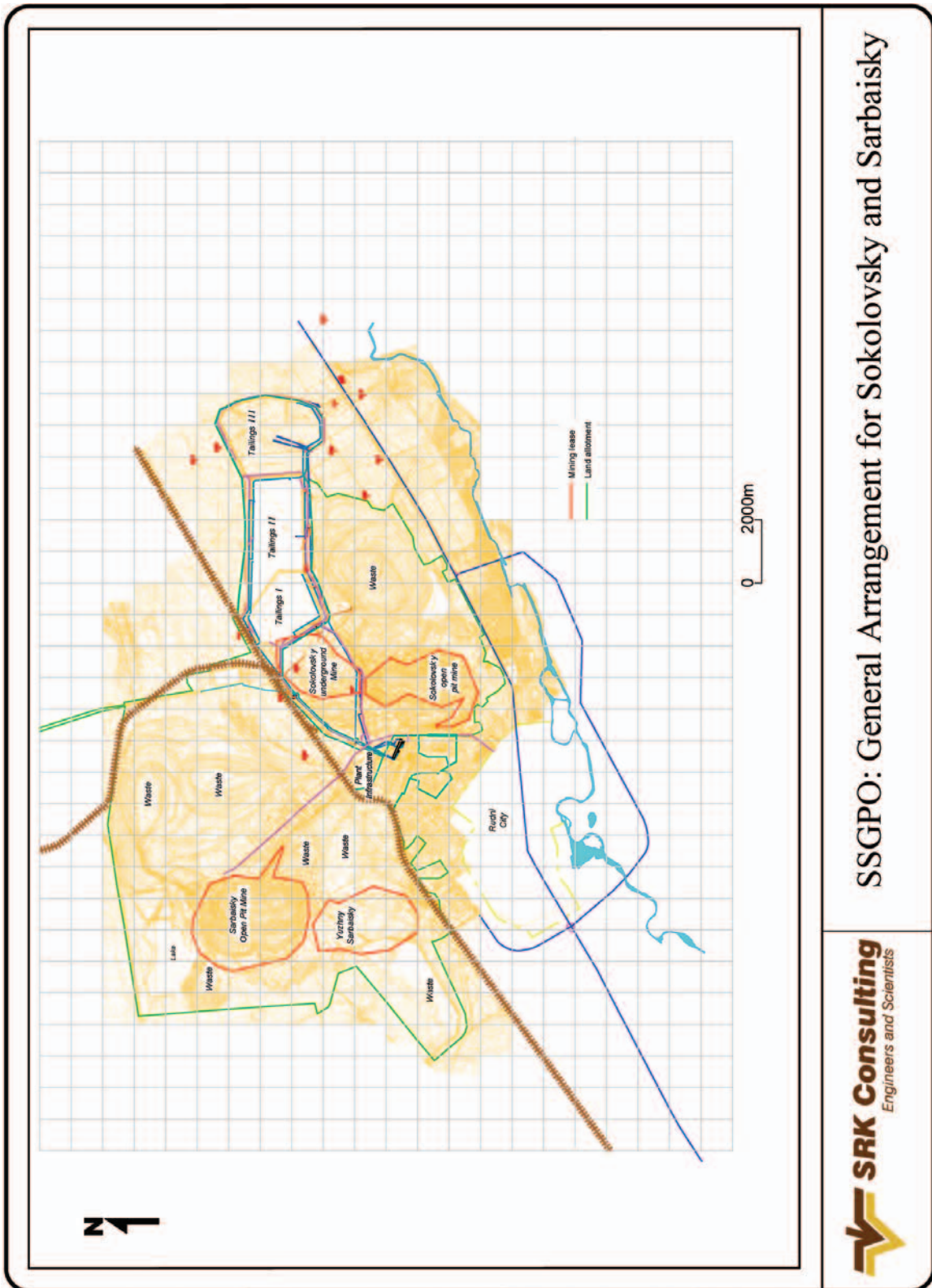
mines, SRK considers that the results are appropriate for generating Mineral Resource estimates.

5.4.2 Base Data for Resource Estimate

The mineral deposits around Rudni were originally evaluated in 1949. The Kacharsky deposit was discovered by geophysical exploration in the following year. Several drilling programmes were undertaken between 1949 and 1985, with more than 900 kilometres drilled and 90,000 assays sampled. The exploration effort is summarised as follows:

- Sarbaisky: 225,870 metres drilled and 54,507 samples assayed;
- Sokolovsky: 296,000 metres drilled and 29,003 samples assayed between 1949 and 1964; and
- Kacharsky: 455,500 metres drilled and 38,340 samples assayed between 1951 and 1985.

Figure 5-1 Iron Ore Division—General Arrangement of Sokolovsky and Sarbaisky Operations



SSGPO: General Arrangement for Sokolovsky and Sarbaisky



Figure 5-2 Iron Ore Division—General Arrangement of Kacharsky Open Pit Mine

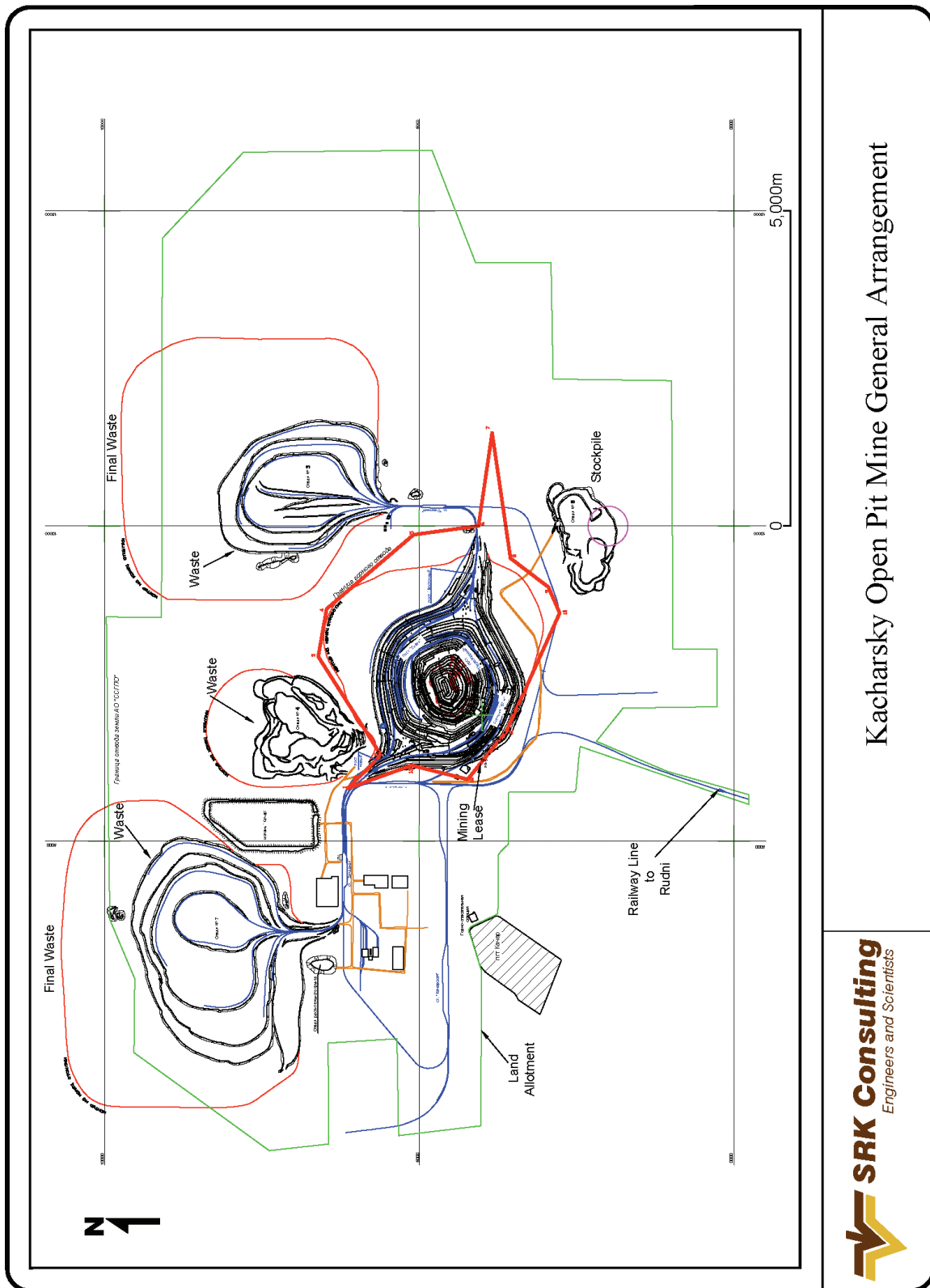


Figure 5-3 Iron Ore Division—Sarbaisky geological plan

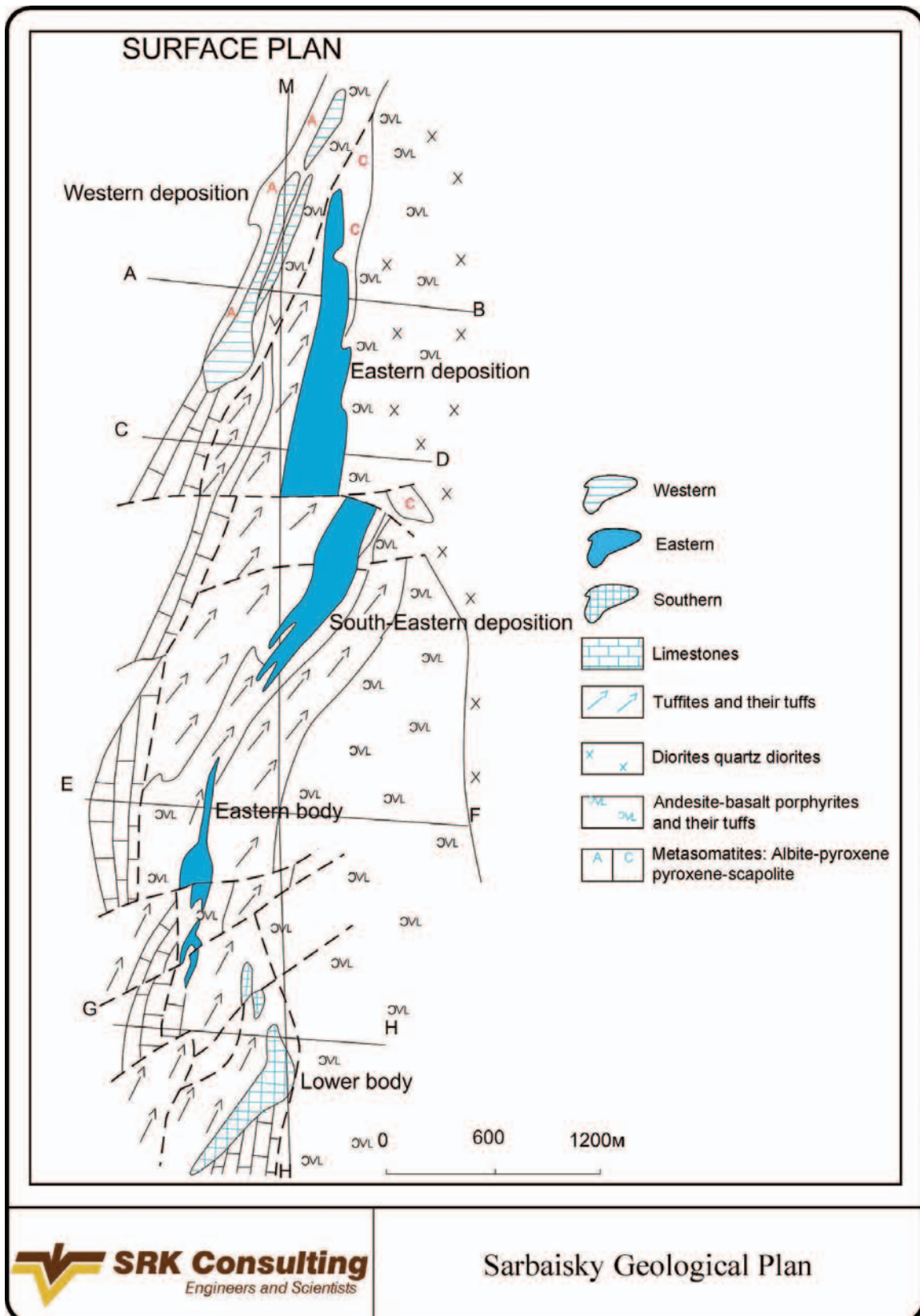


Figure 5-4 Iron Ore Division—Sarbaisky cross sections

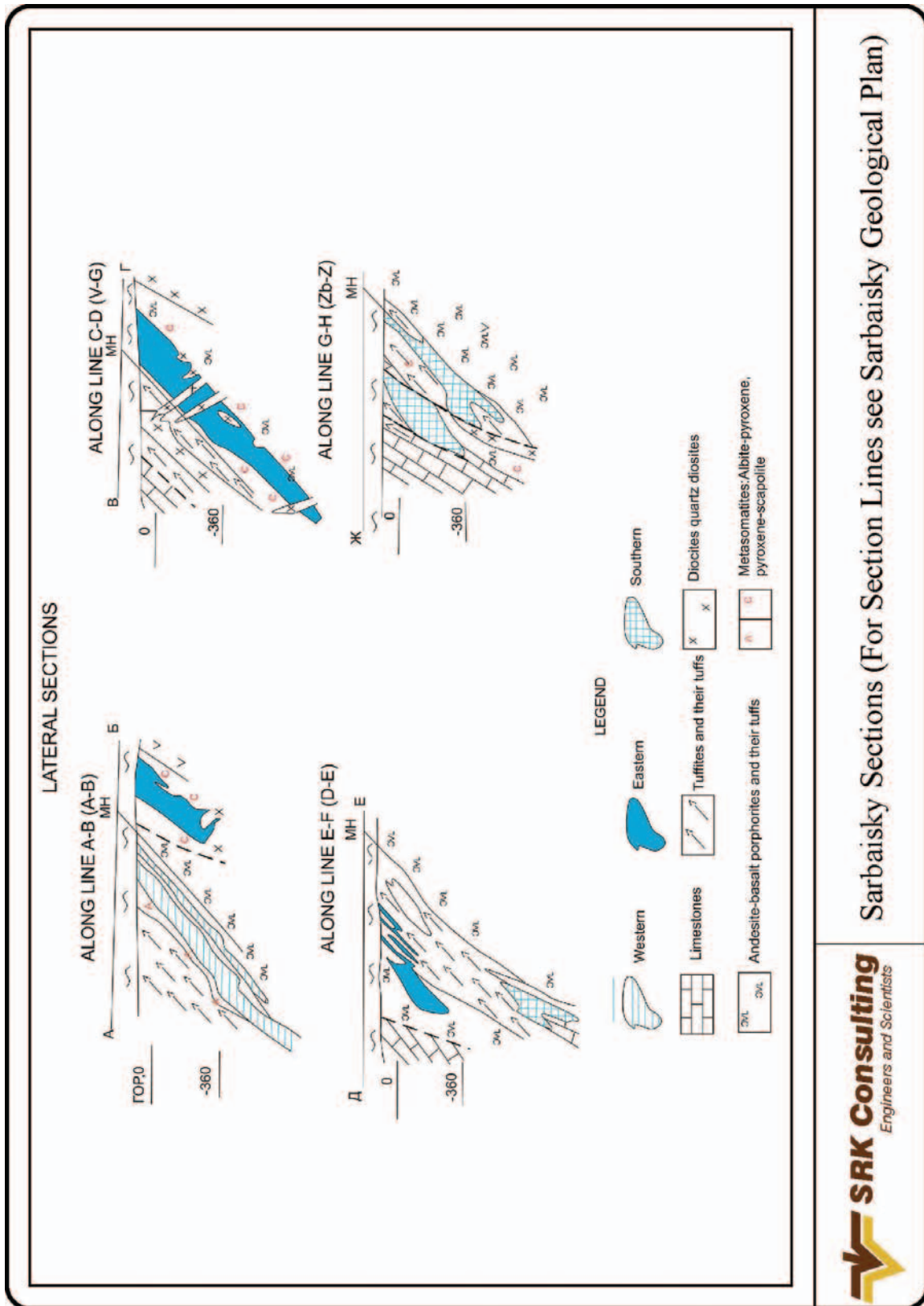


Figure 5-5 Iron Ore Division—Kacharsky regional geological plan

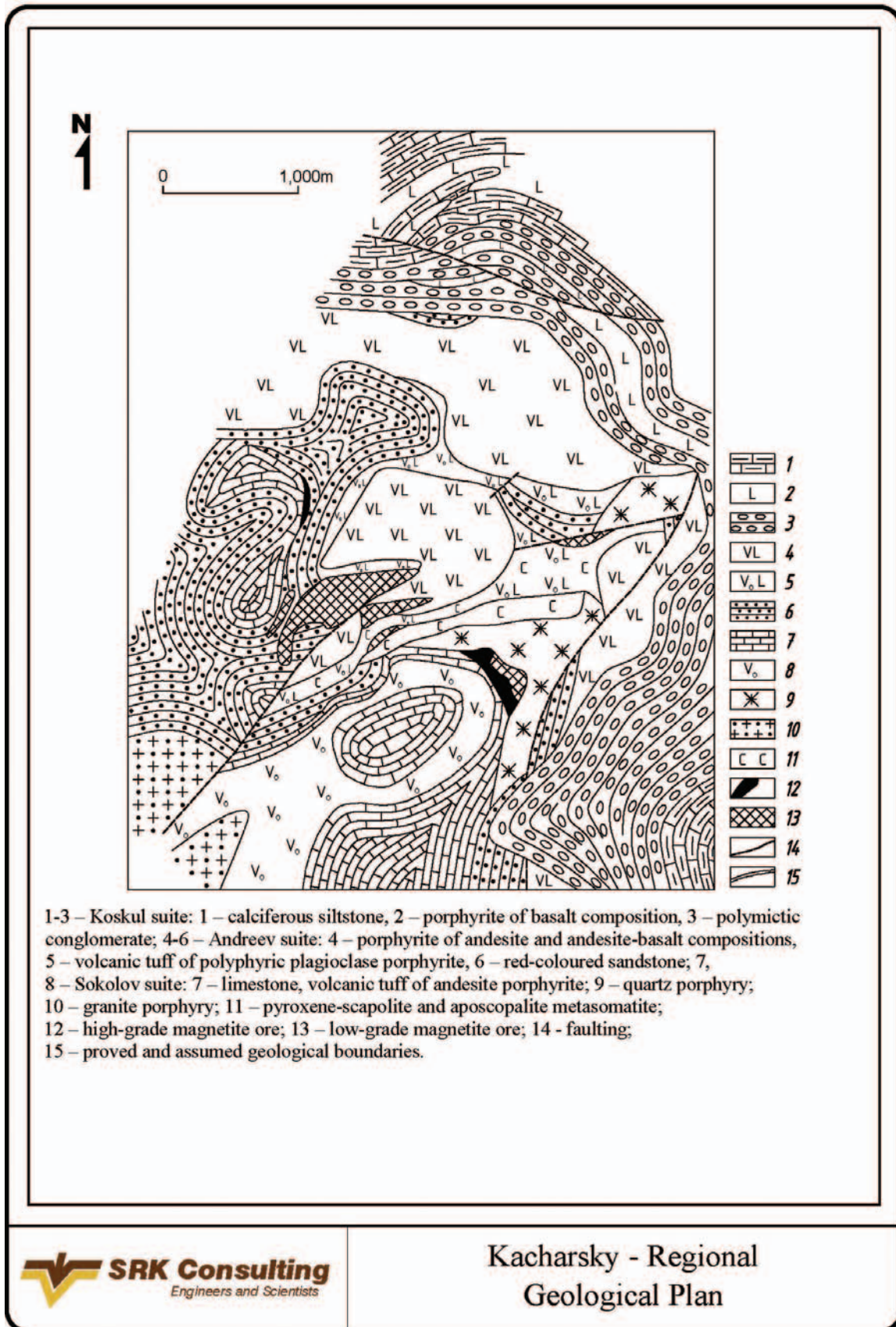
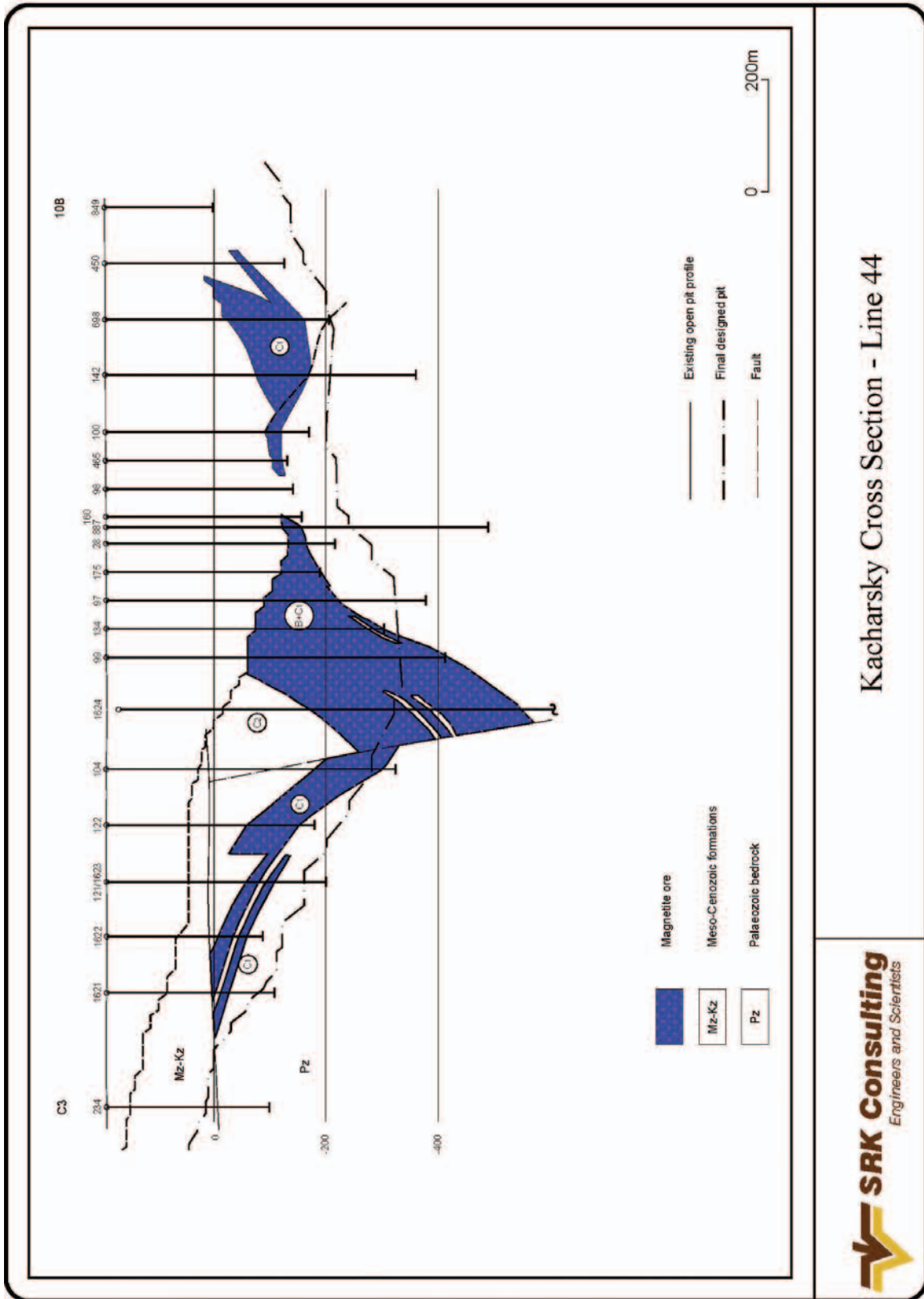


Figure 5-6 Iron Ore Division—Kacharsky cross section



Core recovery was generally poor by modern standards at between 70 and 84% on average for the individual deposits. Core recovery within the ore horizons was generally better, and checks between drill core and slime from the same interval verified that selective grinding of the core within specific lithologies had not occurred. There is, therefore, no bias expected in terms of the metal grades where poor core recoveries have been experienced. Further, comparison of the magnetite intersections with core recovery did not indicate any tendency to under-estimate grade when core recovery was poor. Therefore, the conclusion at the time was that the core samples were representative of the orebody. SRK concurs with this opinion.

