Eurasian Natural
Resources Corporation PLC

2012

Annual Report and Accounts

Unlocking value

Inside this year's report:

Our mission

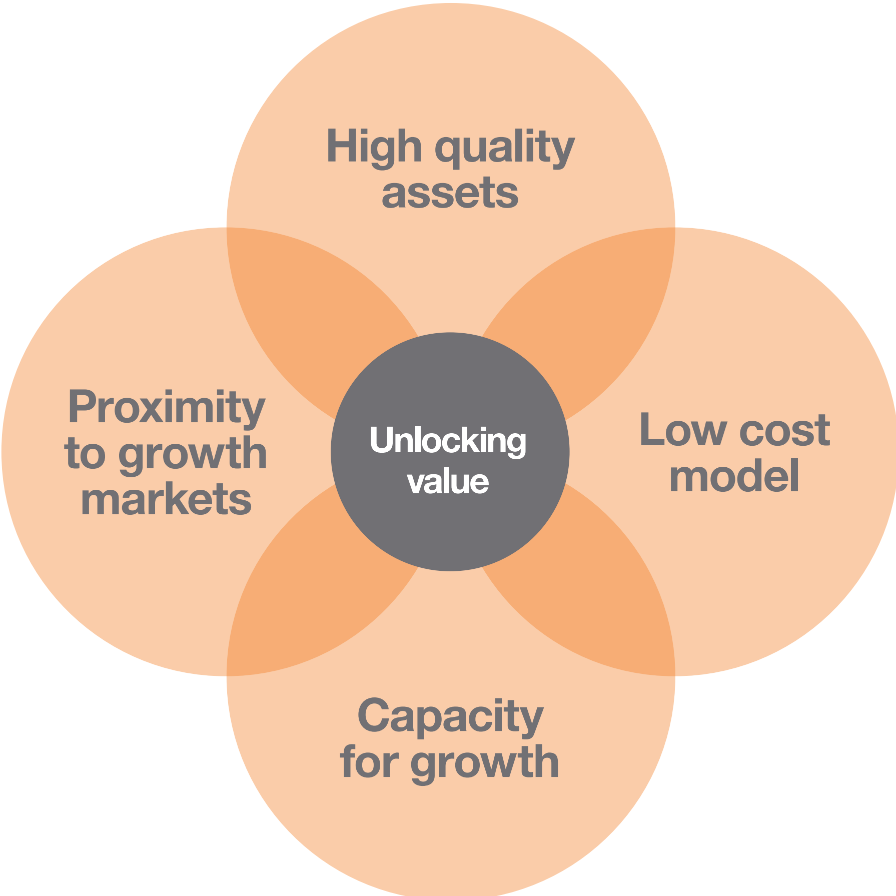
ENRC is a leading diversified natural resources group performing **integrated mining**, **processing**, **power generation**, **logistics** and **marketing operations**.

Our mission is to **achieve growth** as a leading natural resources business, **unlocking resources** for our customers and **unlocking value** for our shareholders.

Operational review
See page 24

Unlocking value through our competitive advantage

The Group is well positioned as a leading natural resources business due to a combination of the **high quality** of its assets, their preferential **positions** on the cost curve, proximity to the world's largest growth markets and the **potential** to grow production volumes.

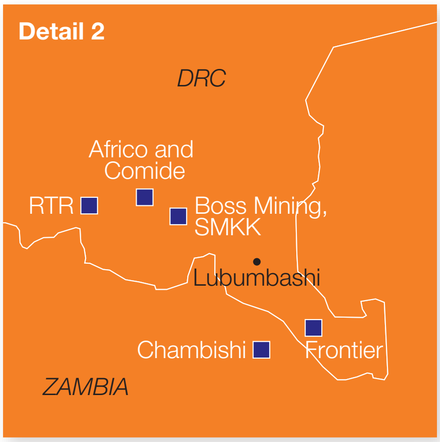


High-quality assets

The Group has a portfolio of world class assets focused on its core products of ferroalloys, iron ore, copper, alumina, aluminium, coal and energy. The Group's commodity suite is well supported by the growth prospects of emerging markets and their commodity intensive requirements.

Kazakhstan

The majority of the Group's production assets are located in Kazakhstan. They are supported by an integrated energy and logistics infrastructure. The regional head office is based in the capital city of Astana.



African copper belt

The Group currently mines copper and cobalt and processes the ore at Boss Mining in the DRC. A number of other development and near-production assets are located in the DRC. The Group's copper smelter, Chambishi Metals PLC, is located in Zambia.

- Ferroalloys Division
- Iron Ore Division
- Alumina and Aluminium Division
- Other Non-ferrous Division
- Energy Division
- Logistics Division

- Production assets
- Development assets, Corporate offices

Unlocking value through our competitive advantage continued

Low cost model

A key strength of the Group is its large scale, scaleable and long-life assets in its principal commodities. The growth and success of the Group's Kazakhstan-based businesses is supported by its integrated energy and logistics capacity. Together, these attributes help to maintain the advantageous low cost position of the Group in its key commodities.

Proximity to growth markets

The Group's growth potential is underpinned by its strategic location in Kazakhstan, with its proximity to the longer-term, high-growth prospects of China, as well as the potential of Russia. These prospects are built on continued urbanisation, rising consumer demand and infrastructure needs.

Capacity for growth

The Group has focused its investment spend of approximately US$4.2 billion on five key growth projects. These will deliver significant value through the addition of new ferrochrome and iron ore volumes in Kazakhstan, as well as increasing copper production in Africa to in excess of 200 ktpa over the next five years.

This year's performance

Revenue (18)%
(US$ million)

Operating (loss)/profit (113)%
(US$ million)

Underlying EBITDA[1] (45)%
(US$ million)

Underlying EBITDA margin[1]
(%)

(Loss)/profit after tax (143)%
(US$ million)

Adjusted EPS[1] (74)%
(US cents)

Net cash generated from operations (US$ million) (41)%

Net debt +428%
(US$ million)

Dividend per share (76)%
(US cents)

- Financial performance impacted by poor pricing environment.
- Revenue declined by 18% to US$6,320 million.
- Cost of sales up 6% to US$3,723 million, as a result of higher depreciation.
- Underlying EBITDA fell by 45% to US$1,887 million; Underlying EBITDA margin of 30%.
- Non-cash charges for impairment and an onerous contract provision totalling approximately US$1.5 billion, primarily related to Aluminium of Kazakhstan, the Group's contract with RUSAL, and Boss Mining.
- Basic loss per share of US 62 cents (2011 earnings per share: US 153 cents); earnings per share (adjusted) of US 41 cents (2011: US 155 cents).
- No final dividend proposed; full year payout ratio of 16% based on interim dividend of US 6.5 cents.
- Gross available funds of US$743 million; borrowings of US$5,833 million. US$3,000 million of additional facilities obtained during 2012.
- Solid cash flow generation from assets in Kazakhstan; record production volumes for saleable ferroalloys, coal, electricity and copper.
- Cost control and productivity enhancing initiatives kept unit costs for key products well below initial guidance in the Ferroalloys and Iron Ore Divisions.
- Capital expenditure cash flows of US$2,345 million; progressed development of the New Aktobe Ferroalloys Plant, copper oxide expansion, Frontier, Chambishi and the expansion of logistics capacity.
- Acquisition of the outstanding ordinary shares in Shubarkol Komir JSC, a high-quality, producing coal asset in Kazakhstan.
- Consolidation of African copper assets giving the Group full control to deliver on its strategy while building stronger corporate governance: Frontier and Roan Tailings Reclamation Project ('RTR') processing plants acquired from First Quantum Minerals ('FQM'), award of the Frontier mining licence by the Government of the Democratic Republic of the Congo ('DRC') and acquisition of the remaining 49.5% of Camrose.

[1] Analysis and definition of Underlying EBITDA and other non-GAAP measures can be found in note 38 to the Consolidated financial statements.

02

Strategy in action

In this section:

Chairman's statement

The primary focus for 2013 will be to **maximise** shareholder **value** through the implementation of our **strategic** priorities.

Mr Mehmet Dalman
Chairman

A strategy to maximise the value from our competitive advantage

- Maintain low cost operations
- Focus investment on key assets
- Expand existing product portfolio
- Maximise value from worldwide resources
- Ensure a sustainable approach to business

Over the past two years the underperformance of ENRC against its peers has largely been driven by the following factors: concerns over corporate governance; a lack of strategic clarity regarding the development of our international assets; rising cost inflation in Kazakhstan; and our increasing leverage.

Since taking over as Chairman we have made considerable progress on the corporate governance front. We have also completed a strategic review of our business, resulting in renewed focus on our core strengths in the ferroalloys and iron ore markets, as well as a commitment to expedite the development of our copper assets in Africa. We have a firm plan in place to manage our liquidity requirements and reduce our net debt position in the medium-term to a more sustainable level. We also made good progress with the management of cost inflation which came in well below guidance. The primary focus for 2013 will be to maximise shareholder value through the implementation of the above strategic priorities.

2012 was flanked by two important acquisitions in Africa which were essential to our aim of enhancing corporate governance and achieving our strategic priorities. These acquisitions, the first to acquire the processing plants in respect of the RTR project and the Frontier mine in the Democratic Republic of the Congo ('DRC'), the second to acquire the outstanding 49.5% of Camrose Resources Limited, gave us full control of our assets in the DRC to ensure enhanced accountability. In July we were also awarded a new mining licence in respect of the Frontier mine. I am pleased to report excellent progress with the development of Frontier, which will produce its first concentrate and generate meaningful cash flow during 2013. The next two years will see us focus our attention and investment expenditure on our copper projects in Africa, with our long-term goal of 200,000 tonnes per annum of combined copper production from Frontier, RTR and Boss Mining.

In line with our strategy of reinforcing our position within the region, we acquired the ordinary shares that we did not own in Shubarkol Komir JSC, a high quality coal producing asset in Kazakhstan. This acquisition enables us to sustain our low-cost position and secure supply of high quality thermal coal and semi-coke for our operations in Kazakhstan.

As a result of increasing cost pressures and weakening commodity markets, the Group has recognised impairment charges and an onerous contract provision totalling US$1,544 million which has resulted in a basic loss per share of US 62 cents (2011 earnings per share: US 153 cents).

The poor pricing environment in the second half of the year materially impacted the Group's earnings. As a result the Board has decided not to declare a final dividend. However, the dividend paid in October in respect of H1 2012 of US 6.5 cents still represents a 16% payout ratio based on our earnings per share (adjusted) for the full year, which is in line with the Group's dividend policy.

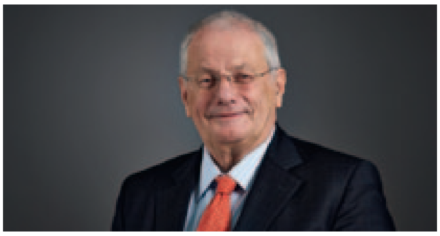
Throughout 2012 senior management and the Board have had regular dialogue on key risks relating to the Group's strategic objectives. We know that some of the jurisdictions in which the Group operates pose particular and often heightened risks that need to be managed appropriately. There are ongoing processes in place for identifying, assessing, managing, monitoring and reporting on the significant risks faced by the Group.

We are acutely aware of our obligations with regards to compliance with all applicable laws and regulations, as well as our corporate value for fair dealing. We have compliance officers across our operations, and these numbers increased again during 2012.

Last year I committed to continue to strengthen the Board and I am delighted that Dr Mohsen Khalil and Mr Richard Burrows joined us in June 2012. Both of them have settled well into their roles, bringing their expertise to bear on the issues affecting the Company. In particular, Dr Khalil has a strong background in emerging markets, project finance and business procedures and has taken a considerable interest in our activities in Africa and Mr Burrows has extensive public company experience which has helped sharpen Board practices and accountability. In addition, we undertook a thorough review of our Board Committees and I am pleased to note that each of the refreshed Committees works well. Mr Terence Wilkinson was appointed as Senior Independent Director in May 2012 and he has been a great resource to me as Chairman; his energy and commitment have been valuable in helping the Board achieve its goals in the year.

We continue to look at the composition of the Board, mindful of the need to progressively refresh the Board and its Committees, and in addition to this we will also look to strengthen the management team. Meanwhile I thank all the Directors, on your behalf, for their contribution during the year.

Mr Mehmet Dalman
Chairman



On 23 April 2013 Mr Mehmet Dalman resigned from the Board and Mr Gerhard Ammann was appointed Acting Chairman. His biography is on page 60.

The next two years will see us focus our attention and investment expenditure on our copper projects in Africa, with our long-term goal of 200,000 tonnes per annum of combined copper production from Frontier, RTR and Boss Mining.

Chief Executive Officer's statement

With prices falling against the backdrop of a **volatile economic climate**, the year saw our teams focus on maximising production from our low cost assets in Kazakhstan.

Mr Felix J Vulis
Chief Executive Officer

2012 was a difficult year for all businesses in our sector, and ENRC has not been immune to the increasingly challenging market conditions. Prices materially declined as the year progressed, particularly for our major commodities of ferroalloys and iron ore. This has led to an Underlying EBITDA of US$1,887 million, a fall of 45% against the previous year and a decrease of 74% in earnings per share (adjusted) to US 41 cents (2011: US 155 cents). The impact of additional charges, relating to impairments and an onerous contract provision totalling US$1,544 million has resulted in a basic loss per share of US 62 cents (2011 earnings per share: US 153 cents).

Focusing on production and cost containment

With prices falling against the backdrop of a volatile economic climate, the year saw our teams focus on maximising production from our low cost assets in Kazakhstan, and successfully restricting cost inflation to well below the guidance given at the start of 2012. I am pleased to report that unit costs for iron ore only increased by 10%, while unit costs for ferroalloys rose less than 3% year-on-year.

The early part of the year saw mixed operational fortunes, particularly with respect to processing issues at Aluminium of Kazakhstan. However, our production performance recovered well in the second half, and this led to record saleable production in the Ferroalloys and Energy Divisions, as well as our best quarter in the past two and a half years for saleable production in the Iron Ore Division. In the Other Non-ferrous Division we recorded a significant increase in copper production year-on-year.

Investing for success

Despite the economic climate, we again took the opportunity to invest in order to underpin our future success. During the year, our capital investment expenditure rose to US$2.3 billion (2011: US$2.1 billion), with our primary focus being the further expansion of our portfolio of high quality projects.

In Kazakhstan we continued to strengthen our integrated and low cost operational model and made considerable progress on developing our New Aktobe Ferroalloys Plant. This project, which will be the world's most cost-effective high-carbon ferrochrome production facility, remains on budget and on-track for commissioning in Q4 2013.

Frontier processing plant

The Group acquired the Frontier processing plant in March 2012 and was subsequently granted the Frontier mining licence in July by the DRC Government. The licence has an estimated mineral resource of 273.9 Mt grading 1.2% copper and the project will target 80-90 ktpa of copper contained in concentrate, at an average cost of approximately US$1.20 per pound of copper in concentrate.

Expected production for 2013 will be around 40 kt of copper in concentrate. Approximately half of the concentrate will be sold to third parties and it is planned that the remainder will be processed into copper cathode at the Group's newly completed Chambishi copper plant in Zambia.

Within the DRC, the Frontier mine is unique in being free from infrastructure constraints. With steady state production to be reached by July of this year, Frontier is a cornerstone of the Group's copper strategy, underpinning its ambitions of producing 200 ktpa within the next five years.

Chief Executive Officer's statement continued

In the Alumina and Aluminium Division we completed all major construction works on the anode plant, which will reduce our dependence on third party suppliers, while the Logistics Division saw further investment in the railway fleet through the acquisition of an additional 2,488 wagons.

Developments in Africa included investment to expand copper oxide production at Boss Mining, which now has a capacity of 40 ktpa. We also completed the expansion of the solvent extraction and electrowinning ('SX/EW') capacity at Chambishi. However, Chambishi will require the construction of a second roaster before operating at full capacity of 55 ktpa. Refurbishment of the Frontier processing plant and pre-stripping works at the mine site also got underway in the second half of the year. Gaining an environmental licence for our port site in Brazil has been a complex challenge, so we were delighted to be awarded the Preliminary Licence during November 2012, as this adds incremental value to the project.

In November, we announced the findings of our capital expenditure review for the next five year period. Given the current market trends, we have adopted a disciplined capital allocation approach and prioritised those projects that offer the highest returns combined with the shortest payback periods. As a consequence our focus will be on completing the New Aktobe Ferroalloys Plant, three copper projects in Africa (Frontier, RTR and the Boss Mining Concentrator) and iron ore expansion at SSGPO in Kazakhstan.

Our investment programme reflects our determination to deliver value to all shareholders over the coming years by maintaining our leading low cost position, continuing to expand our product portfolio and develop our existing asset base. At the same time, we are actively reviewing our non-core assets and the opportunities that these may provide through either disposals or development partnerships.

Supporting our people

Our people are at the heart of what makes ENRC a successful Group. It is their commitment and skills that drive us forward and we owe it to them to adopt the highest standards of health and safety.

I was greatly saddened by the 18 fatalities (2011: 13) that took place, of which 10 were employees (2011: 11). The year saw an increase in the number of contractors working at our sites and, partly as a result, the number of contractor fatalities increased to eight (2011: two). On behalf of the Board and the senior management team, I would like to express sincere condolences to all of the families involved in these tragic circumstances.

In 2012, we extended and clarified our lost time injury ('LTI') definitions to be better aligned with international practices, as part of this we now include exploration sites.

Main capital expenditure projects

In millions of US$	Current estimated cost	Division	Date of commissioning
Main growth projects			
New Aktobe Ferroalloys Plant[1] – 440 ktpa	750	Ferroalloys	2013
Iron ore expansion programme (Kazakhstan)[2]	1,800	Iron Ore	2018–2019
Frontier	440	Other Non-ferrous	2013
RTR	440	Other Non-ferrous	2015
Boss Mining expansion programme[3]	725	Other Non-ferrous	2016
Total	**4,155**		
Completed projects			
Anode production plant	298	Alumina and Aluminium	2012
Expansion of copper (oxide) production	150	Other Non-ferrous	2012
Chambishi copper plant (LME grade A)	90	Other Non-ferrous	2012
Railway fleet expansion	210	Logistics	2012
Total	**748**		

1 Previously reported as expansion/replacement of ferroalloy smelting capacity (Aktobe) – 440 ktpa.
2 Includes: concentrator expansion, pelletiser, HBI plant and mine expansion.
3 Previously reported as expansion of copper (sulphide) production.

We are now actively reviewing our safety improvement programmes to determine how we can enhance their effectiveness and are also seeking to improve our processes surrounding contractor safety management and supervision.

We experienced 103 LTIs to employees (2011: 64). The lost time injury frequency rate for employee cases was 0.72 in 2012 (2011: 0.50). These numbers include all reported fatality cases.

I believe that improved reporting has had some impact on these performance figures, but that does not mask our concern at the rise in the number of incidents. We are now actively reviewing our safety improvement programmes to determine how we can enhance their effectiveness and are also seeking to improve our processes surrounding contractor safety management and supervision.

Looking ahead

Although we expect the stainless steel industry to continue to grow at around 4% during 2013, the ferrochrome market remains fundamentally oversupplied. The export of chrome ore from South Africa continues to sustain high cost Chinese ferrochrome production and the supply of UG2 based chrome ore is projected to increase further over the coming years. The effect of supply of Chinese product to the market will be countered by power shortages in South Africa, which will limit expansion, as well as by cost push pressures which will impact all producers. Furthermore, any extension to Eskom's power buy-back scheme in South Africa will continue to restrict supply. Primarily it is the interplay of these factors that will drive pricing during 2013.