The inclination of the drill-holes was surveyed, and for later holes, gyroscopic readings for azimuth are available. For most of the holes the deviation from vertical is under 5°. Based on the description provided in the GKZ reports, sampling and sample preparation appear appropriate.

The iron grade in blast-holes in the open pits, and prospect-holes in the underground operation, is measured by geophysical methods, rather than physical sampling. A magnetometer is inserted in the blast hole and readings taken every 0.5 metres. This measures the magnetic susceptibility of the surrounding rock and the iron content is calculated using a regression curve derived by comparing core assays with geophysical magnetic surveys of the same drill hole. The regression is recalculated every year for each ore type and orebody that is mined. Some 5% of the holes are repeat tested to determine the accuracy of the testing procedure. The error of the estimate is reported to be of the order of 2 to 3%. SRK considers this level of accuracy to be reasonable.

In the open pits, blast-hole drilling is carried out on a 6 × 6 metres grid in ore, which can be extended to 8 × 8 metres in overburden. Sampling by geophysical methods is carried out on 0.5 metres downhole spacing. For the underground mine, drilling is undertaken on 15 metres section lines, but with irregular spacing along the section line. This grade control drilling is independent from blast-hole drilling. A fan of 3-5 holes is drilled from development drives and can extend up to 250 metres. The magnetic field is measured every 0.5 metres along the holes, and by the methods described above. The results of the geophysical measurements are used to outline the shape and grades of the orebodies for detailed planning.

The density of the ore relates directly to the magnetite content. Densities for resource reporting purposes are based on regression formulas based on 330 samples at Sokolovsky and more than 1,300 samples at Kacharsky. Ore from Sarbaisky and Korzhinkol'skoye was also tested, but the number of samples is not known to SRK.

5.4.3 Resource Estimation Techniques

For all the deposits, the original, manual estimate of the Mineral Resources was based on polygonal estimates and cross-sections drawn on paper. Recently, in 2004 and 2005, a three dimensional computerised model was developed for the Sarbaisky deposit and the Mineral Resource estimate is based on this model.

Manual resource estimation is based on vertical sections, generally 50 to 100 metres apart. The mineralized intervals are classified on a hole by hole basis, with a minimum width of 4 metres used for Sokolovsky, Korzhinkol'skoye and Sarbaisky, and 6 metres for Kacharsky. The shapes of the individual orebodies are defined by correlating mineralized drill-hole intersections. The block grade is estimated using the length of intersection and the area of the block.

Oxidised ore, usually present as martite or hematite, cannot be concentrated using magnetic separation and must be sold separately as a high-grade direct feed into a blast furnace or sinter plant. Consequently, this material is called 'Blast Furnace' or 'Open Hearth' ore. The resource cut-off limits for the oxide ore include iron grade and silica, phosphorus and sulphur content. The on-balance magnetite ore is permitted to be high in sulphur, as this can be controlled through blending and in the concentration and pelletising process.

The Kacharsky Mineral Resources were calculated to a maximum depth below surface of 1400 metres and remain open at depth, while the Sokolovsky and Sarbaisky deposits close off at about 980 metres depth. Drilling at Korzhinkol'skoye has outlined mineralisation to depths of over 700 metres.

The updated computerised geological model for Sarbaisky includes data from the drilling programme completed in 1987. The data was captured from hard copy reports, with 10% double blind checking of the captured data, which revealed a low proportion of errors. The data was plotted on the same sections used originally for the manual estimate, the orebody outlines were compared with the previous interpretation, and updated where new data was available. The orebody outlines were joined between the sections, and wireframes of the orebodies created.

The orebody wireframes were defined as hard boundaries, and the sample data composited to 2 metre intervals within the wireframes. A geostatistical estimate was generated using Ordinary Kriging as the interpolator and anisotropic semi-variogram models. A manual calculation of the mineral resources was done, using the updated information, and compared to the geostatistical estimate, which demonstrated that the difference between the manual and computerised model resource estimates was less than 5% in all the orebodies in terms of total tonnes and grade.

For Sokolovsky, the Mineral Resource estimate includes some 11 Mt in C1 and 11 Mt in C2 category, which are not yet included in the GKZ inventory. This material consists of vein-stockwork mineralisation and is exposed in the open pit. The estimation was undertaken in collaboration between a technical institute and SSGPO, using section methods and is based on grade control drilling in the pit and limited exploration drilling. SRK is satisfied that these Mineral Resources additional to the GKZ figures are adequate for reporting Mineral Resources in the Indicated and Inferred Mineral Resource categories respectively.

Information from grade control and stope delineation drilling is used to reconcile the actual production achievements against the planned production for the GKZ defined Resources and orebody shapes. The GKZ resource is depleted with the planned figures, and deviations from these are recorded.

The reconciliation of the production with the depleted resource on an annual basis takes into account the following categories of discrepancy:

- Production;
- Losses during production;
- Gains from exploration;
- Changes in grade category from re-estimation;
- Re-estimation of resources; and
- Miscellaneous changes.

The production that is depleted from the resource is that portion of the original mineral resource that was mined, and any additional production that was not planned for, would be additional under the exploration gains. In practice, the changes are usually limited to the production, mining losses, and gains in exploration. Changes due to re-estimation are less common, and the re-estimation of resources reportedly rarely occurs.

SRK notes that from the reconciliations for the past five years that were reviewed, and from discussions regarding the reconciliations from years prior to that, the GKZ estimates are generally conservative in terms of the tonnages and grades estimated, and the actual production tends to exceed the estimated Mineral Resources in most reconciliations.

5.4.4 Resource Classification

The GKZ Mineral Resources estimated using the manual method, were classified according to the standard Russian methodology for an iron ore deposit of Type II complexity. The classification is based solely on the drill-hole spacing used to define the orebodies. Resources that are defined by a drilling grid spaced more widely than defined for the C1 category are classified as C2 Resources. These are usually extensions of orebodies that have been drilled with sufficient level of confidence in some portions, and are inferred to continue beyond the blocks that have been defined as B and C1. All off-balance material that has drill-hole spacing that meets the criterion of B or C1 drill spacing is classified under the C1 Category.

The resource estimate at Sarbaisky was classified according to geostatistical criteria using a series of incrementally larger search ranges. Blocks with at least three data points (two from different holes) within two thirds of the semi-variogram range, were classified as Measured Mineral Resources. Blocks with at least three data points (two from different holes) beyond two thirds of the semi-variogram range, but within a single semi-variogram range, are classified as Indicated Mineral Resources, and blocks with at least two points up to six times the semi-variogram range, are classified as Inferred Mineral Resources.

SRK has reclassified the GKZ Resources (and the comparatively small amount of resources not yet submitted to the GKZ but estimated in collaboration with a technical institute in the Sokolovsky pit) as follows:

- Material that was classified as B Category Mineral Resources is reported as Measured Mineral Resources;
- Material classified as C1 Category is reported as Indicated Mineral Resources;
- Material classified as C2 Category within the final open pit limits at Sokolovsky, Korzhinkol'skoye, Kacharsky and Sarbaisky is reported as Indicated Mineral Resources;
- Material classified as C2 Category below the final open pit limits at all the operations is reported as Inferred Mineral Resources; and
- Off-balance B and C1 material has been included as Indicated Mineral Resources, and C2 as Inferred Mineral Resources, as the operations mine this material economically at present and SRK considers that there is a reasonable prospect of some of this material being mined at forecast prices.

5.4.5 Mine Plans

Mine plans were prepared for each of the operations by independent and authorised Technical Institutes as part of the process of defining the GKZ contract. The open pit design studies included geotechnical assessments, although SRK notes that these primarily assessed the potential for circular slip failures and did not consider other potential failure mechanisms. SRK noted that in the Sarbaisky and Kacharsky pits the bedding planes are adversely orientated in some of the walls and there are several major faults in the Kacharsky pit. SRK considers that further geotechnical studies are warranted to evaluate the risk of a major wall failure, though notes that there is time for such studies to be conducted.

The original studies for all open pit operations have been updated and reassessed in 2004-2005 by authorised Technical Institutes. The final pit designs from these studies have been used as the basis for the current Life-of-Mine plan.

SRK notes that the open pit designs have been evaluated using manual methodology for determining the final pit limits and pit designs. SRK evaluated the economics of the operations at the final pit limits, and concluded that the pit limits are economic for the current sales and cost assumptions. SRK considers that evaluating the cut-off grades and slope angles using modern software could lead to significant opportunities.

SSGPO is processing off-balance low-grade iron ore that is mined whilst accessing the main orebody at Sokolovsky. SSGPO considers that there is a significant quantity of low-grade iron ore (20-35% Fe) within the footwall cut-back currently being developed, which is not included in the GKZ estimate as at 1 January 2007. This material is currently being processed and a resource estimate has been undertaken in collaboration with a technical institute. SRK has included the portion of the material which can be classified as Indicated Mineral Resources in the Mineral Resource estimate, Ore Reserve estimate and mine plan.

Additional material has been placed in the Inferred Mineral Resource category. SRK considers that there is a opportunity for a portion of additional material currently classified as waste in the LoMp presented in this report to be reclassified as low-grade iron ore. This will increase ore production for no effective change in mining costs.

SRK recommends SSGPO to verify the true potential of this area with a short exploration drill programme.

The Sokolovsky underground mine lies to the north of the Sokolovsky open pit. The operation is divided into three operating areas: Sokolovsky underground; Sokolovsky South (Yuzhny); and Epicentre 6. The Sokolovsky underground mine is well developed and is currently in production. The main shaft currently is developed to the -450m level. It has been planned to deepen this to enable mining in the longer term to the -540m level. The Yuzhny Sokolovsky deposit will be developed after the Sokolovsky open pit ceases operation and RoM production has been planned during the Life-of-Mine plan. The Epicentre 6 deposit will be developed much later. Only the material mined at Sokolovsky underground above the -540 metre level is included in the Life-of-Mine plan presented in this report. Preliminary mine plans have been developed for Yuzhny Sokolovsky and Epicentre 6. Development of these operations is not scheduled to start until after 2020 and will take ten years before any iron ore is produced. SRK has therefore excluded these from the Ore Reserves and from the Life-of-Mine plan as the project economics and technology are likely to change in the interim. Ore below the -540 metre level at Sokolovsky, which requires the shaft to be extended, has also been excluded from the reserves and mine plan for similar reasons.

The Sokolovsky underground mine will extend towards the Sokolovsky pit when open pit operations cease. A 300 × 1,300 metre pillar is planned between the open pit and the underground workings. Prior to 1998, open stoping had caused a number of “swallow holes” at surface, vertically or sub-vertically above the stopes and these contain shallow pools of water. SRK was advised by SSGPO that the risk posed by these swallow holes has been assessed and was considered to be low.

5.4.6 Modifying Factors

The ore losses and dilution values used in the conversion of Mineral Resources to Ore Reserves are presented in Table 5-4.

Table 5-4 Iron Ore Division—Modifying Factors for Losses and Dilution

Mine	Tonnage Loss (%)	Tonnage Dilution (%)	Diluting Grade (% Fe)
Sokolovsky Underground	18.1	20.4	13.0
Sokolovsky Open Pit	3.9	4.5	14.0
Sarbaisky Open Pit	2.4	5.6	11.5
Yuzhny Sarbaisky (Cutback)	5.7	6.0	14.0
Kacharsky Open Pit	6.0	6.0	10.5
Korzhinkol'skoye Open Pit	5.9	24.0	12.5

5.4.7 Mineral Resource and Ore Reserve Statements

Mineral Resource Estimate

SRK has not independently re-estimated a Mineral Resource estimate for SSGPO, but has rather reviewed and commented upon the quantity and quality of the underlying data and the methodologies used to derive the estimates as reported by SSGPO and then re-reported these using the terminology and guidelines of the JORC Code.

Table 5-5 presents SRK's audited and reclassified Mineral Resource Statement as of 1 July 2007 for each of the iron ore mines. The Mineral Resources are classified according to the terms and guidelines of the JORC Code and are presented inclusive of any material that may be subsequently classified as Ore Reserves. The long mining history and the generally conservative nature of the Mineral Resource estimates to date give SRK confidence in the Mineral Resource estimate.

Ore Reserve Estimate

SRK's reclassified Ore Reserve statement is based on the Mineral Resource estimates of SSGPO as audited and reclassified by SRK, adjusted for Modifying Factors derived from production and reconciliation data and reports provided by the company. SRK limited the Ore Reserve estimate to include only those that satisfy the JORC criteria that appropriate studies must demonstrate technical and economic feasibility, and for which a commitment will be made within the next ten years.

For the open pit Ore Reserves, where these have been evaluated and defined by the long term feasibility study, these have been included as Ore Reserves even when mining of such Ore Reserves will occur in the long term future.

For the underground Ore Reserves, SRK included that material which was either currently accessible from existing shafts or due to be developed within the next ten years. Whilst preliminary mine plans and project economics have been developed for mining mineral resources at Yuzhny Sokolovsky, the resources below the -540 metre Level at Sokolovsky and Epicentre 6, this material was excluded by SRK from the Ore Reserves on the grounds that development was not scheduled to begin within ten years and therefore the technology and project economics would be likely to change.

Ore Reserve Statements as at 1 July 2007 are presented in Table 5-5.

Table 5-5 Iron Ore Division—Ore Reserves and Mineral Resources—1 July 2007

Ore Reserve Category	Tonnage (Mt Dry)	Grade (% Fe)	Content (Mt Fe)
PROVED			
Underground			
Sokolovsky	16.9	39.0	6.6
Open Pit			
Sokolovsky	—	—	—
Sarbaisky	42.2	38.9	16.4
Yuzhny Sarbaisky	59.2	44.5	26.3
Kacharsky	187.7	42.4	79.6
Korzhinkol'skoye	—	—	—
TOTAL	306.0	42.1	128.9
PROBABLE			
Underground			
Sokolovsky	231.4	31.3	72.5
Open Pit			
Sokolovsky	36.1	33.5	12.1
Sarbaisky	78.9	33.8	26.7
Yuzhny Sarbaisky	83.7	44.3	37.1
Kacharsky	676.7	35.6	241.0
Korzhinkol'skoye	91.7	36.4	33.4
TOTAL	1,198.5	35.3	422.8
TOTAL PROVED AND PROBABLE	1,504.6	36.7	551.8
Mineral Resource category^{(1),(2)}			
MEASURED			
Underground			
Sokolovsky	85.0	48.5	41.2
Open Pit			
Sokolovsky	—	—	—
Sarbaisky	56.8	37.9	21.5
Yuzhny Sarbaisky	59.2	46.3	27.4
Kacharsky	204.6	44.5	91.0
Korzhinkol'skoye	—	—	—
TOTAL	405.7	44.7	181.2
INDICATED			
Underground			
Sokolovsky	1,099.9	38.8	427.2
Open Pit			
Sokolovsky	35.6	34.5	12.3
Sarbaisky	805.4	37.4	301.0
Yuzhny Sarbaisky	170.1	44.5	75.6
Kacharsky	998.9	36.7	366.8
Korzhinkol'skoye	130.9	42.2	55.2
TOTAL	3,240.9	38.2	1,238.1
TOTAL MEASURED AND INDICATED	3,646.5	38.9	1,419.3
INFERRED			
Underground			
Sokolovsky	275.6	42.3	116.7
Open Pit			
Sokolovsky	11.1	26.6	3.0
Sarbaisky	157.9	38.8	61.3
Yuzhny Sarbaisky	116.2	48.1	55.9
Kacharsky	278.4	33.2	92.6
Korzhinkol'skoye	51.9	40.1	20.8
TOTAL	891.2	39.3	350.2
TOTAL MEASURED, INDICATED AND INFERRED	4,537.7	39.0	1,769.5

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

5.5 Mine Operations

5.5.1 Mining Methods, Equipment and Access

Underground Mining

The Sokolovsky underground mine commenced using cut and fill methods, though in 1998 this was changed to two variations of sub-level caving: two-stage mining system with mass caving of pillars and crown pillars; and single stage mining system. Mining blocks are 60 metres on strike, drawpoints are on a 15 metre grid and ore is taken from the drawpoints by scrapers. The mining layout is adapted for each block if necessary. Sub-levels are developed at nominal 20 metre vertical intervals and all ore is drilled and blasted. The shaft has a hoisting capacity of 5 Mtpa. Four main ventilation shafts divide the operating into blocks. An underground crusher is used to crush ore prior to hoisting. The ore is railed for processing at the concentrator plant.

Open Pit Mining

- **Sokolovsky and Sarbaisky Open Pits**

The ore and waste rock is drilled and blasted, then Russian-made rope shovels load the blasted material directly into Belaz trucks or trains. Sokolovsky open pit mine has a production capacity of 9.5 Mtpa of RoM ore whilst Sarbaisky open pit mine has a production capacity of 10 Mtpa of RoM ore. The South face cutback and the future development of the separate Yuzhny (southern) Sarbaisky pit will extend the life of these pits. SRK considered that whilst much of the mining equipment appears to be old, maintenance, mine planning and operational control systems were in place and appeared to be effective.

- **Kacharsky Open Pit**

This is the largest open pit operation and is scheduled to provide approximately half the ore in the Life-of-Mine plan. The ore and waste rock is drilled and blasted, then Russian-made rope shovels and draglines load the blasted material directly into Belaz trucks or trains. The mine has a capacity of 15 Mtpa of RoM ore. This is planned to increase using ore from additional deposits located to the south of the current deposit. The pit is currently 343 metres deep and the final pit is planned to be 700 metres deep. The deposit is overlain by a 160 metre layer of loose sand though much of the overburden was pre-stripped and these costs were capitalised. One cut-back is planned.

- **Korzhinkol'skoye Open Pit**

This is a small open pit operation which started in 1981 but was closed in 1998. The mine was redesigned and re-opened in 2004. The mining operations are similar to the other open pits with the ore and waste being drilled, blasted and loaded into trucks using Russian or CIS manufactured equipment. SSGPO is constructing a crushing and dry magnetic separation plant as a pilot scheme to crush and pre-process the ore locally. This will reduce the tonnage of ore that requires to be railed to the central process plant at Rudni. The mine has a capacity of 1.8 Mtpa of RoM ore in current mine configurations but is being expanded to 3 Mtpa in 2007.

5.5.2 Historical and Forecast Operating Statistics

Table 5-6 provides historical mining statistics at the iron operations. Historically, mining production has been driven by Sokolovsky (both underground and open pit), Sarbaisky and Kacharsky.

Based on the Ore Reserve estimate at 1 July 2007, mining is scheduled to continue for 31 years, with some 1,360 Mt of ore mined. Future mining activity will be centred around the Kacharsky open pit; which will account for some 54 percent (729 Mt over 31 years) of ore delivered to the processing plants; with 19 percent (260 Mt over 31 years) coming from Sarbaisky, 18 percent (249 Mt over 31 years) coming from Sokolovsky underground,

six percent (79 Mt over 30 years) coming from Korzhinkol'skoye, and three percent (40 Mt over 9 years) coming from Sokolovsky open pit.

Table 5-6 Iron Ore Division—Historical and Forecast Mining

	Historical				Forecast					
	2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	LoM	
Mining—underground										
Sokolovsky (all mines)										
Development	(000m ³)	81	50	75	41	61	105	117	128	5,744
RoM underground	(Mt wet)	3.1	2.0	1.6	1.2	1.6	4.5	5.0	5.7	246.0
Iron grade	(%)	31.7	31.7	30.8	30.3	31.7	31.7	31.7	31.7	33.0
Mining—open pit										
Sokolovsky										
RoM open pit	(Mt wet)	8.0	6.9	9.8	4.3	4.3	7.9	7.8	5.4	36.2
Waste removed	(Mm ³)	8.2	5.2	6.5	2.7	3.4	9.5	11.5	10.5	54.8
Stripping Ratio	(m ³ /t)	1.0	0.8	0.7	0.6	0.8	1.2	1.5	1.9	1.5
Iron grade	(%)	29.6	29.6	27.1	26.8	26.5	25.5	35.5	38.0	33.4
Sarbaisky (all pits)										
RoM open pit	(Mt wet)	12.0	8.9	9.9	4.9	5.2	9.5	9.0	9.1	255.6
Waste removed	(Mm ³)	16.9	13.2	14.0	5.7	7.0	22.4	24.1	28.4	749.9
Stripping Ratio	(m ³ /t)	1.4	1.5	1.4	1.2	1.3	2.3	2.7	3.1	2.9
Iron grade	(%)	38.6	38.6	38.3	38.4	38.5	38.5	38.5	38.6	37.1
Kacharsky										
RoM open pit	(Mt wet)	12.5	11.9	15.3	7.8	9.3	18.2	18.4	20.2	720.1
Waste removed	(Mm ³)	32.7	28.8	31.9	11.1	21.4	56.5	69.9	72.1	1,250.5
Stripping Ratio	(m ³ /t)	2.6	2.4	2.1	1.4	2.3	3.1	3.8	3.6	1.7
Iron grade	(%)	31.5	31.4	32.2	33.4	32.8	32.5	32.5	33.8	33.6
Korzhinkol'skoye										
RoM open pit	(Mt wet)	0.2	1.0	2.2	1.3	1.6	3.0	3.0	3.8	77.9
Waste removed	(Mm ³)	0.4	1.7	5.2	3.5	4.0	7.9	7.9	10.6	182.3
Stripping Ratio	(m ³ /t)	1.9	1.6	2.3	2.7	2.5	2.6	2.6	2.8	2.3
Iron grade	(%)	34.6	34.6	34.6	34.4	34.5	34.6	34.6	35.0	34.6
Total mining										
RoM	(Mt wet)	35.8	30.7	38.8	19.5	22.1	43.2	43.2	44.2	1,337.3
Iron grade	(%)	33.4	33.2	32.6	33.1	33.0	32.6	34.3	35.1	34.3

5.6 Mineral Processing

5.6.1 Processing Plants

All of the iron ore is processed at a central processing facility near the Sokolovsky-Sarbaisky mines.

Run-of-Mine ore is delivered to the primary crushers and process plant by train in 105 tonne lots. The ore is crushed by two gyratory crushers and fed to the secondary crushers. The original Soviet Union manufactured secondary crushers have recently been substituted by modern international crushers. The new crushers are equipped with the facility to automatically set the crusher gap which reduces considerably the time requirement for regular maintenance and control. The secondary crushed products of the two lines are combined in a common bunker and then fed to the tertiary and the quaternary crushing stages. The quaternary crushing stage is scheduled to be modernized by replacing the existing conventional crushers by modern hydrocone crushers with automated crusher gap controls.