We will continue with our programme of investment during 2013, and our total estimated capital spend including expansionary and sustaining projects will total US$1.7 billion. We will concentrate on the delivery of three projects: the New Aktobe Ferroalloys Plant in Kazakhstan and the development of both the Frontier and RTR copper projects in the DRC. We continue to review the scope of our iron ore expansion programme in Kazakhstan, in the light of supply and demand pressures, as well as our expansion at Boss Mining.

As always, our people will be one of our key differentiators. It has been a privilege to work alongside so many talented and committed people during the year and I look forward to doing so again in 2013. I thank them for their continued passion and hard work.

Mr Felix J Vulis
Chief Executive Officer

Key performance indicators

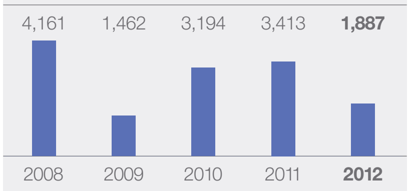
Financial KPIs

For 2012 the Group's financial KPIs declined when compared to previous periods. This was primarily as a result of weaker commodity prices and higher costs which influenced the Group's results and resulted in significant non-recurring charges. Total shareholder return was also impacted by the continuing weakness in the Group's share price.

Link to strategic priorities:

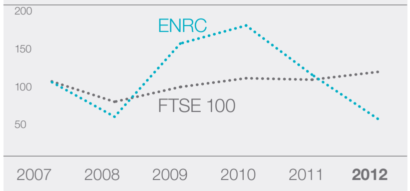
- Maintain low cost operations
- Focus investment on key assets
- Maximise value from worldwide resources

Underlying EBITDA[1] (45)%
(US$ million)



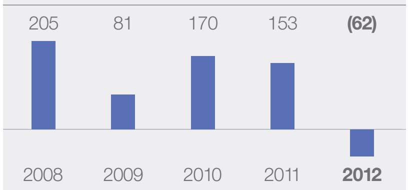
This is a measure of the underlying profitability of the Group. In 2012 the significant fall in Underlying EBITDA was driven by weaker commodity prices and higher costs of production although cost saving actions partially offset this impact.

Total shareholder return[2]
(£)



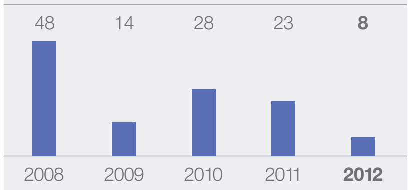
The graph charts the TSR of ENRC compared with the FTSE 100 Index since 12 December 2007 (being the first date of trading for ENRC shares). The Group has a Long-Term Incentive Plan for Executive Directors and Senior Executives that is based on TSR. Hence the goals and rewards are aligned for management and shareholders.

(Loss)/earnings per share (141)%
(US cents)



EPS tells us how much profit is attributable to each shareholder which may then be available for distribution. The loss per share in 2012 is a result of the non-recurring impairment and onerous contract charges arising in the year. If these and other non-recurring items are excluded, adjusted EPS in 2012 is 41 cents per share (2011: 155 cents per share).

Return on capital employed[2]
(%)



ROCE measures how efficiently the Group's capital is being used. The decrease in the year reflects the lower underlying results of the Group, the continued growth in capital employed and the ongoing development of early stage exploration projects in the business.

[1] *Analysis and definition of Underlying EBITDA and other non-GAAP measures can be found in note 38 to the Consolidated financial statements*
[2] *Value of £100 invested on 31 December 2007*

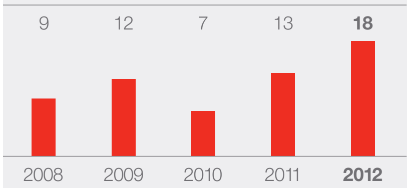
Sustainability KPIs

In 2012 we continued to extend our KPI definitions and improve the quality of our non-financial indicators. We made progress in improving the reliability and consistency of data. Further detail and performance indicators can be found in the sustainable development review on page 17.

Link to strategic priorities:

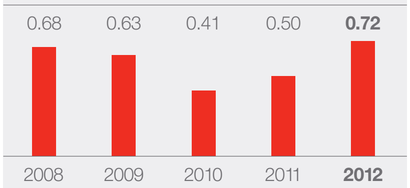
- Ensure a sustainable approach to business
- Maximise value from worldwide resources

Fatalities
(Number)



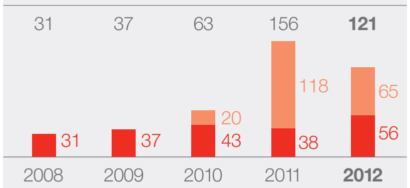
The fatalities number for 2011 and 2012 includes both employees and contractors (prior years employees work-related fatalities only). In 2012 there was an increase in the number of contractors working at our sites which has influenced the number of contractor fatalities.

Lost time injury frequency rate (%)



The 2012 LTIFR data reflects the combined rate for operations in Kazakhstan, Russia, Africa and Brazil. The lost time incidents have gone up partly due to improved reporting, but that does not mask our concern at the rise in the number of incidents.

Community social investment (US$ million)



Community development is a major part of our social and cultural responsibilities particularly in Kazakhstan, but increasingly in Africa and Brazil.

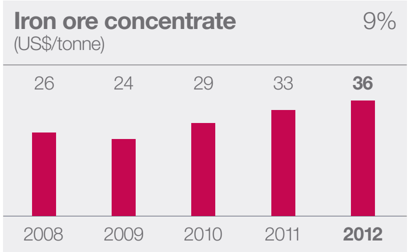
No donations were made to the Nazarbayev Fund during 2012 (2011: US$98 million). Donations of US$65 million (2011: US$20 million) were made to the State Fund Centre of Complex Development 'Sary-Arka' to fund the construction of an opera house.

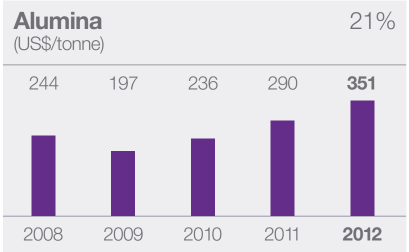
Production unit costs

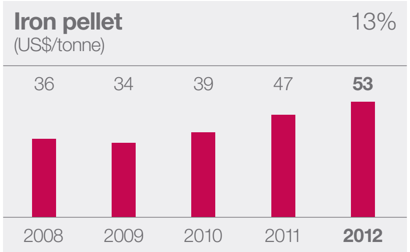
Unit costs increased across most products as a result of inflationary pressures on materials, services and employment costs and also higher depreciation and amortisation following our investments in production facilities. Further mine development and variations in ore quality has also impacted costs. Reductions in MET and considerable management effort to control costs partially mitigated these increases.

Link to strategic priorities:

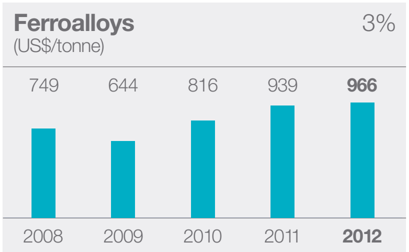
- Maintain low cost operations
- Expand existing product portfolio

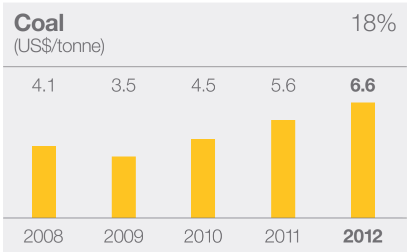




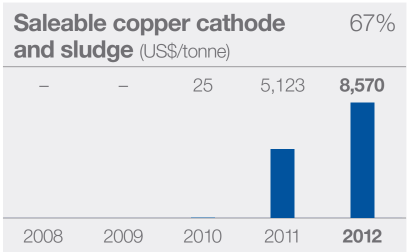


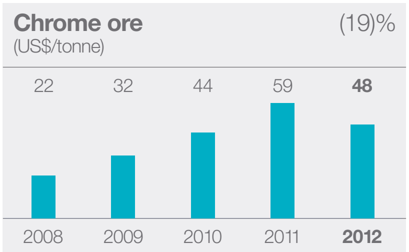
Aluminium is an integrated business. The unit cost KPI excludes any in-house margin from other Group companies that would be included in the costs on a standalone basis.

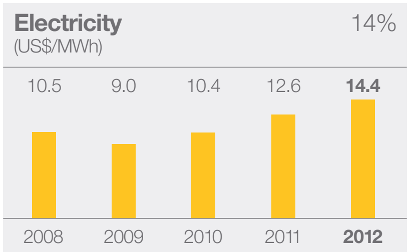


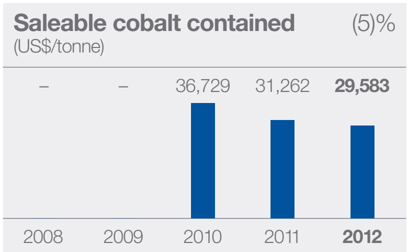


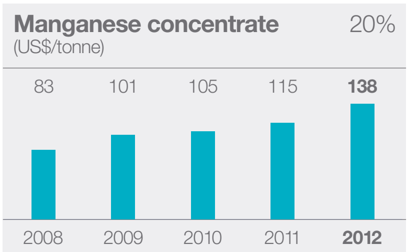
Includes Shubarkol for 2012.











03

Sustainable development review

In this section:

Sustainable development review

This review presents the **headlines** of our performance and the progress we have made in sustainable development during 2012. Further information will be available in our second **Sustainable Development Report.**

We continue to develop the principles and actions necessary to be a sustainable business, integrating these principles into our strategy and operations. In 2012 we focused on gaining a better understanding of stakeholder expectations. We also further formalised senior management accountability to support the implementation of required actions. In line with our plan, we continued to improve our risk processes, in particular with regard to safety, as well as developing the non-financial KPIs needed to support strategic and operational decision making. Embedding these principles and actions is a challenging process that will take considerable time. Nevertheless we continue to take steps towards aligning incentives, processes, systems and resources to create the accountability, capacity and transparency necessary to be a sustainable and resilient business, thereby supporting the achievement of our business goals.

Strengthening sustainable development governance

To help us further embed sustainable development, and as part of ENRC's wider commitment to making the Group's governance more robust and transparent, we strengthened the composition of the Health, Safety, Environment and Community ('HSEC') Committee. Two independent non-executive Directors joined the Committee bringing greater independent oversight of our approach, progress and performance. At senior management level, developing the governance tools that support the integration of sustainable development, is part of the Chief Financial Officer's ('CFO') responsibility, who reports to the Chairman. Implementation at an operational level is the responsibility of the Chief Executive Officer ('CEO').

Sustainable development is implemented through our corporate, divisional and line management teams, with support from regional and local sustainability champions. Operational meetings are held quarterly with Operational and Divisional Directors, where major issues including safety, energy and community are discussed and HSEC performance monitored. Working groups led by senior management also meet regularly to focus on particular issues. Topics covered during 2012 included process safety management, maintenance and contractor safety issues, local procurement, introduction of our Group People Strategy, greenhouse gas ('GHG') emissions and energy efficiency.

Performance summary

In 2012, we continued to report on eight out of the nine sustainability indicators we reported on in 2011.

PricewaterhouseCoopers LLP provided assurance on our data for the second consecutive year. The Assurance Report can be found on page 92. Eight of the indicators have been assured this year. While the Group continued to roll-out online training on anti-bribery and corruption and ENRC's Code of Conduct (the 'Trust, but Verify!' programme) to relevant employees during 2012, this was not assured in 2012 due to data loss during a change in the IT platform for online training (see page 18 for further details).

Our updated HSEC Reporting Principles, which provide the basis for our reporting, are available at www.enrc.com/csr/reporting.

Key activities and progress in 2012

The highlights of our performance are provided below. Further details are set out in our 2012 Sustainable Development Report, to be published shortly.

Safety

We remain committed to improving the safety of our employees and contractors and continue to progress our Group-wide safety improvement programme with the support of DuPont. Despite our work, and in part due to extending reporting definitions, our safety statistics in 2012 deteriorated for contractor fatalities and for work-related lost time injuries ('LTIs') compared with 2011. We were saddened by the 18 fatalities that took place during the year (2011: 13), of which 10 were employees (2011: 11). The number of contractor fatalities was eight (2011: two). We express our sincere condolences to all of the families involved in these tragic circumstances.

In 2012, we extended and clarified our definition of LTIs to improve alignment with international practice; we now include exploration sites in our data. There were 103 LTIs involving employees (2011: 64[1]), and the LTI frequency rate was 0.72 (2011: 0.50[1]). These numbers include all reported employee fatality cases. As a result of the increase in fatalities, we remain focused on addressing the key risk areas and have prioritised the following:

[1] 2011 LTI number of 63 has been changed to reflect the addition of one medical treatment case re-categorised as an LTI. This number does not include exploration sites in comparison to LTIs for 2012.

Sustainable development review continued

- **Continued implementation of our corporate safety standards**
  Corporate standards introduced in 2009 define minimum acceptable safety standards in respect of key risk areas which have been the recurring cause of major incidents. These include the implementation of lock out systems for conveyors, fall from height protection systems and introduction of a permit-to-work system. Corporate standards implementation consists of a series of stages being implemented over a six year programme. Each stage indicates the level of standards implementation from 0 to 100%. A target for overall level of standards implementation of 50% was set for 2012 and this was assessed by DuPont to be 57%. By the end of 2013, all Divisions will need to update their investment plans to address further deficiencies in standards implementation relating to high risk areas.
- **Improvements in risk assessment**
  We developed a standard Group-wide safety risk register based on external benchmarking to enable better identification of risks at each stage of the production process. This will be used as a starting point for the development of divisional risk registers and as a reference point for risk reviews as well as mitigation plans for high hazard activities.
- **Improvements in Process Safety Management ('PSM')**
  For areas of new and changed processes we are proposing to set up specific line management accountabilities, develop procedures for assessing process safety risks and develop structured and documented control. Training has been conducted on sites based on real-life scenarios to understand application of PSM.
- **Improvements in behavioural change**
  Following a review of accidents, we identified a number of areas to address: poor compliance with procedures by individuals, lack of clearly defined roles and responsibilities, lack of safety leadership and functional capabilities of key personnel. Progress made in 2012 includes involvement of the Executive Committee in reviewing fatalities, and continued progress in behavioural change through carrying out and analysing results of behavioural audits.
- **Underground mining**
  In 2012 we conducted an assessment of technological options to replace manual work and to eliminate the necessity to work in high hazard zones. This included the purchase of shaft machines for the handling of underground roofs and the crushing of oversized materials at Zhairemsky GOK. Further assessment of technological options, including at Donskoy GOK, are currently underway.
- **Contractor management**
  The management of contractor safety is not subject to regulatory control in Kazakhstan, although it is in Africa and Brazil. As a result, under our former compliance based approach, contractors did not receive significant attention in Kazakhstan. We recognise that as part of our wider responsibilities stronger management of contractors is required. In 2012 we introduced minimum safety requirements in our contract terms and carried out contractor evaluations, inductions and monthly audits.

As well as continuing to focus on the above items, in 2013 we will further develop our formal governance arrangements by reviewing the implementation of remedial steps following fatal events. In addition, we will determine Group and divisional safety risk appetite and continue to work to amend remuneration criteria for Divisional Directors in relation to safety.

Employees

We employed 79,409 employees at the end of 2012 (2011: 74,989). Around 84% of our staff are located in Kazakhstan with expanding operations in Africa, particularly in the Democratic Republic of the Congo ('DRC').

To address the challenges in attracting, retaining and developing people across the Group and ensuring we have effective leaders to deliver our business objectives, we launched our Group People Strategy in 2012. This formally addresses our leadership culture, succession planning and development and recruitment of future leaders. We initiated our 150 Group Programme identifying senior management roles critical to the success of ENRC and focused on the development of people in these roles. To support our leadership agenda we launched a Strategic Leadership Programme and held the first meeting, for an initial group of 16 participants, in Istanbul in November 2012. We developed a Global Succession Plan, and identified future leaders to take part in our Global Talent Management Programme. We also launched our Global Graduate Programme to find and develop the best mining engineers.

To reinforce our ethical commitments and requirements, the Group continued its online training on anti-bribery and corruption and the Code of Conduct (the 'Trust, but Verify!' programme) to identified employees during 2012. The third party online training supplier who provides this service changed the underlying system that retained records of those who had completed the training, and unfortunately some of the systems-based records were lost. As a consequence, data has been prepared manually and is not reliable for disclosure. In 2013, we are moving to a new supplier to provide an enhanced online training application that will provide improved management information, which PricewaterhouseCoopers LLP aims to assure. We also implemented our updated counterparty due diligence procedures in 2012.

We are committed to ensuring full and fair consideration and treatment of all our employees, including those who apply for employment in any of our operations. We are committed to uphold the UN Declaration on Human Rights. We do not tolerate any form of discrimination or unfair treatment. Diversity and equality are an important part of our people management practices. In 2012, female representation of our 150 Group was 21%. Our senior management team also represents the cross-cultural diversity of the Group.

In 2012, we strengthened our commitment to respecting and promoting employee rights through the introduction of our Global People Policies, which set out minimum standards of acceptable behaviours. We believe that all our people should be treated equally, with respect and dignity. Our commitment to equality is supported through giving full and fair consideration to applications for employment by disabled persons, having regard to their particular aptitudes and abilities. We require our entities to take all reasonable steps to support employees with physical or mental disabilities and to implement reasonable adjustments to enable employees who suffer from any medical condition affecting their ability to do their job.

We use a number of communication channels across the Group to keep our people informed about developments at ENRC. At the same time we seek employee involvement via available feedback mechanisms. We also encourage employee engagement through established systems of remuneration, training, employee committees, collective agreements and consultations. All our employees have the right to enter into a collective agreement and/or join a trade union. Over 90% of our employees across all our operations are members of trade unions. We operate a whistleblowing hotline that enables our people to confidentially raise any concerns or issues, including issues relating to human rights. All cases are investigated and reviewed.

Community Social Investment ('CSI')

Community development is a major part of our social responsibilities particularly in Kazakhstan, but increasingly in Africa and Brazil. In 2012, our worldwide CSI contributions were US$121 million (2011: US$156 million). No donations were made to the Nazarbayev Fund during 2012 (2011: US$98 million). Donations of US$65 million (2011: US$20 million) were made to the State Fund Centre of Complex Development 'Sary-Arka' to fund the construction of the Astana Opera House. Total donations up to 31 December 2012 to fund this project are US$105 million. Excluding the contribution for the development of the Astana Opera House in Kazakhstan and to the Nazarbayev Fund, our overall investment was US$56 million (2011: US$38 million); this includes US$5 million in Africa and US$2.5 million in Brazil. In Kazakhstan over 71% of our investments were implemented through ENRC's Corporate Foundation ('Komek'); the majority of these are implemented through formal agreements signed annually between the Group and regional governments. Projects are selected based on needs identified by the local government and our Divisions. In 2012, we supported a wide range of activities related to education, social welfare, social cohesion, culture and arts, economic development and environment.

Performance indicators[1]	Units	2012	2011
Workforce – Employees	Number	**79,409**[2]	74,989
Fatalities – Employees work-related[3]	Number	**10**	6
Fatalities – Employees non work-related	Number	**Not applicable**	5
Fatalities – Contractors[4]	Number	**8**	2
Lost Time Injuries (LTI) – Employees work-related (including fatalities)[5]	Number	**103**	64[6]
Lost Time Injury Frequency Rate (LTIFR) – Employees work-related (including fatalities)[5]	not applicable	**0.72**	0.50[6]
Community Social Investment[7]	US$ million	**121**	156
Energy consumed (production only)[8,9]	TJ	**296,351**	293,300
Greenhouse gas emissions[8,9,10]	Mt CO_2 equivalency (CO_2E)	**27.4**	26.9
Water withdrawn	Million m^3	**1,971**	1,926
People trained in 'Trust, but Verify!' ethics and conduct training	Number	**Not available**[11]	3,734

1 Prepared in accordance with ENRC's Reporting Principles available at www.enrc.com/csr/reporting
2 Reported as at 31 December 2012. Includes Brazil, SABOT and acquired entities including Shubarkol-Komir and Saranovskaya. Excludes Zhol Zhondeushi, which was sold by the Group during the year.
3 2012 reporting extended to include both work-related and non work-related fatalities, all fatalities previously reported as non work-related are now categorised as work-related. Work-related activities are those where ENRC can set safety standards and has the ability to influence safety risk mitigation. Further details are provided in ENRC's 2012 Reporting Principles.
4 The reporting of contractor fatalities includes work and non work-related events.
5 LTI reporting has been extended in line with our fatalities reporting (see note 3). LTIs for exploration sites are now included.
6 The 2011 LTI number (previously reported as 63) has been updated to reflect the addition of one medical treatment case re-categorised as an LTI, this has a corresponding impact on the 2011 LTIFR number (previously reported as 0.49).
7 The 2012 figure includes the US$65 million contribution to support the development of the Astana Opera House. The 2011 figure includes the US$98 million contribution made to the Nazarbayev Fund and US$20 million to the Astana Opera House.
8 Includes production related activities only, excludes exploration activities and corporate offices.
9 Includes direct and indirect energy sources.
10 CO_2E is a quantity that describes, for a given mixture and amount of greenhouse gas, the amount of CO_2 that would have the same global warming potential, when measured over a specified timescale (generally, 100 years).
11 Data lost through transition to a new IT platform for online training.

To improve alignment of CSI to our business needs and also to strengthen the communities near where we are located we commissioned a social baseline assessment and stakeholder engagement study in Kazakhstan with the support of KPMG. Through the KPMG study and internal and external audits of our CSI activities and procedures, a number of management and reporting improvements were identified for implementation during 2013, as follows:

- Further improvement to Komek's governance arrangements;
- Roll-out of our community strategy across the business;
- Work with our regional teams to finalise our CSI procedures and reporting guidelines ensuring they take into account any issues identified in the various internal and external reviews and audits; and
- Start external engagement in Kazakhstan and Africa with a view to identifying longer term projects which will support key risks for the business and local needs.

Energy consumption and carbon impact

The commercial and environmental importance of energy use and carbon emissions was emphasised by the Kazakhstan Government's approval of the Kazakhstan Emissions Trading Scheme ('ETS'), to be introduced in 2013. We participated in a number of consultations relating to the ETS, and believe that the final proposals recognise some important considerations:

Sustainable development review continued

Great Ormond Street Hospital

As part of ENRC's Community Social Investment programme, the Group has committed to a five year scholarship programme at Great Ormond Street Hospital. This will allow up to 10 doctors from Kazakhstan to enhance their paediatric knowledge at one of the world's leading children's hospitals. In 2012, two doctors, Dr Ainur Aklhmetkaliyeva, an oncologist, and Dr Jabaril Pogorov, a neurologist, became the first to complete the 12 week programme to develop their clinical skills in their respective fields.

Each year two different doctors will come to London for the programme, which has been developed in partnership with the Tushinskaya Children's Hospital Charitable Trust in Kazakhstan.

The Group also sponsored the ENRC Cardiac Day Care Unit within the hospital's new Morgan Stanley Clinical Building, which opened on 14 June 2012.

- Setting appropriate targets and defining reasonable scope for GHG reduction by different industries taking into consideration the economic and competitive impact and available technologies;
- Establishing a pilot period for testing the methodologies and approaches defined in the draft Kazakhstan ETS regulations, including the National Allocation Plan; and
- Ensuring proper consideration of potential tax implications of GHG regulations both in Kazakhstan and possible impact of future international links between GHG regimes.

In 2012, we reviewed how we could incorporate future carbon costs in our decision-making processes to ensure different options for responding to carbon issues can be best assessed. Our commitment to transparency is reflected in our participation in the Carbon Disclosure Project for the first time.

We are undertaking a study to review the long-term impact of coal use compared with other potential energy sources in Kazakhstan. Various carbon cost scenarios are being considered, together with the corresponding financial implications for our future power generation and other businesses.

Our energy efficiency programme has shown that there needs to be a far greater understanding of the need to reduce energy use across the Group. As a result, we are developing performance management processes and systems to improve operating practices and maximise opportunities presented by asset replacement programmes.

In Kazakhstan, we started a process in 2012 to develop divisional level energy efficiency targets. Workshops were held internally to increase visibility of the cost of energy consumption and its effect on production costs. The majority of our energy experts across all Divisions in Kazakhstan also received training on the ISO 50001/ EN16001: Energy Management Standard. A key goal for 2013 is to develop a Group-wide procedure to include energy efficiency into the procurement criteria for new energy intensive equipment, and develop asset maintenance and renewal schedules for existing equipment with a high energy demand.

Group energy consumption for 2012 was 296,351 TJ (2011: 293,300 TJ), of which 83% (2011: 83%) was sourced from coal. Total GHG emissions associated with direct and indirect energy consumption were 27.4 Mt of CO_2E (2011: 26.9 Mt). The 0.5 Mt of CO_2E increase is due to both internal and external electricity demand.

Water

We are very conscious of global water concerns and recognise that many of our operations are in water scarce areas. At present we do not experience direct conflicts of demand for water or pressures to change existing water management arrangements at any of our sites. As a result, our strategy for water use is to continue to manage our water demands to achieve a reasonable minimum consumption.

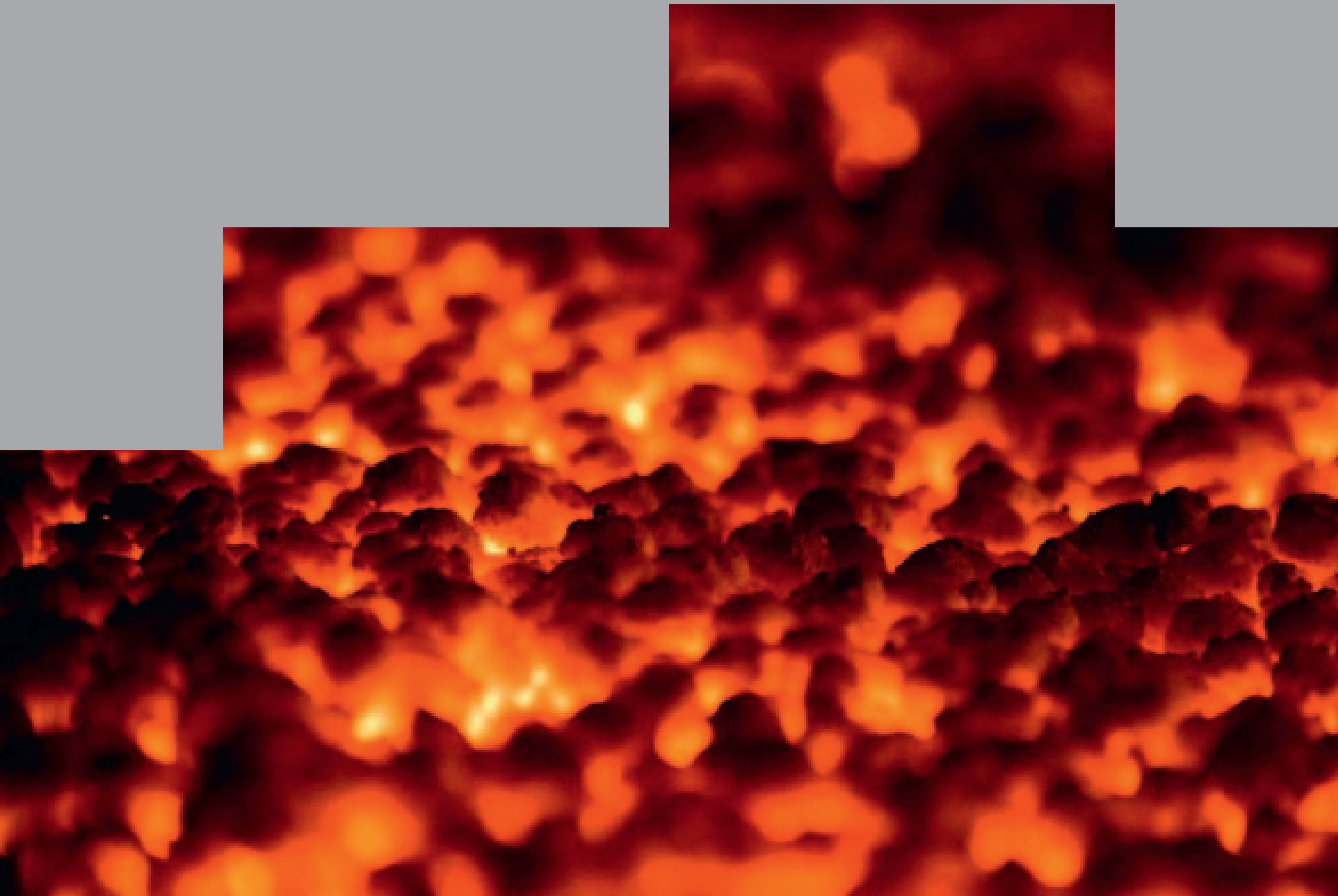
The Group abstracts over 95% of its water from the Irtysh River, under licence, for cooling purposes at Eurasian Energy Corporation ('EEC'). We continue to operate extensive water reuse systems at EEC to reduce demand for 'new' water, particularly as water costs depend on the volume abstracted. The 2% increase in power generation in 2012 increased Group water consumption to 1,971 million m^3 of water (2011: 1,926 million m^3).

Our sites in Kazakhstan, Russia and Africa were in compliance with local legal requirements in 2012. We report withdrawals and discharges monthly to the state regulators in Kazakhstan and Russia, and our Chambishi plant in Zambia has abstraction and discharge permits. Currently neither abstraction nor discharge permits are required in the DRC.

04

Operational review

In this section:



ENRC is a global diversified mining company and operates through **six Divisions** supported by a central sales and marketing department. Five of these Divisions are predominantly based in Kazakhstan with the Other Non-ferrous Division based in Africa.

Ferroalloys Division

The Ferroalloys Division primarily produces and sells ferrochrome, as well as other ferroalloys, for use as alloying products in the production of steel, whilst manganese and chrome ore are sold to third party producers of ferroalloys as well as the chemical industry. ENRC is the largest ferrochrome producer in the world by chrome content and the lowest cost producer of high-carbon ferrochrome.

Saleable chrome ore production

+4.6%

3,730 kt

Saleable ferroalloys production

+1.7%

1,525 kt

High-carbon ferrochrome production

+1.2%

1,199 kt

Operational review
See page 24

Iron Ore Division

The Iron Ore Division consists of producing assets in Kazakhstan and exploration and development assets in Brazil. In Kazakhstan the Iron Ore Division produces and sells iron ore concentrate and pellets primarily to steel producers and, on the basis of full year 2012 data, is a material exporter of iron ore and in the lowest quartile of the global cost curve.

Ore extraction

(5.2)%

40,966 kt

Primary concentrate production

(5.2)%

16,722 kt

Operational review
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Alumina and Aluminium Division

The Alumina and Aluminium Division produces and sells alumina to aluminium producers, and also produces and sells the Group's own aluminium. ENRC believes, based on full year 2012 data, that the Alumina and Aluminium Division is the world's 14th largest supplier of traded alumina by volume and is at the lower end of the global industry cost curve for aluminium.

Bauxite extraction

(5.9)%

5,170 kt

Alumina production

(9.6)%

1,510 kt

Aluminium production

249 kt

Operational review
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Other Non-ferrous Division

The Other Non-ferrous Division operates principally in the DRC, where it mines copper and cobalt and processes the ore.

In addition, the Group has a number of other development assets in the DRC, as well as the Chambishi copper smelter in Zambia.

Total saleable copper contained production

35.2 kt

+18.9%

Total saleable cobalt contained production

9.6 kt

(15.8)%

Operational review
See page 36

Energy Division

The Energy Division is one of the largest electricity providers in Kazakhstan, accounting for approximately 15.8% of the country's recorded electricity production in 2012 (2011: 16.2%).

Coal extraction

25,833 kt

+28.8%

Electricity generation

14,264 GWh

+1.9%

Operational review
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Logistics Division

The Logistics Division provides transportation and logistics services to the Group's principal Kazakhstani operating Divisions, as well as to third parties. The Division's operations include freight forwarding and wagon and railway repair services.

Goods transported by railway

58,659 kt

(5.3)%

Goods transported for third parties

12.5 %

Operational review
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Operational review

Ferroalloys

The Ferroalloys Division primarily produces and sells ferrochrome, as well as other ferroalloys, for use as alloying products in the production of steel, whilst manganese and chrome ore are sold to third party producers of ferroalloys as well as the chemical industry.

The Group is the largest ferrochrome producer in the world by chrome content and the lowest cost producer of high-carbon ferrochrome.

The Ferroalloys Division is vertically integrated, having its own chrome ore and manganese ore mines feeding its ferroalloys production in Kazakhstan and Russia. In addition to its own ore, the Division also benefits from competitively priced electricity supplied by the Energy Division, as well as having a gas-fired power station at its Aktobe plant.

Competitive position

The Division in 2012 was able to again benefit from its diverse customer base, leveraging the stronger fundamentals in the engineering and alloy steel sectors where the high chrome content and low residuals are in demand for the critical benefits they afford to these steel grades. Long-term contract sales for most products continued to make up a large part of the business, reflecting the high level of ENRC's service, quality and reputation in the global market. The Group continued its policy of diversifying its customer base in order to prepare for the expansion at the Aktobe ferroalloys plant, which is expected to be completed early in 2014.

Production

In 2012, the Ferroalloys Division produced: 3,730 kt of saleable chrome ore (2011: 3,567 kt); 954 kt of saleable manganese ore concentrate (2011: 1,009 kt); and 1,754 kt of ferroalloys (2011: 1,725 kt), including 1,199 kt (2011: 1,185 kt) of its primary product, high-carbon ferrochrome. In 2012, 229 kt (2011: 225 kt) of ferroalloys were consumed internally.

Sales and pricing

The European ferrochrome benchmark price in 2012 moved up from US$1.15 per pound of chrome in Q1 to US$1.35 in Q2 mostly on the back of energy cost pressures on South African producers and perceived improving market conditions. The benchmark price dropped to US$1.25 in Q3 and declined again in Q4 to US$1.10 as the market caught up with the reality of the worsening global economic situation. Falling prices in the second half of 2012 were driven by concerns over nickel pricing, excess stainless steel capacity in China and the ongoing crisis in Europe.

During Q2 and Q3 2012 the benchmark did not accurately reflect the reality of pricing in the ferrochrome market, with spot prices well below the benchmark. This resulted in heightened discussions around the extent that the European benchmark would continue as a valid pricing mechanism for ferrochrome. These discussions faded in Q4 as the benchmark price better aligned with real market levels and ferrochrome market conditions continued to weaken, in line with the worsening outlook for the global economy. In 2012, the Group's regional mix of sales saw a growth in volumes sold into China with lower sales to Japan. This reflected difficult market conditions for the Japanese steel makers, caused by the strong Japanese Yen, a contracting domestic market, and intense competition from China and Korea. Sales volumes into Europe and the USA stayed more or less in line with those of 2011.

In 2012 the Division benefited from its diverse customer base, leveraging the stronger fundamentals in the engineering and alloy steel sectors.

In 2012, the Group's regional mix of sales saw a growth in volumes sold into China with lower sales to Japan.

Record saleable ferroalloys volume since IPO

1,525,000 tonnes

Results for the year

The Ferroalloys Division contributed US$872 million or 46.2% to the Group's Underlying EBITDA (2011: US$1,169 million; 34.2%), a US$297 million decrease due to adverse market conditions resulting in a decline in realised sales prices and volumes.

In 2012, the Ferroalloys Division sold 1,487 kt of ferroalloys, 55 kt less than in 2011 although 84% of this decrease is attributable to the exclusion of Tuoli. Chrome ore sales decreased 12.7% to 496 kt (2011: 568 kt).

Total revenue for the Division fell US$466 million compared to the previous year. A decline in commodity prices reduced the Division's revenue by US$321 million. A higher proportion of sales to China in the second half of the year at lower average prices also contributed to a lower realised price for 2012 compared to the prior year. A further reduction in revenue of US$147 million was due to lower sales volumes. US$114 million of the decline related to ferrochrome, of which US$70 million was attributable to Tuoli. A further US$24 million was attributable to chrome ore as less volume was available for sales to third parties. Sales of other goods and services improved revenue by US$2 million.

Cost of sales decreased by US$83 million of which US$72 million was attributable to lower sales volumes (including US$69 million relating to Tuoli). This was partially offset by a US$17 million rise in depreciation and amortisation costs. Unit cost of ferroalloys was broadly at the same level as 2011. Excluding Tuoli, unit cost increased 2.9%. Higher costs of electricity, repairs, depreciation throughout the year and increased labour rates in H2 2012 were mitigated by a significant decrease in Mineral Extraction Tax ('MET'), partial replacement of Chinese coke to a cheaper Russian substitute and a reduction in prices for Russian coke. The Division's total MET amounted to US$134 million (2011: US$173 million).

Distribution costs reduced by 9.5% to US$277 million (2011: US$306 million) mainly as a result of lower sales volumes. A shorter average delivery distance also had an impact on the reduction of transportation costs as there was a higher share of HC FeCr shipments to China and a lower share to Japan.

General and administrative expenses reduced by 11.7% to US$182 million (2011: US$206 million). The decrease of US$24 million was primarily due to lower social investments, lower provisions against loans and receivables when compared to 2011 and the exclusion of Tuoli.

An impairment charge of US$124 million has been recognised against the assets of Zhairemsky GOK as a result of the continuing weakness in prices and demand for manganese products.

Capital expenditure

The New Aktobe Ferroalloys Plant is a strategic investment in the Ferroalloys Division. This project consists of construction of four Direct Current ('DC') furnaces with a total capacity of 440 ktpa. The planned Q4 2013 commissioning date and total project cost of US$750 million remain unchanged.

Ferroalloys Division
Key facts[1]

		Years ended 31 December		
		2012	2011	Change
Third party sales volumes				
High-carbon ferrochrome	'000t	**1,078**	1,072	*0.6%*
Medium-carbon ferrochrome	'000t	**44**	49	*(10.2)%*
Low-carbon ferrorchrome	'000t	**76**	86	*(11.6)%*
Ferrosilicochrome	'000t	**77**	71	*8.5%*
Ferrosilicomanganese	'000t	**170**	173	*(1.7)%*
Ferrosilicon	'000t	**42**	45	*(6.7)%*
Total Ferroalloys	'000t	**1,487**	1,496	*(0.6)%*
Chrome ore	'000t	**496**	568	*(12.7)%*
Manganese concentrate	'000t	**599**	652	*(8.1)%*
Production volumes				
Chrome ore	'000t	**3,730**	3,567	*4.6%*
Manganese ore concentrate	'000t	**954**	1,009	*(5.5)%*
Ferroalloys total gross	'000t	**1,754**	1,725	*1.7%*
Ferroalloys total net	'000t	**1,525**	1,500	*1.7%*
High-carbon ferrochrome gross	'000t	**1,199**	1,185	*1.2%*
High-carbon ferrochrome net	'000t	**1,082**	1,073	*0.8%*
Prices				
Ferroalloys	US$/t	**1,597**	1,770	*(9.8)%*
Chrome ore	US$/t	**196**	335	*(41.5)%*
Manganese concentrate	US$/t	**155**	171	*(9.4)%*
Unit costs[2]				
Ferroalloys	US$/t	**966**	939	*2.9%*
Chrome ore	US$/t	**48**	59	*(18.6)%*
Manganese concentrate	US$/t	**138**	115	*20.0%*

1 2011 numbers as restated to exclude Tuoli.
2 Unit costs: Cost of sales divided by sales volumes.