The iron ore coming from quaternary crushing is conveyed to control screening combined with dry magnetic separation, followed by a fifth stage of crushing. Presently the dry magnetic separation plant consists of 10 parallel production lines of screens; dry magnetic separators for processing the over- and under-sized material separately; fifth stage crushing of the over-size material using rotor crushers with screens in a closed circuit. The screens following the rotor crushers ensure that the feed to the beneficiation plant is consistent in size distribution.

The pre-concentrates from the dry magnetic separation are upgraded to final concentrates by wet magnetic separation following two to three stages of grinding.

SSGPO operates one of the oldest pelletising complexes of the former Soviet Union, constructed in stages between 1964 and 1971. It comprises 12 production lines. At present some two thirds of the concentrate production is converted into pellets. Due to the outmoded technology and inefficiencies SSGPO is planning to upgrade and expand the plant.

Overall, the building and equipment were in good condition and at the time of the SRK site visit almost all equipment was operating. The perceived good housekeeping indicates a high degree of maintenance and plant control.

5.6.2 Historical Operating Statistics

Table 5-7 provides historical and forecast processing and pelletising statistics at the iron operations. Based on SRK's LoM, concentrate production is expected to ramp up to 21 Mt by 2018 and pellet production is expected to ramp up to 10 Mt by 2021. As mentioned in section 5.12.2, there are opportunities to prove up additional resources which would allow the Company reaching increased production targets earlier.

Table 5-7 Iron Ore Division—Historical and Forecast Processing and Pelletising

		Historical				Forecast				
		2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	LoM
Ore crushed (RoM dry)	(Mt)	35.1	30.0	37.9	19.0	21.6	42.2	42.2	43.2	1,307.0
Commodity concentrate produced	(Mt)	15.4	12.9	16.1	8.3	9.3	18.1	18.1	18.8	568.9
Pellets produced	(Mt)	9.4	7.5	8.5	4.4	4.4	8.9	8.9	8.9	293.4

5.6.3 Tailings disposal

SSGPO has assigned the sum of USD71.2 million for the refurbishing and expansion of the tailings disposal system.

SRK has visited the various tailing and return water pump stations, and these facilities are in an excellent state. The presented plans for the future pond constructions are regarded as appropriate. According to statements by SSGPO there are absolutely no objections to be expected for the acquisition of required land for the construction of the tailings ponds.

Table 5-8 Iron Ore Division—Historical and Forecast Tailings Statistics

		Historical				Forecast				
		2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	LoM
Ore Processed	(Mt)	35.8	30.7	38.8	19.4	21.6	43.2	43.2	44.2	1,337.3
Tailings	(%)	16.8	17.7	18.2	17.2	18.0	18.0	18.0	18.0	18.0
	(Mt)	6.0	5.4	7.0	3.3	3.9	7.8	7.8	8.0	240.7

5.7 Investment Plan and Capital Expenditure

Capital expenditure programmes have been developed for each operation based on the long term mining plans. Capital expenditure is divided into the key components: capital development; construction and assembly; new mining equipment and facilities; replacement equipment; and improvement initiatives. At the open pit mines, expenditure on construction represents stripping/development of the railway network.

SSGPO also plans to:

- Increase total mine production by 2012 by 4 Mtpa Run-of-Mine ore. Increase portion of underground production, ramping up from some 2 Mtpa in 2006 to 10 Mtpa by about 2018. Between H2 2007 and 2010 planned capital expenditure on mine replacement and

improvement is USD197 million, and planned expenditure on expansion is USD125 million.

- Modernise the processing plant and increase plant capacity to 21 Mtpa of concentrate. Between H2 2007 and 2010 is USD200 million.
- Upgrade the capacity of the pellet plant, which is expected to increase pellet production capacity to 10 Mtpa and increase the plant efficiency, at an estimated capital expenditure of USD65 million.

The Company business plan allows for a faster ramp up of production capacity which would require additional work on the resource inventory and LoM as described as opportunity in section 5.12.2.

SRK has reviewed the capital expenditure plans at each operation and considers that they are adequate to support the production projections.

Table 5-9 Iron Ore Division—Historical and Forecast Capital Expenditure⁽¹⁾

		Historical				Forecast				
		2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	LoM
Mining	(USDm)	37.3	44.3	65.3	54.4	66.2	77.3	85.1	93.6	2,574
Processing	(USDm)	7.5	18.6	26.5	15.9	12.7	76.6	74.8	73.9	885
General and Administrative . .	(USDm)	24.5	15.5	21.1	17.9	22.3	32.2	50.0	30.8	1,162
Total	(USDm)	69.2	78.4	112.9	88.1	101.2	186.2	209.8	198.3	4,621

(1) Forecast costs are in real terms.

5.8 Power Station

The coal-fired power plant was purchased by SSGPO in August 1998. The main facilities of the power station were built between 1960 and 1980. Major refurbishment has resulted in the increase of the installed capacity up to the level of 204 MW, sourced from two 58 MW, one 54 MW and two 17 MW turbine generator units. Apart from electricity supply to the industrial facilities of SSGPO, the thermal power plant also provides heating and hot water to both SSGPO and private property in Rudni town.

Coal is supplied from ENRC Energy Division's Vostochny coal mine by rail. The coal is milled and fed to the boilers. SRK noted that there was no gas leak detection system in the combustion section with the operators relying on smell to detect any gas leaks. Also SRK noted several instances where more could be done to: improve housekeeping and to insulate pipes; better manage emissions by fitting new emission controls; and to mitigate risks from power outages by ensuring better maintenance practices.

A new 63 MW boiler turbine is scheduled to be commissioned by 2009 at a capital cost of USD41 million that includes USD9.8 million for civils/building for preparing the site from 2007.

5.9 Centralised Facilities

Other facilities comprise a rail network, explosives plant, and maintenance/repair workshops.

The rail network is managed in two separate division electric trains, for the transport of RoM ore to the process plant and waste ore to the dump, and diesel trains, for the transport of finished products (concentrate and pellets).

The explosives plant produces 45 ktpa of explosives, which met 96.7% of the explosives requirement in 2006. The remaining requirement is comprised of detonators and blasting cord which are purchased from Russia. Costs are allocated to the SBU in proportion to RoM ore produced.

The maintenance facilities comprise a repair and overhaul workshop as well as an electrical workshop, which refurbishes electrical machinery and motors used by the electric trains and mining operations.

5.10 Management and Industrial Relations

From the meetings and technical discussions held with senior SSGPO staff, SRK considers that the management team at SSGPO are skilled and competent specialists in their specific fields. Competent operational and strategic planning is evident in the detailed plans provided and in the initiatives aimed at enhancing the value of saleable commodities. SSGPO is managed by a unitary board and labour relations are guided by the relevant labour laws of the Republic of Kazakhstan. SRK is not aware of any disputes between union and management.

Terminal benefits

SRK has made a provision for terminal benefits based on an assessment of relevant labour legislation in Kazakhstan. This amount is USD17 million in 2007 money terms.

Health and Safety

Health and safety management is focused on the development of company wide health and safety policies, taking cognisance of the legislation and regulatory environment.

5.11 Environmental Considerations

SRK conducted a high-level review of the closure costs prepared by ENRC to evaluate whether the estimate is prepared in accordance with other mining operations in Kazakhstan. In general the rates used have been adequately justified and appear realistic. Based on this review, SRK determined that the closure cost attributable to SSGPO is USD20.0 million.

5.12 Risks and Opportunities

5.12.1 Risks

SRK considers the key risks to be:

- Kacharsky is destined to be a very deep pit and will be responsible for the majority of future production. SRK identified some locations where slope failures may occur. SRK recommends that SSGPO upgrades its slope evaluation methodology to use modern slope stability software to determine whether the slope angles need to be adjusted in any way. Funding for such a geotechnical programme was included in SRK's economic model.
- The power station is required to fulfil a social function in maintaining supplies of heat to the Rudni municipality in addition to supplying electricity to the mines and processing plant. This has resulted in the plant being operated despite problems being identified. SRK considers that, unless the plant condition is reviewed and upgraded to improve reliability, then there is a medium risk of a major failure which could reduce power supply for around six months.
- Moderate risk that ramping up of underground mining capacity is slower than anticipated.

5.12.2 Opportunities

SRK considers that the following principal opportunities exist:

- SSGPO plans to produce 21 Mtpa of concentrate by 2010. The LoM presented in the MER, due to strict interpretation of the JORC code, does not allow for the production of 21 Mtpa of concentrate by 2010. However, should SSGPO achieve the target set out in its

plans, or undertake adjustments to the LoM, it may achieve the stated production target of 21 Mtpa of concentrate by 2010.

- There is an opportunity to increase concentrate production by processing additional lower-grade mineralisation currently not in the LoM, at no additional mining costs as this material is currently classified as waste to be removed. SSGPO is currently processing low-grade iron ore not included in the state balance resources. Only a part of this material is currently included in SRK's Ore Reserve statements, the remainder requires additional drilling to allow reliable estimation.
- SSGPO is evaluating direct reduction technology to produce metalized product and thereby reduce transport costs and increase customer diversity. An engineering consultant, Atkins, has been engaged by SSGPO to study various alternative technologies. In a presentation from August 2007, Atkins short-listed Midrex, Enerlron and Circorced, which all are considered technically viable, with Midrex considered to be the most appropriate technology for SSGPO. SSGPO iron ore requires pre-processing, and in the case of Midrex and Enerlron also pelletising before being fed to the DRI plant. Additional investigations into quality and process stream are required. Using natural gas as reductant, capital expenditure costs are estimated in the range of USD0.8 to 0.9 billion, including a new pelletiser.

Other than the Atkins study, SSGPO envisages a capacity of only 1.8 Mtpa for the DRI plant for an assumed capital expenditure of USD0.5 billion.

As of 1 July 2007 a final development decision had not yet been made.

- SRK considers that the slope angles in open pits greater than 200 metres deep that were designed using former Soviet Union methodology, can often be steepened without increasing the risk of a slope failure. To achieve this opportunity it would be necessary to implement a programme of mapping the key structures in more detail and to develop computerised geological and geotechnical models. Also, SRK notes that the government safety department will need to be involved in the process as the attitude towards technical risk is often much more conservative in the former Soviet Union countries.
- The open pits were designed to maximise resource recovery and the cut-off grades were defined a long time ago. SSGPO is already processing off-balance material that can now be processed profitably as the result of better iron ore prices and improvements in operating efficiency. SRK considers that continuing the programme to computerise the geological models then running pit optimisation software is likely to increase reserves as well as ensure that the final open pit limits are optimal.
- SRK considers that efficiencies can be improved as the result of greater dissemination of cost information to line managers and the introduction of a greater focus on economics.

6 ALUMINA AND ALUMINIUM DIVISION

6.1 Introduction

This section gives an overview of the assets of the Alumina and Aluminium Division, including historical company development, location and property description and operating results. Specifically where reference is made to legal compliance within the regulatory environments in which the business operates, SRK has placed reliance on ENRC. In terms of environmental compliance, SRK has assessed the closure cost requirements for each of the operations, and these have been incorporated into the evaluation of the economics of Mineral Resources and Ore Reserves. The primary assets of the Alumina and Aluminium Division are the bauxite mines of the Krasno-Oktyabrskoye Group (KBRU) and the Torgay Group (TBRU), the Pavlodar Alumina Refinery and the Kazakhstan Aluminium Smelter (KAS). Other assets include the Keregetas limestone mine and the Pavlodar-1 power station.

Table 6-1 Alumina and Aluminium Division—Infrastructure, Principal Units

Asset Type	Infrastructure	Detail
KBRU	Multiple open pit mines	Production: 2006 (4.2 Mt), H1 2007 (2.1 Mt)
TBRU	Multiple open pit mines	Production: 2006 (0.7 Mt), H1 2007 (0.3 Mt)
Pavlodar alumina refinery	Plant (refinery)	Production: 2006 (1.5 Mt), H1 2007 (0.8 Mt)
Pavlodar power station	Power station	2,000 GWh, 6.5 MGcal
KAS	Plant (smelter)	Currently ramping up to full production

6.2 Infrastructure, History and Location—Bauxite Mines

KBRU

The KBRU mines are located in the Kostanai region approximately 1,000 kilometres to the west of the Pavlodar Alumina Refinery complex. It includes some 12 main bauxite deposits grouped in four areas, three of which currently being mined. KBRU includes the largest bauxite deposit in Kazakhstan. Exploration of the bauxite deposits was undertaken in the past by State-funded exploration, following the GKZ guidelines. Initial overburden stripping of the mining areas commenced in the mid 1950s with bauxite production since 1962. Initially, the bauxite was transported to bauxite sintering refineries in the Urals. Routine production commenced in the mid-1960s to coincide with the commissioning of the Pavlodar alumina refinery in 1966. The area around the KBRU operations is moderately hilly steppe with temporary lakes and elevations in the range of 200 metres above sea level. Climate is central continental. The infrastructure is good, with rail and road links to Kostanai and Astana.

TBRU

The TBRU mines are located 350 km west-southwest of Astana and 750 km west-southwest of the Pavlodar Refinery. Again, exploration of the bauxite deposits was undertaken in the past by State-funded exploration, following the GKZ guidelines. Initial overburden stripping of the mining areas commenced in the mid 1950s with bauxite production commenced in the late 1950s. Routine production in TBRU commenced in the mid-1960s to coincide with the commissioning of the Pavlodar alumina refinery in 1966. The mines are located very near to the town of Arkalyk which houses most of the employees and is accessed via an all-weather road. Power is taken from the national grid, which is in turn supplied by the affiliated Aksu power station.

Table 6-2 Alumina and Aluminium Division—Key Historical and Forecast Production Statistics

	Historical				Forecast			
	2004	2005	2006	H1 2007	H2 2007	2008	2009	2010
Production								
KBRU (bauxite) (Mt wet)	4.0	4.1	4.2	2.1	2.1	4.5	4.8	5.1
TBRU (bauxite) (Mt wet)	0.7	0.7	0.7	0.3	0.3	0.6	0.6	0.6
Total (Mt wet)	4.7	4.8	4.9	2.4	2.4	5.2	5.5	5.8
Produced / Sold*								
Alumina (Mt)	1.5	1.5	1.5	0.8	0.8	1.6	1.7	1.8
Unit Cash Costs^{(1),(2),(3),(4)}								
Mining (USD/t)	26.3	29.7	44.4	38.9	41.4	46.0	43.7	45.1
Processing (USD/t)	61.6	79.1	87.4	125.3	119.7	113.6	108.6	106.6
Total (USD/t)	87.9	108.8	131.8	164.2	161.1	159.6	152.3	151.7

(1) Costs / Alumina Produced / Sold*.

(2) Represents on-site cash cost of production. Excludes some USD26 million per annum of centralised general and administrative costs and some USD13 million per annum for distribution costs, and royalties.

(3) Cash costs exclude depreciation and forecast is in real terms.

(4) Excludes some USD40 million per annum of costs related to the Pavlodar Power Station.

6.3 Geology

6.3.1 Title

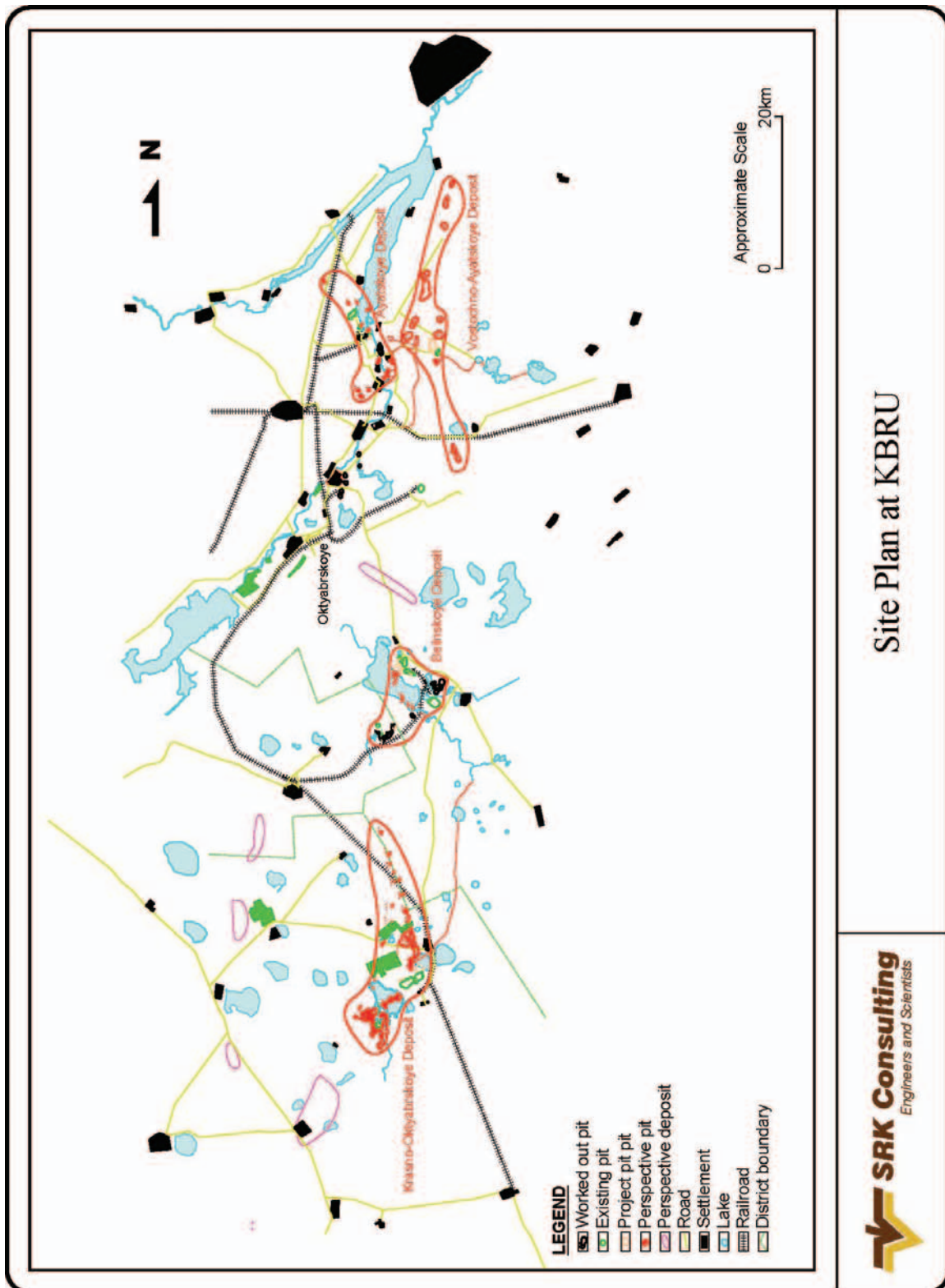
SRK was provided with documents summarising the mining rights and Contracts of Aluminium of Kazakhstan as of 27 September 2005. The main mining Contracts for extraction of bauxites at KBRU and TBRU are valid until 21 January 2017. Other licences and Contracts held include those for construction, transportation, personnel related and environmental. Information provided to SRK reports that there have not been any disputes regarding the validity of the Contracts and licences received by KBRU and TBRU, and that there are no reasons to believe that any Contracts or licences received by them will not be renewed in a timely manner on terms not less favourable than currently employed. SRK has also been shown a letter from the Ministry of Natural Resource stating that the Mining Contracts will be renewed to enable the currently defined reserves to be mined. SRK has not undertaken detailed studies into the validity, appropriateness and legality of the Contracts and has taken the information provided in good faith.

Table 6-3 Alumina and Aluminium Division—Summary of Mining Contracts

Asset ⁽¹⁾	Status	Asset Type	Contract Expiry Date	Contract Area (ha)
KBRU				
Ayatsky	Production	o/p	21/01/2017	1,110
Belinskoye	Production	o/p	21/01/2017	4,160
Krasno-Oktyabrskoye	Production	o/p	21/01/2017	5,990
Vostochno-Ayatsky	Production	o/p	26/07/2031	8,400
TBRU				
Amengeldinsky	Production	o/p	21/01/2017	6,660

(1) o/p—open-pit.

Figure 6-1 Alumina and Aluminium Division—Site Plan at KBRU



Site Plan at KBRU



Figure 6-2 Alumina and Aluminium Division—Typical Cross Section at KBRU

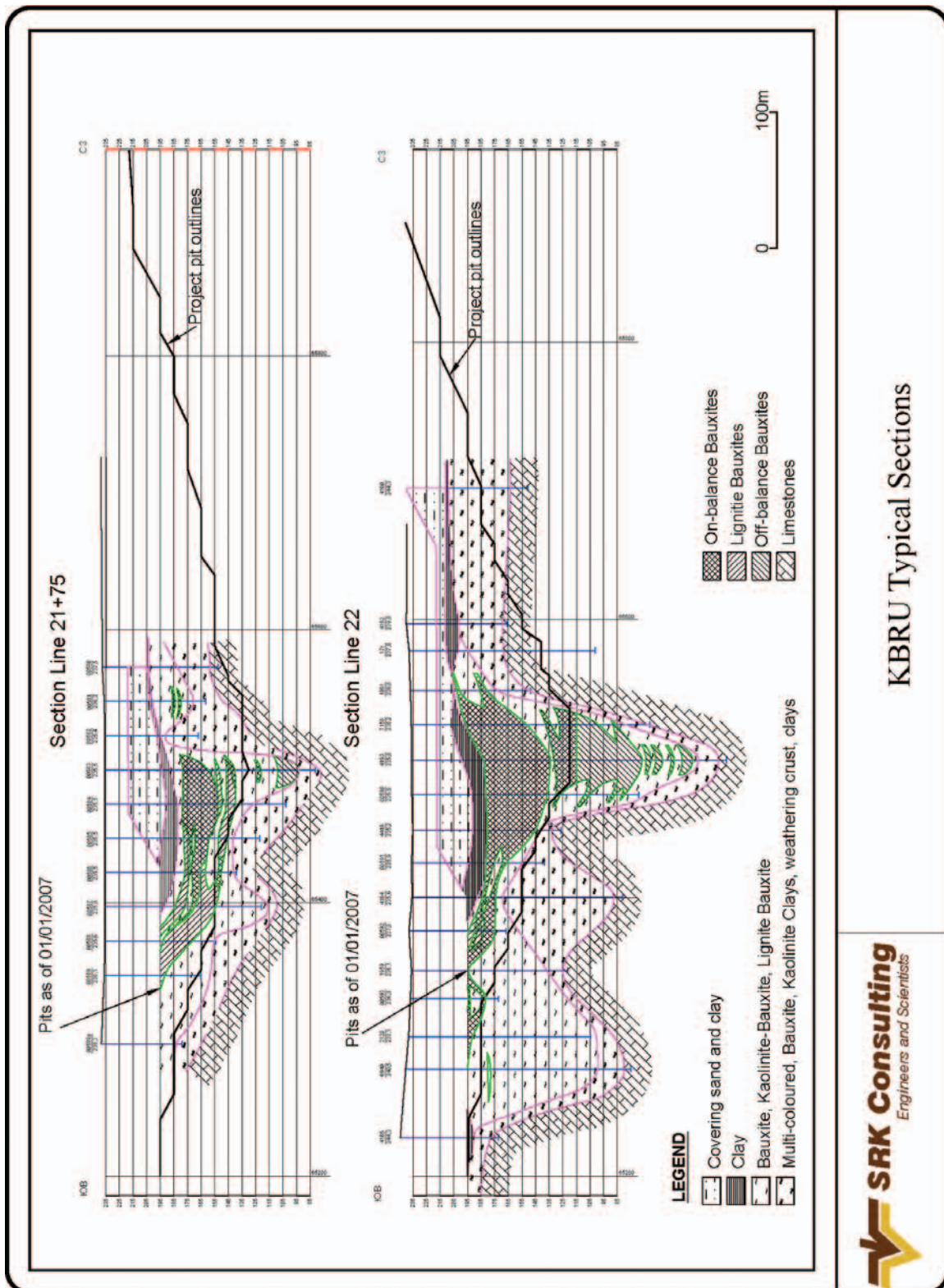


Figure 6-3 Alumina and Aluminium Division—Site Plan at TBRU

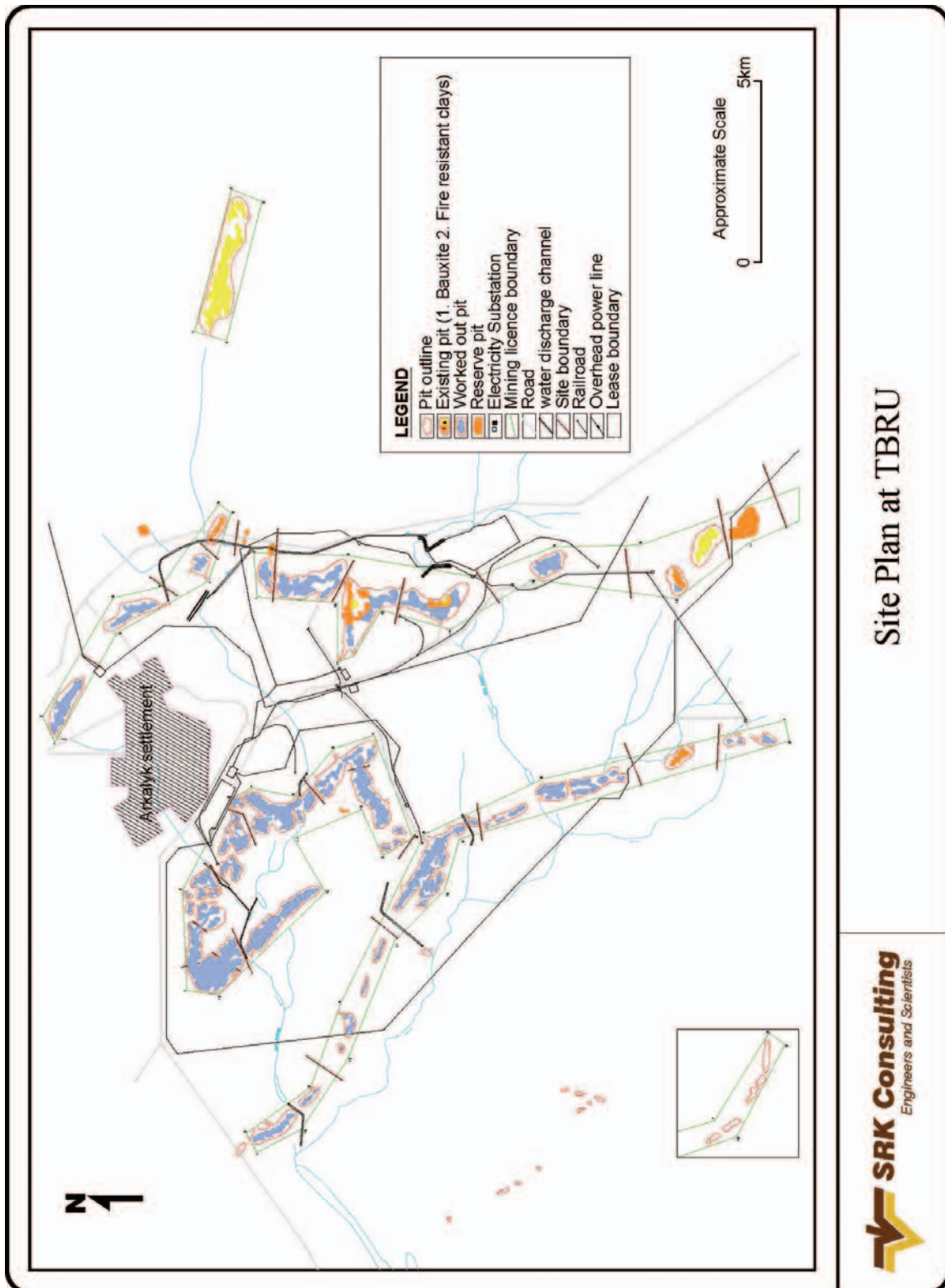
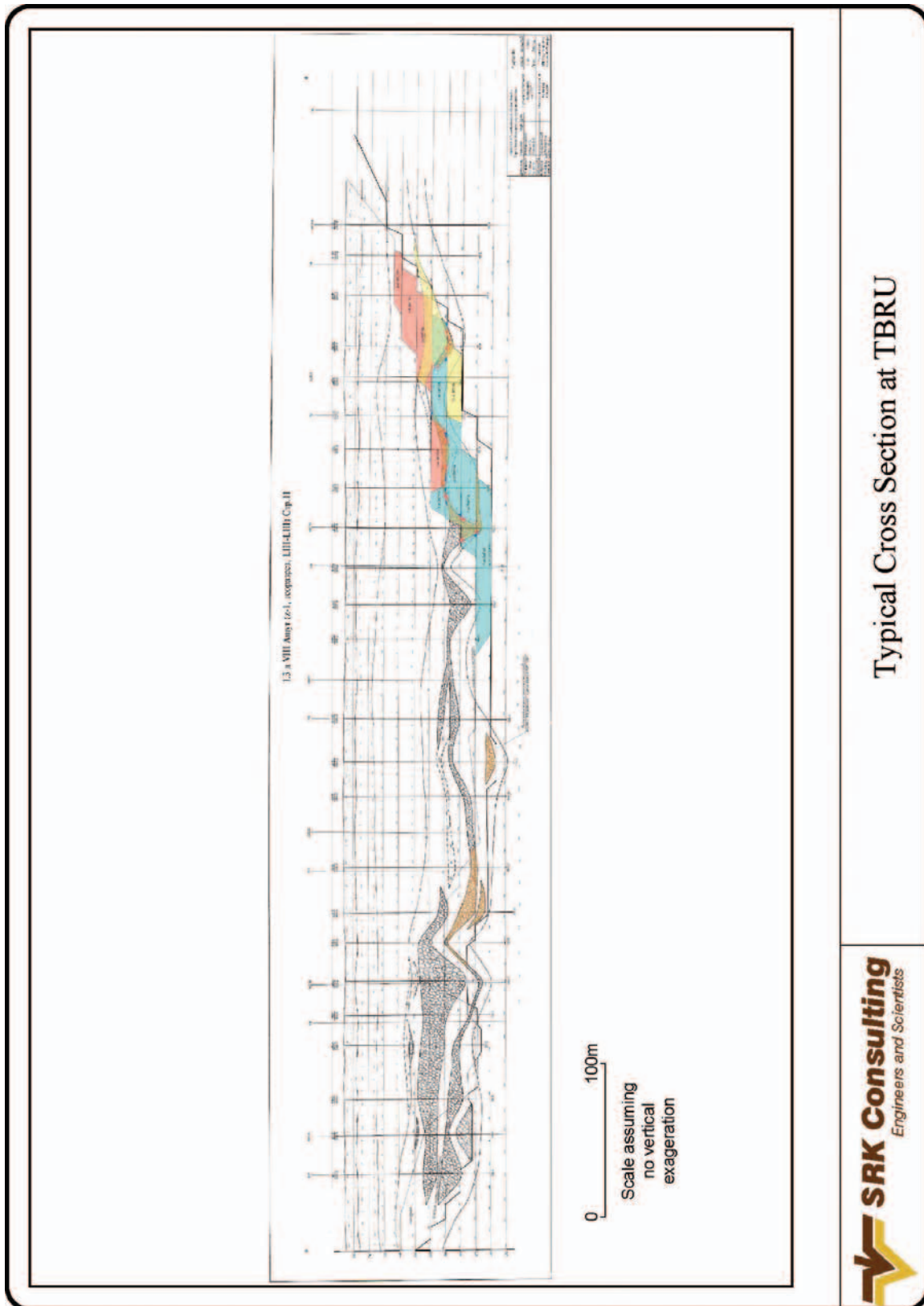


Figure 6-4 Alumina and Aluminium Division—Typical Cross Section at TBRU



6.3.2 Regional Geology

The bauxites in both, the Western-Turgaiskiy (KBRU) and the Amangeldinsky (TBRU) bauxite regions are all of similar age and were formed by the weathering of the Palaeozoic crustal rocks comprising Carboniferous limestones and the accumulating deposits filling the karstic erosion surface of the Palaeozoic Carboniferous limestones. The bauxites are dated as Cretaceous and are interbedded with clays, lignites and bauxites. The deposits are covered by 20 to 80 metres of overburden, with an overall average of 40 metres.

The morphology of orebodies is determined by the size and forms of the karstic ore-bearing hollows. As a general observation the bauxite deposits occur as curved lenses, pinching-out on flanks accompanied with some splitting of the bauxite into streaks. SRK considers that the TBRU bauxites are more complex than the KBRU bauxites.

6.3.3 Deposit Geology

In general, the geological continuity of the bauxites, when viewed in either plan or cross-sectional profiles of the deposits, is poor, as would be expected from a karstic-erosional origin. The bauxites can be subdivided into three main types: stony, loose/friable, and clayey bauxites. At KBRU, lignite bauxite, a sub-type of clayey bauxite, is an important group as it contains more than 1.5% organic carbon which has a negative impact on the alumina processing. These bauxite types can be seen to change dramatically over short distances in both vertical and horizontal planes. The interrelation of the bauxite types are therefore difficult to interpret and requires prompt and proactive grade control and mine management.

In terms of alumina (Al_2O_3) content, the bauxites at KBRU are classed as medium grade (about 44%) compared with other deposits around the world. TBRU bauxites are slightly higher in alumina and classed as medium-high grade (about 45%). However, the very high kaolinite content for both deposit groups and hence reactive silica, results in a low Modulus of Silica (MSI) which is defined as the ratio of Al_2O_3 to SiO_2 , therefore placing the bauxites in the poor category relative to world deposits.

The mineralogical composition of the bauxites comprises: gibbsite, hydrohematite, hematite, kaolinite, and insignificant quantities of corundum. The bauxite also includes deleterious minerals such as siderite and pyrite. Because of the combined Bayer and Sinter processing technique, the reactive silica is neutralised thereby making all of the alumina available, which means that the alumina recovery is maximised, albeit at a higher cost than from other deposits.

Within the bauxite deposits there are also rare earth elements in the form of gallium, yttrium and scandium. At KBRU, the average content of gallium is approximately 43 grammes per tonne, for yttrium the grade reaches up to 158 grammes per tonne and the average content of scandium is 50 grammes per tonne. Whilst gallium is recovered, the grades of yttrium and scandium are too low to be economically significant.

6.3.4 Exploration Potential

SRK understands that KBRU, as the only bauxite mining company currently active in Northern Kazakhstan, has priority for developing further bauxite projects in this region. The company is currently working towards acquiring additional Contracts for KBRU at Taunsorsk, Dzhambakul, Karabaysk, Pokrovsk and Livanovsk. This would increase the company's resource inventory by a further 100 Mt of bauxite.

Similarly, TBRU, as the only bauxite mining company currently active in this region of Central Kazakhstan, has priority for developing further bauxite projects in this region. The company is currently working towards acquiring additional Contracts in the region, namely Akmolinskaya and the Koktal group of deposits.

In both cases, SRK considers that it is likely that the company will be able to convert a reasonable portion of these resources into reserves based on long term price projections,

although as the deposits move further away from the existing logistical centres then the economic strip ratio is likely to decline.

6.4 Mineral Resources and Ore Reserves

6.4.1 QA/QC Procedures

Historically, the preparation and assaying of geological core samples for both deposit groups was undertaken by an accredited laboratory in Kostanai. The assaying process involves an initial test for the alumina-silica ratio (MSI) or Loss on Ignition (LOI) to identify those samples which require a full analysis.

The same laboratory is still contracted by KBRU for current exploration work. SRK visited the facilities of the laboratory and reviewed the process of sample preparation from sample arrival through to delivery of the sample to the laboratory, and considers the assaying process to be in accordance with accepted industry standards.

SRK did not visit the on-site laboratory facilities at TBRU, but, based on discussions, considers the assaying process to be in accordance with accepted industry standards.

SRK considers that the quality control/quality assurance procedures are consistent with GKZ guidelines and comprise internal and external check assays and submission of GKZ-approved 'standard' samples of known qualities. On average, 5% of the KBRU and 7% of TBRU samples are subject to internal or external check analysis. Standards are routinely introduced with 1 standard per 10 samples.

6.4.2 Base Data for Resource Estimation

Summary of data collected

The resource estimation process for all of the operations is based upon surface drilling information collected from the 1950s onwards to the present day. Additional prospecting shaft-sinking work and trenching was undertaken for the collection of large samples for metallurgical test-work, but was not used in the resource estimation process.

The drilling technologies have essentially remained the same during this period. The methods used allow for casing through overburden to a clay marker horizon and core drilling through the bauxite into the limestone footwall. The extensive use of casing ensures that bauxite samples are not contaminated by overburden material collapsing into the hole once the rods are pulled out to recover the core. All drilling is done using conventional single-tube cored drilling methodology. Both wet and dry drilling techniques are employed, to maximise recovery of specific lithologies.

Sample intervals are generally 1.5-2.0 metres in bauxite. Samples were split, with one half assayed and the other half stored temporarily for reference.

KBRU

A large quantity of drilling information has been collected over the past 40 or more years. The pod-like nature of the deposits requires detailed drilling in order to fully define them. More than 16,000 holes have been drilled at Krasno-Oktyabrskoye, and close to 8,000 and 10,000 holes at Ayatskoye and Belinskoye, respectively. Average core recovery was close to 85%, which SRK considers acceptable, given the friable nature of some of the bauxite types.

SRK observed current exploration drilling in the Vostochno-Ayatskoye deposit. The entire exploration/estimation process from drill-hole planning to resource reporting according to GKZ standards is contracted out to a Kazakh drill contractor. SRK considers that the operation matches accepted industry standards.

Whilst SRK was only able to view drill-core collected since 2003 as the remainder had been discarded, considering the generally positive reconciliation results, SRK believes that the quality of the drilling is sufficient for the reporting of Mineral Resources in accordance with the JORC Code.

The analysis of the density for each lithology type and each of the deposit areas follows the guidelines set out by the GKZ and appears to be reasonable. The average density is 2.14 tonnes per cubic metre, which includes the natural moisture of around 18%.

Topographic surveys have been undertaken at an appropriate scale across all of the deposit areas.

TBRU

A large quantity of drilling information has been collected over the past 40 or more years, due to the pod-like nature of the deposits, requiring the detailed drilling in order to fully define them. More than 164,000 holes have been drilled at Amangeldinskye. Average core recovery was close to 80%, which is acceptable, given the friable nature of some of the bauxite types. Some areas were drilled using wet drilling methods which significantly reduced the core recovery to near 60%.

Whilst SRK was not able to inspect any of the drill core, considering the generally positive reconciliation results, SRK believes that the quality of the drilling is sufficient for the reporting of Mineral Resources in accordance with the JORC Code.

The analysis of the density for each lithology type and each of the deposit areas follows the guidelines set out by the GKZ and appears to be reasonable. The average density is 2.01 tonnes per cubic metre, which includes the natural moisture of around 18%.

Topographic surveys have been undertaken at an appropriate scale across all of the deposit areas.

6.4.3 Resource Estimation Techniques

The classification of the complexity of the deposit determines the density of exploration sampling work for each resource category. The KBRU deposits were previously classified as Type II, but have recently been downgraded to Type III following more detailed exploration when it was decided that the structure was more complex than previously thought. The current classification of resources is in line with requirements for Type III. TBRU deposits are still classified as Type II, but SRK considers them also as more complex in structure and thus, evaluated them according to Type III guidelines.

Exploration at both groups starts with systematic grids of around 1200 × 800 metres, and once deposits have been identified the drill spacing is reduced to 50 × 50 metres or, more recently, to 25 × 25 metres and even to 25 × 12.5 metres at TBRU.

SRK considers the geometry of the bauxite deposits to be complicated, especially when compared to the simple (non-karstic) tropical stratiform-layer type bauxite deposits as in Guinea. The karstic weathering of the limestones and their interaction with the volcanoclastic tuffs results in a highly irregular and undulating footwall contact to the deposits. This results in fairly poor geological continuity, with patchy/pod-like pockets of bauxite scattered across fairly large spatial areas. The mineralogy is relatively homogeneous, with gibbsite being the primary aluminous chemical phase and kaolinite the main silica component. Overall the grade continuity appears to be moderate to good.

SRK considers that both, KBRU and TBRU have a good understanding of the respective deposit geology.

Resource estimation uses the sectional methods with blocks based on lithology, bauxite quality and drilling density, whilst honouring the required resources criteria. Minimum parameters for the definition of bauxite resources are as follows:

- **KBRU**
 - The minimum alumina grade (about 37%);
 - The minimum MSI value (about 2);
 - Minimum bauxite thickness (about 1.5 metres);
 - Maximum waste interburden thickness (about 2 metres); and
 - Clear relationship between the bauxite lithology and the bauxite quality.

- **TBRU**

- The minimum alumina grade (about 37%);
- The minimum MSI value (about 2);
- Minimum bauxite thickness (about 1.0 metres); and
- Clear relationship between the bauxite lithology and the bauxite quality.

The blocks may also be constrained by the pit limits with blocks of bauxite lying outside the pit limits classified as off-balance resources. They may also be categorised based upon the quality of the bauxites (considering all of the major elemental values) and upon the mechanical/physical test-work undertaken. This 'mark' value indicates the quality of the bauxite for the refinery and the likely refined products.

At KBRU, SRK checked the resource estimates for several blocks for each of the deposit areas, and followed the block through all of the processes and performed check calculations. No discrepancies or deviations from the documented GKZ procedures were identified.

SRK noted that, due to the relatively poor geological continuity in some areas as a result of the karstic weathering, some of the extrapolated sectional interpretations used to generate volumes were slightly optimistic. However this is balanced by the fact that during pre-production drilling there appears to be a general increase in the bauxite tonnages, indicating that the overall estimates are conservative.

Together with the discussions held and information provided at both sites, SRK considers the GKZ methodology has been applied appropriately to the deposits and that the overall estimates of deposit tonnages and grades are robust. Whilst SRK considers that geological continuity in 3D could be better defined, SRK notes that the errors do not appear to be material, and are addressed by more detailed phases of drilling prior to extraction and by detailed grade control procedures implemented during mining.

Clays suitable for industrial use, have been mined above and within the bauxite sequence. Consequently, it has been classified as a resource by the Kazakh State and resource estimates have been prepared. The resource estimation process is similar to that used for the bauxite. SRK reviewed the procedures and considers them to be appropriate.

6.4.4 Resource Classification

SRK has reviewed available geological information to understand the geological continuity and the data quantities and qualities used for the GKZ "Reserve" estimates in order to assess the grade continuity and confidence in the underlying data. In addition, SRK has reviewed the criteria used to determine what was previously reported as "on-balance" and "off-balance".

SRK considers that the criteria used to define the "on-balance" GKZ bauxite "Reserves" is adequate to meet the JORC requirement for Mineral Resources to be "potentially economic", given the financial information provided. For TBRU, however, SRK does not consider "on-balance" GKZ "Reserves" with strip ratio's greater than 18 cubic metres per tonne to be "potentially economic" and therefore they have been excluded from the SRK Mineral Resources and Ore Reserves.

To reclassify the resource estimates to comply with the guidelines of the JORC Code, SRK generally classified C1 estimates based on drilling sections 25 metres apart with boreholes 25 metres apart down dip as Measured Resources, the remaining C1 and C2 estimates with sections 25 metres apart and boreholes 50 metres apart down-dip as Indicated Resources and the remaining C2 estimates as Inferred Mineral Resources. At TBRU, material with less than 70% core recovery has been downgraded to the Inferred Mineral Resource category.

For the fire-clay, SRK classified the entire C1 resources as Indicated Resources as less effort has been applied to reconciling the resource estimates. The drill hole spacing used to define the GKZ resources for the fire clay is the same as for the bauxite.

6.4.5 Mine Plan

In the Former Soviet Union member states, all mine designs and schedules had to be prepared by independent technical institutes. Whilst KBRU has recently awarded the role of designing the smaller pits to well established Kazakhstan consultancy firms, the principal pits are designed by the St Petersburg Mining Institute. No mine design work is undertaken by KBRU or TBRU.

The mine design process considers the thickness and stability of the overlying overburden and bauxite. For all deposit areas, the overall slope angles of the final pit designs average around 30°.

The initial planning targets are defined from the head-office at Pavlodar, who defines the quantity and quality of required bauxite. KBRU then manually develops extraction plans on a 1-year, 5-year and 15-year basis, with the detail provided appropriate to the duration of the plan. The annual plan is developed on a mine by mine, pit by pit and bench by bench basis, with quality and grade as the main focus. This grade is taken from the original institute designs, but checked with any grade control results.

At TBRU, SRK has classified the Ore Reserves as defined by JORC using the following criteria:

- Mineral Resources are converted to Ore Reserves only where the institute technical mining studies have been undertaken (equivalent to Pre-Feasibility Study level or better); and
- Those deposits that are considered not “potentially economic” with stripping ratios in excess of 18 cubic metres per tonne of ore are excluded.

Whilst some projects have yet to be approved by the GKZ, where sufficient information was presented to SRK to demonstrate that the level of planning was appropriate, SRK has included this material in the reserve estimates.

6.4.6 Grade Control, Reconciliation and Modifying Factors

KBRU

The ore/waste contacts are difficult to detect visually in the exposures and is only possible by the skilled mine geologists.

KBRU reconciles actual production against the in-situ quantities in the grade control model, but not against the original GKZ resources. However, under state regulations, an annual return is prepared in respect of balanced and industrial reserves which, takes account of theoretical project specific working losses. These losses occur in many areas but predominantly in the following areas:

- Bauxite in the footwall of the deposit that is hard to access with draglines;
- Bauxite on the periphery of the pit; and/or
- Lignite bauxite, which was not quantified during the GKZ resource statement, but in some cases is mined as bona fide bauxite.

As there are no reconciliations between the original GKZ “Reserves” and the RoM tonnages, it is difficult to quantify the actual bauxite losses and dilution. The parameters used in the original estimate of the industrial reserves were mining losses of 3 to 8% and dilution of 3 to 8%. SRK notes that reconciliation of the more detailed grade control model and actual production indicates that mining losses and dilution range between 3 to 7%.

The Modifying Factors in Table 6-4 represent SRK’s visit in 2005 to the operations and viewing of the mine and geological plans at that time. SRK also notes that the reserves extend beyond the period of the mining Contract. However, SRK has been shown a letter from the Kazakhstan government stating that the Contract will be extended to permit the mining of the currently defined reserves.

TBRU

SRK notes that the ore/waste contacts are almost impossible to visually detect in the exposures.

TBRU reconciles actual production against the in-situ quantities in the grade control model, but not against the original GKZ resources. However, under state regulations, an annual return is prepared in respect of balanced and industrial reserves which takes account of theoretical (as per the mining project) working losses. These losses occur in many areas but predominantly in the following areas:

- Bauxite in the footwall of the deposit that is hard to access; and/or
- Bauxite on the periphery of the pit.