Ferroalloys Division
Analysis of third party revenue by destination

	2012	2011
Asia Pacific	***48.0%***	*45.4%*
Europe and Middle East	***24.3%***	*23.4%*
Eurasia	***17.8%***	*21.4%*
Rest of the World	***9.9%***	*9.8%*
Total	***100.0%***	*100.0%*

Ferroalloys Division
Summary income statement

	Years ended 31 December		
In millions of US$ (unless stated otherwise)	**2012**	2011	Change
Revenue	**2,618**	3,084	*(15.1)%*
Third parties	**2,604**	3,069	*(15.2)%*
Inter-segment	**14**	15	*(6.7)%*
Cost of sales	**(1,434)**	(1,517)	*(5.5)%*
Gross profit	**1,184**	1,567	*(24.4)%*
Distribution costs	**(277)**	(306)	*(9.5)%*
General and administrative expenses	**(182)**	(206)	*(11.7)%*
Exploration costs	**–**	(1)	*(100.0)%*
Impairments	**(124)**	(7)	*1671.4%*
Net other operating income/(expense)	**8**	(7)	*(214.3)%*
Operating profit	**609**	1,040	*(41.4)%*
Operating profit margin	***23.3%***	*33.7%*	
Depreciation and amortisation	**(139)**	(122)	*13.9%*
Impairments	**(124)**	(7)	*1671.4%*
Underlying EBITDA	**872**	1,169	*(25.4)%*
Underlying EBITDA margin	*33.3%*	*37.9%*	

Iron Ore

The Iron Ore Division consists of producing assets in Kazakhstan and exploration and development assets in Brazil.

In Kazakhstan the Iron Ore Division produces and sells iron ore concentrate and pellets primarily to steel producers and, on the basis of full year 2012 data, is a material exporter of iron ore and in the lowest quartile of the global cost curve. Kazakhstan-based operations include iron ore mines, crushing, beneficiation and pelletising plants and a thermal power station.

In Brazil, the Group is reviewing the development of a high-quality iron ore deposit in the Caetité region in the State of Bahia, as well as two early stage exploration projects, both located in the State of Minas Gerais.

Competitive position

The Group's facilities are located within 340 kilometres of its largest customer, Magnitogorsk Iron and Steel Works OJSC ('MMK'), and this proximity provides significant logistical and cost advantages. In addition, the Division operates large-scale iron ore mines and processing plants with a relatively low production cost. This cost advantage is largely driven by the relatively low cost of electricity, due to the Group's own power generation capacity.

Production

In 2012, the Iron Ore Division mined 40,966 kt of iron ore (2011: 43,212 kt). This was processed into 16,722 kt of primary iron ore concentrate (2011: 17,636 kt), with saleable concentrate production of 8,604 kt (2011: 8,459 kt). The balance was used to produce 7,144 kt (2011: 7,648 kt) of pellet.

Sales and pricing

Global steel production increased slightly in 2012 with annual crude steel production for the full year up 1.2% year-on-year. The majority of this increase was from emerging economies. The industry capacity utilisation rate averaged approximately 79% in 2012 (2011: 81%).

In H1 2012, the Platts IODEX was volatile within a narrow range of US$135-150/dmt, before falling sharply in Q3 to US$88/dmt. The price gradually rebounded to around US$140/dmt by the year end.

During 2012 the Group sold the majority of its iron ore products to Russia and China, predominantly to MMK and to steel producers in North West China. Sales to MMK are based on a monthly pricing mechanism using the Platts index. Due to lower contractual volumes of iron ore supplied to MMK during 2012, the Group reached an agreement with JSC Chelyabinsk Metallurgical Plant for the supply of iron ore concentrate, with pricing based on monthly agreements. The contractual prices with the Group's main Chinese customers are determined on a quarterly basis. In 2012, 60.5% (9.9 Mt) (2011: 66%; 10.5 Mt) of sales by volume were to Russia, whilst 33.3% (5.5 Mt) (2011: 29.7%; 4.7 Mt) went to China, with the remaining 6.2% (1.0 Mt) sold within Kazakhstan (2011: 4.3%; 681 kt). Of the 16.0 Mt of product sold during 2012, 43.7% (7.2 Mt) (2011: 48.1%; 7.6 Mt) was pellet.

Results for the year

The Iron Ore Division contributed US$758 million or 40.2% to the Group's Underlying EBITDA (2011: US$1,505 million; 44.1%). The decline was mainly driven by the dramatic downturn in realised prices for iron ore throughout the year and in H2 2012 in particular.

Depressed prices for iron ore with a 30% fall for concentrate and 25% fall for pellets reduced the Division's revenue by US$686 million year-on-year. A higher proportion of lower-priced concentrate and screening sold also had an adverse impact on revenue. During 2012 pellets accounted for 43.7% of total iron ore sales volumes (2011: 48.1%). The increase in total sales volumes contributed US$65 million to revenue and was attributed to higher sales to China and in Kazakhstan.

The Group's facilities are located within 340 kilometres of its largest customer, MMK, with this proximity providing significant logistical and cost advantages.

Operational review continued

The US$101 million growth in cost of sales was a result of higher unit cost of sales (US$87 million) and increased sales volumes (US$14 million). Higher unit cost of sales was driven by higher prices for fuel, coal, explosive materials, tyres, electricity, and an increase in H2 2012 wage rate. In addition to the inflationary factors, a temporary decline in ore quality in Q2 2012 along with increased depreciation, higher equipment and our own railway lines repairs, had a negative impact on unit cost. Partly offsetting the unit cost growth, there was a decline in MET by US$41 million, resulting from lower commodity prices and lower volumes of ore extracted. In 2012 MET amounted to US$73 million (2011: US$114 million).

Distribution costs increased 41.3% to US$260 million (2011: US$184 million) due to higher transportation costs as a result of sales volumes growth and because more products were shipped to China, a longer distance compared to rail transportation to Russia and sales within Kazakhstan.

General and administrative expenses amounted to US$140 million, a US$42 million or 23.1% reduction compared to 2011 (2011: US$182 million). This was primarily due to lower social investments.

Capital expenditure

The investment strategy for the Iron Ore Division in Kazakhstan is to expand the current product portfolio by adding three new products: high quality concentrate, high quality pellet and hot briquetted iron (‘HBI’). In order to support the Group’s growth strategy by providing access to the seaborne iron ore market, the Group is developing the BMSA project in Brazil.

The iron ore expansion programme in Kazakhstan is currently being assessed with the latest estimates approximating US$1.8 billion. This programme comprises the following projects:

Kazakhstan

Mine expansion

Stripping works were undertaken during 2012 and continue to take place in order to secure the required ore feed for both existing production and the Group’s future expansionary projects.

Concentrator expansion – 7 Mtpa high grade concentrate

In 2012 initial preparatory construction and installation works were undertaken.

Pelletiser expansion

Addition of 4 Mtpa of high quality pellet: feasibility studies were completed during 2012. Scope of the project is currently being reviewed and completion is currently estimated in 2018.

HBI Plant

Development of 1.8 Mtpa of HBI. The plant site has been prepared and is ready for civil works to commence. The estimated completion date is 2019.

Brazil

BMSA

In November 2012, we received the Preliminary Licence for the port. However, due to iron ore market dynamics, macroeconomic challenges and the protracted port Installation Licence award process, the Group has launched a review of the BMSA project. Options being reviewed include different phasing of the project, including a scenario with an early revenue Direct Shipping Ore (‘DSO’) phase over the next three years, utilising the existing railway and port infrastructure. Additionally, we are reviewing funding options, including but not limited to project finance and strategic partnerships. To confirm some of the major operational assumptions for the potential DSO phase and to update the existing Bankable Feasibility Study, the Group began trial DSO production in November 2012, with a capacity of 300 ktpa.

In Kazakhstan the Division aims to expand the current portfolio by adding three new products.

To be spent in Kazakhstan on iron ore growth projects over the next five years

$1.8bn

Iron Ore Division
Key facts

		Years ended 31 December		
		2012	2011	Change
Third party sales volumes				
Iron ore concentrate	'000t	**8,856**	8,241	*7.5%*
Iron ore pellet	'000t	**7,181**	7,626	*(5.8)%*
Production				
Iron ore mined	'000t	**40,966**	43,212	*(5.2)%*
Iron ore primary concentrate produced	'000t	**16,722**	17,636	*(5.2)%*
Prices				
Iron ore concentrate	US$/t	**94**	135	*(30.4)%*
Iron ore pellet	US$/t	**128**	171	*(25.1)%*
Unit costs[1]				
Iron ore concentrate	US$/t	**36**	33	*9.1%*
Iron ore pellet	US$/t	**53**	47	*12.8%*

[1] Unit costs: Cost of sales divided by sales volumes.

Iron Ore Division
Analysis of third party revenue by destination

	2012	2011
Russia	***54.6%***	*65.1%*
China	***37.1%***	*29.5%*
Kazakhstan	***8.3%***	*5.4%*
Total	***100.0%***	*100.0%*

Iron Ore Division
Summary income statement

In millions of US$ (unless stated otherwise)	Years ended 31 December 2012	2011	Change
Revenue	**1,834**	2,452	*(25.2)%*
Third parties	**1,832**	2,449	*(25.2)%*
Inter-segment	**2**	3	*(33.3)%*
Cost of sales	**(770)**	(669)	*15.1%*
Gross profit	**1,064**	1,783	*(40.3)%*
Distribution costs	**(260)**	(184)	*41.3%*
General and administrative expenses	**(140)**	(182)	*(23.1)%*
Exploration costs	**(14)**	(6)	*133.3%*
Impairments	**(2)**	–	*n/a*
Net other operating expense	**(5)**	(7)	*(28.6)%*
Operating profit	**643**	1,404	*(54.2)%*
Operating profit margin	***35.1%***	*57.3%*	
Depreciation and amortisation	**(113)**	(101)	*11.9%*
Impairments	**(2)**	–	*n/a*
Underlying EBITDA	**758**	1,505	*(49.6)%*
Underlying EBITDA margin	*41.3%*	*61.4%*	

Alumina and Aluminium

The Alumina and Aluminium Division produces and sells alumina to aluminium producers, and also produces and sells the Group's own aluminium.

The Group believes, based on full year 2012 data, that the Alumina and Aluminium Division is the world's 14th largest supplier of traded alumina by volume and is at the lower end of the global industry cost curve for aluminium.

The Alumina and Aluminium Division's vertically integrated operations include: bauxite mines, a limestone mine, an alumina refinery, an aluminium smelter and a power station.

Production

In 2012, the Alumina and Aluminium Division mined 5,170 kt of bauxite (2011: 5,495 kt) and produced 1,510 kt of alumina (2011: 1,670 kt) and 249 kt (2011: 249 kt) of aluminium.

Sales and pricing

The London Metal Exchange ('LME') aluminium price was volatile during 2012, with a peak of US$2,308 per tonne recorded during late February and a low of US$1,811 per tonne in June. The LME price closed the year at US$1,957 per tonne.

Primary aluminium is used to make aluminium semi-finished products like sheet and plate, extrusions, forgings and castings. For the majority of 2012 the semi-finished products market was fairly weak, with some recovery seen in H2 2012, resulting in increased sales to our main customers in Russia.

Global production remained strong in 2012, with China, India and the Middle East maintaining output despite reported higher energy costs. During 2012 primary aluminium premiums continued to increase from around US$100-US$120 per tonne at the beginning of the year to US$230 per tonne by the year end, reflecting the tightening of availability of physical metal. This was primarily driven by large volumes of aluminium being tied up in inventory under financing deals, long queues at LME warehouses and the high warehouse component within the metal premium.

In 2012 the Group supplied 1,036 kt (2011: 1,185 kt) of alumina to third parties, predominantly to United Company RUSAL ('RUSAL'), which accounted for 99% of alumina sales, under a long-term supply contract. The pricing under this contract is linked as a percentage of the LME price of primary aluminium. In 2012 RUSAL, the Division's largest single customer, accounted for 36.4% (2011: 38.1%) of the Division's sales revenue. The balance of the alumina production is consumed by the Group in its own aluminium smelter (Kazakhstan Aluminium Smelter, or 'KAS') and Kazogneupor, a local Kazakhstan refractory materials producer.

Results for the year

The Alumina and Aluminium Division contributed US$41 million, or 2.2%, to the Group's Underlying EBITDA (2011: US$332 million; 9.7%). The Division's results were strongly affected by weak prices, when LME aluminium prices were at levels which led to the alumina price being below unit cost of sale.

In addition, the unit cost of alumina was negatively influenced by the processing problems at the alumina refinery caused by disruptions to the supply of soda ash.

The Division's revenue was US$238 million, or 20.8% below 2011. Lower sales prices reduced revenue by US$179 million. Lower sales volumes, mainly for alumina decreased revenue by US$63 million. Sales of other goods and services increased the Division's revenue by US$4 million.

The Division is the world's 14th largest supplier of traded alumina by volume and is at the lower end of the global industry cost curve for aluminium.

In 2012, all major construction works at the Anode Plant were completed.

Total estimated cost of the Anode Plant

US$298m

Cost of sales rose by 7.6% to US$859 million (2011: US$798 million). The main driver of the increase was higher unit costs. Alumina unit cost of sales increased by 21.0% compared to 2011. This mainly reflected higher consumption rates for input materials which were used for restoring the solid crystal phase of aluminium hydroxide post processing difficulties. Additionally, price inflation for mazut, diesel fuel, coal and tyres, as well as increased repairs and wage rates impacted growth in unit costs. Depreciation and amortisation increased cost of sales by US$18 million. The Division's Mineral Extraction Tax amounted to US$12 million (2011: US$15 million).

Distribution costs stayed at the same level as 2011 and amounted to US$55 million (2011: US$55 million). General and administrative expenses decreased by 1.9% to US$51 million (2011: US$52 million), mainly as a result of a reduction in staff costs.

Net other operating expenses increased by US$14 million to US$20 million (2011: US$6 million). This was mainly as a result of the charge from RUSAL for alumina supply disruption and additional costs of commissioning the Anode Plant.

A charge of US$608 million has been recognised in respect of impairment of Aluminium of Kazakhstan's assets as a result of the lower long-term prices for alumina associated with the deteriorating conditions of the aluminium market and continuing cost pressures. This continued price weakness means that the Division's contract with RUSAL is considered onerous resulting in a provision of US$328 million being recognised. A further US$10 million impairment has been recognised in respect of a property asset.

Capital expenditure

In 2012, all major construction works at the Anode Plant were completed. The plant was partially commissioned in 2012 with full commissioning expected in H1 2013. The total estimated cost for this project increased from US$240 million to US$298 million due to an increase in the project scope.

Alumina and Aluminium Division
Key facts

		Years ended 31 December		
		2012	2011	Change
Third party sales volumes				
Alumina	'000t	**1,036**	1,185	*(12.6)%*
Aluminium	'000t	**251**	251	–
Production				
Bauxite mined	'000t	**5,170**	5,495	*(5.9)%*
Alumina produced	'000t	**1,510**	1,670	*(9.6)%*
Aluminium produced	'000t	**249**	249	–
Prices				
Alumina	US$/t	**302**	366	*(17.5)%*
Aluminium	US$/t	**2,132**	2,577	*(17.3)%*
Unit costs[1]				
Alumina	US$/t	**351**	290	*21.0%*
Aluminium	US$/t	**1,722**	1,714	*0.5%*

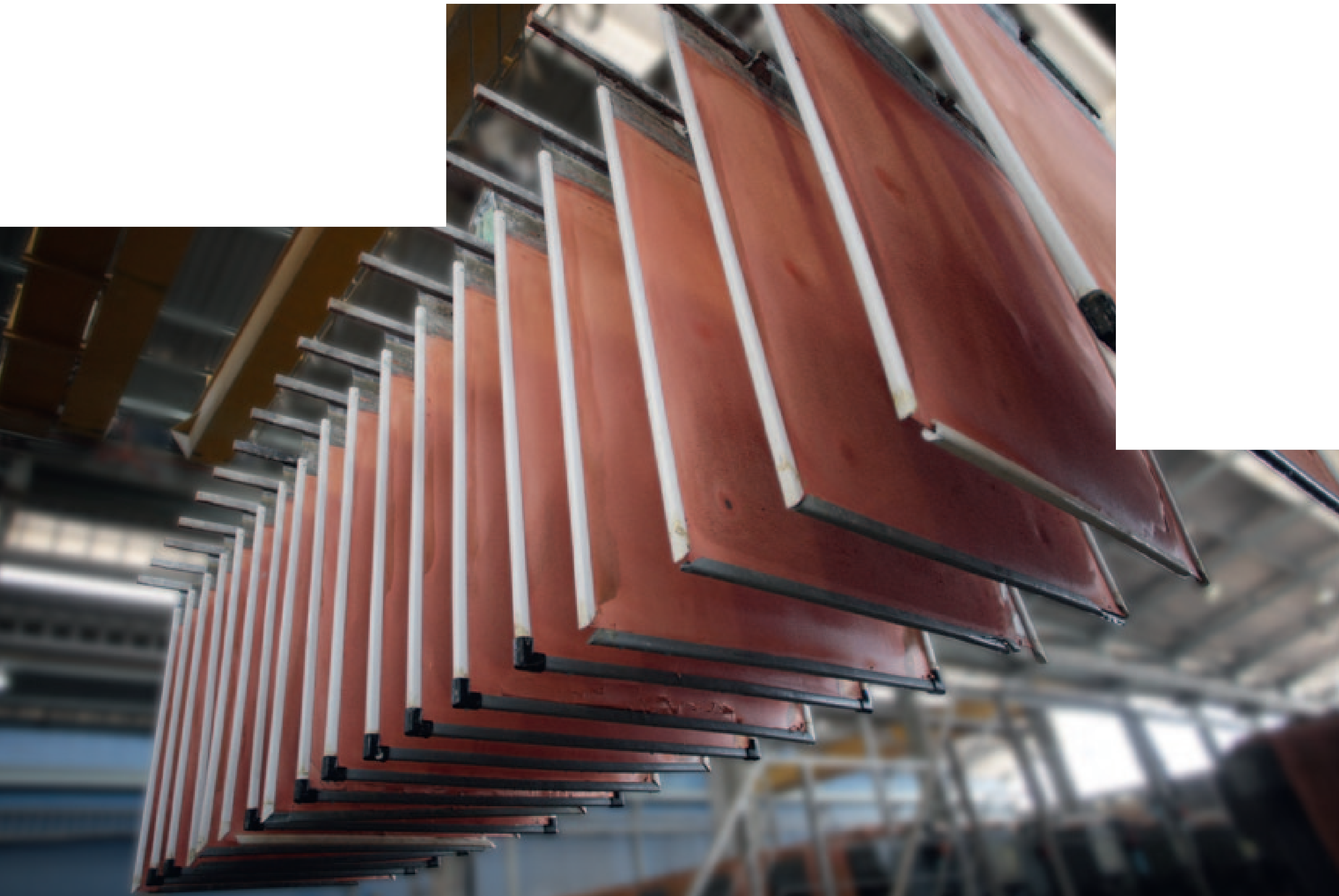
[1] Unit costs: Cost of sales divided by sales volumes.