The mining operations are designed to minimise dilution and accept higher losses as it is preferential to leave bauxite material rather than incur dilution at very low alumina and very high silica grades.

As there are no reconciliations between the original GKZ “Reserves” and the RoM tonnages, it is difficult to quantify the bauxite losses and dilution. The parameters used in the original estimate of the Industrial Reserves were mining losses of 3 to 8% and dilution of 3 to 8%. SRK notes that reconciliation of the more detailed grade control model and actual production indicates that mining losses and dilution range between 3 and 7%.

Table 6-4 Alumina and Aluminium Division—Modifying Factors for Losses and Dilution

Factor	KBRU	TBRU
Mining/extraction losses	10% of Mineral Resource	10% of Mineral Resource
Dilution	5% of extracted bauxite at: 35% Al ₂ O ₃ 25% SiO ₂ 22% Fe ₂ O ₃ 3% CO ₂	5% of extracted bauxite at: 30% Al ₂ O ₃ 37% SiO ₂ 22% Fe ₂ O ₃ 0.3% CO ₂

6.4.7 Mineral Resource and Ore Reserve Statements

Mineral Resource Estimate

SRK has not independently re-estimated the Mineral Resource estimates for the individual deposits, but has rather reviewed and commented upon the quantity and quality of the underlying data and methodologies used to derive the estimates approved by GKZ. Following this review of the GKZ resource tables and conversion into a resource classification following the JORC code, the Mineral Resource for the KBRU and TBRU deposits are reported in Table 6-5 and 6-6 respectively.

Ore Reserve Estimate

SRK has reviewed KBRU’s and TBRU’s plans for mining the Mineral Resources to verify whether it is technically feasible to mine the resources using the mining method proposed, whether appropriate Modifying Factors can be defined with sufficient confidence either from extrapolating current performance or from technical studies, and whether the resultant material can be economically mined. SRK’s reclassified Ore Reserve statements as shown in Table 6-5 and Table 6-6 is based on the Mineral Resource estimates of KBRU and TBRU respectively as audited and reclassified by SRK, under application of Modifying Factors derived from production and reconciliation data and reports provided by Aluminium of Kazakhstan.

**Table 6-5 Alumina and Aluminium Division—Ore Reserves and Mineral Resources
KBRU—1 July 2007^{(1),(2)}**

Ore Reserve Category	Tonnage (Mt Dry)	Grade (% Al ₂ O ₃)	Grade (% SiO ₂)
PROVED			
Open Pit			
Krasno-Oktyabrskoye	35.4	43.4	11.7
Belinskoye	12.6	41.6	9.5
Ayatskoye	7.1	44.4	9.8
Vostochno-Ayatskoye	5.9	43.3	8.5
TOTAL	61.0	43.1	10.7
PROBABLE			
Open Pit			
Krasno-Oktyabrskoye	60.0	43.0	11.8
Belinskoye	1.9	41.6	11.2
Ayatskoye	—	—	—
Vostochno-Ayatskoye	34.4	44.0	8.8
TOTAL	96.3	43.3	10.7
TOTAL PROVED AND PROBABLE	157.3	43.2	10.7
Mineral Resource category			
MEASURED			
Open Pit			
Krasno-Oktyabrskoye	37.5	43.8	11.0
Belinskoye	13.4	41.9	8.7
Ayatskoye	7.5	44.9	9.0
Vostochno-Ayatskoye	6.2	43.7	7.6
TOTAL	64.6	43.5	10.0
INDICATED			
Open Pit			
Krasno-Oktyabrskoye	63.5	43.4	11.1
Belinskoye	2.1	41.9	10.5
Ayatskoye	—	—	—
Vostochno-Ayatskoye	36.4	44.4	8.0
TOTAL	102.0	43.7	10.0
TOTAL MEASURED AND INDICATED	166.6	43.6	10.0
INFERRED			
Open Pit			
Krasno-Oktyabrskoye	—	—	—
Belinskoye	—	—	—
Ayatskoye	—	—	—
Vostochno-Ayatskoye	0.1	42.2	6.3
TOTAL	0.1	42.2	6.3
TOTAL MEASURED, INDICATED AND INFERRED	166.7	43.6	10.0

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

**Table 6-6 Alumina and Aluminium Division—Ore Reserves and Mineral Resources
TBRU—1 July 2007^{(1),(2)}**

Ore Reserve Category	Tonnage (Mt Dry)	Grade (% Al ₂ O ₃)	Grade (% SiO ₂)
PROVED			
Open Pit			
Amangeldinsk	4.1	43.7	14.7
PROBABLE			
Open Pit			
Amangeldinsk	1.1	42.0	14.1
TOTAL PROVED AND PROBABLE	5.2	43.3	14.6
<hr/>			
Mineral Resource category	Tonnage (Mt Dry)	Grade (% Al ₂ O ₃)	Grade (% SiO ₂)
MEASURED			
Open Pit			
Amangeldinsk	5.1	44.8	15.6
INDICATED			
Open Pit			
Amangeldinsk	1.4	42.3	14.9
TOTAL MEASURED AND INDICATED	6.5	44.3	15.4
INFERRED			
Open Pit			
Amangeldinsk	2.5	46.2	15.7
TOTAL MEASURED, INDICATED AND INFERRED	9.0	44.8	15.5

(1) All references to Mineral Resources and Ore Reserves are stated in accordance with the JORC Code.

(2) Mineral Resources are inclusive of Ore Reserves.

6.5 Mining Operations

6.5.1 Mining Method, Equipment and Access

At KBRU, most of the material can be mined without blasting, though sufficient drilling and blasting capacity is available as required. At TBRU, all material is mined without blasting.

The overburden is loaded into trucks either by draglines or by rope shovels, whilst the bauxite is loaded into trucks using rope shovels only. The bauxite is trucked from the mine to local stockpiling, blending, crushing and train loading facilities. Trains are hauled by KBRU respectively TBRU locomotives from each train loading station to marshalling yards. There are no processing facilities on any of the KBRU or TBRU mines and all of the bauxite is transported by state railway from the marshalling yards to the Aluminium refinery at Pavlodar.

For KBRU, the equipment is maintained by local workshops and major components are overhauled at the major rebuild shop. Major parts are supplied by either the expanded Lisakovsk workshops or from the foundry at Pavlodar alumina plant.

As the TBRU mining area is remote and as such has been developed on a stand alone basis. The workshop facilities at Akalyk, which were visited by SRK, were very well equipped and maintained. The equipment is maintained by either local workshops and major components are overhauled at the major rebuild shop.

Condition of facilities

SRK visited the mining operations, maintenance facilities, laboratories and accommodation. SRK noted that the facilities were in a good condition, tidy and well-maintained. SRK foresees no problems with maintaining production from the infrastructure.

6.5.2 Historical and Forecast Operating Statistics

Table 6-7 provides historical and forecast mining statistics for KBRU and TBRU.

Based on the Ore Reserve estimate at 1 July 2007, future mining activity will be centred around KBRU, which will account for some 97 percent (192 Mt over 35 years) of ore delivered to the Pavlodar Alumina Refinery; with three percent (6 Mt over 10 years) coming from TBRU. In line with industry practice, the LoM is reported in wet tonnage, Table 6-7.

Table 6-7 Alumina and Aluminium Division—Historical and Forecast Mining

		Historical				Forecast				
		2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	LoM
KBRU										
Bauxite	(Mt wet)	4.0	4.1	4.2	2.1	2.1	4.5	4.8	5.1	191.9
Shovel waste	(Mm ³)	18.1	17.8	18.3	10.0	10.8	21.3	22.4	25.1	1156.6
D/line Waste	(Mm ³)	4.7	5.2	6.4	2.8	2.7	7.0	7.2	7.8	383.4
Total Waste	(Mm ³)	22.7	23.1	24.7	12.7	13.5	28.3	29.6	32.9	1540.0
Stripping Ratio	(m ³ /t)	5.8	5.4	5.8	5.8	6.1	6.3	6.1	6.4	8.0
TBRU										
Bauxite	(Mt wet)	0.7	0.7	0.7	0.3	0.3	0.6	0.6	0.6	6.4
Shovel waste	(Mm ³)	n.a.	n.a.	n.a.	3.5	4.5	8.1	7.7	7.7	71.3
D/line Waste	(Mm ³)	n.a.	n.a.	n.a.	2.7	2.5	4.0	3.8	3.6	29.8
Total Waste	(Mm ³)	12.2	12.5	12.5	6.2	7.0	12.0	11.5	11.3	101.1
Stripping Ratio	(m ³ /t)	18.0	18.2	18.6	13.9	15.4	18.7	17.9	17.6	15.9
Total Bauxite	(Mt wet)	4.7	4.8	4.9	2.4	2.4	5.2	5.5	5.8	198.3

n.a.—not available

6.6 Pavlodar Refinery

6.6.1 Plant Description

Overview

The Pavlodar Alumina Refinery is located in the north-eastern part of the Republic of Kazakhstan, approximately 140 kilometres from the border with the Russian Federation and 400 kilometres from Kazakhstan's capital city of Astana. The process plant is situated in the eastern industrial area in the outskirts of Pavlodar city and occupies the large territory of estimated 1,673 hectares, including 824 hectares under the actual Alumina Plant, and 849 hectares under the adjoining plot of the thermal Power Station, fully owned by Aluminium of Kazakhstan.

The Alumina Refinery was originally designed to produce 900 ktpa of alumina. This capacity was achieved in 1973. In 1994 the refinery was upgraded to approximately 1 Mtpa and subsequently through capacity increases and technical development to its current capacity of 1.5 Mtpa. Capacity is expected to increase to 1.8 Mtpa by 2011.

The principal raw materials and fuels need for the process are bauxite, limestone, soda-ash, caustic soda, coal and heavy fuel oil. A complex two-phase process is required for these relatively low grade bauxites. Generically referred to as a hybrid process, this process includes a conventional Bayer process and the subsequent sinter process aims at additional recovery of alumina and reduction of soda losses.

Bauxite, limestone and coal are supplied to the plant in open railway freight cars. Shipments of the finished product to the aluminium smelters are also arranged by rail transport.

The alumina plant design is based on a serial combined process whereby the bauxite is processed by the Bayer process and the red mud (waste from Bayer process) is then submitted to a sintering process. The vast majority of alumina produced in the world uses

bauxite as feedstock and the Bayer process for producing alumina. Few operations use the combined Bayer-sinter process.

The Bayer process is a cost-effective technology for making alumina out of bauxites which contain small amounts of reactive silica. Normally the alumina/silica ratio in the bauxites should be at least 7 to 8, in order to provide a profitable operation. The alumina product of the Bayer process is virtually free of contaminants.

Relatively speaking only poor-quality bauxite has been discovered in the former Soviet-Union, and it was only in the 1980s that the Soviet-Union had access to better quality bauxite resources. Therefore it became essential that methods more suitable for processing low quality bauxites and other alumina sources were developed. The serial combination of the Bayer and sintering process is an efficient way to process bauxites which have very high silica content ($\text{Al}_2\text{O}_3/\text{SiO}_2$ ratio 3 to 3.5). The energy consumption of the serial combined process is higher by some 50% compared with the pure Bayer process, but the soda consumption and alumina losses are less.

Supply of Raw Materials

Bauxite, limestone, coal and soda ash are the main raw materials of the combined-process. Bauxite is supplied from the TBRU and KBRU bauxite mines by open rail-cars. Limestone is transported from AoK's Keregetas limestone mine. Coal for heating of the sintering kilns, is delivered from the Shubarkol coal mine. Soda ash is supplied by Sterlitamack and from Achinsk in Russia.

Alumina Process Description

The bauxite is unloaded by rotary railcar unloading facilities. In winter, the frozen bauxite is heated prior to unloading. The bauxite is then crushed and ground prior to dilution with caustic digestion liquor and classification in hydro-cyclones. Oversized material is ground further and retreated. After the digestion stage, the washed red mud is filtered and washed using vacuum disk filters. The filtrate is pumped to red mud washing, where backwash of settled mud is undertaken. Filtered red mud is repulped by sodium carbonate solution generated during the evaporation stage, and then pumped for agglomeration and further processing.

The pregnant liquor is cooled, precipitating out the aluminium hydroxide. The precipitated aluminium hydroxide is separated, washed and filtered using vacuum drum filters prior to calcining. The spent liquor is concentrated by evaporation and gallium extracted at the chemical-metallurgical unit.

The red mud is fed to the sintering kilns with limestone, additional soda ash, recovered sodium carbonate, coal for reduction and recycled white mud (sodium aluminium hydro-silicates) from the desilication of the leachate. The sinter is crushed and leached. The leachate is desilicated and filtered before being pumped to hydrometallurgical units to be combined with the Bayer liquor and processed through the Bayer plant.

The Pavlodar alumina has a high proportion of fine particles and is described as floury alumina (content of alumina with fines of size less than 47 microns is about 30-40 percent). In general, this type of alumina is undesirable for modern aluminium smelters using prebake anodes as it leads to higher losses during electrolyses than sandy aluminium. Pavlodar, however, has plans to replace floury alumina production with sandy alumina (content of alumina with fines of size less than 47 microns is less than 10 percent).

Aluminium sulphate is also produced. Washed fine aluminium hydroxide is trucked from the precipitation-hydrate filtration unit of the Bayer process to the aluminium sulphate plant. The aluminium hydroxide is mixed with sulphuric acid and batch processed. The air-cooled cake is crushed to less than 40 millimetres and packed in bags for sale. Aluminium sulphate is widely used for the needs of municipalities in purification of potable water and sewage treatment and also for the treatment of the potable, industrial water and sewage for the wood processing, paper, textile, tanning and other industries.

SRK notes that there are several parallel streams for each processing unit, which enables full production to be achieved whilst individual streams are maintained.

Condition of facilities

The alumina refining process is a complex operation. Visually, the refinery appears to be solidly built and, despite its age (around 43 years), appears to be structurally sound and very well maintained. The cleanliness of all of the operating areas, maintenance workshops and stores that were visited was of a very high standard.

6.6.2 Historical and Forecast Operating Statistics

Plant performance records reviewed, showed that throughput was very consistent day-to-day, which is probably an indication of high levels of pump sparing within the refinery, resulting in high availability and relatively low demand being put on processing equipment.

The following table provides historical processing statistics and Pavlodar Alumina Refinery.

Table 6-8 Alumina and Aluminium Division—Historical and Forecast Processing at Pavlodar Alumina Refinery⁽¹⁾

		Historical				Forecast				
		2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	LoM
Alumina	(Mt)	1.5	1.5	1.5	0.8	0.8	1.6	1.7	1.8	61.6
	(USD/t)	61.6	79.1	87.4	125.3	119.7	113.6	108.6	106.6	98.5

(1) Forecast costs are in real terms.

6.6.3 Tailings disposal

The residue/sludge area uses wet disposal technology and appears to be a satisfactory method. SRK was informed that the currently operating disposal pond is expected to operate for another 4-6 years with one more “lift” of the dam wall. The new disposal area is already assigned and work is expected to commence in the next few years.

Table 6-9 Alumina and Aluminium Division—Historical and Forecast Tailings Disposal

		Historical				Forecast				
		2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	LoM
Ore Processed	(Mt)	4.7	4.8	4.9	2.4	2.4	5.2	5.5	5.8	198.3
Tailings	(%)	40.7	40.7	40.7	40.7	40.7	40.7	40.7	40.7	40.7
	(Mt)	1.9	2.0	2.0	1.0	1.0	2.1	2.2	2.4	80.7

6.7 Investment Plan and Capital Projects—Alumina Group

At KBRU capital expenditure will be focused on the development of new areas required to achieve target set in the five year plan, upgrading existing mining areas and facilities, future exploration drilling and to sustaining and replacing the current mining equipment. At TBRU no investment is planned to develop new areas.

SRK has not reviewed in any detail the compilation of the capital projects, but is satisfied that the funds proposed appear to be adequate to replace and maintain the ageing equipment fleet at both KBRU and TBRU.

At Pavlodar Alumina Refinery, capital expenditure estimated at USD279 million will be focused on:

- Expanding the capacity of the alumina refinery from 1.5 Mtpa to 1.8 Mtpa. Completion of production increase is expected by 2011;
- Implement changes to replace floury alumina with sandy alumina; and
- To increase electric and steam capacity at the Pavlodar Power Plant.

Table 6-10 Alumina and Aluminium Division—Historical and Forecast Capital Expenditure⁽¹⁾

	Historical				Forecast				
	2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	LoM
KBRU Mines (USDm)	3.8	4.7	20.0	9.3	19.3	44.8	52.0	43.6	1,240.4
TBRU Mines (USDm)	1.2	0.8	1.1	1.7	4.0	8.8	7.3	6.2	54.8
Keregetas Limestone Mine (USDm)	0.2	0.1	0.0	0.1	3.9	0.3	0.3	0.4	14.3
Pavlodar Alumina Refinery (USDm)	16.4	32.0	45.5	28.4	85.7	121.2	49.3	19.2	790.5
Pavlodar Power Station (USDm)	10.1	25.5	16.0	18.9	8.1	51.0	45.0	50.8	825.8
Total (USDm)	31.7	63.1	82.6	58.4	121.0	226.0	154.0	120.1	2,925.8

(1) Forecast costs are in real terms.

6.8 Management and Industrial Relations—Alumina Group

SRK considers that the management at KBRU have the necessary experience to achieve the projected targets. Industrial relations have not been a problem, though attracting good quality skilled personnel has been raised as an issue, especially with the commencement of new mining operations in the vicinity. KBRU has addressed several salary issues in 2006, and has provided long term assistance at university for several suitable candidates.

At Pavlodar Alumina Refinery, the organisational structure for the refinery and powerhouse is strongly departmentalised, with the Vice-President being responsible for functional areas and a “Chief” level that is responsible for coordination and management of budgets and day-to-day activities within their specific area. This rigid structure results in good control, but does not foster cross-departmental coordination and development of overall business efficiency.

Terminal benefits

SRK has made a provision for terminal benefits based on an assessment of relevant labour legislation in Kazakhstan. This amount is USD30 million (including KBRU, TBRU and Pavlodar Alumina Refinery) in 2007 money terms.

Health and Safety

Health and safety management is focused on the development of company wide health and safety policies, taking cognisance of the legislation and regulatory environment.

6.9 Environmental Considerations

SRK conducted a high-level review of the closure costs prepared by ENRC to evaluate whether the estimate is prepared in accordance with other mining operations in Kazakhstan. In general the rates used have been adequately justified and appear realistic. Based on this review, SRK determined that the closure cost attributable to KBRU, TBRU and Pavlodar Alumina Refinery is USD2.9 million, USD3.3 million and USD39.6 million respectively.

6.10 Kazakhstan Aluminium Smelter

6.10.1 Introduction

A smelter project has been under consideration for approximately 20 years but did not proceed until the Government of Kazakhstan decided to seek international investor interest offering to tender for a significant shareholding in the bauxite and alumina assets of Aluminium of Kazakhstan. The state-owned shareholding of KAS was offered for tender. In exchange for the state-owned shareholding, the successful bidder was required to undertake the construction of a primary aluminium production plant with the capacity

of no less than 60 ktpa by 31 December 2007. The tender was won by Corica AG (Switzerland), an ENRC company, which established KAS.

The original intention was to locate the smelter close to the alumina refinery and closer to the coal-fired power station, which is contracted to supply power to the smelter, in order to minimize capital and operating costs associated with the supply of alumina and power to the smelter. However there was very strong resistance by environmental groups and by the population of Pavlodar to this location. It was therefore decided to build the smelter on flat, previously agricultural land, approximately 10 kilometres from the refinery and 26 kilometres from the Power plant. Although this has some negative capital and operating cost consequences, it should avoid potential environmental problems and provides virtually unlimited space for future expansions.

After a review of available smelting technology had been carried out for KAS by HATCH (a Canadian engineering firm), it was decided to proceed with the construction, in two stages, of a 250 ktpa smelter using 320 kA pot-line technology supplied by the Guiyang Aluminium and Magnesium Research and Design Institute ("GAMI") of China.

The first stage is currently under construction, largely under a turnkey contract with China Nonferrous Engineering & Construction Company ("NFC"), and consists of a half potroom (capacity 125 ktpa) and a rodding room equipped with the necessary administration, auxiliary and storage facilities. This stage will use purchased baked anodes and is due to be commissioned in two phases (62.5 ktpa commissioned by 2008 and a further 62.5 ktpa by 2009).

The second stage with full production capacity of 250 ktpa is scheduled for completion by 2011.

The business plan envisages that baked anodes will initially be supplied by China, and than be sourced locally from Pavlodar.

6.10.2 Key Operating Parameters and Capital Expenditure

At 30 June 2007 a total of USD306 million of a total estimate of USD869 million had been incurred (35%). Much of the non-process facilities, the power supply lines and the transformers and switchyard are virtually complete. In the Potroom, busbar and potshell installation of the pots required for the first 62.5 ktpa of capacity is complete. The necessary cathode blocks, cathode rods and installation material for lining the first pots is already on site. The long term sustaining capital is estimated at USD6.3 million per annum.

SRK has reviewed the current business and considers the projections to be reasonable. Table 6-11 provides details on the key operating parameters.

Table 6-11 Alumina and Aluminium Division—Key Operating Parameters at KAS

	Historical				Forecast			
	2004	2005	2006	H1 2007	H2 2007	2008	2009	2010
Aluminium produced (kt)	—	—	—	—	4	79	125	215
Capital expenditure (USDm)	—	110	127	69	180	211	172	6
Unit Cash Costs⁽¹⁾								
Processing (USD/t)	—	—	—	—	2,200	1,395	1,443	1,188

(1) Excludes depreciation and forecast cost as in real terms.

6.10.3 Closure Costs

A closure cost of USD20 million has been estimated for closure of KAS. This includes dismantling of all structures and re-vegetation.

6.11 Pavlodar Power Station

6.11.1 Introduction

The electricity, steam and heat required for the alumina refinery is generated at the TETS 1 power station located adjacent to the refinery site. The coal used by the plant is supplied by ENRC Energy Division's Vostochny coal mine. Currently there are six turbine generators and eight boiler units. The main power generating facilities were built between 1964 and 1989, with generators commissioned in 1964 and the last one in 1982. The main users are the Pavlodar Alumina Plant and other local enterprises, with the balance of power generation transferred to the national grid. Central heating is produced for sale to the local city heating station. Process steam is produced for own needs and for sale to the Pavlodar Alumina Plant.

6.11.2 Key Operating Parameters and Capital Expenditure

The existing capacities for heat and power are: electricity (350 MW); and heat (1170 Gcal/hr), comprising steam (650 Gcal/hr) and hot water (520 Gcal/hr).

The power plant comprises pulverised coal fired boilers, turbines and generators. The output voltages are 10 kV, 35 kV, and 110 kV. There are five transformer stations.

The estimated operating cost for the power station is USD80 million per annum, while the capital expenditure requirement is USD50 million per annum between 2007 and 2011.

6.11.3 Closure Costs

A closure cost of USD3.4 million has been estimated for closure of the Power Station. This includes dismantling of all structures, covering of the ash dumps and re-vegetation.

6.12 Risks and Opportunities

6.12.1 Risks

SRK considers that the principal risk specific to the Company is:

- The remoteness of the bauxite operations may affect the ability to recruit suitably qualified personnel.

6.12.2 Opportunities

SRK considers that the principal opportunities are:

- The open pits have been designed primarily for maximising recovery of bauxite. SRK considers that for the deeper, higher strip ratio pits, the pit limits should be re-evaluated using modern pit optimisation and slope design software; and
- As is common in vertically integrated businesses, operations tend to be focused on production rather than economic efficiency. SRK considers that, by reviewing the way that accounting information is presented, line managers could optimise their operations.

7 ENERGY DIVISION

7.1 Introduction

This section gives an overview of the assets of the Energy Division, including historical company development, location and property description and operating results. Specifically where reference is made to legal compliance within the regulatory environments in which the business operates, SRK has placed reliance on ENRC. In terms of environmental compliance, SRK has assessed the closure cost requirements for each of the operations, and these have been incorporated into the evaluation of the economics of Mineral Resources and Ore Reserves. The primary assets of the Energy Division are the Vostochny Coal Mine and Aksu Power Station.

7.2 Infrastructure, History and Location—Vostochny Coal Mine

Table 7-1 Energy Division—Infrastructure

Asset Type	Infrastructure	Detail
Vostochny Coal Mine	Open pit mine	Production: 2006 (17.9 Mt), H1 2007 (9.1 Mt)
Aksu Power Station	Power Station	Production: 2006 (11,500 GWh), H1 2007 (5,900 GWh)

Vostochny Coal Mine is an open pit mine located in the Ekibastuz coal basin some 120 kilometres from the town of Aksu and some 120 kilometres south west of the regional capital, Pavlodar. It uses rope shovel excavators and railway haulage to remove the overburden, and bucket wheel excavators and conveyors to remove the coal. Three seams are mined with a total thickness exceeding 150 metres. The mine currently produces 18 Mtpa.

Approximately 62% of coal production is sold to industrial customers and to municipal heating plants, and one third of these sales are exports to customers in nearby Russian cities. The remaining 38% of the coal production is being sold internally to the Aksu Power Station.

Exploration of the Ekibastuz basin commenced in 1948. The basin was divided into 12 prospecting sectors of which three sectors (7, 8 and 12) cover the Vostochny section of the deposit.

Mining commenced in 1985 and has since extracted approximately 310 Mt of coal. It has a design capacity of 30 Mtpa, but has never exceeded an annual production of 22 Mt. Due to market constraints, coal sales declined to a low of 11 Mt in 1998, but since then, sales have recovered to the 16-18 Mtpa range. Together with the two other mines operating in the Ekibastuz basin, the three mines currently produce more than 50 Mtpa.

In 1996, the EEC tax entity bought Vostochny and part of the Stepnoy overburden stripping operation, the latter being formerly the combined overburden stripping operations for the Vostochny Coal Mine and the neighbouring Bogatyr mine.

Table 7-2 Energy Division—Key Historical and Forecast Production Statistics at Vostochny Coal Mine

		Historical				Forecast			
		2004	2005	2006	H1 2007	H2 2007	2008	2009	2010
RoM coal mining*	(Mt)	17.0	16.3	17.9	9.1	9.5	18.2	19.3	19.5
Waste	(Mm ³)	21.1	23.5	24.1	12.1	12.2	25.5	28.0	30.0
thereof railed	(Mm ³)	21.1	23.5	24.1	12.1	12.2	25.5	26.0	26.0
thereof trucked	(Mm ³)	—	—	—	—	—	—	2.0	4.0
Stripping Ratio	(m ³ /t)	1.2	1.4	1.3	1.3	1.3	1.4	1.5	1.5
Coal and Waste	(Mt)	65.6	70.4	73.3	34.5	35.2	76.9	83.7	88.5
Unit Cash Costs^{(1),(2),(3)}									
Mining	(USD/t)	2.2	2.5	2.8	2.5	2.6	2.4	2.4	2.4

(1) Unit costs / RoM coal mining*.

(2) Represents on-site cash cost of production. Excludes some USD5 million per annum of centralised general and administrative costs and some USD5 million per annum for sales costs, and royalties.

(3) Cash costs exclude depreciation and forecast costs are in real terms.

ENRC has advised SRK that the forecast increase in costs due to increases in strip ratio is expected to be off-set by increases in efficiency as the railway line was electrified in 2006 and the waste crusher-conveyor system is expected to have lower unit costs than the deeper rail system.

7.3 Geology

7.3.1 Title

The GKZ resources for the Vostochny mining area were confirmed by the State Commission for Mineral Reserves under the Ministry of Geology of the Republic of Kazakhstan in Protocol #9114 of 26 November 1982.

The Vostochny mine is operated according to the terms and conditions of a subsurface contract and its underlying license, which expires on 18 March 1997 with a term of 25 years, to 18 March 2022. The mine also operates according to the master operating plan updated in 2002 which has defined the mining sequence and production schedule to 2045 and to the -200 m elevation. SRK understands that the EEC tax entity may be able to extend the Contract period after 2022 upon submission of a new mining plan to extract the remaining reserves scheduled to be mined up to 2045.

Table 7-3 Energy Division—Summary of Mining Licence for Vostochny Coal Mine⁽¹⁾

Asset	Status	Asset Type	Licence Expiry Date	Licence Area (ha)
Vostochny Coal Mine	Production	o/p	18/03/22	1,902

(1) o/p—open-pit.

7.3.2 Regional and Deposit Geology

The Ekibastuz coal deposit forms part of an elongated asymmetrical basin, the long axis of which extends over the coal measures from the northwest to the southeast for some 12 kilometres and reaches a maximum width of some 6.0 kilometres. Dips vary from 10° to 20° on the north west and south east limbs and from 65° to 90° on the north east and south west limbs. In the north east, the basin is limited by a large fault with a throw of some 400 metres. Away from the limbs, towards the basin axis, dips are gentle and near horizontal.

The coals are Carboniferous in age and underlain by rocks of Devonian age. Four main seams are recognised, of which the upper three are currently being mined. The upper seams are separated by strata of 0.3 to 13 metres thick. The maximum depth to the roof of the highest seam is some 550 metres and maximum depth to the floor of the lowest seam, Seam 4, is 760 metres.

Seam 1 is the highest seam being worked. It has a complex structure, consisting of some 30 to 50 coal plies from 0.1 to 1.0 metres in thickness, separated by light coloured dirt partings between 1 and 5 cm thick. The average seam thickness is 23.3 metres.

Seam 2 is separated from Seam 1 by an interval some 2.5-3 metres thick. The seam has a complex structure with frequent coal plies of between 0.2 and 2.0 metres thick interbedded with rock partings 1 to 5 cm in thickness. The average seam thickness is 42.5 metres.

Seam 3 is separated from Seam 2 by an interval of between 4.7 and 6.9 metres thick. The seam has a very complex structure and consists of a large number, from 140 to 160, of rock partings between 1 and 10 cm thick separating coal plies of between 0.1 and 1.5 metres thick. Seam 3 is the thickest seam and its average thickness is 92.4 metres. Seam 4 is separated from Seam 3 by an interval of some 80 metres and is not considered economic over most of the area. Overall, the combined thickness of seams 1 to 3 is an average of 158 metres. Figure 7-2 shows a cross-section through the deposit.

Figure 7-1 Energy Division—Location Plan of Vostochny Coal Mine

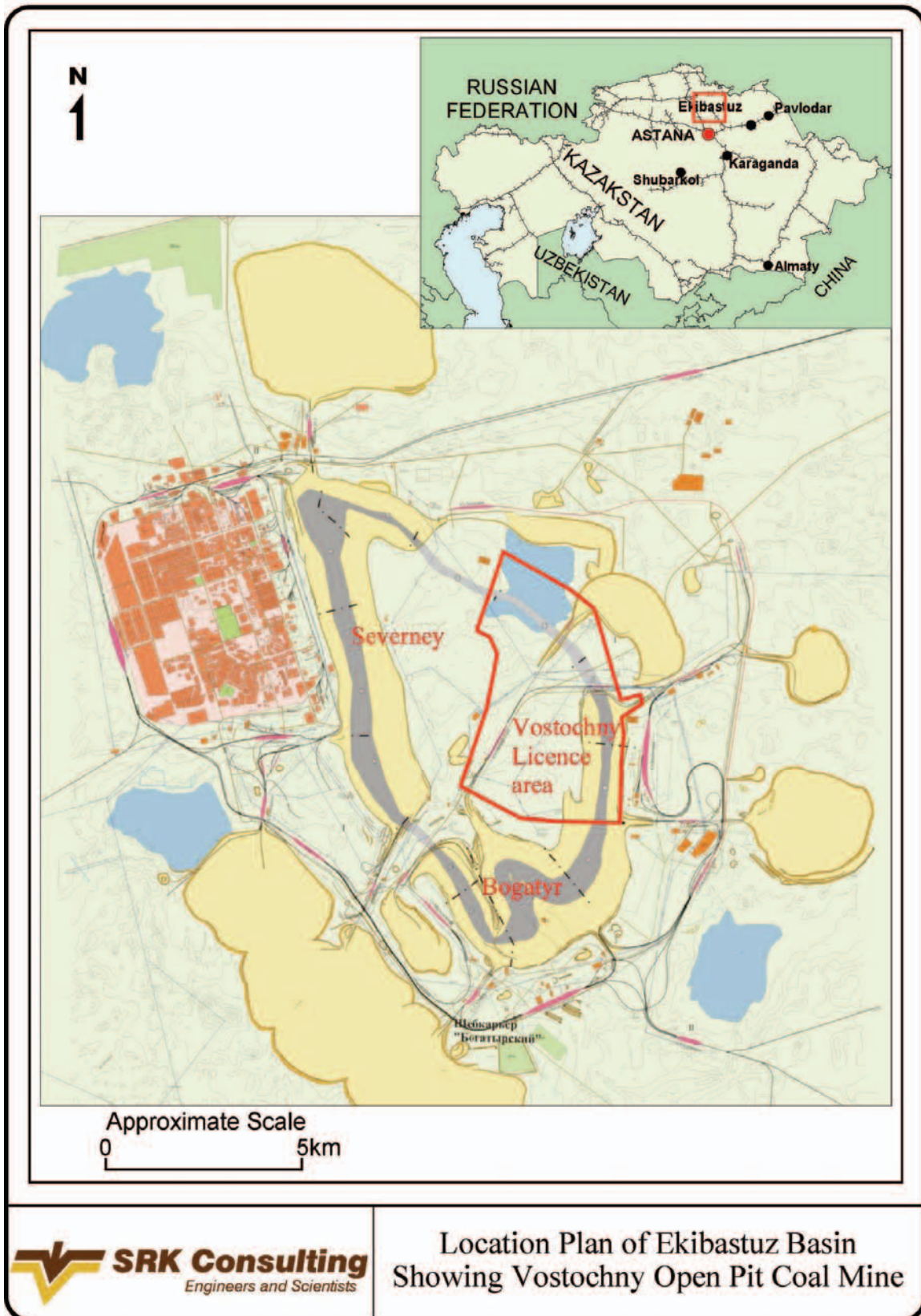
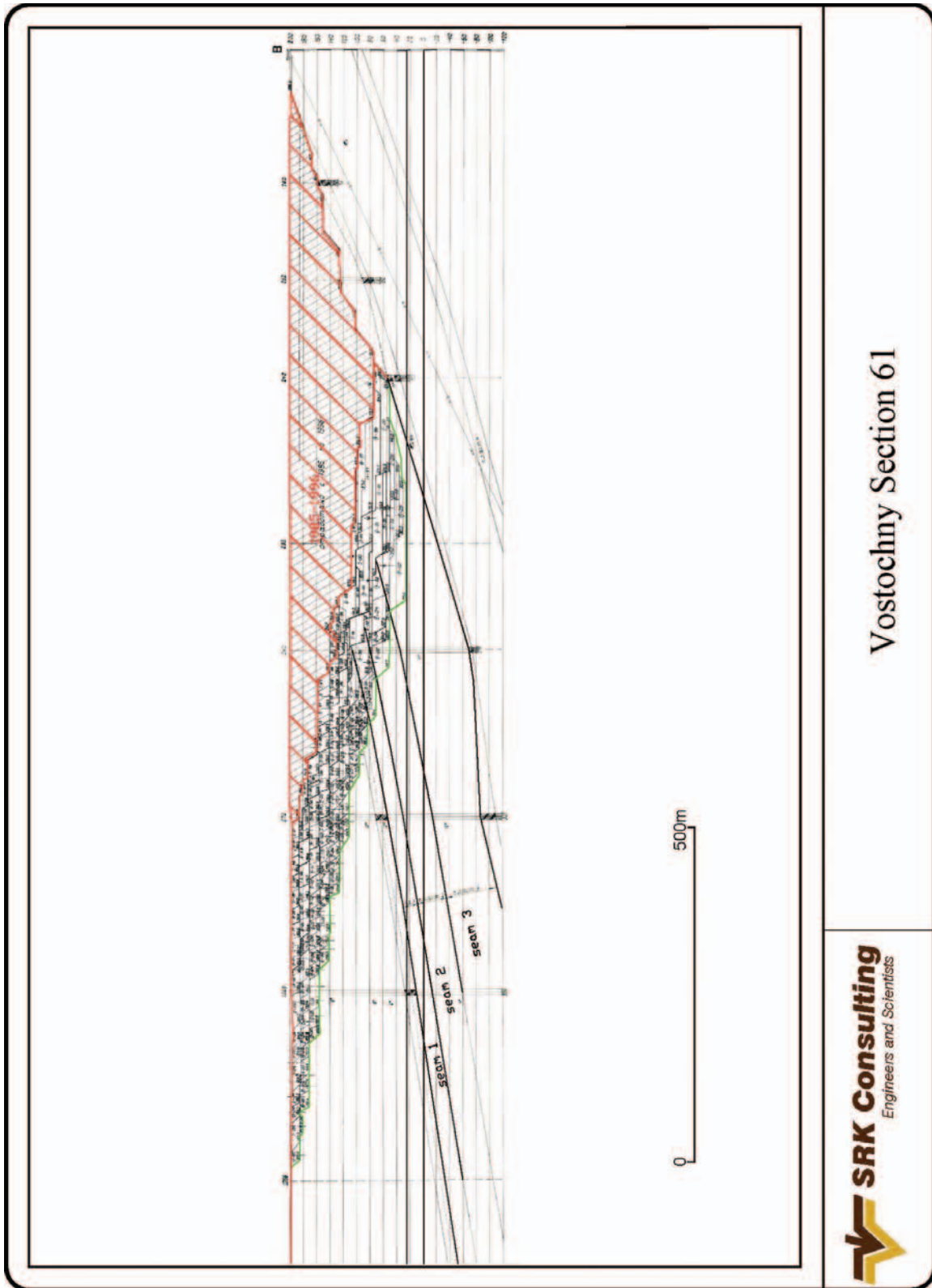


Figure 7-2 Energy Division—Cross Section through Vostochny Coal Mine



The Vostochny coals are hard, humic, thermal coals which have a high ash, low sulphur content, a volatile content between 25 and 29.5% and an energy content between 3,370 to 4,550 kcal/kg (air dried). Because of the nature of the ash partings, which are finely distributed through the seams, the coal quality cannot be improved by washing to remove dirt.

7.3.3 Exploration Potential

Some additional resources remain to the west of the Vostochny 2045 production boundary and significant additional resources exist to the north. To access these resources, a new mine plan would need to be developed. The development of the deposit to the west of the Vostochny 2045 production boundary will need to be co-ordinated with the development of the other two mines. The development to the north of the Vostochny 2045 production boundary will involve mining steeply dipping faulted seams and therefore the initial stripping ratio could be high. SRK considers that suitable mine plans could be developed to access these resources.

7.4 Coal Resources and Coal Reserves

7.4.1 QA/QC Procedures

Cores were sampled and analysed for the main parameters of ash, moisture, calorific value and sulphur. Analyses were undertaken in laboratories certified to State standards. In addition the relevant properties of the ash components, such as ash fusion temperature and other properties, were determined.

SRK was able to visit the EEC laboratory and found the facility to be clean, well ordered and well equipped. There was evidence of regular checking and calibration of equipment. Laboratory staff demonstrated a good understanding of quality issues, in particular the need for cross-checking results between different analytical techniques and calibration between different pieces of apparatus. The laboratory is certified to operate to State standards, which include a requirement for monthly duplicate samples. SRK viewed State certification and also ISO 9001 certification held by the operation.

7.4.2 Base Data for Resource Estimation

Some 416 boreholes were drilled in the Ekibastuz basin producing 96,663 metres of drill core. There was no drilling in 2006. The maximum depth of holes was approximately 600 metres. Core recovery was generally high, above 80%, and repeat drilling was undertaken on the rare occasions where recoveries fell below 60%. All holes were geophysically logged and included gamma, inclinometer, density and other logs to cross check core records as necessary. Boreholes were organised on section lines, generally near perpendicular to the strike direction. The spacing between the main section lines was approximately 500 metres with a borehole spacing of 250 metres along section lines. Additional drilling between the main section lines was done to improve confidence in the geology, particularly close to the seam outcrops. Detailed graphical logs for each borehole were produced following the drilling and include detailed core descriptions with core recoveries and analyses. During production, the geological department is responsible for ongoing mapping, sampling and analysis of trenches on production benches which are spaced according to GKZ criteria for each seam.

SRK was able to examine freely any documentation or plans and cross sections it requested, with the exception of geophysical logs which were not available as these are held by the former geological survey group. SRK examined a number of detailed graphical borehole records which recorded details of core recovery, lithology, dip and structural information and related analytical data. SRK further carried out random checks that this information had been accurately transcribed onto cross-sections and the seam-by-seam reserve block plans. SRK is satisfied that the data collection process is appropriate for the purpose of estimating resources.

7.4.3 Resource Estimation Technique

The geological structure was modelled on cross sections constructed from the drilling results and resource blocks were defined for each seam on plans showing structural contours, seam thickness, ash content and reserve blocks. The resources are estimated by defining polygons on the cross-sections.

Two methods were used for the estimation of the GKZ resources:

- Where dip angles were less than 45° the method of reserve blocks was used; and
- Where dips were greater than 45° the method of vertical sections was used.

GKZ reserve blocks were delineated using adjacent holes where seam thickness, ash content and structural contours were consistent. To convert volumes to tonnages the average bulk density including moisture as analysed from cores was used. Where there was a high degree of consistency, reserve blocks tended to be larger and classified as category A according to the GKZ system, otherwise as category B or C1. The latter classifications tended to be in areas of more widely spaced drilling and near to seam outcrops.

In calculating the average thickness for a block, any hole within the block that, due to geometrical constraints or poor core recovery recorded less than full seam thickness, was ignored. To derive volumes seam thicknesses were converted to true thickness and reserve block areas measured on the horizontal plane were converted to areas on inclined planes. Partings greater than 4 metres thick and with an ash content of greater than 60% were excluded from the GKZ reserves on the basis that these intervals would be selectively mined. SRK notes, however, that the GKZ balanced resources include only clean coal intervals and that other partings which will inevitably be taken as Run-of-Mine coal during mining are excluded from the GKZ balanced reserves.

The vertical section method was used mainly in the north east of the Vostochny area, Sector 12, where the strata dips steeply near to crop as a result of faulting. In this method volumes were calculated by measuring coal areas on vertical sections and multiplying by the distance between sections to convert to tonnages, again average specific gravities as analysed from cores were used.

7.4.4 Resource Classification

SRK considers that the exploration of the Vostochny sectors of the Ekibastuz basin has been extensive and thoroughly carried out by experienced geological personnel working to established procedures and standards. SRK also considers that the estimates based on traditional paper based modelling and resource evaluation procedures are comparable to the results that would be achieved by computer-based methods.

With respect to data coverage and geological continuity of the coal deposit at Ekibastuz, SRK considers GKZ balanced reserves in classes A and B as equivalent to Measured Coal Resources and GKZ balanced reserves in classes C1 as equivalent to Indicated Coal Resources using the guidelines given in the JORC code. The off-balance resource, regardless of the classification in the GKZ status, has been removed from the resource statement as SRK considers this material to be uneconomic.

7.4.5 Mine Plan

Vostochny has the licence to exploit coal resources above the -200 metre elevation within its sectors of the Ekibastuz coal basin, which extend a considerable distance to the north of the current operation. The coal to the north is understood to be highly faulted, so the current mine plan is to develop westward down-dip.

A long term mine plan was developed in 1997 to develop coal blocks to the 0 metre elevation by the official technical institute with responsibility for developing the long term plans for the Ekibastuz basin. In 2002 this institute developed an integrated long term plan for the three mines. Under this long term plan production is scheduled to increase

gradually to a maximum of 20 Mtpa by 2016 and sustain this level to 2045. At this stage the bottom of the mine will be at the -200 m elevation.

Each year, EEC prepares an operating plan which is based on following the official master operating plan and is approved by the responsible mining authority and the official technical institute in Karaganda.

SRK did not see any geotechnical studies but notes that the advance face and end walls are relatively flat at 16° and 19° respectively and the footwall slopes at 16°. Given that the coal and much of the overburden needs to be blasted, SRK considers it unlikely that the slopes will fail.

7.4.6 Reconciliation and Modifying Factors

Vostochny Coal Mine does not formally reconcile actual production against the in-situ coal resources on an area by area basis, despite the fact that updated, hard-copy site plans of the pit are based on monthly aerial photography. The mine does, however, calculate dilution and losses from RoM production figures, and exploration losses are calculated based on trenching on production benches. The principal source of dilution is the mining of partings less than 4 metres thick with the coal. Dilution is therefore estimated at some 17-18%. Mining losses occur at the roof of Seam 1 and the floor of Seam 3 and are assumed to total 2.25%.

7.4.7 Coal Resource and Coal Reserve Statements

Coal Resource estimate

SRK has not independently re-estimated the Coal Resource estimates for the individual deposits, but has rather reviewed the existing interpretation of the deposit geology, the means by which tonnage and quality have been estimated, the quantity and quality of sampling data used, and the production data which provides further backup to these estimates.

Coal Reserve estimate

SRK has reviewed Vostochny Coal Mine's plans for mining the Coal Resources to verify whether it is technically feasible to mine the resources using the mining method proposed; whether appropriate Modifying Factors can be defined with sufficient confidence either from extrapolating current performance or from technical studies; and whether the resultant material can be economically mined.

Vostochny possesses a very significant and well explored coal resource extending to the -200 metre elevation. SRK's reserve estimate is based on the portion of the resource that has been evaluated by feasibility-level studies. The Vostochny pit design and mine plan to the 0 metre elevation pit bottom has been developed in more detail than the 2002-2045 plans and SRK has classified the projected RoM coal quantities above this elevation as Proved Coal Reserve. SRK considers that the 2045 study is an appropriate technical study to classify the coal scheduled to be mined in this study as a reserve. SRK's Coal Reserve statement is based on the Coal Resource estimates of Vostochny Coal Mine as audited and reclassified by SRK, on the Modifying Factors derived from production and reconciliation data and reports provided by the company.

SRK understands that the reserves include rock partings and interburden greater than 60% ash and less than 4 metres in thickness, and therefore represents a RoM quality. The average stripping ratio of the coal reserve is approximately 2.1 cubic metres of waste per tonne of coal. The company notes that the coal seams are homogeneous and that the ratio between the thickness of the coal seams and the partings mined with the coal will remain constant. The quality of the coal reserves is based on the average of the actual coal produced at the three mines operating in the Ekibastuz basin.

The Coal Resource and Coal Reserve statement as at 1 July 2007 is presented in Table 7-4.