Alumina and Aluminium Division
Summary income statement

	Years ended 31 December		
In millions of US$ (unless stated otherwise)	**2012**	2011	Change
Revenue	**907**	1,145	*(20.8)%*
Third parties	**883**	1,122	*(21.3)%*
Inter-segment	**24**	23	*4.3%*
Cost of sales	**(859)**	(798)	*7.6%*
Gross profit	**48**	347	*(86.2)%*
Distribution costs	**(55)**	(55)	–
General and administrative expenses	**(51)**	(52)	*(1.9)%*
Impairments	**(618)**	–	*n/a*
Onerous contract provision	**(328)**	–	*n/a*
Net other operating expense	**(20)**	(6)	*233.3%*
Operating (loss)/profit	**(1,024)**	234	*(537.6)%*
Operating (loss)/profit margin	***(112.9)%***	*20.4%*	
Depreciation and amortisation	**(119)**	(98)	*21.4%*
Impairments	**(618)**	–	*n/a*
Onerous contract provision	**(328)**	–	*n/a*
Underlying EBITDA	**41**	332	*(87.7)%*
Underlying EBITDA margin	***4.5%***	*29.0%*	

Other Non-ferrous

The Other Non-ferrous Division operates principally in the DRC, where it mines copper and cobalt and processes the ore.



The Other Non-ferrous Division's copper and cobalt operations include open cast mines, crushing, beneficiation, concentrator plants and an electro-winning facility in the DRC and the Chambishi copper and cobalt smelter.

The Group also owns Camrose Resources Limited, whose primary assets, held through its subsidiaries, includes interests in five copper and cobalt exploitation licences situated in the DRC.

In Q1 2012, the Group acquired additional processing capacity at the Roan Tailings and Reclamation Project ('RTR') and at Frontier. These acquisitions are the true focus of this Division in the African copper belt, underpinning our objective of reaching 200 ktpa of copper production in the next five years. Chambishi, acquired in April 2010 and located in Zambia, processes material mined in the DRC at Boss Mining and once Frontier is fully commissioned, will process concentrate from Frontier.

In addition, the Other Non-ferrous Division includes a number of development prospects: Mozambique – coal; Mali – bauxite; Zimbabwe – platinum; and South Africa – fluorspar, coal and manganese.

The Group's African logistics and trucking business, SABOT Logistics, operates in Central and Southern Africa.

Production volumes increased by 18.9% at Boss Mining in 2012.

Production

Copper

Production volumes increased by 18.9% at Boss Mining's heap leach operations, compared with 2011, due to greater capacity from additional heaps and tankhouses, as well as the commissioning of the roaster at Chambishi. Slightly lower copper mining volumes were offset by an increased mining grade of 3.11% (2011: 2.98%).

Cobalt

At Boss Mining, cobalt mining volumes increased during 2012 to 1,289 kt (2011: 1,058 kt). However, saleable cobalt production decreased due to lower recovery rates caused by changes in mineralogy and decreased availability of cobalt oxide ore.

Sales and pricing

Copper

The average price for copper in 2012 as traded on the LME reached an historical high. This was due to concerns regarding copper supply falling short of demand. After rallying strongly during January, LME prices traded within a US$8,000-US$8,700 per tonne range until late May when prices declined to a low of US$7,220 per tonne. Prices recovered again in September following action from European and US central banks and the unveiling of Chinese plans to reinvigorate the economy which had seen weakening copper demand in the first half of 2012.

Contracts are typically negotiated annually, fixing a premium, discount or 'refining charge' (for varying quality and delivery locations) alongside the period for which the LME price is fixed. The majority of copper produced was sold to Chinese smelters, who refine the lower grade material that is produced in the DRC.

Cobalt

The Metal Bulletin cobalt price reached a peak of US$15.20 per pound in February 2012, before steadily declining through the remainder of the year, reaching a low of US$10.20 per pound in early December 2012. The cobalt price closed the year at US$10.50 per pound. The decline in price was due mainly to oversupply, which has been weighing on prices since mid-2011.

Results for the year

The Other Non-ferrous Division's Underlying EBITDA amounted to US$(107) million (2011: US$74 million). Significantly lower sales prices, reduction in sales volumes of cobalt concentrate and higher investment in the Division's greenfield mineral exploration, offset additional revenue received from increased copper sales.

Higher sales volumes of copper as a result of the production ramp-up boosted revenue by US$80 million, although lower sales of cobalt reduced revenue by US$70 million. A downturn in prices for both copper and cobalt had a negative impact on revenue of US$81 million. The Group's African logistics business, SABOT, contributed US$52 million (2011: US$64 million) to the Division's third parties revenue.

Cost of sales increased US$119 million as a result of higher depreciation and amortisation as well as cost inflation driven by higher prices for acid and power. An increase in amortisation was largely due to higher mineral rights amortisation occurred to reflect a new mine plan.

The overall unit cost of copper increased by US$3,447/t to US$8,570/t. This growth was attributable to an increase in depreciation and amortisation of US$2,220/t, coupled with a significant decrease in cobalt concentrate by-product credit of US$1,620/t. Excluding those factors the unit cost decreased by US$393/t in 2012. Cobalt unit costs decreased to US$29,583/t (2011: US$31,262/t), mainly due to copper by-product production doubling at Chambishi decreasing unit cost through by-product credits by US$633/t in 2012. A decrease in depreciation of US$1,046/t contributed to the decrease of overall cobalt unit cost.

Distribution costs increased 78.6% to US$25 million (2011: US$14 million) reflecting higher copper sales and transition to direct sales to customers which resulted in additional freight, handling and shipping expenses.

General and administrative expenses amounted to US$97 million, a US$18 million or 22.8% increase compared to 2011 (2011: US$79 million). This was mainly attributable to increased staff costs, higher professional services and social investments, partly as a result of the acquisition of the former FQM assets.

Exploration costs rose to US$135 million (2011: US$70 million), a significant increase mostly attributable to the logistics and mining feasibility studies for the Mozambique coal project as well as higher expenditure in copper projects.

A charge of US$240 million has been recognised in respect of impairment of the assets of Boss Mining as a result of the deferral of the development of the Boss Mining Concentrator driven by the reprioritisation of the Group's copper projects in the DRC. Chambishi also incurred an impairment charge of US$96 million which is driven by the deferral of capital expenditure as a result of this reprioritisation and consequential higher production costs.

Capital expenditure

In 2012, the Group completed a review of its growth strategy for the Other Non-ferrous Division. With the acquisition of the Frontier and RTR processing plants, as well as the award of the Frontier licence, the Division's development focus has shifted towards projects that provide the highest returns within the shortest execution time.

Frontier

The first phase of development is scheduled to reach commissioning in April 2013 and production by July 2013. Expected production in 2013 is 40 ktpa of copper in concentrate. Target production of 80 – 90 ktpa of copper in concentrate is planned at an estimated total cost of US$440 million.

RTR

Processing plant is approximately 40% complete. First production is expected in H1 2015, with a total project cost of US$440 million.

Boss Mining

- Expansion of copper (oxide) production: all scheduled works are complete and the heap leaching and tank houses are now fully operational. The total project cost was US$150 million.
- Expansion of copper (sulphide) production: reprioritisation of our project pipeline has meant that the Boss Mining Concentrator has been postponed until the completion of the development of both RTR and Frontier, current estimated project cost is US$725 million, with commissioning planned for 2016.

Chambishi copper plant

Construction of a new solvent extraction and electrowinning ('SX/EW') plant at Chambishi was completed in 2012. The SX/EW facility has a capacity of 55 ktpa of LME grade A copper cathode. The total project cost increased to US$90 million. Full utilisation of the copper SX/EW plant is expected only after a second roaster is installed. A feasibility study for the second roaster will be completed in 2013. Expected copper production in 2013 will be 20 – 25 ktpa of LME grade A copper.

Comide

Construction of the first DMS plant was completed during 2012, while the second dense media separation plant was completed in early 2013. Both are now in operation. Mining was initiated at the Mashitu pit. The plants will produce approximately 29 ktpa of copper contained in concentrate during 2013.

The first phase of development of Frontier is scheduled to be fully commissioned in 2013.

Steady state production target at Frontier

80 to 90 ktpa

Other Non-ferrous Division
Key facts

		Years ended 31 December		
		2012	2011	Change
Third party sales volumes				
Total saleable copper contained	'000t	**36.4**	26.9	*35.3%*
Copper as a by-product	'000t	**5.0**	2.8	*78.6%*
Total saleable cobalt contained	'000t	**9.1**	11.2	*(18.8)%*
Cobalt as a by-product	'000t	**4.1**	6.2	*(33.9)%*
Production[1]				
Saleable copper contained	'000t	**35.2**	29.6	*18.9%*
Saleable cobalt contained	'000t	**9.6**	11.4	*(15.8)%*
Prices				
Saleable copper contained	US$/t	**7,665**	8,460	*(9.4)%*
Saleable cobalt contained	US$/t	**27,754**	34,514	*(19.6)%*
Unit costs				
Copper with cobalt by-product credit	US$/t	**8,570**	5,123	*67.3%*
Cobalt with copper by-product credit	US$/t	**29,583**	31,262	*(5.4)%*

[1] Production numbers for saleable copper and cobalt refers to tonnes of contained metal. Contained metal consists of total units, whether in metal form or metal units contained in concentrate and sludge, net of internal consumption.

Other Non-ferrous Division
Summary income statement

	Years ended 31 December		
In millions of US$ (unless stated otherwise)	**2012**	2011	Change
Revenue	**604**	657	*(8.1)%*
Cost of sales	**(665)**	(546)	*21.8%*
Gross (loss)/profit	**(61)**	111	*(155.0)%*
Distribution costs	**(25)**	(14)	*78.6%*
General and administrative expenses	**(97)**	(79)	*22.8%*
Exploration costs	**(135)**	(70)	*92.9%*
Impairments	**(336)**	–	*n/a*
Net other operating income	**2**	12	*(83.3)%*
Operating loss	**(652)**	(40)	*1530.0%*
Operating profit margin	***(107.9)%***	*(6.1)%*	
Depreciation and amortisation	**(185)**	(114)	*62.3%*
Impairments	**(336)**	–	*n/a*
Acquisition related costs	**(24)**	–	*n/a*
Underlying EBITDA	**(107)**	74	*(244.6)%*
Underlying EBITDA margin	***(17.7)%***	*11.3%*	

Operational review continued

Energy

The Energy Division is one of the largest electricity providers in the Republic of Kazakhstan, accounting for approximately 15.8% of the country's recorded electricity production in 2012 (2011: 16.2%).

Taking into account all of the energy generation facilities of ENRC, including SSGPO, the alumina refinery (Aluminium of Kazakhstan ('AOK')) and the Aktobe ferroalloys smelter ('Kazchrome'), the Group's share of Kazakhstan's energy supply was 21.4% in 2012 (2011: 22.3%).

The Energy Division provides a cost-effective energy supply to the Group's other principal Kazakhstani operating Divisions, with internal consumption of 73.2% (2011: 71.5%) of the electricity produced in 2012, as well as producing a surplus for sales to third parties in Kazakhstan.

Production

In 2012, the Energy Division produced 14,264 GWh (2011: 13,993 GWh), of which 73.2% (2011: 71.5%) was used by other Divisions internally within the Group. Coal extraction at EEC was broadly flat at 20,302 kt (2011: 20,110 kt). Coal extraction at Shubarkol as of May 2012 amounted to 5,591 kt.

Sales and pricing

Coal

Strong demand from the industrial and power sectors resulted in coal output in Kazakhstan increasing 3.8% in 2012. The Energy Division's total sales of coal to third parties were up 74.6% in 2012, as a result of the acquisition of Shubarkol, which was completed in April 2012.

In Kazakhstan, the Group sold 4.9 million tonnes of coal to third parties (2011: 2.1 million tonnes), including sales of 2.8 million tonnes of Shubarkol coal since May 2012. The average sales price of Vostochny coal was KZT1,208 (US$8.1) per tonne (2011: KZT1,155 (US$7.9) per tonne), an increase of 4.6% in local currency terms. The average sales price for Shubarkol coal, which has a higher calorific value and lower ash content than coal from Vostochny, was KZT3,146 (US$21.1) per tonne. In addition, the Group sold 38 kt of special coke to third parties domestically, at an average sales price of KZT19,131 (US$128.3) per tonne.

Russian power utilities' imports of steam coal from Kazakhstan decreased 4.5% year-on-year. In Russia, the Energy Division sold 4.1 million tonnes of Vostochny coal (2011: 4.2 million tonnes), at an average sales price of US$28.9 per tonne (2011: US$28.4), and 0.4 million tonnes of Shubarkol coal, at an average sales price of US$43.6 per tonne. Since the acquisition of Shubarkol the Group has expanded its customer base and sales geography delivering coal to consumers in Europe and Central Asia.

Electricity

Improvements in industrial demand in Kazakhstan saw electricity demand continue to grow in 2012 with electricity generation rising by 4.6% for the country as a whole to 90.5 billion kWh (2011: 86.6 billion kWh). The Energy Division's sales of electricity to third parties decreased 5.6% in 2012 due to increased internal consumption. The average sales price to third parties in local currency was unchanged at KZT5.6 (US 3.76 cents) per kWh (2011: KZT5.6 (US 3.82 cents) per kWh.

Results for the year

The Energy Division contributed 22.3% or US$421 million (2011: US$360 million; 10.5%) to the Group's Underlying EBITDA. The Division's results were positively impacted by higher prices for coal and the additional sales volumes of Shubarkol's coal and special coke following its acquisition in April 2012. This acquisition added US$90 million to the Group's Underlying EBITDA.

The Division's third party revenue increased by 41.1% to US$350 million (2011: US$248 million). Higher prices for coal contributed US$27 million to the increase in revenue. As a result of the Shubarkol acquisition, the Division received additional third party revenues of US$105 million. Sales of electricity reduced by US$8 million due to lower prices and less volume available for third party sales as consumption by the Group's subsidiaries increased, in particular from the Ferroalloys Division. Total sales revenue to the Group's entities was US$417 million (2011: US$370 million).

Cost of sales rose US$98 million or 42.8% to US$327 million (2011: US$229 million), US$60 million of which was attributable to the acquisition of the Shubarkol businesses. Unit cost of sales for EEC coal rose by 14.3% driven by increased labour rates in H2 2012, higher depreciation and amortisation, inflation of diesel and auxiliary materials costs. There was also an increase in diesel consumption as a result of a higher volume of drilling performed by diesel-powered drilling rigs. The higher cost of coal led to electricity unit cost growth which increased by 14.3% compared to 2011. Unit costs were also affected by the labour rate increase in the second half of the year, higher depreciation and amortisation and emission charges.

Distribution costs amounted to US$81 million (2011: US$67 million), a 20.9% rise with the majority of the increase attributed to the inclusion of Shubarkol sales.

General and administrative expenses increased to US$43 million (2011: US$25 million) with US$10 million attributable to higher social investments and US$6 million to the acquisition of Shubarkol operations.

An impairment of US$13 million has been recognised in respect of the Group's investment in its Xinjiang Aismir Coking Coal Co. Limited Joint Venture ('Asmare JV').

Capital expenditure

Reconstruction of Power Unit 6 is currently underway, which will increase its capacity from 300 MW to 325 MW. Certain major pieces of equipment were installed during the year including the boiler carcass, filter and boiler heating surface. The commissioning date for this project remains unchanged and it is expected to be delivered in 2013 at a total estimated cost of US$265 million.

A tender has been awarded for the development of Stripping Complex 2 and the contract is currently being negotiated.

Energy Division
Key facts

		Years ended 31 December		
		2012	2011	Change
Third party sales volumes				
Coal EEC	'000t	**6,197**	6,260	*(1.0)%*
Coal Shubarkol	'000t	**4,734**	–	*n/a*
Semi-coke	'000t	**38**	–	*n/a*
Electricity	GWh	**2,777**	2,942	*(5.6)%*
Consumption				
Coal consumed in the production of electricity	'000t	**8,764**	8,599	*1.9%*
Electricity produced and consumed for own use	GWh	**1,049**	1,049	–
Production				
Coal EEC	'000t	**20,302**	20,110	*1.0%*
Coal Shubarkol	'000t	**5,591**	–	*n/a*
Semi-coke	'000t	**136**	–	*n/a*
Electricity	GWh	**14,264**	13,993	*1.9%*
Prices				
Coal EEC	US$/t	**22**	22	–
Coal Shubarkol	US$/t	**21**	–	*n/a*
Semi-coke	US$/t	**128**	–	*n/a*
Electricity	US$/MWh	**38**	38	–
Unit costs[1]				
Coal EEC	US$/t	**6.4**	5.6	*14.3%*
Coal Shubarkol	US$/t	**7.1**	–	*n/a*
Semi-coke	US$/t	**92.1**	–	*n/a*
Electricity	US$/MWh	**14.4**	12.6	*14.3%*

[1] Unit costs: Cost of sales divided by sales volumes.

Energy Division
Summary income statement

	Years ended 31 December		
In millions of US$ (unless stated otherwise)	2012	2011	Change
Revenue	**767**	618	*24.1%*
Third parties	**350**	248	*41.1%*
Inter-segment	**417**	370	*12.7%*
Cost of sales	**(327)**	(229)	*42.8%*
Gross profit	**440**	389	*13.1%*
Distribution costs	**(81)**	(67)	*20.9%*
General and administrative expenses	**(43)**	(25)	*72.0%*
Impairments	**(13)**	–	*n/a*
Net other operating income	**–**	2	*(100.0)%*
Operating profit	**303**	299	*1.3%*
Operating profit margin	***39.5%***	*48.4%*	
Depreciation and amortisation	**(103)**	(61)	*68.9%*
Impairments	**(13)**	–	*n/a*
Acquisition related costs	**(2)**	–	*n/a*
Underlying EBITDA	**421**	360	*16.9%*
Underlying EBITDA margin	***54.9%***	*58.3%*	

The Division's third party revenue increased by 41% in 2012.

Logistics

The Logistics Division provides transportation and logistics services to the Group's principal Kazakhstani operating Divisions, as well as to third parties.

The Division's operations include freight forwarding and wagon and railway repair services.

The availability of these services within the Group mitigates many of the risks associated with the supply of raw materials and delivery of products to customers.

In addition, the Division operates a railway transfer and reloading terminal on the Kazakhstan/China border, facilitating the Group's access to the Chinese market.

Results for the year

The Logistics Division reported Underlying EBITDA of US$78 million (2011: US$95 million). A decline compared to 2011 reflects higher volumes of goods transported in rented railcars. The disposal of Zhol Zhondeushi LLP, the railway line repair business, in May 2012 had an insignificant impact on Underlying EBITDA in total, although its exclusion had an effect on the reported revenue and costs when looked at separately in the income statement.

The Division's revenue decreased by US$56 million. US$111 million was attributable to third parties, primarily due to the disposal of Zhol Zhondeushi LLP. This reduction was partially compensated by increased revenue from the provision of transportation services in third party rented railcars for Group companies, particularly the Iron Ore Division.

Cost of sales decreased US$23 million, or 10.1%, to US$205 million (2011: US$228 million). The reduction in cost of sales as a result of the exclusion of Zhol Zhondeushi LLP was partially offset by the extra costs incurred due to a larger share of third party railcars rented for additional services to Group companies detailed above.

General and administrative expenses declined by 10.0% to US$27 million (2011: US$30 million) which was mainly attributable to the exclusion of Zhol Zhondeushi LLP.

Capital expenditure

The Logistics Division expanded its railway fleet during 2012 to improve the self-sufficiency of the Group in the transportation of its own materials, with the purchase of 2,258 open-top wagons and 230 pellet wagons during the year.

Logistics Division
Key facts

		Years ended 31 December		
		2012	2011	Change
Transportation[1]				
Total tonnage transported by rail	'000t	**58,659**	61,765	*(5.0)%*
Sales volumes				
Third party freight forwarding[2]	'000t	**7,334**	8,837	*(17.0)%*
Railway line repairs	km	**81**	247	*(67.2)%*
Prices				
Third party freight forwarding[2]	US$/t	**0.59**	0.69	*(14.5)%*
Railway line repairs	'000US$/km	**436**	223	*95.5%*
Unit costs[3]				
Third party freight forwarding[2]	US$/t	**0.15**	0.15	*(0.0)%*
Railway line repairs	'000US$/km	**225**	217	*3.7%*

1 Data includes all internal and third party rail transportation.
2 Data applies to Transsystema only. 2011 unit cost has been adjusted to correctly reflect this (2010: 0.18).
3 Unit costs: Cost of sales divided by sales volumes (attributable to third parties).

Logistics Division
Summary income statement

	Years ended 31 December		
In millions of US$ (unless stated otherwise)	**2012**	2011	Change
Revenue	**286**	342	*(16.4)%*
Third parties	**38**	149	*(74.5)%*
Inter-segment	**248**	193	*28.5%*
Cost of sales	**(205)**	(228)	*(10.1)%*
Gross profit	**81**	114	*(28.9)%*
General and administrative expenses	**(27)**	(30)	*(10.0)%*
Impairments	**–**	(17)	*(100.0)%*
Net other operating expense	**(2)**	(4)	*(50.0)%*
Operating profit	**52**	63	*(17.5)%*
Operating profit margin	***18.2%***	*18.4%*	
Depreciation and amortisation	**(26)**	(15)	*73.3%*
Impairments	**–**	(17)	*(100.0)%*
Underlying EBITDA	**78**	95	*(17.9)%*
Underlying EBITDA margin	***27.3%***	*27.8%*	

05

Financial review and risk management

In this section:

Chief Financial Officer's review

In a challenging environment the Group generated Underlying EBITDA of US$1,887 million, down 45% from 2011. This was **underpinned by production at full available capacity** in the Ferroalloys Division, close to full available capacity in the Iron Ore Division and maintenance of our position as a low cost producer.

Dr Zaure Zaurbekova
Chief Financial Officer

The Group's performance for the year was significantly impacted by the continuing deterioration of commodity prices. Other factors which led to the Underlying EBITDA reduction compared to the prior year included our ongoing investment in and expansion of our copper/cobalt operations in Africa and processing difficulties in alumina production.

Revenue for the year ended 31 December 2012 decreased by 18.0% to US$6,320 million (2011: US$7,705 million). The decrease in commodity prices was particularly strong in the second half of the year and had a severe impact on revenue. In total, US$1,242 million of the reduction in revenue compared to 2011 was as a result of commodity price declines in the year. Changes in volumes had a modest influence on the Group's decrease in revenue, as lower sales volumes of ferroalloys and alumina were partially compensated by higher sales of iron ore, copper and additional volumes of coal from Shubarkol following the acquisition of the outstanding ordinary shares in that business in April 2012.

The increase in the scale of operations in Africa and the continued development of our assets across the Group were the main reasons for the increase in operating costs. Excluding depreciation and amortisation (resulting from investments in property, plant and equipment) and exploration costs which support the long-term development of our mineral base, total operating costs increased by 2% compared to the previous year. This increase was mainly driven by materials inflation although this inflation was not as severe as that seen in the prior year and an increase in wage rates in our operations in Kazakhstan and Russia from 1 July 2012. At the same time lower Mineral Extraction Tax ('MET') and favourable exchange rates for the Kazakhstani tenge, to a large extent, mitigated these inflationary factors.

In total, the Group's Underlying EBITDA was 44.7% below that achieved in 2011, with 82% of the reduction driven by lower commodity prices.

As a result of the weakness in commodity prices and continuing cost pressures, the Group has recognised impairment charges totalling US$1,216 million in the 2012 results. Further detail of these impairment charges is set out later in this review. In addition, the Group has recognised an onerous contract provision totalling US$328 million in respect of its alumina supply contract with RUSAL.

The basic loss per share for 2012 was US 62 cents (2011: earnings per share of US 153 cents) as a result of the impairment charges and onerous contract provision. Earnings per share (adjusted) which excludes these charges, the net gain arising from business combinations and related tax and share of minority interest effects was US 41 cents per share (2011: US 155 cents per share).

During 2012, the Group completed the acquisitions of the former FQM assets in March 2012 and the outstanding ordinary shares in Shubarkol and Camrose in April 2012 and December 2012 respectively. Details regarding these acquisitions can be found in note 5 to the Consolidated financial statements. As a result of these acquisitions we have consolidated these businesses from their respective dates of acquisition. The total contribution from the acquisition of Shubarkol to the Group's Underlying EBITDA was US$90 million. The contribution to the Group's Underlying EBITDA from the acquisition of the former FQM assets was a loss of US$14 million as we began the work to develop these assets. Camrose did not make a material contribution to the Group as it was only acquired on 28 December 2012.

To fund capital expenditure and acquisitions, in 2012 the Group secured an additional US$3,000 million of bank facilities and also issued a three-year US$500 million promissory note as part of the FQM transaction. All of the Group's facilities, excluding the Group's revolving credit facility ('RCF') and part of the Export Credit Facilities, were fully drawn as at 31 December 2012.

The Group's credit rating is currently BB- with Standard & Poor's and Ba3 with Moody's. Both agencies currently have the Group on negative outlook.

To strengthen its liquidity position the Group has refinanced its RCF in February 2013, increasing the facility to US$500 million and extending the maturity to 2015. Additionally the Group is at an advanced stage of negotiation over a new US$700 million debt facility.

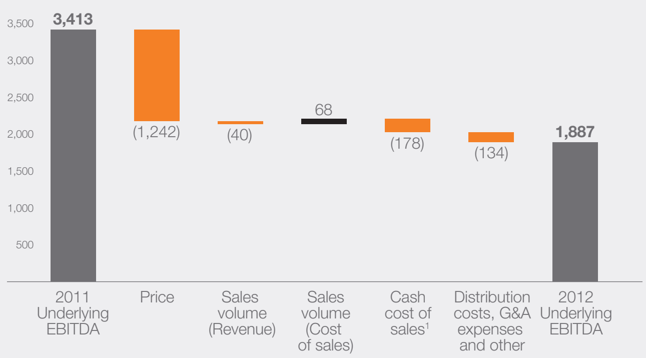
The existing US$3,000 million Euro Medium Term Note programme signed in 2010 has not yet been utilised, although we continue to consider this programme as an integral part of our future funding strategy.

Reconciliation of Underlying EBITDA

In millions of US$ (unless stated otherwise)	Years ended 31 December 2012	2011
(Loss)/profit before income tax	**(550)**	2,755
Share of loss/(profit) of joint ventures and associates	**39**	(2)
Net gain arising from business combinations	**(89)**	–
Net finance cost	**226**	123
Onerous contract provision	**328**	–
Impairments	**1,216**	24
Depreciation and amortisation	**691**	515
Transaction costs/(credit) expensed under IFRS 3 (revised)	**26**	(2)
Underlying EBITDA	**1,887**	3,413
Underlying EBITDA margin	***29.9%***	*44.3%*

2012 Underlying EBITDA Bridge

US$ million



[1] Cash cost of sales is total cost of sales excluding depreciation, amortisation, the effect of sales volumes on cost of sales and Zhol Zhondeushi due to its disposal in 2012.

Chief Financial Officer's review continued

Income statement

Revenue

Revenue decreased significantly to US$6,320 million (2011: US$7,705 million) primarily as a result of reduced commodity prices for all key products, in particular iron ore, ferroalloys and aluminium.

The average realised prices for ferroalloys decreased by 9.8% compared to the average realised prices for the same period last year. The chrome ore average realised price was 41.5% lower which also reflected a higher share of low-grade ore sold in 2012. Manganese concentrate average realised prices were 9.4% below 2011 levels. In addition, the Ferroalloys Division revenue was further reduced due to lower sales volumes of ferroalloys as a result of the exclusion of Tuoli from our consolidated results.

Average realised prices for iron ore in the first half of 2012 were substantially lower in comparison with the previous year and decreased further in the third quarter of 2012 which led to an additional decline in the Division's full year revenue compared to 2011. Average realised prices for iron ore concentrate and iron ore pellets were 30.4% and 25.1% lower respectively compared to the prior year.

The Alumina and Aluminium Division's revenue was mainly affected by lower realised prices. There was also a negative impact from reduced sales volumes caused by production difficulties at the alumina refinery.

Cost of sales

Cost of sales increased by 5.9% to US$3,723 million (2011: US$3,517 million). However, excluding the impact of higher non-cash depreciation and amortisation due to the Group's enhanced asset base, the Group's total cost of sales remained at 2011 levels.

Materials inflation increased costs, although as mentioned earlier, this impact was not as severe as in 2011. Increases in wage rates at our main operations in Kazakhstan and Russia in the second half of 2012 added to cost growth.

To mitigate the decreasing margins in the second half of 2012, the Group implemented additional measures to cut costs. In addition, the increase in cost of sales was to a large extent compensated by lower MET and a favourable exchange rate for the Kazakhstani tenge.

Distribution costs

Distribution costs increased by 5.8% to US$530 million (2011: US$501 million) mainly as a result of US$27 million of additional transportation costs. This was driven by increased sales volumes of iron ore and copper coupled with the transportation of these products to more remote destinations and higher sales of coal following the inclusion of Shubarkol's shipments.

Summary income statement

	Years ended 31 December		
In millions of US$ (unless stated otherwise)	**2012**	2011	Change
Revenue	**6,320**	7,705	*(18.0)%*
Cost of sales	**(3,723)**	(3,517)	*5.9%*
Gross profit	**2,597**	4,188	*(38.0)%*
Distribution costs	**(530)**	(501)	*5.8%*
General and administrative expenses	**(733)**	(692)	*5.9%*
Exploration costs	**(149)**	(77)	*93.5%*
Impairments	**(1,216)**	(24)	*4,966.7%*
Onerous contract provision	**(328)**	–	*100.0%*
Net other operating expense	**(15)**	(18)	*(16.7)%*
Operating (loss)/profit	**(374)**	2,876	*(113.0)%*
Operating profit margin	***(5.9)%***	*37.3%*	
Net finance cost	**(226)**	(123)	*83.7%*
Net gain arising from business combinations	**89**	–	*100.0%*
Share of (loss)/profit of joint ventures and associates	**(39)**	2	*(2,050.0)%*
(Loss)/profit before income tax	**(550)**	2,755	*(120.0)%*
Income tax expense	**(302)**	(769)	*(60.7)%*
(Loss)/profit for the year	**(852)**	1,986	*(142.9)%*

General and administrative costs

General and administrative costs in 2012 increased by 5.9% to US$733 million (2011: US$692 million). Professional and other services fees increased by US$51 million reflecting increased strategic development and compliance activity. Staff costs rose by US$38 million compared to the prior year mainly reflecting the increased scale of operations.

Excluding the one-off payment of US$98 million made to the Nazarbayev fund in 2011, the Group made increased sponsorship and donations payments in 2012 primarily in supporting the construction of the opera house in Astana (2012: US$65 million; 2011: US$20 million). Further detail regarding our social investment projects is set out in the sustainable development review and the Sustainable Development Report, to be published separately.

Exploration costs

Exploration costs increased by 93.5% to US$149 million (2011: US$77 million) mainly as we continued developing the Other Non-ferrous Division assets.

Impairment charge and onerous contract provision

The Group recognised an impairment charge of US$1,216 million and onerous contract provision totalling US$328 million as detailed below:

In millions of US$	2012
Cash-generating units	
Aluminium of Kazakhstan	**608**
Boss Mining	**240**
Zhairemsky GOK	**124**
Chambishi	**96**
	1,068
Available-for-sale assets	
Northam Platinum Limited	**120**
Other available-for-sale assets	**3**
Other impairments	**25**
Total impairment charge	**1,216**
Onerous contract provision	
RUSAL contract	**328**

- Aluminium of Kazakhstan ('AoK'): impairment of US$608 million mainly due to lower long-term prices for alumina associated with the deteriorating conditions of the aluminium market and increasing inflationary pressure on key cost items.
- Onerous contract: a provision of US$328 million relating to the Group's alumina contract with RUSAL for the supply of approximately 1.2 million tonnes of alumina per annum. Due to the continued weakness in the price of alumina the cost of fulfilling the contractual obligations exceeds the economic benefits expected from the contract.
- Boss Mining: impairment of US$240 million mainly due to delay of the development of the Boss Mining concentrator driven by the reprioritisation of the Group's copper projects in the DRC. This affected the capital expenditure profile, which impacted the timing of associated cash inflows at Boss Mining and has also resulted in higher production costs.
- Zhairemsky GOK: impairment of US$124 million due to expected future operating losses affected by a high cost of production and continued limited market opportunities for its manganese products.
- Chambishi: impairment of US$96 million is driven by the deferral of capital expenditure as a result of the reprioritisation of the Group's copper and cobalt projects and consequential higher production costs.
- Available for sale financial assets: impairment of US$120 million relating to the Group's interest in Northam Platinum Limited following a prolonged and significant reduction in the share price below ENRC's entry cost.

Further detail regarding these non-recurring charges is set out in note 9 to the Consolidated financial statements.

Net other operating expenses

Net other operating expenses consisted mainly of foreign exchange gains and losses from operating activities.

Net finance costs

Net finance costs (after interest capitalised in respect of qualifying projects) increased by 83.7% to US$226 million (2011: US$123 million) as a result of the increased funding requirements to support the Group's investment programme and strategic development. Total interest capitalised during the year was US$59 million (2011: US$nil).

Share of (loss)/profit of joint ventures and associates

The net share of loss of joint ventures and associates amounted to a US$39 million loss (2011: US$2 million profit) which arose primarily from the Group's interest in Camrose during the year.

Net gain arising from business combinations

The net gain of US$89 million arising from business combinations is a result of the requirement under IFRS to revalue the Group's existing interest in a joint venture or associate to fair value when the remaining interest is acquired as part of a business combination. Further details of how this gain arises from the acquisitions of Shubarkol and Camrose are set out in note 5 to the Consolidated financial statements.

Taxation

The Group's income tax charge for the year was US$302 million (2011: US$769 million), an Effective Tax Rate ('ETR') of minus 54.9% (2011: 27.9%).

Excluding the impact of impairments, the onerous contract provision and the net gain arising from business combinations, the Group's adjusted income tax expense for the year ended 31 December 2012 was US$401 million (2011: US$769 million), an adjusted ETR of 44.3% (2011: 27.7%).

The adjusted ETR in Kazakhstan was broadly stable, however, the adjusted Group ETR increased, mainly because of the Group's lower profitability and the greater proportion of losses resulting from investment in greenfield sites.

Chief Financial Officer's review continued

Balance sheet

The Group's net book value of property, plant and equipment at 31 December 2012 was US$14,591 million (2011: US$9,891 million), an increase of 47.5%. Goodwill and other intangibles at 31 December 2012 totalled US$1,754 million (2011: US$1,410 million), an increase of 24.4%.

The increases in property, plant and equipment and goodwill arose primarily from the acquisitions of the former FQM assets and related Frontier licence, Shubarkol and Camrose.

Further information relating to the Group's capital expenditure projects in 2012 is set out in the capital expenditure section later in this review.

In total, these acquisitions gave rise to an increase in property, plant and equipment of US$4,034 million of which US$2,964 million relates to mineral rights. Goodwill arising on these transactions totalled US$633 million which arose primarily as a result of the recognition of related deferred tax liabilities on the mineral rights acquired. Further detail in respect of these acquisitions can be found in note 5 to the Consolidated financial statements.

The Group's gearing has increased significantly as a result of additional borrowings being drawn down to fund acquisitions and capital expenditure projects. Gearing increased to 34.5% at 31 December 2012 from 8.2% at 31 December 2011. A summary of the Group's borrowings is set out in note 28 to the Consolidated financial statements with further commentary in the Funding and Liquidity section of this review.

The Group's return on capital employed was 7.9% (2011: 23.4%). The calculation of return on capital employed is set out in note 38 to the Consolidated financial statements. The decrease reflects the growth in capital employed (primarily debt funding) which has been used to fund acquisitions and projects which are not yet in production or not yet at full production.

Cash flow

Net cash generated from operating activities

The Group generated US$1,270 million of net cash from operating activities (2011: US$2,143 million), a fall of 40.7% as a result of the Group's lower profitability. Working capital requirements reduced marginally during the year by US$36 million (2011: increase of US$378 million) despite increases in inventory primarily within the Ferroalloys Division as a result of poor weather at the year end and congestion at the Chinese border and offset by reductions in trade receivables.

Net cash used for investing activities

During the year the Group utilised a total of US$4,521 million for investing activities (2011: US$2,656 million). The primary use of these funds was for the acquisition of property, plant and equipment (2012: US$2,306 million, 2011: US$2,121 million) and in respect of the acquisition of subsidiaries (2012: US$1,958 million, 2011: US$281 million).

Summary balance sheet

In millions of US$	As at 31 December 2012	2011
Property, plant and equipment	**14,591**	9,891
Goodwill and intangible assets	**1,754**	1,410
Other non-current assets	**686**	1,219
	17,031	12,520
Current assets (excluding cash)	**2,435**	2,374
Cash and cash equivalents	**698**	622
	3,133	2,996
Total assets	**20,164**	15,516
Equity attributable to owners of the Company	**9,746**	10,900
Equity attributable to non-controlling interests	**804**	336
	10,550	11,236
Non-current borrowings	**5,554**	1,234
Deferred tax liabilities	**1,976**	1,277
Other non-current liabilities	**563**	192
	8,093	2,703
Current borrowings	**279**	360
Other current liabilities	**1,242**	1,217
	1,521	1,577
Total liabilities	**9,614**	4,280
Total liabilities and equity	**20,164**	15,516

Summary cash flow statement

In millions of US$	Years ended 31 December 2012	2011
Net cash generated from operating activities	**1,270**	2,143
Net cash used for investing activities	**(4,521)**	(2,656)
Net cash used for financing activities	**3,331**	448
Net changes in cash and cash equivalents	**80**	(961)
Cash and cash equivalents at beginning of year	**622**	1,595
Foreign exchange loss on cash and cash equivalents	**(4)**	(12)
Cash and cash equivalents at end of year	**698**	622

Net cash flow used for financing activities

The Group generated a cash inflow of US$3,331 million (2011: US$448 million cash outflow) from its financing activities during the year ended 31 December 2012. This includes US$3,950 million drawn from unsecured term loan facilities, US$136 million drawn from various export credit facilities, less repayment of borrowings of US$338 million (2011: US$154 million) and cash outflows for dividends of US$233 million (2011: US$448 million).

Funding and liquidity

Funding activities

The Group secured additional liquidity during the year with the signing of two bank facilities: US$2,000 million facility with Sberbank of Russia and an additional US$1,000 million with Russian Commercial Bank (Cyprus) Limited (part of the VTB group). Both facilities are unsecured and were fully drawn as at 31 December 2012.

On 12 February 2013, the Group refinanced its existing revolving credit facility, increasing the facility from US$467 million to US$500 million and extending the maturity to 2015.

During the year, the Group did not utilise the US$3,000 million Euro Medium Term Note programme signed in 2010 and as at 31 December 2012 there were no issues under the programme.

Debt structure

The table below shows the Group's debt maturity profile including terming out US$1,000 million of debt from 2014 to 2016.