Table 7-4 Energy Division—Coal Reserves and Coal Resources for Vostochny Coal Mine—1 July 2007^{(1),(2),(3),(4)}

Coal Reserve Category	Tonnage (Mt Dry)	Ash ad (%)	Inherent Moisture ad (%)	Total Moisture ad (%)	Sulphur ad (%)	Calorific Value (nar) (kcal/kg)
PROVED						
Open Pit						
Vostochny Coal Mine	72	42.5	4.1	6.5	0.6	3,990
PROBABLE						
Open Pit						
Vostochny Coal Mine	700	42.5	4.1	6.5	0.6	3,990
TOTAL PROVED AND PROBABLE	772	42.5	4.1	6.5	0.6	3,990
Coal Resource Category						
	Tonnage (Mt Dry)	Ash ad (%)	Inherent Moisture ad (%)	Sulphur ad (%)	Calorific Value (nar) (kcal/kg)	
MEASURED						
Open Pit						
Vostochny Coal Mine	1,067	36.0	4.2	0.6	4,580	
INDICATED						
Open Pit						
Vostochny Coal Mine	195	36.0	4.2	0.6	4,580	
TOTAL MEASURED AND INDICATED	1,262	36.0	4.2	0.6	4,580	
INFERRED						
Open Pit						
Vostochny Coal Mine	1,269	36.0	4.2	0.6	4,580	
TOTAL MEASURED, INDICATED AND INFERRED . . .	2,531	36.0	4.2	0.6	4,580	

(1) All references to Coal Resources and Coal Reserves are stated in accordance with the JORC Code.

(2) Coal Resources are inclusive of Coal Reserves.

(3) ad — air dried.

(4) nar — net as delivered.

7.5 Vostochny Mine Operations

7.5.1 Mining methods, equipment and access

The overburden is currently excavated by eleven 6.3 to 15 cubic metre Russian-manufactured EKG electric face shovels and one Liebherr R994B hydraulic excavator and loaded into an in-pit full-gauge rail system to be hauled to one of two ex-pit dumps. Currently, eight 15 metre overburden benches are being worked. Twenty trains, of which on average 18 are operating, haul the overburden at a maximum gradient of 4% to waste dumps located to the east beyond the coal basin outcrop. In order to access the lower four benches, the trains need to negotiate switch-backs. On the dumps, the overburden is rehandled by 10-13 cubic metre draglines.

The two upper overburden benches are mined without blasting the rock first, whilst all remaining pit material, including coal, is blasted. The overburden working highwall is designed at an overall slope of 16°, to allow for active mining on each 25-30 metre wide bench.

The coal is excavated from four 650 metre long mining blocks by bucket wheel excavators and transported on a combination of connecting face, trunk and inclined conveyors to the coal stocking and blending areas. There are five MAN Takraf bucket wheel excavators (four acquired in 1985-1987 and the fifth in 1996), all rated at 4,500 cubic metres per hour, and four conveyor lines, each rated at 5,250 cubic metres per hour. The bucket wheel

excavators are currently operating at a utilisation of 23%-29% of available time due to blending constraints.

The coal benches are designed to be 25 metres high and have a minimum working width of 50 metres. Actual coal bench widths range from 50 metres to over 200 metres. The coal is usually blasted before being mined.

As the bucket wheel excavators need a minimum bench height to operate effectively, any interburden less than 4 metres thick is mined with the coal. Interburden greater than 4 metres thick is mined by shovel and loaded onto the coal conveyors which take the interburden to a separate waste dump.

As the mine progresses down dip, it is planned to supplement the train haulage overburden removal system with an in-pit crusher and conveyor system with overburden hauled from the shovels to the in-pit crusher by trucks. The equipment is due to be commissioned in 2009. The potential for in-pit dumping is limited by the footwall dip and the coal conveyors located on the footwall. Consequently in-pit dumping is only scheduled to take place from 2022.

Condition of facilities

SRK inspected the condition, maintenance history and maintenance planning for several pieces of the major mining equipment.

The bucket wheel excavators were designed to suit the cold Kazakh winters and are in a good condition, though the bucket wheel gearing on one of the machines is scheduled to be replaced in 2008/9. No major downtime was recorded in 2005 or 2006. Some USD5.5 million is scheduled for refurbishing the bucket wheel excavators between 2012 and 2015. SRK considers that the maintenance programme is appropriate and that, with suitable maintenance and overhauls, the equipment will be able to operate for the life of the reserves. SRK notes that one bucket wheel excavator is currently surplus to requirements and therefore can be cannibalised for critical spares as necessary.

Seven of the locomotives are more than 20 years old and are scheduled to be replaced between 2011 and 2024. Six of the excavators in the pit are 15 to 20 years old whilst 10 of the rope shovels on the waste dumps are more than 20 years old. The rope shovels are scheduled to be replaced when they are between 20 to 30 years old, depending on condition and duty. The draglines on the waste dumps are only scheduled to be replaced from 2022 which means that the oldest dragline will be more than 40 years old.

Overall SRK considers that the equipment is well maintained and that the maintenance and replacement programme is appropriate to maintain the equipment in an effective working condition for the life of the reserves.

7.5.2 Historical and Forecast Operating Statistics

Table 7-5 provides historical and forecast mining statistics at Vostochny Coal Mine. Mining production is scheduled to increase from the current production rate of 18 Mtpa to around 20 Mtpa by 2010. The overburden removal capacity is also scheduled to increase from 24 Mm³ per year to 34 Mm³ per year by 2012 and ultimately to 49 Mm³ per year in 2037. These increases are to be achieved through investing in additional overburden removal capacity.

Based on the Ore Reserve estimate at 1 July 2007, mining is scheduled to continue for 39 years, with some 765 Mt of coal mined.

Table 7-5 Energy Division—Historical and Forecast Mining at Vostochny Coal Mine

		Historical				Forecast				
		2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	LoM
RoM coal mining . . .	(Mt)	17.0	16.3	17.9	9.1	9.5	18.2	19.3	19.5	764.6
Waste	(Mm ³)	21.1	23.5	24.1	12.1	12.2	25.5	28.0	30.0	1,578.7
thereof railed . . .	(Mm ³)	21.1	23.5	24.1	12.1	12.2	25.5	26.0	26.0	999.7
thereof trucked . .	(Mm ³)	—	—	—	—	—	—	2.0	4.0	579.0
Stripping Ratio . . .	(m ³ /t)	1.2	1.4	1.3	1.3	1.3	1.4	1.5	1.5	2.1
Coal and Waste . . .	(Mt)	65.6	70.4	73.3	34.5	35.2	76.9	83.7	88.5	4,393.2

7.5.3 Sales

No coal is processed on site, and all coal is sold as Run-of-Mine material. Coal is provided to the Aksu power station at cost and sold to non-ENRC customers in Kazakhstan at a price defined by the Kazakh government as the Ekibastuz coal operations are deemed to have dominant or monopolistic positions. For 2007, the price for coal sold externally is set to USD6.50/t. Whilst historically coal was supplied to other ENRC power stations at a similar price to other customers, from 2008 coal will be provided to the other ENRC power stations at a 8.1% discount to the market rate.

7.5.4 Investment Plan and Capital Expenditure

The principal investments planned for the Vostochny mine are:

- New overburden crusher-conveyor system and additional mining equipment: USD76 million in the period 2007-2009 and a further USD64 million between 2023 and 2027 for a second crusher-conveyor system;
- Refurbishment of the bucket wheel excavators: USD8.0 million per year between 2012 and 2015, reducing to USD2.5 million per year between 2016 and 2017;
- Extension of 4 conveyor belts for the coal conveying system: USD11.5 million in 2012-2013;
- Replacement of excavators: an average of USD3.6 million per year; and
- Replacement of locomotives: an average of USD2.0 million per year.

Of the capital investment assigned to increasing material handling capacity approximately 34% or USD26 million between 2007 and 2009 relate to increasing the coal production rate, with the remainder being utilised to increase the overburden stripping capacity. The remaining capital defined is for sustaining the operation.

In general SRK found that the expenditure estimates were reasonable though felt that the timing of procuring some of the mining needed to be reviewed. SRK's projections include bringing some of this investment forward to ensure that there is sufficient capacity available to cope with increases in stripping.

Table 7-6 Energy Division—Historical and Forecast Capital Expenditure at Vostochny Coal Mine⁽¹⁾

		Historical				Forecast				
		2004	2005	2006	H1 2007	H2 2007	2008	2009	2010	LoM
Project	(USDm)	8.7	9.0	4.4	1.5	6.7	45.0	24.9	9.6	680.1
Sustaining	(USDm)	0.2	0.0	3.1	0.3	1.6	5.6	4.5	4.3	149.8
Total	(USDm)	8.9	9.0	7.5	1.8	8.3	50.6	29.4	13.9	830.0

(1) Forecast costs are in real terms.

7.5.5 Management and Industrial Relations

SRK considers the management team at Vostochny to be experienced and capable of managing the implementation of the new waste rock mining system. SRK was not made aware of any industrial relations issues which could affect future projections.

Terminal benefits

SRK has made a provision for terminal benefits based on an assessment of relevant labour legislation in Kazakhstan. This amount is USD10 million in 2007 money terms.

Health and Safety

Health and safety management is focused on the development of company wide health and safety policies, taking cognisance of the legislation and regulatory environment.

7.5.6 Environmental Considerations

SRK conducted a high-level review of the closure costs prepared by ENRC to evaluate whether the estimate is prepared in accordance with other mining operations in Kazakhstan. In general the rates used have been adequately justified and appear realistic. Based on this review, SRK determined that the closure cost attributable to Vostochny Coal Mine is USD6.2 million.

7.6 Aksu Power Station

7.6.1 Introduction

The Aksu Power Station comprises eight 300 MW power generating blocks, though one has not been in service since 1996 and is scheduled to be recommissioned during 2011.

The power station was built between 1964 and 1968, with the first turbine driven generator of 300 MW capacity put into operation in December 1968. A further 7 similar power blocks were brought into service during 1969-1975, with the total amount of 8 power blocks erected with capacity of 300 MW each. In 1996, Block 2 was decommissioned and used for spares due to a reduction in the power demand and the poor condition of the turbine. It is scheduled to be re-commissioned during 2011.

The facilities at each block include:

- Coal stockpile with a capacity of 440,000 tonnes and operated at an average of 200,000 tonnes;
- Coal handling and milling facilities;
- Two boilers designed to cope with 40% ash feed;
- Steam turbine;
- Generator;
- Transformer;
- Emission controls; and
- Electrical transmission.

There is an on-going programme to upgrade the electro-static precipitators and to date 4 units have been refurbished. Once Block 2 has been commissioned, it is planned to continue the refurbishment programme which will be completed in 2019.

7.6.2 Key Operating Parameters and Capital Expenditure

Operations

Coal is supplied from EEC's Vostochny mine by train. The wagons are unloaded individually and the coal is stacked in a stockpile with a capacity of approximately 440,000 tonnes. The coal is recovered and crushed in hammer mills before being fed to the boilers. The furnace bottom ash is removed from the boiler, water is added and the ash is pumped to the ash dump.

The boilers are lit by oil burners. Automatic protection exists in case the flame is extinguished. SRK notes that the fire fighting equipment was manually activated.

Blocks 3 and 4 have new digital control systems whilst the remainder are operating with the original equipment. SRK considers that EEC should consider creating one central control room to replace the 8 individual control rooms.

Overall SRK considered that the operations were well run though SRK noted that there were excessive levels of coal dust at the coal handling operations. As the company has since implemented measures to reduce both the generation of dust and cleaning up the site and as the coal dust contains high levels of ash which reduce its explosive characteristics, SRK considers that the risk of a serious coal dust explosion and lung damage is low provided that these measures are maintained. SRK also noted that some 4,700 tonnes of asbestos is used in the plant. The plant management is aware of the hazards and has procedures for handling this material.

Table 7-7 Energy Division—Key Statistics for Aksu Power Station

	Historical				Forecast			
	2004	2005	2006	H1 2007	H2 2007	2008	2009	2010
Total electricity produced* (000 GWh)	10.6	10.2	11.5	6.3	5.8	12.0	13.8	13.8
Electricity used internally (000 GWh)	0.7	0.7	0.6	0.4	0.4	0.7	0.8	0.8
Saleable electricity (000 GWh)	9.9	9.5	10.9	5.9	5.4	11.3	13.0	13.0
Unit Cash Costs^{(1),(2),(3)}								
Electricity produced (USD/MWh)	4.8	5.1	6.4	6.6	6.7	7.4	7.1	7.1
Capital Expenditure (USDm)	9.2	29.0	39.0	6.9	46.1	123.4	79.2	54.3

(1) Unit costs / Total electricity produced*.

(2) Represents on-site cash cost of production. Excludes some USD16 million per annum of centralised general and administrative costs, and royalties.

(3) Cash costs exclude depreciation and forecast costs are in real terms.

In 2006 Aksu Power Station produced 11,500 GWh of electricity, of which 200 GWh was supplied to the Vostochny Coal Mine, 6,500 GWh to ENRC companies and 4,200 GWh to third parties.

SRK notes that there was a significant increase in the cost of coal supplied from the company's coal mine in 2006 due to a combination of an increase in the quantity of electricity generated (14%) and an increase in coal costs (29%) following a revaluation of the assets and salary increases.

Sales

The majority of electricity is sold to users within the ENRC group. Unlike the coal sales from the Ekibastuz coal producers, electricity sales on the wholesale market are not regulated and the price of electricity is defined by the market. The price of electricity is forecast by ENRC to increase by 30% over the next two years from US\$1.39 per kWh to US\$1.74 per kWh. Electricity is supplied to ENRC companies at a discount of 29% to the market rate. Heat is also sold but contributes only 0.1% of total revenue.

Capital expenditure

Overall SRK found that the capital expenditure projections were based on a well-engineered programme of maintenance and expansion.

The principal investments are:

- Rebuilding of Block 2: USD226 million between 2007 and 2011—total installed capacity of the power station will increase from 2,100 MW to 2,400 MW by 2012; and
- Refurbishment of blocks 5-8: USD312 million between 2010 and 2019.

The routine investments can be summarised as follows:

- Routine overhaul of each boiler and turbine: USD4 million per year; and
- Other capitalised maintenance: USD5 million per year.

Management and Industrial Relations

As Aksu is the largest power station within the ENRC group, the EEC power station management team also has a role in how the other power stations within the group are managed. This role includes advising on the key systems and operating practices. Further, the power station engineering and maintenance facilities (Production and Repair Enterprise) located at Pavlodar provide support to the other ENRC power stations.

7.6.3 Closure costs

SRK considers that the life of the Aksu power station is linked to the life of the Vostochny mine as the coal produced by the other coal mines working the Ekibastuz basin are committed to other customers. Whilst the reserves are estimated to have a life of 38 years, SRK considers it likely that further technical studies will convert much of the remaining resources into reserves at a similar cost.

Although a closure cost estimate is not required at this stage, it is estimated at USD3.7 million as part of the process for defining the value of the reserves of EEC. SRK considers this sum to be reasonable for demolishing the facilities and cleaning up the site.

7.7 Risks and Opportunities

7.7.1 Risks

The principal risks identified by SRK include:

- Mine operating costs have been rising significantly in the past few years and the company has taken action to implement improvements in efficiency. Should the improvements be less effective than planned then actual costs could be higher than forecast. Should this happen then the company has the option of applying to the government to increase the price of coal which is low by international standards;
- A new in-pit crusher and conveyor facility is being installed at Vostochny. SRK considers that the mine staff has the necessary experience to be able to manage the technology and considers that there is a low risk of delays as is common with commissioning a major project;
- The mine plan at Vostochny requires co-ordination with the neighbouring mines, especially the Bogatyr mine as the boundary between the operations runs through the pit and they share a common waste disposal site. SRK notes that the co-ordination between the two companies is managed by a government department. SRK considers that there is a low risk of business interruption caused by potential events at the Bogatyr mine which is outside of ENRC's control; and

- The coal mines working the Ekibastuz basin have been classified as having a significant impact on the Kazakh market and the price of coal sold locally is therefore defined by the Kazakh government. Price rises therefore need to be approved by the Kazakh government. So far the price of coal has been allowed to increase significantly in recent years to offset increases in costs though there is a small risk that future price increases may not be permitted or not as large as the company wishes to off-set rising costs.

7.7.2 Opportunities

The principal opportunities identified by SRK are:

- Operating costs could be reduced through the review of operating and maintenance practices, though SRK does not expect that the costs would be reduced significantly;
- SRK considers that further reserves will be defined which will permit operations to continue for a further 20 years to around 2060-2070; and
- The price of coal is low by international standards and is being controlled by the Kazakh government as the Ekibastuz basin is a significant contributor to the local market. The company is evaluating whether the price of coal sold to Russia could be raised as coal prices are rising in Russia as demand for coal increases.

8 CONCLUDING REMARKS

8.1 Ferroalloy Division

The Ferroalloy Division includes world-class chromite deposits and an existing vertically integrated operations infrastructure. Combined with relatively low electricity costs, the operating costs are comparatively low by international standards. The company has implemented a number of initiatives in recent years to improve efficiencies and SRK considers that this trend will continue with new initiatives being identified to improve profitability further at both mining and smelting operations. SRK did not identify any major technical risks or factors which would prevent the company from achieving its production targets.

8.2 Iron Ore Division

SRK considers that the operations at SSGPO are well run and that the projected production schedule is achievable given the capital expenditure planned and the skills available. SRK also notes that a substantial resource base has been defined which can support operations well beyond the period of the currently defined Ore Reserves. SRK has conducted a comprehensive review and assessment of all material issues likely to influence the future operations of SSGPO. The LoM plans for the Mining Assets, as provided to and taken in good faith by SRK, have been reviewed and adjusted by SRK where considered appropriate to conform with the portion of the Mineral Resource that can be classified as an Ore Reserve. SRK also notes that the impact of any adjustments (both positive and negative) made by SRK to the underlying LoM plans have not been subjected to re-planning. SRK notes that SSGPO have identified opportunities to process low grade ore which has the potential to add production at no additional cost for mining. Not all of this has been included in SRK's assessment of reserves and LoM as insufficient information was available.

8.3 Alumina and Aluminium Division

The alumina processing is by itself a fundamentally low cost operation due to the low cost of electricity price generation. Some of these benefits will be passed on to Kazakhstan Aluminium Smelter.

Overall, SRK considers that the forecasts proposed by the Alumina and Aluminium Division are easily achievable and that many of the normal business risks, such as rising costs of heat and electricity, will be balanced by gains by other business units within ENRC.

8.4 Energy Division

Overall, SRK considers that the operations at EEC are well run and that the projections are based on appropriate engineering estimates. No material risks were identified.

For and behalf of SRK Consulting (UK) Limited

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9 APPENDICES

9.1 GKZ and JORC Resource/Reserve Reporting—a Comparison

9.1.1 GKZ Reporting

Resources and reserve estimates of all ENRC mines are estimated and reported following GKZ guidelines. This system was established in the former Soviet Union and, with minor adjustments, is used in most of the CIS countries, including Kazakhstan and Russia.

The GKZ classification system consists of 7 categories reflecting increasing level of confidence (P3, P2, P1, C2, C1, B and A). The amount of data required for blocks to be classified according to the different reporting categories depends on the geological complexity and orebody geometry and is prescribed in detail, including defining the drill spacing and studies.

The resources with the highest confidence are categorised as A and B resources, the former representing such detailed knowledge required to design a stope or bench blast, the latter comprising well delineated parts of the deposit. The C1 category is conferred on those areas which are outlined to a lower level of confidence, sufficient to support long term mine planning, whilst C2 resources represent sparsely drilled areas and extensions to drilled parts of a deposit model which often require more information before mine planning might be considered.

The GKZ estimates are usually reported in “on balance” and “off balance” categories, whereby the “on balance” resources form the portion of the deposit which a company contracts to the State to mine. “Off balance” material is either considered “sub-economic” or outside of the envisaged mining area (outside the pit limits in the case of open pit mines or outside the stope limits in the case of underground mines). The estimates can also be reported as “Industrial Reserves” which are the on-balance resources modified to reflect mining loss and dilution parameters. The mining loss and dilution parameters are often derived from official guidelines based on studies of mining operations at deposits with similar geological complexity, geometry and mining method.

The resource calculation and technical studies relating to mining projects are generally undertaken by approved technical institutes independent from the individual mining companies. Once the study is completed, it requires approval by the State, and is verified in detail by a group of professionals licensed by the relevant State committee—in case of Kazakhstan, by the State Subsoil Resources Committee under the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan.

Upon approval, a mining contract will be concluded between the state and the mining company, and all future production is reported essentially against the initial GKZ estimate. The sum of all GKZ estimates provides the State Committee with an overall mineral inventory of the country in question.

Each year companies must submit reports to the GKZ stating the production, any other changes to the resource estimate arising from further more detailed exploration or changes in mining limits, and the mining losses and dilutions. If the company cannot fully account for the exploitation of the full resource defined in the contract then it is possible that the company will need to pay a penalty for any short-falls in production. Usually, it is SRK’s experience that the chance of a company not being able to account for the full resource is low due to a combination of conservatism in the original resource estimate and a lack of accuracy in production accounting resulting in the reliance on the original design mining loss and dilution parameters. Should the company determine that the original resources cannot be mined economically or that they wish to change the mine design, it is possible to submit a revised mine plan to the GKZ which they will review and, if they agree with the reasoning, set as the new production contract.

9.1.2 Common resource estimation practices in Kazakhstan

The common resource estimation process differs from international practices. The process is principally based on defining blocks on paper hard-copies of vertical cross-sections, vertical linear projections or horizontal plans, depending on the orebody geometry and inclination, and estimating the quantities and average qualities using the polygonal estimation technique. The process will vary according to the geological conditions but the common features are as follows:

- Plans, cross-sections and long sections are drawn through the deposits including all geological and borehole information;
- Polygonal blocks are created on each plan or section based on lithology, bauxite quality and drilling density whilst honouring the resource classification criteria;
- Block volumes and tonnages are calculated:
- For deposits of relatively uniform thickness the volume is calculated as being the area of the block multiplied by the average of the thickness of the orebody as measured by the boreholes located within the block;
- For deposits of variable thickness the volume is calculated using geometrical techniques based on the area of the block on two neighbouring sections and the average distance between the two sections; and
- Tonnage is calculated by multiplying the volume by an average density;
- Average block grades are calculated as the simple average of the samples within the block; and
- Classifying tonnages and grades in the various GKZ categories, and the reporting of blocks as “on-balance” or “off-balance”.

It is SRK’s experience that, where the drillhole density has been appropriate to outline the deposit with reasonable confidence, and the orebody contacts are sharp, the overall tonnage is comparable to the global estimate derived from block models, the technique commonly used internationally, though there can be greater variation on a year-by-year basis. The overall grade is also usually comparable except where the deposits may be susceptible to the excessive influence of high grade values, such as can occur in gold deposits.

9.1.3 International Resource/Reserve Reporting Codes

Several different resource reporting codes exist on the international arena, but the main definitions were standardised in 1997. The most wide-spread codes used are the JORC Code (Australasian), CIM (Canadian), the Reporting Code (Europe) and SAMREC (South African).

These codes all distinguish between resources and reserves as follows:

- Resource: the estimate of the quantity and quality of the mineralised material in-situ that has potential to be mined; and
- Reserve: the economically mineable portion of the resource, including adjustments for dilution and mining losses by the application of Modifying Factors.

SRK has reclassified the reported resources and reserves using the JORC code. The JORC code definitions are given in the Glossary.

The choice of the appropriate category of Mineral Resource depends upon the quantity, distribution and quality of data available and the level of confidence that attaches to those data. The appropriate Mineral Resource category must be determined by a Competent Person or Persons.

An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrated at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves. Usually Probable Ore Reserves are derived from Indicated Resources and Proved Ore Reserves from Measured Resources, although in situations where there is less confidence in the technical factors, then a Measured Resource may be classified as a Probable Ore Reserve. This relationship is shown graphically in Figure 9-1.

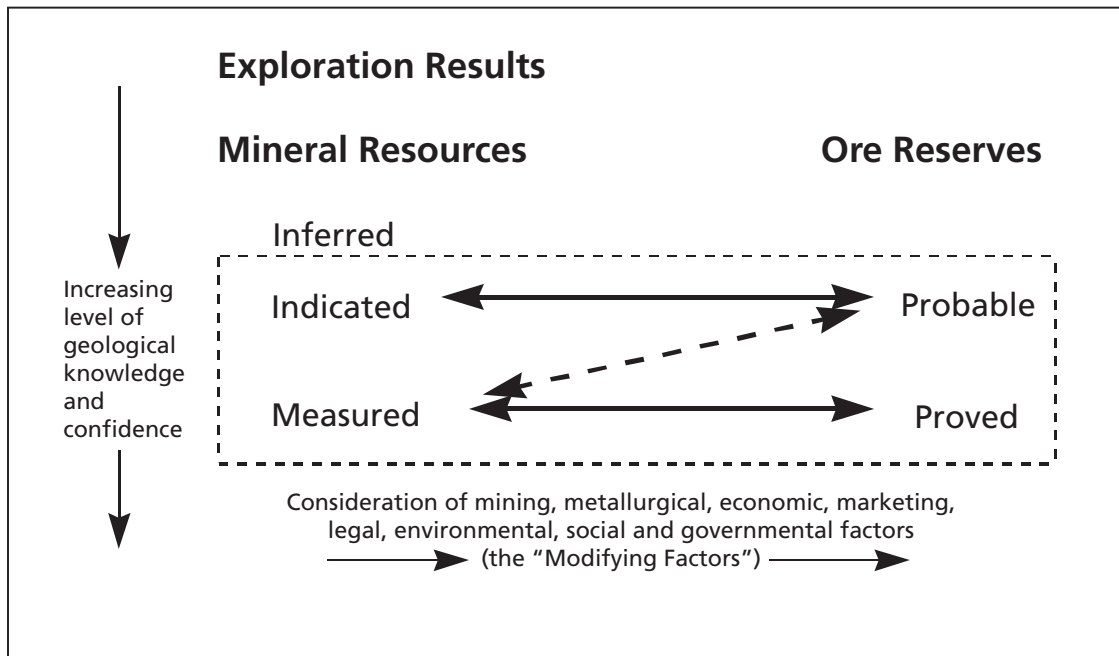


Figure 9-1 Relation between Mineral Resources and Ore Reserves in the JORC code.

A Competent Person is a suitably experienced professional who has a minimum of five years experience which is relevant to the style of mineralisation, type of deposit under consideration and to the activity which that person is undertaking (that is, either exploration or the estimation, assessment and evaluation of either Mineral Resources or Ore Reserves). The Competent Person must also be a member of a recognised professional association and subject to disciplinary procedures should any complaint be made against the individual.

Companies listed on the principal international stock exchanges are obliged to follow the guidelines defined by these codes.

9.1.4 Reclassification of GKZ Resources following the JORC Code guidelines

The process of reclassifying GKZ Resources to comply with international codes, requires the Competent Persons to review the quantity and quality of the data collected and determine the level of confidence in establishing tonnage, density, shape, physical characteristics, grade and mineral content. This enables the resource blocks to be classified according the appropriate resource category. As the GKZ system is highly prescriptive, it is usually possible to convert whole categories to their international equivalent though SRK has identified situations where specific blocks may be classified into a category with higher or lower

confidence. This is shown graphically in Figure 9-2. Note that this figure should be considered as guideline only.

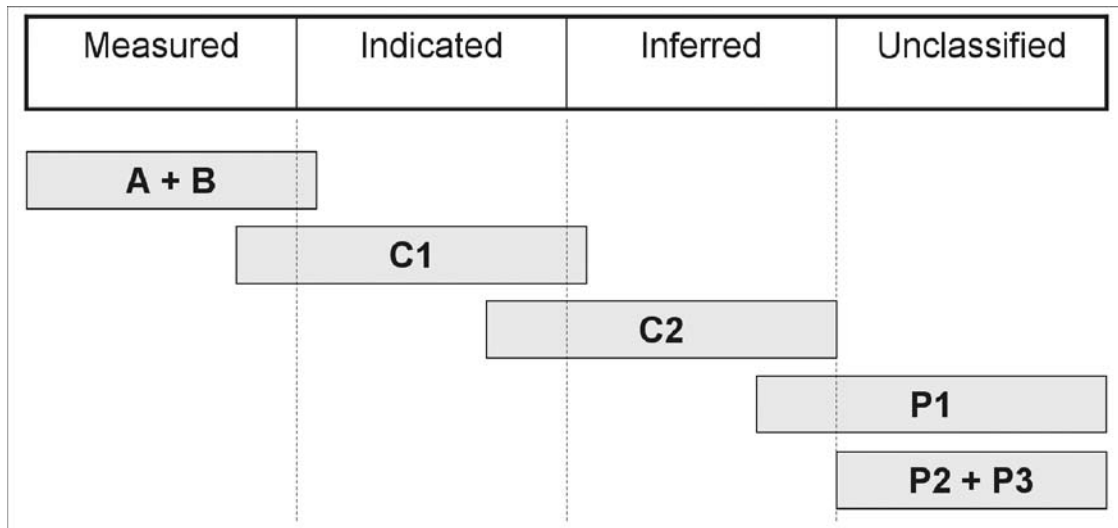


Figure 9-2 “Rule of thumb” conversion of GKZ classification classes into the JORC classification for Mineral Resources.

The Industrial Reserve is approximately equivalent to the international reserve category, although SRK has identified the following differences:

- The Industrial Reserve is usually defined during the initial study using cost and revenue parameters which may no longer be relevant. Whilst there are provisions to reclassify the reserve during operation through submitting a justification to the GKZ, it is SRK’s experience that this either not done or limited to specific parts of a deposit scheduled for mining that year. Consequently, the remaining Industrial Reserve may contain sub-economic material;
- The Industrial Reserve is usually not categorised by confidence and as such information previously defined as A, B, C1 and sometimes C2 can be combined. Thus, it is often not possible to reclassify the Industrial Reserve according to international Ore Reserve reporting guidelines and therefore it is necessary to apply Modifying Factors to the Balance Resources to derive the equivalent international Ore Reserve estimates; and
- Technical studies sometimes lack the level of detail required to provide the necessary level of confidence required to classify an Ore Reserve.

Also, SRK notes that deposits which are not included in the actual mine plan may be classified as a GKZ “Off-balance” resource. These may or may not be of sufficient grade to be classified as a mineral resource by international codes.

9.2 Licences and contracts

It is common for the mining Contract to be shorter than the duration of the long term plan approved by the GKZ. Mining Contracts usually have fixed terms, such as 20 or 25 years, and can be renewed to exploit the outstanding tonnage contained within the long term plan, provided that the company has not breached any terms of its Contract and is demonstrating that it is exploiting the resource responsibly. Should the company wish to apply for permission to mine additional material outside the current boundary of the long term plan, a new long term plan would need to be submitted and approved by the GKZ. SRK notes that at most of ENRC’s operations, the Kazakh government has provided a letter stating that the mining licence will be extended to enable all of the ore defined in the Sub-Soil Contract to be mined by ENRC’s companies.

The long term plan approved by the GKZ is often referred to as the "Sub-Soil Contract" as this defines the mining method that the company can use, the acceptable mining recovery and dilution parameters, and the total tonnage and grade of the ore that is expected to be recovered. The company's performance may be subject to inspection by the GKZ and if the company is found to not be recovering all of the ore defined, then the company can be fined for any material that has not been recovered and possibly have its Contract revoked.

Surface access rights are separate to mineral rights and in the case of open pits, the rights to use the surface would need to be applied for separately.

Abbreviations

3D	3 Dimensional.
Al ₂ O ₃	Aluminium Oxide.
AoK	Aluminium of Kazakhstan.
CaO	Calcium Oxide.
CO ₂	Carbon Dioxide.
Cr ₂ O ₃	Chromium Oxide.
DAF	Delivered at Frontier.
DMS	Dense media separation.
EEC	Eurasian Energy Company.
ENRC	Eurasian Natural Resources Corporation PLC.
EUGEML	Eastern Urals Geological Exploration Mission Laboratory.
Fe ₂ O ₃	Iron Oxide.
GAMI	Guiyang Aluminium and Magnesium Research and Design Institute.
GKZ	Russian State Reserve Committee.
H1,2	1 January - 30 June, 1 July - 31 December.
IPO	Initial Public Offering.
JSC	Joint Stock Company.
KAS	Kazakhstan Aluminium Smelter.
KBRU	Krasno-Oktyabrskoye bauxite mine.
KIR	Keregetas limestone mine.
LME	London Metal Exchange.
LOI	Loss on Ignition.
LoMp	Life-of-Mine plan.
MgO	Magnesium Oxide.
MSI	Modulus of Silica.
n/a	not applicable.
n.a.	not available.
NFC	Nonferrous Engineering & Construction Company.
NPV	Net Present Value.
OJSC	Open Joint Stock Company.
REACH	Registration, Evaluation and Authorisation of Chemicals.
RLE	Roast Leach Electrolysis.
RKS	X-ray sorter.
RoM	Run-of-Mine.
QA/QC	Quality Assurance/Quality Control.
SBU	Strategic Business Unit.

SiO ₂	Silicon dioxide.
SRK	SRK Consulting (UK) limited.
SSGPO	Sokolovsko-Sarbaiskoye Ore Mining and Processing Association.
TBRU	Torgay bauxite mine.
VLP	Vertical Longitudinal Projections.
XRF	X-ray fluorescence.
ZnEq	Zinc Equivalent.

Glossary

alumina	any of several forms of aluminium oxide, Al_2O_3 , occurring naturally as corundum, or obtained by refining of bauxite ore.
aluminium smelter	an electrolysis process plant used to convert alumina to aluminium metal.
aluminium sulphate	a chemical compound, $\text{Al}_2(\text{SO}_4)_3 \cdot 18\text{H}_2\text{O}$.
assay	the analysis of minerals, rocks and mine products to determine and quantify their ingredients.
bauxite	an earthy rock composed almost wholly of aluminium hydroxide, often formed by the intense weathering of existing rocks. It is the principal ore of aluminium.
Bayer process	the principal industrial means of refining bauxite to produce alumina, whereby bauxite is washed with a hot solution of sodium hydroxide.
beneficiation	the process used to remove unwanted material from mined ore, in order to increase the proportion of useful metal compounds (minerals).
bentonite	a soft rock type composed mainly of the clay material montmorillonite. When in contact with water it has the characteristic ability to swell to many times its dry volume.
blast furnace	a pyrometallurgical process plant which employs hot air (blast) as an aid to reduce the mineral ore (usually iron oxides: hematite or magnetite) to its metallic element (Fe).
blast hole	a hole drilled in a material to be blasted, for the purpose of containing an explosive charge.
block caving	a mining method in which ore is undercut and then allowed to collapse due to its own weight in a controlled fashion.
breccia	a rock made up of large sharp fragments of rock in a groundmass of finer grained sediment or vein material.
briquettes	product resulting from binding fine material together to create a stronger, more suitable form of feed material to a smelting furnace.
brownfield	a development project that is close to existing industrial operations with proximity to existing infrastructure, often an extension and with known geological conditions.
calcite	a common rock-forming mineral. calcium carbonate CaCO_3 .
capacity	means the design number of units that can be produced in a given time period based on operations with a normal number of shifts and maintenance interruptions.
capital expenditure	expenditures incurred during the process of commencing, expanding or sustaining production.
Carboniferous	geological time interval between 360 and 300 Ma (million years) ago.
charge chrome	a ferrochrome alloy where the percentage of chromium is between 50–55%. This is a material charged to a steel production furnace.

chromite	chromium spinel $(\text{Fe, Mg})\text{O}\cdot(\text{Fe, Al, Cr})_2\text{O}_3$, the principal chromium ore mineral, chromium content 43–68%.
chromium	chemical element with symbol Cr, commonly used in steel industry to produce stainless steel.
coke	bituminous coal from which the volatile components have been removed. is used as a fuel and as a reducing agent in smelting.
coking coal	bituminous coal with properties required to produce coke.
concentrate	a material that has been processed to increase the content of the contained valuable component or mineral relative to the contained waste.
conglomerates	a coarse grained clastic sedimentary rock composed of more or less rounded fragments or particles in a finer-grained matrix.
core (drill core)	a cylindrical sample of rock obtained by core drilling.
corundum	a mineral with the ideal composition Al_2O_3 , natural alumina.
Cretaceous	geological period between 145 and 65 Ma (million years) ago.
CRU	an internationally recognised, independent consultancy company dealing with analyses and information across a spectrum of industries including mining, minerals and metals.
crushing	size reduction into relatively coarse particles by stamps, crushers, or rolls.
cut and fill mining method	mining of ore in an underground mine by successive horizontal lifts, with extracting from the stope of all the ore as the breaking occurs. The void created is then filled with waste material. The backfill put in place serves as a floor while supporting the walls or roof.
CVRD pellets	a common type of Brazilian iron ore pellets used for international bench mark price comparisons.
dilution	the contamination of ore with barren wall rock leading to lower grade in the mined product than in the in-situ ore itself.
diorite	a coarse grained igneous rock consisting of alkali feldspar, some pyroxene and/or amphibole and little if any quartz.
dip	the angle at which a bed, stratum, or vein is inclined from the horizontal, measured perpendicular to the strike.
direct reduced iron	is produced from iron ore powder through heating and chemical reduction by natural gas without a blast furnace.
dolomite	a mineral, magnesium-calcium carbonate, and the rock composed thereof. Used as flux in steel industry.
dragline	a type of excavating equipment that casts a rope-hung bucket a considerable distance. collects the dug material by pulling the bucket towards itself on the ground with a second rope, elevates the bucket and dumps the material on a spoil bank, in a hopper, or on a pile.
drill hole	technically, a circular hole drilled by forces applied percussively or rotationally. Loosely and commonly, the name applies to a circular hole drilled in any manner.

enrichment	the process of removing impurities from mined ore, resulting in an increase in the proportion of the valuable mineral or metal component (similar to beneficiation and concentration).
excavator	mobile machine used in open pit mining for the digging of ore and waste from the mine and loading it onto vehicles for transportation.
fault	a fracture or a fracture zone along which there has been displacement of one side relative to the other. The displacement may be a few inches or many miles.
ferroalloys	group of alloys having iron (Fe) as one of the defining elements. These alloys form the feed material for various finishing processes e.g. steel making. The Group, in particular, produces high-, medium- and low-carbon ferrochrome, ferrosilicochrome and ferrosilicomanganese.
ferrochrome	an alloy of iron and chromium primarily used as an input to stainless steel making. Comprising charge chrome, high-carbon, medium-carbon and low-carbon ferrochrome.
ferrosilicochrome	an alloy with iron, chrome and silicon as the main elements.
ferrosilicomanganese	an alloy with iron, manganese and silicon as the main elements.
ferrosilicon	an alloy with iron and silicon as the main elements.
footwall	a geological or mining term meaning the rock relative below an orebody, mine opening or another reference unit.
furnace	a vessel in which ore is reduced to molten metal under the action of applied heat. Similarly, crude metal is treated in a furnace by adding alloys to produce refined metals.
gallium	a speciality metal, often contained in traces and produced from bauxite ore as by-product from alumina refining.
gibbsite	a mineral, aluminium hydroxide, $Al(OH)_3$, principal constituent of bauxite.
grade	quantity of metal in a specified quantity of rock, concentrate, alloy or other material, usually expressed as a percentage of the primary element.
greenfield	a term used to describe an area of undeveloped land, either currently used for agriculture or just left to nature.
Hamersley iron fines	a common type of Australian iron ore used for international bench mark price comparisons.
haulage	the horizontal or inclined transport of ore, coal, supplies, and waste.
hematite	common iron oxide mineral, Fe_2O_3 .
hydraulic breaker	a machine fitted with a hydraulically driven spike used for penetrating/breaking up hard surfaces.

Indicated Mineral Resources	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
Inferred Mineral Resources	that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.
JORC code	the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
kaolinite	a clay mineral with the chemical composition $Al_2(Si_2O_5)(OH)_4$.
karstic	relates to irregular chemical erosion of soluble layers of bedrock, generally limestone or gypsum. Typical features includes sinkholes, caves and underground streams.
kiln	a thermally insulated chamber, or oven, in which controlled temperature regimes are produced. Used to dry, harden or burn material.
leaching	removal of a substance from rock or soil by the action of water or a chemical solution passing through it.
limestone	sedimentary rock comprised mostly of calcium carbonate (calcite).
lithology	description of the characteristics of rocks.
magnetite	a mineral of iron, Fe_3O_4 , a common ore-forming mineral with characteristic magnetic properties.
marcasite	a common iron sulphide mainly found in sedimentary environments, FeS_2 .
Measured Mineral Resources	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.
metallurgical recovery	the percentage of metal recovered in any given metallurgical process.
metallurgy	the science that deals with procedures used in extracting metals from their ores, purifying and alloying metals.

mill	commonly used to describe a plant where ore is ground and undergoes physical or chemical treatment to extract and produce a concentrate of the valuable minerals.
Mineral Resources	a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
mineral rights	means the ownership of the minerals on or under a given surface with the right to remove the said minerals.
mineralisation	the process by which minerals are introduced into a rock. More generally, a term applied to accumulations of economic or related minerals in quantities ranging from weakly anomalous to economically recoverable.
mining with back-fill	a process of removing ore from the rock mass and filling subsequently the created void by introducing waste material.
modifying factors	factors used to adjust tonnage and grade of an in-situ Mineral Resource when converting it to an Ore Reserve. This includes mainly loss and dilution, but also other mining, metallurgical, economic, marketing, legal, environmental, social and governmental considerations.
morphology	characteristics, configuration and evolution of rocks and land forms and more general, the description of any shape.
open pit mining	method of mining in which the ore is extracted from an excavation open to the sky.
operating expenditure	expenditures necessary to support annual production.
ore	the naturally occurring material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives. The term is generally but not always used to refer to metalliferous material, and is often modified by the names of the valuable constituent, e.g. iron ore.
Ore Reserves	the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.
Outokumpu	a Finnish company producing, beside others, metallurgical process equipment.
overburden	in an open pit mine, the unwanted material that must be stripped away to reveal the ore beneath.

Palaeozoic	geological era between 540 Ma and 250 Ma ago.
pelletising	the process of agglomerating fine product and moulding it into the shape of a pellet (marble shape 8 to 16mm in diameter), which is more favourable in size and strength for efficient downstream processing than the original fines.
plant	commonly used as general term for fixed or moveable equipment required in the process of winning of raw material and downstream processing, including crushers, mills, smelters.
porphyritic	texture of an igneous rock in which larger crystals (phenocrysts) are set in a finer-grained groundmass, which may be crystalline or glassy or both.
pot-line	row of electrolytic cells used in the production of aluminium
Probable Ore Reserves	the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.
Proved Ore Reserves	the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Proved Ore Reserve represents the highest confidence category of reserve estimate. The style of mineralisation or other factors could mean that Proved Ore Reserves are not achievable in some deposits.
pyrite	a common iron sulphide found in sedimentary, magmatic, metamorphic, and hydrothermal environments, FeS ₂ .
pyrrhotite	iron sulphide mineral, typical for high temperature environments, FeS.
red mud	waste product of the Bayer alumina production process (containing iron oxide, silicon dioxide and titanium oxide).
refinery	an electrolytic or chemical facility producing pure metals or metal compounds.
saleable product	products that have been upgraded into a form that may be sold to customers.
screening	process of separating the various size fractions of ore.
sediment	particulate matter that can be transported by fluid flow, glaciers or wind and which eventually is deposited as a layer of solid particles.

shrinkage stoping	an underground mining method, in which ore is excavated in horizontal slices starting from the bottom and working its way up. Part of the broken ore is left in the mined-out area after excavation, where it serves as a working platform for mining the ore above. The remaining ore is drawn once mining of a given stope is completed.
siderite	an ore-forming mineral, iron carbonate, FeCO_3 .
silicomanganese	a ferroalloy composed principally of manganese, silicone and iron. used in steel production.
sinter process, sintering	a high temperature process in which fine ore particles are agglomeration together into porous lumps.
skarn	a rock type which is the result of an igneous intrusion coming into contact with limestone or calcareous sediment.
smelting	a thermal processing whereby molten metals (or amalgamated metals) are liberated from beneficiated ore or concentrate with impurities speared as lighter slag.
soda ash	sodium carbonate, Na_2CO_3 .
spot price	the current price of a metal for immediate delivery.
stainless steel	steel resistant to corrosion or chemical attack.
steppe	an extensive, treeless grassland in semiarid areas.
stockpile	an (generally intermediate) accumulation of ore, other mineral products or coal, prior to individual processing steps. any heap of material formed for loading or other purposes.
strike	a geological term which describes a horizontal line on the surface of a dipping stratum. The strike is 90° to the dip of the stratum.
stripping ratio	The unit amount of spoil or overburden that must be removed to gain access to a unit amount of ore or mineral material.
sub-level open stoping	an underground mining method in which ore is removed in open chambers between horizontal access drifts.
surface rights	surface rights means the ownership of the surface land under which minerals occur.
tailings	finely ground material rejected from treatment plant after the recoverable valuable minerals have been extracted.
truck and shovel technology	an open pit mining process involving ore (and waste) mined by excavator (shovel) and transferred to down stream process by motor vehicle (truck).
tuff	a type of rock consisting of consolidated volcanic ash.
turbines	a rotating machine for producing electricity, driven by steam or gas.
vein	an epigenetic mineral filling of a fault or other fracture in a host rock, in tabular or sheet like form, often with associated replacement of the host rock. a mineral deposit of this form and origin.
waste	rock lacking sufficient metal grade and/or other characteristics to be a source of economic revenue.
wet magnet separation	is a process of iron ore beneficiation, by which magnetite (Fe_3O_4) particles are attracted by a magnetic field while water washes out the (non-magnetic) waste product.

Units

%	a percent.
°	a degree.
°C	a degree centigrade.
000m ³	a thousand cubic metres.
bcm/t	a bank cubic meter per metric tonne.
cm	a centimetre.
Gcal	a giga calorie.
GCal/h	a giga calorie per hour.
GW	a gigawatt.
GWh	a gigawatt hour.
kA	a thousand amperes.
kcal/kg	a thousand calories per thousand grams.
kg	a kilogramme.
kt	a thousand metric tonnes.
kV	a thousand volts.
kWh	a kilowatt hour.
KZT	a Kazakhstani Tenge.
KZTm	a million Kazakhstani Tenge.
dltu	a dry long ton unit.
dmtu	a dry metric tonne unit.
lb	a English pound equivalent to 0.4536 kilogrammes.
m ³ /t	a cubic metre per metric tonne.
Mbcm	a million bank cubic metres.
Mm ³	a million cubic metres.
Mt	a million metric tonnes.
Mtpa	a million tonnes per annum.
MW	a megawatt.
USD	a United States Dollar.
USc	a United States cent.
USD/t	a United States Dollar per tonne.
USDm	a million United States Dollars.