In millions of US$	2012
2013	**279**
2014	**1,532**
2015	**1,148**
2016	**1,731**
2017	**231**
2018	**68**
2019	**68**
2020	**564**
2021 – 2025	**212**
Total	**5,833**

As at the end of 2012, the average maturity of outstanding debt was 3.9 years (2011: 6.0 years) and net gearing at 31 December 2012 was 34.5% (2011: 8.2%).

The Group's policy is to maintain a balance between fixed and floating interest rates within its debt portfolio. This is principally achieved by using a mix of floating and fixed interest rate borrowings. As at 31 December 2012, 59% of the Group's borrowings incur floating rate interest, while the remaining 41% incur fixed rate interest.

The Group's debt is denominated primarily in US$ (95% of total debt) with the remainder being denominated in EUR (5% of total debt). The majority of the Group's EUR debt has been swapped into US$ as at 31 December 2012.

Cash and cash equivalents by region

The Group holds cash and cash equivalents in the following geographic regions:

In millions of US$	2012
Europe and Middle East	**314**
Eurasia	**297**
Africa	**60**
Rest of the World	**27**
Total	**698**

Capital expenditure

2012 Capital expenditure

In 2012, the Group's cash outflow in respect of capital expenditure amounted to US$2,345 million (2011: US$2,134 million) an increase of US$211 million, or 10%.

The geographical split of capital expenditures for 2012 was as follows: Kazakhstan US$1,732 million, Africa US$514 million, Brazil US$52 million and other US$47 million.

Cash outflow for capital expenditure

In millions of US$	2012	2011
Expansionary	**1,761**	1,601
Sustaining	**584**	533
Total	**2,345**	**2,134**

Dr Zaure Zaurbekova
Chief Financial Officer

Risk management

The Board is ultimately responsible for maintaining a sound risk management and internal control system.

Risk and compliance

Throughout 2012 senior management and the Board have had a regular dialogue on key risks relating to the Company's 2012 strategic objectives. We know that some of the jurisdictions in which the Group operates pose particular and often heightened risks that need to be managed appropriately. We are open to dialogue with shareholders and other stakeholders in order to communicate our position openly and effectively.

The Group continues to enhance its approach to risk management and internal controls and is committed to the further development of policies, processes and procedures where it is appropriate to do so.

We are acutely aware of our obligations with regards to compliance with all applicable laws and regulations, as well as our corporate value for fair dealing.

We have compliance officers across our operations. The number of compliance officers increased again during 2012. We continue to require all new starters across the Group in appropriate roles to undertake web-based ethics and compliance training. This is delivered online by an independent ethics training provider as well as targeted face-to-face training on appropriate compliance topics.

Our whistleblowing hotline has been in operation for well over a year and is publicised throughout the Group. It is independently administered and operates 24 hours a day, 365 days a year, in all appropriate languages. We have a new Whistleblowing and Investigations Policy (which was introduced in early 2012) and investigate any whistleblowing reports and take appropriate corrective action.

Risk management

Risk and the Board of Directors

The Board is ultimately responsible for maintaining a sound risk management and internal control system. Our system of risk management and internal control is designed to identify, manage and mitigate the risk of failure to achieve business objectives. The system provides reasonable and not absolute assurance against material misstatement or loss.

There are ongoing processes in place for identifying, assessing, managing, monitoring and reporting on the significant risks faced by the Group. These processes are in place for the year under review up to, and including, the date of the approval of the Annual Report and Accounts.

Thirteen principal risks were considered and reviewed during the course of the current year by the Executive Committee ('ExCom') and this included two newly articulated risks related to reputation and a potential emerging Kazakhstani logistics risk and the subdivision of one pre-existing risk.

The ExCom determined that our risk environment had changed:

Positively as a result of:

- Continued enhancement of our risk reporting and compliance framework driving further accountability and, where necessary, additional remediation plans;
- Continued focus on 'tone from the top' to enhance our risk approach;
- Organisational cultural shift towards a risk aware culture;
- Implementation of key risk management action plans; and
- Reduction in the number of acquisitions made this year and planned for the near future.

Negatively as a result of:

- Increased external scrutiny;
- Global pressure on commodity prices;
- Cash flow complexity; and
- Reputational perception.

Accordingly, the principal risks to the execution of the Group's business strategy are shown in the rest of this section. We have explained the nature of each risk, identifying the possible impact and the associated strategic priorities. In addition, we have described the mitigating activity to address those risks, as well as our plans for further enhancements.

Risk: Project management

Context

The approved capital expenditure programme is significant and includes large scale expansion projects in existing and acquired operations.

Risk

Failure to deliver major capital projects within the agreed time, cost and quality criteria.

Possible impact

Lower long-term growth profitability and reputation.

Associated strategic priorities

Continue expansion and development of existing reserves and capacity.

Mitigation

- The Group Investment Policy's main principles are:
  - Stage gated approach to project selection;
  - Clear governance framework;
  - Accessible and wider decision-making support;
  - Group investment procedures; and
  - Investment valuation manual.
- Risk analysis and management for projects methodology for project risk management and sensitivity modelling is being embedded into our project management process;
- Specific project management teams;
- A project assurance programme;
- Quarterly review and analysis of capital projects and reporting on project progress to the ExCom; and
- A Group project management code was developed and a training programme implemented in 2012.

Risk: Business development

Context

Industry consolidation continues. The Group made a number of acquisitions in 2012 and will continue to consider opportunities if appropriate to do so.

Risk

Failure to identify opportunities to participate in value-adding transactions, overpaying for a transaction or inaccurate business case leading to inadequate return on investment.

Possible impact

Lower long-term growth, profitability and reputation.

Associated strategic priorities

Add value and customer diversity by expanding product portfolio.

Expand our asset portfolio in natural resources worldwide.

Mitigation

- The Board defines the Group's strategy;
- Formalised yearly strategy review process;
- Group Investment Policy;
- Detailed procedure, governing divestment or outsourcing of business and assets;
- Potential transactions are subject to due diligence and analysis to ensure consistency and high standards;
- Approved investment criteria for assessing potential targets;
- Formal integration plans are developed for each acquisition; progress is monitored and reported to the relevant committees; and
- The Investment Committee oversees all material acquisition activity, approves targets and supervises execution.

Risk management continued

Risk: Legal and regulatory breach

Context

ENRC is an emerging markets business and is aware that some of the jurisdictions in which the Group operates pose particular and often heightened reputational issues that need to be managed appropriately. Natural resources businesses operating in emerging markets are subject to additional regulatory scrutiny. In addition, there is a general worldwide trend towards enhanced laws and regulation which affect large multinational businesses such as ENRC.

Risk

Failure to comply with laws and regulations regarding:

- Anti-bribery;
- Anti-corruption;
- Anti-money laundering;
- Sanctions;
- Listing Rules, including related party requirements; and/or
- Anti-trust.

Possible impact

Share price devaluation, financial penalties, civil/criminal regulatory investigations and/or prosecutions, diversion of significant management and legal time and resources, and significant remediation requirement.

Associated strategic priorities

Commit to high standards of corporate social responsibility and sustainable development.

Expand our asset portfolio in natural resources worldwide.

Mitigation

- The Code of Conduct is regularly revised to bring more prominence and clarity on behaviours and accountability;
- All new starters in appropriate roles across the Group undertake web-based ethics and compliance training, as well as targeted face-to-face training on appropriate compliance topics;
- The whistleblowing hotline has now been in operation for well over a year and is publicised by various methods throughout the Group;
- The new Whistleblowing and Investigations Policy has been implemented during the year;
- A counterparty due diligence policy and procedure was developed, rolled out and implemented throughout the Group during the year. Appropriate training on this new procedure was given to over 150 targeted individuals;
- The Anti-bribery and Corruption Steering Committee (established in 2011) is being developed into a more formal committee with a wider remit, including risk, internal control and compliance matters;
- In 2012, the first internal compliance risk assessment, a collaboration between the Risk and Compliance Departments, was carried out. The output of this assessment informed the business plan for the Compliance Department for 2013; and
- A Group-wide risk assessment for bribery and corruption risks was undertaken by an external party in 2012. The final report will be issued in 2013 and this will also help inform future compliance activity.

Risk: Management capability

Context

We have acquired a number of companies in Africa and Brazil. Globally our regions require strong leadership and an experienced senior management team to integrate and operate our companies effectively.

Risk

Failure to attract, retain and develop key management talent.

Possible impact

Inability to execute long-term growth strategy, lower long-term growth, lower profitability and/or corporate reputation.

Associated strategic priorities

Continue expansion and development of existing reserves and capacity.

Commit to high standards of corporate social responsibility and sustainable development.

Mitigation

- Enhancement of the HR functional capability;
- Enhancement of the Group's HR policies and procedures;
- Our review of the Group's approach to compensation and benefits continues, clearer consistency and alignment principles are being systematically applied to Senior Executives to drive enhanced business effectiveness;
- 150 Group Programme;
- A new global succession planning process;
- Strategic Leadership Programme;
- Global Talent Management Programme;
- Global Graduate Recruitment Programme; and
- A group leadership conference planned for 2013.

Risk: Organisational development

Context

Originally the Group's operating plants were based in Kazakhstan with a Sales and Marketing function based in Switzerland. We now operate a large scale global business and it is important that our governance structures, controls and clear delegations of authority are appropriate for our new business.

Risk

Ineffective delegation of authority, governance structures and frameworks can impact on the delivery of the Group's strategic objectives.

Possible impact

Failure to deliver strategic objectives, lower long-term growth, corporate reputation and financial return.

Associated strategic priorities

Continue expansion and development of existing reserves and capacity.

Expand our asset portfolio in natural resources worldwide.

Commit to high standards of corporate social responsibility and sustainable development.

Mitigation

- A Group delegation of authority framework has been developed and approved by the ExCom;
- A review of the organisational structure has been carried out and an action plan is being developed; and
- Further enhancements to our governance and policy framework are being implemented.

Risk management continued

Risk: Business integration

Context

Over the last four years the Group executed a number of acquisitions and purchased businesses in Africa and Brazil. For the recent acquisition of Shubarkol Komir JSC a far more enhanced integration process was implemented.

Risk

The inability to integrate the operations, products, technologies and personnel of the acquired companies to achieve expected synergies and return on investment. Further, an increased risk of legal or compliance breaches if historical standards/controls of the new asset are not aligned with the Group's best practice.

Possible impact

Slow and poor synergies, lower return on investment, profitability and reputational impact leads to share price volatility.

Associated strategic priorities

Add value and customer diversity by expanding product portfolio.

Expand our asset portfolio in natural resources worldwide.

Mitigation

- Senior management oversight of all integration activities;
- Formal integration planning and execution process;
- For each new acquisition an integration team is established;
- Extensive personnel meetings are organised to address possible cultural factors;
- Regular site visits to monitor progress;
- Alignment of standards, controls and procedures of the acquired company to the Group's best practice; and
- Streamlining reporting lines of management at the new enterprise to the Group's regional, divisional and executive bodies.

Liquidity

Context

Over the last four years the Group executed a number of acquisitions and purchased businesses in Africa and Brazil. The Group has also approved a number of large scale greenfield and brownfield projects in Brazil and Africa that will require significant additional financing. The Group's credit ratings are currently BB- with S&P and Ba3 with Moody's, with both ratings on a negative outlook. It is possible that these credit ratings could restrict the Group's access to future sources of debt.

Risk

Failure to arrange or provide sufficient financing for the Group's operating, investment and business development activities.

Possible impact

Inability to meet payment obligations and restriction of the Group's ability to raise finance, or inadequate funds available to complete projects and business development activities.

Associated strategic priorities

Continue expansion and development of existing reserves and capacity.

Add value and customer diversity by expanding the product portfolio.

Expand our asset portfolio in natural resources worldwide.

Mitigation

- The Group's Treasury Policy and procedures are updated regularly. Monitoring and reporting processes continue to be enhanced;
- Building and maintaining relationships with financial providers and credit rating agencies;
- Cash flow forecasts are regularly prepared and presented to the Board;
- Annual budgeting process;
- Quarterly forecasting process;
- On a longer-term horizon, the five-year financing plan enables the development of a long-term funding strategy for the Group;
- Formal CFO approval and sign-off for all major projects; and
- Investment Committee oversight.

Risk: Political risk

Context

The Group is an emerging markets business and most of its operations are based in fast developing emerging market economies. The business could be adversely affected by the behaviour of, or new regulations that could be introduced by, the governments of the countries concerned, for example:

- Re-nationalisation;
- Controls on imports, exports and sales prices;
- Terms of mining and other licences;
- Restriction on foreign ownership of assets;
- Restriction on the remittance of funds;
- New forms or rates of taxation, duties and royalties; or
- New policies or systems.

Risk

The risk of strategic, financial, or personnel loss as a result of non-market factors such as macroeconomic and social policies (fiscal, monetary, trade, investment, industrial, income, labour and developmental), or events related to political instability (terrorism, riots, coups, civil war and insurrection).

Possible impact

Business repatriation, significant loss of earnings, financial volatility.

Associated strategic priorities

Maintain and improve upon low-cost operations.

Expand our asset portfolio in natural resources worldwide.

Mitigation

- The Group's existing senior management team possesses extensive experience of operating in Eurasia, Africa and developing markets;
- Constructive engagement with governments and external stakeholders; and
- Appropriate investment to improve the economic and social impact of our businesses on local communities working in partnership with governments.

Risk: Technical disaster

Context

Technological processes within the mining and metals industry can be susceptible to incidents and disasters, which may have potentially significant consequences.

Risk

Large-scale technical incident leading to loss of life, environmental impact and interruption to business operations.

Possible impact

Corporate reputation, prospects for long-term growth, financial profitability, loss of life, environmental damage.

Associated strategic priorities

Commit to high standards of corporate responsibility and sustainable development.

Expand our asset portfolio in natural resources worldwide.

Mitigation

- Site safety declarations are in place for each of the Kazakhstani hazardous sites, and these examine potential incidents related to site operations and their impact;
- Technical committees provide input into the operational and capital investment processes of the established businesses;
- Further development of risk management and post-incident crisis management plans are under way;
- Each Kazakhstani site has developed emergency response plans to minimise the impact of an incident;
- A Group-wide project to enhance our business continuity planning process is currently being rolled-out;
- Operational site risk surveys are conducted on a rotational basis; and
- Appropriate property damage and business interruption insurance is purchased.

Risk management continued

Risk: Health, safety, environment and community ('HSEC')

Context

By their very nature, mining operations can be hazardous. However, the Group's management is committed to achieving zero health, safety and environmental related incidents.

There is also the potential that environmental legislation may be introduced that will impose additional costs on the business.

Risk

Health and safety incidents impacting on staff welfare, lost working time, community development and breaches in health, safety and environmental regulation.

Environmental legislation drives additional demands, including further costs required to ensure compliance with new standards.

Possible impact

Corporate reputation, prospects for long-term growth, financial profitability, loss of life or injury, environmental damage, loss of licences to operate.

Associated strategic priorities

Commit to high standards of corporate responsibility and sustainable development.

Expand our asset portfolio in natural resources worldwide.

Mitigation

- The HSEC Committee focuses on:
  - Health, safety and environmental management and performance;
  - Review of HSEC risks and action plans; and
  - Changes to regulation in emerging markets.
- The Group's health, safety and environmental policy and standards, and the Group's internal corporate accident investigation policy;
- HSE training programmes;
- Certified Occupational Health and Safety Management System in line with OHSAS 18001;
- Environmental management system meeting ISO 14001 standards;
- Process safety management;
- Kazakhstan critical safety plans; and
- Design and implementation of a comprehensive environmental and sustainability risk mitigation programme based on:
  - External reviews and best practice benchmarking;
  - Development of additional policies and standards where it is appropriate to do so; and
  - Review of HSEC risks by the Audit Committee.

Further information will be available in the second ENRC Sustainable Development Report, which will be published shortly.

Risk: Reputational risk

Context

The Group has suffered reputational damage against its peers over the past few years due to the following market perceptions:

- Poor corporate governance and lack of transparency regarding relationships with the Founder Shareholders;
- Lack of clarity over corporate strategy, in particular in Africa; and
- Negative media coverage of a DRC business partner.

Risk

A decision or a course of action is perceived negatively by the media, investors and/or general public, which in turn impacts the corporate reputation of the Group and its share price.

Possible impact

- Negative media coverage;
- Share price underperformance;
- Analysts' downgrades;
- Rating agency downgrades;
- Increase in the cost of doing business, i.e. availability and cost of funding/refinancing, Directors' & Officers' insurance;
- Negative perception by the general public, industry and regulators; and
- High staff turnover.

Associated strategic priorities

Commit to high standards of corporate responsibility and sustainable development.

Mitigation

- Clear communication of the business strategy;
- More regular communication from the Chairman to all stakeholder groups on key issues;
- A clear and documented commitment from the Board on transparency, openness and good corporate governance;
- The development of a clear Board risk appetite statement that will be rolled out across the business in 2013;
- Annual governance seminar for investors;
- Enhanced roadshow programme, enabling more contact with investors; and
- Enhancements to the structure of the Board.

Risk: Kazakhstan logistics

Context

As Kazakhstan's exports grow, the rail infrastructure may not keep pace with the increased demand.

Risk

The inability to achieve our sales potential for the growing demand for raw materials due to logistic constraints from the lack of infrastructure and capacity with particular respect to China.

Possible impact

Failure to maximise potential sales opportunities resulting in loss of revenue.

Associated strategic priorities

Maximising shareholder value and restrictions to CAPEX projects.

Mitigation

- Implementation of an action plan to enhance supply chain management;
- Optimal supply chain investment plan to maximise commercial opportunities;
- Supporting the rail authorities in improving their infrastructure; and
- Working with governments, Kazakhstan Temir Zholy JSC and China Railway Corporation, Customs and Security to develop proposals for resolving operational, technological and regulatory issues.

Risk management continued

Risk: Commodity pricing volatility

Context

The prices of our core products have been historically volatile and have fluctuated significantly in response to changes in supply and demand, market uncertainty, the performance of global and regional economies and cyclicality in industries that purchase these products.

Risk

A substantial decline or volatility in commodity prices could materially affect the Group's business and financial results as well as the cash flow projections.

Possible impact

Lower profitability, lower long-term growth.

Associated strategic priorities

Continue expansion and development of existing reserves and capacity.

Add value and customer diversity by expanding the product portfolio.

Expand our asset portfolio in natural resources worldwide.

Mitigation

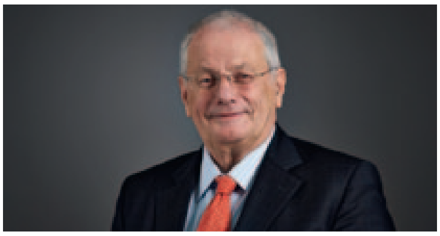
- The Group regularly monitors market prices, global sales volumes and internal levels of inventory;
- Sensitivity analysis is performed to stress test business models;
- The Sales and Marketing function produces regular forecasts of the sales volumes and prices for each of the Group's commodities;
- The Sales and Marketing function discusses and agrees appropriate production and distribution plans with the management of the operating companies; and
- Operations are able to quickly and significantly reduce costs by temporarily reducing labour and production during periods of pricing volatility.

06

Governance

In this section:

Directors' biographies



Mr Gerhard Ammann
Acting Chairman

Appointment
Appointed to the Board on 8 November 2007.
Appointed Acting Chairman on 23 April 2013.
Last re-elected by shareholders at the AGM in 2012.

Independent
Yes, until appointment as Acting Chairman.

Skills and experience
Prior to joining the Board Mr Ammann was chairman and CEO of Deloitte in Switzerland until May 2007 and has over 30 years experience as an auditor of international companies, primarily in banking, finance and international trade.

Committee membership
Chairman of the Investment Committee. Member of the Health, Safety, Environment and Community Committee.

External appointments
President of Bank von Roll, a private bank in Switzerland.

Mr Felix Vulis
Chief Executive Officer

Appointment
Appointed to the Board on 20 August 2009.
Last re-elected by shareholders at the AGM in 2012.

Independent
No.

Skills and experience
Mr Vulis has been Chief Executive Officer since August 2009. Prior to this he was Chief Operating Officer of ENRC from December 2006. Between 2002 and 2006, Mr Vulis was first vice president of Eurasia Industrial Association. Before joining the Group in 2001, Mr Vulis was president of UNICHEM K, LLC. From 1990 until 1995 he was president and CEO of AGC Group, Inc.

Committee membership
Chairman of the Health, Safety, Environment and Community Committee. Member of the Nomination and Corporate Governance and Executive Committees.

External appointments
Non-executive director of Net Element, Inc.

Dr Zaure Zaurbekova
Chief Financial Officer

Appointment
Appointed to the Board on 1 October 2009.
Last re-elected by shareholders at the AGM in 2012.

Independent
No.

Skills and experience
Dr Zaurbekova became Chief Financial Officer in September 2009, having been Chief Financial Officer of ENRC Kazakhstan since 2001. Prior to that, she was Finance Director and later first Vice President of Kazchrome. Before joining ENRC, Dr Zaurbekova worked in the Ministry of Industry and Trade of the Republic of Kazakhstan and she began her career in the Kazakh Research Institute of Automation of Planning.

Committee membership
Member of the Investment, Executive and Health, Safety, Environment and Community Committees.

External appointments
None.

Professor Dr Dieter Ameling[1]
Non-executive Director

Appointment
Appointed to the Board on 26 January 2010.
Last re-elected by shareholders at the AGM in 2012.

Independent
Yes.

Skills and experience
From 2000 to 2008 Professor Dr Ameling was the chairman of the Steel Institute VDEh and president of the German Steel Federation.

Committee membership
Member of the Health, Safety, Environment and Community and Investment Committees.

External appointments
Senior counsellor ThyssenKrupp Steel Europe AG from 2008 to 2012. Associate professor at the Technical University Clausthal.

Mr Marat Beketayev
Non-executive Director

Appointment
Appointed to the Board on 20 February 2008.
Last re-elected by shareholders at the AGM in 2012.

Independent
No, representative of the Government of the Republic of Kazakhstan.

Skills and experience
Mr Beketayev was previously an advisor to the Prime Minister of the Republic of Kazakhstan. He graduated in 1998 from the Kazakh State Law Institute. In 2000 he completed an LLM in International Business Law at the London School of Economics.

Committee membership
Member of the Investment Committee, Health, Safety, Environment and Community Committee and Nomination and Corporate Governance Committee.

External appointments
Vice-minister of Justice of the Republic of Kazakhstan.

Mr Richard Burrows
Non-executive Director

Appointment
Appointed to the Board on 12 June 2012. He will put himself forward for election by shareholders at the 2013 AGM, the first after his appointment.

Independent
Yes.

Skills and experience
Chief executive of Irish Distillers 1978 to 2000. Co-chief executive of Pernod Ricard 2000 to 2005. Governor of the Bank of Ireland 2005 to July 2009. President of the Irish Business and Employers Confederation from 1998 to 2000. Chairman of the National Development Corporation from 1984 to 1988. Chairman of the Scotch Whisky Association 2006 to 2007.

Committee membership
Member of the Audit, Remuneration and Health, Safety, Environment and Community Committees.

External appointments
Chairman of British American Tobacco p.l.c., Non-executive roles at Rentokil Initial, Carlsberg and VoiceSage. Member of the Trilateral Commission which fosters closer cooperation among democratic industrialised nations.

Sir Paul Judge[1]

Non-executive Director

Appointment
Appointed to the Board on 6 December 2007. Last re-elected by shareholders at the AGM in 2012.

Independent
Yes.

Skills and experience
Sir Paul spent 13 years with Cadbury Schweppes plc where he led the buyout of its food companies to form Premier Brands Ltd. Following that he served as the chairman of Food from Britain, the Director General of the Conservative Party, a ministerial advisor at the UK Cabinet Office, a director of WPP Group plc, the president of the Chartered Management Institute and the Chairman of the Royal Society of Arts and of Teachers TV.

Committee membership
Chairman of the Remuneration Committee. Member of the Audit Committee.

External appointments
Chairman of Schroder Income Growth Fund plc. Director of the United Kingdom Accreditation Service, Tempur-Pedic International Inc. of Kentucky and Abraaj Capital of Dubai, Alderman of the City of London and president of the Chartered Institute of Marketing and of the Association of MBAs.

Dr Mohsen Khalil

Non-executive Director

Appointment
Appointed to the Board on 12 June 2012. He will put himself forward for election by shareholders at the 2013 AGM, the first after his appointment.

Independent
Yes.

Skills and experience
Dr Khalil has extensive experience in emerging markets, finance and investments. A former executive of IFC and the World Bank where his leadership roles included: Global Head of IFC Climate Business Group; joint IFC/World Bank Group Director of the Global Information and Communication Technologies Dept; IFC Regional Director for Middle East, North Africa and Central Asia; and Chief Investment Officer for IFC's Infrastructure Dept. Prior to that, he was advisor to various governments and major corporations in the Middle East. He also worked with McKinsey & Co. Management Consultants, NASA/Goddard Space Flight Center and MITRE Corporation.

Committee membership
Member of the Investment and Nomination and Corporate Governance Committees.

External appointments
Founder and chief executive officer of MAKVEST, LLC and member of the board of Darling Holdings Group.

Mr Roderick Thomson

Non-executive Director

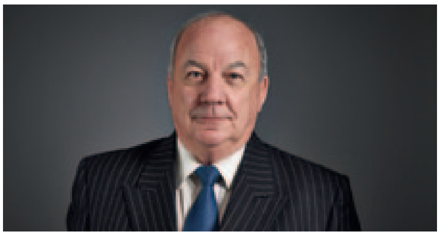
Appointment
Appointed to the Board on 6 December 2007. Last re-elected by shareholders at the AGM in 2012.

Independent
Yes.

Skills and experience
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 and gas, real estate and telecommunications sectors.

Committee membership
Member of the Audit, Remuneration, Investment and Nomination and Corporate Governance Committees.

External appointments
None.



Mr Terence Wilkinson

Senior Independent Director

Appointment
Appointed to the Board on 28 September 2011, he became Senior Independent Director on 25 May 2012. Elected by shareholders at the AGM in 2012.

Independent
Yes.

Skills and experience
Mr Wilkinson was Chief Executive and Chairman of Lonrho South Africa Ltd from 1985 to 1996, then an Executive Director of Lonrho plc. He was Chief Operating Officer of Lonmin plc between 1997 and 2000. In 2000 he joined Ridge Mining plc as an Executive Director, serving as Chief Executive from 2003 to 2009.

Committee membership
Chairman of the Audit and Nomination and Corporate Governance Committees. Member of the Remuneration Committee.

External appointments
Non-executive chairman and member of the audit and remuneration committees of Century Aluminum Co.

Senior Management

Ms Mounissa Chodieva[2]
Head of Investor and Public Relations

Mr Beat Ehrensberger[2]
General Counsel

Mr Victor Hanna[2]
CEO Africa

Mr Almaz Ibragimov
President of JSC Aluminium of Kazakhstan

Mr Eduard Kaplan
Chairman of the Board of ENRC Logistics

Mr Mark Midgley[2]
Head of Strategy

Mr Abdumalik Mirakhmedov[2]
CEO Sales & Marketing and Logistics

Mr Abduazim Rustambayev
President of JSC Eurasian Energy Corporation

Mr Viktor Til
President of JSC Kazchrome

Mr Mukhamejan Turdakhunov
President of SSGPO

[1] Not standing for re-election at the 2013 AGM.
[2] Member of the Executive Committee.

Governance overview

Key actions in 2012

Jan	Feb	Mar	Apr
Agreement with FQM to acquire certain assets	Appointment of Mehmet Dalman as Chairman	Acquisition of assets from FQM completed	Acquisition of outstanding shares of Shubarkol
May	**Jun**	**Jul**	**Aug**
Appointment of Terence Wilkinson as Senior Independent Director Publication of first Sustainable Development Report	Appointment of Richard Burrows and Mohsen Khalil as independent non-executive Directors	Granting of the Frontier licence	Two-day offsite strategy session Restructuring of Board Committees
Sept	**Oct**	**Nov**	**Dec**
Board visit to Aktobe ferroalloys plant	Review of Chairman and CEO roles	Extension of Chairman's responsibilities	Acquisition of outstanding shares of Camrose

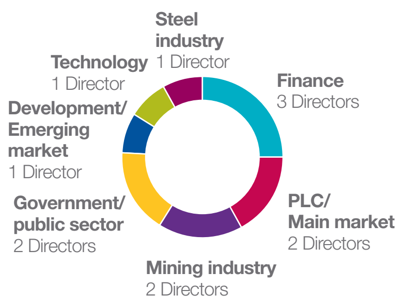
Board composition

ENRC's Board comprises individuals from a wide range of backgrounds and nationalities and includes an appropriate combination of executive and non-executive Directors.

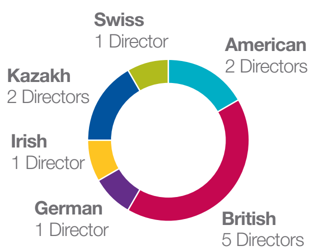
Board balance in 2012

- Non-independent non-executive Directors
- Executive Directors
- Chairman
- Independent non-executive Directors

Board skills and experience in 2012



Board nationality in 2012



Board culture

- Robust discussion
- Supportive and collaborative
- Open and challenging
- Interact freely between scheduled meetings

Key issues for 2013

- Board refreshment and succession planning.
- Management: Develop operational and managerial excellence.
- Continue shareholder engagement.
- Improve perception of the Group's corporate governance.
- Ensure high standards of CSR and sustainable development.
- Review opportunities for disposal or engage development partners for non-core assets.
- Management of balance sheet and reduction of debt.

Corporate governance report

The Board's role is to **lead the Company** by ensuring **good management** from the top downwards.

There is a formal schedule of matters reserved for the Board, which include:

- Setting values and standards that shall be used to guide the affairs of the Company;
- Setting the long-term objectives and commercial strategy of the Company;
- Agreeing policies and processes to guide the affairs of the Company;
- Responsibility for the overall management of the Group;
- Agreeing any changes to the Company's structure and capital;
- Responsibility for financial reporting and controls; and
- Approving major capital projects.

The ENRC Board takes its responsibility under the UK Corporate Governance Code (the 'Code') very seriously and considers that, during the 2012 financial year, it complied with the Code with the exceptions, albeit temporarily, of Code Provision A.4.1 regarding the appointment of a Senior Independent Director ('SID') and B.2.1 on the composition of the Nominations and Corporate Governance Committee ('NaCG Committee'). See further information on the role of the SID on page 65 and the NaCG Committee on page 67.

During 2012 ENRC addressed various governance challenges including revising the composition of the Board and investigating certain of its operations. It also reviewed the separate roles of the CEO and the Chairman. The Anti-bribery and Corruption Steering Committee (the 'ABC Steering Committee'), which had been set up in 2011, coordinated the Group's activities to combat bribery, fraud and other corruption risks and, as a result of its activities, will develop into the Risk, Compliance and Control Committee during 2013. These issues are dealt with in more detail on page 74.

Board composition

At the start of 2012 the Board comprised 11 Directors. In addition to the Chairman, Dr Johannes Sittard, who was not considered independent, there were seven non-executive Directors, six of whom were regarded as independent by the Board.

On 3 February 2012, Dr Johannes Sittard tendered his resignation as non-executive Director and Chairman of the Board. The NaCG Committee recommended the appointment of Mr Mehmet Dalman as Chairman of the Board and he assumed that role with effect from 3 February 2012, at the same time relinquishing his role as SID. Mr Dalman was considered by the Board to be independent on appointment as Chairman.

Under the chairmanship of Mr Dalman, and following the review carried out by Spencer Stuart described below, the Board sought to increase the number of non-executive Directors and accordingly appointed Mr Richard Burrows and Dr Mohsen Khalil as independent non-executive Directors with effect from 12 June 2012. Their biographies are shown on page 61.

Mr Terence Wilkinson became the SID on 25 May 2012.

At the year end, the Board comprised 12 Directors, of whom seven were considered by the Board to be independent.

Subsequent to the year end, on 11 April 2013, Mr Jim Cochrane stepped down from the Board.

On 23 April 2013, Mr Dalman stepped down from the Board and Mr Ammann was appointed as Acting Chairman. Mr Ammann was considered by the Board to be independant on appointment as Acting Chairman.

The changes made to the Board are summarised in the table on page 64.

Board evaluation

Following the intensive evaluation carried out by the Chairman, Dr Johannes Sittard, in 2011, the focus in 2012/13 has been on creating stability and ensuring that the skills on the Board are being properly utilised. To this end, the Board commissioned individual reviews of the Directors and the Board Committees carried out by Spencer Stuart, during the summer of 2012. This exercise identified certain skills gaps which were addressed with the appointments of Mr Burrows and Dr Khalil. At the start of 2013, a Board evaluation was commissioned from Korn Ferry and it is planned to be reported on next year.

Board independence and balance

Throughout the year, the Board has maintained a balance of independent and non-independent Directors such that at least half the Board has comprised independent Directors.

Mr Beketayev is not considered by the Board to be independent as he is a representative of The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan.

Under a relationship agreement with the Company, each of the Founder Shareholders of the Company has a right to appoint one Director to the Board, subject to them using reasonable endeavours to ensure that there is a majority of independent non-executive Directors on the Board, provided his shareholder group controls at least 10% or more of the voting rights exercisable at general meetings of the Company. None of the Founder Shareholders currently has a representative on the Board.

The information on page 62 shows the composition of the Board and the Board balance at various times during the year.

Corporate governance report continued

ENRC's Board comprises individuals from a wide range of backgrounds and nationalities. In terms of gender balance, currently 10% of the Board is female. This is something which has been borne in mind when considering candidates for appointment to the Board.

Board processes

Fourteen Board meetings and 11 Board sub-committee meetings were held during the year. Eight of the Board meetings were regular scheduled meetings and six were called to deal with specific issues.

The ad hoc meetings were held to discuss the following:

- Transaction to acquire assets from First Quantum Minerals Limited ('FQM');
- Composition of the NaCG Committee;
- Roles of the Chairman and CEO; and
- Transaction to acquire the residual interest in Camrose Resources Ltd and convene a general meeting of shareholders.

Where a Director was unable to attend a meeting, he was still supplied with the papers before the meeting and was able to discuss the business with the Chairman or CEO.

The schedule on page 65 shows the Directors' attendance at scheduled Board and Committee meetings.

The Company recognises that supplying the Board with good information is essential to good corporate governance. Board packs are distributed up to two weeks before the meeting and at the very latest by the weekend before each scheduled Board meeting. In addition, all Board members have access to the packs electronically. For ad hoc meetings, the practice differs depending on the nature of the business to be discussed and the urgency of the meeting. The Company Secretary is responsible for ensuring good information flows between the Board and its Committees and between senior management and the non-executive Directors.

The Board receives presentations and updates from external advisers and from senior managers below Board level; not only does this give the Directors the opportunity to question employees about the running of the business, it also gives senior managers the chance to meet the Directors and gain a better understanding of their concerns. In 2012, these presentations included:

- Capital and indebtedness;
- Strategic options for the assets in Africa; and
- Legal developments.

Situational conflicts

All situational conflicts are reviewed annually by the NaCG Committee which then makes a recommendation to the Board on whether such situational conflicts should continue to be approved. Where a Director has a situational conflict he is not entitled to vote on the issue in question, although he is entitled to engage in any debate on the issue.

Board changes since the beginning of 2012

Date	Director	Event
3 February 2012	Dr Johannes Sittard	Resigned as Chairman and non-executive Director.
3 February 2012	Mr Mehmet Dalman	Appointed Chairman, relinquished role as Senior Independent Director.
25 May 2012	Mr Terence Wilkinson	Appointed Senior Independent Director.
12 June 2012	Mr Richard Burrows	Appointed independent non-executive Director.
12 June 2012	Dr Mohsen Khalil	Appointed independent non-executive Director.
10 August 2012	Mr Gerhard Ammann	Stepped down as Chairman of the Audit Committee.
10 August 2012	Mr Terence Wilkinson	Appointed Chairman of the Audit Committee.
10 August 2012	Mr Mehmet Dalman	Stepped down as Chairman of the Investment Committee.
10 August 2012	Mr Gerhard Ammann	Appointed Chairman of the Investment Committee.
23 November 2012	Mr Mehmet Dalman	Role of Chairman was extended to include direct responsibility for corporate functions.
23 November 2012	Mr Mehmet Dalman	Stepped down as a member and Chairman of the NaCG Committee. He was re-appointed as a member of this Committee in March 2013.
23 November 2012	Mr Terence Wilkinson	Appointed Chairman of the NaCG Committee.
11 April 2013	Mr Jim Cochrane	Stepped down as an Executive Director.
23 April 2013	Mr Mehmet Dalman	Stepped down as Chairman and Director.
23 April 2013	Mr Gerhard Ammann	Appointed Acting Chairman.

Chairman and CEO

The roles of the Chairman and CEO are separate and their responsibilities are clearly defined in writing. The Chairman is responsible for leading the Board and ensuring that it functions effectively. This includes setting the agenda for Board meetings, ensuring that the Board receives accurate, timely and clear information, and facilitating communication with shareholders.

Dr Sittard was Chairman at the start of the year under review. Following his resignation for personal reasons on 3 February 2012, Mr Dalman was appointed Chairman of the Board. Mr Dalman was considered by the Board to be independent on appointment.

The Board reviewed the roles of the Chairman and CEO during the year. This review included a review of the role of the Chairman led by the SID. The Board agreed that the Chairman should take responsibility for corporate functions including finance, risk, human resources, legal & compliance, and investor relations.

He retains overall responsibility for the strategic development of the Group and its capital reorganisation, which is focused on improving the efficiency of its investment programme, as well as continuing to enhance the Company's corporate governance.

The CEO is responsible for the operational management of the Group. He is responsible for optimising the use of the Group's resources and for ensuring cost and operational efficiencies across the Group's assets. The Executive Committee, the members of which are listed on pages 60 and 61, meets regularly to advise the CEO. The operational management teams report directly to the CEO, who is also responsible for marketing, logistics and exploration.

During 2012, the non-executive Directors met without management present on four occasions and the SID led the evaluation of the performance of the Chairman during October/November 2012, as part of the review of the roles of Chairman and CEO.

Subsequent to the year end on 23 April 2013, Mr Dalman stepped down from the Board and Mr Ammann was appointed Acting Chairman.

Senior Independent Director

Mr Dalman was appointed SID on 28 September 2011. As SID, Mr Dalman was responsible for addressing any shareholder concerns that could not or should not be channelled through the Chairman or the Executive Directors. He was also responsible for ensuring that the Chairman's performance evaluation was carried out. Mr Dalman relinquished the position of SID on his appointment as Chairman of the Board. The NaCG Committee oversaw the process for nominating a new SID, which involved all the non-executive Directors on the Board. As a result of this process, Mr Wilkinson was appointed as SID on 25 May 2012.

During the period between 3 February 2012 and 25 May 2012 there was no SID. This was non-compliant with the Code, but enabled the Directors to consider fully the requirements of the role and identify the most appropriate independent non-executive Director for the job. During this period, the remaining independent Directors were available to liaise as required with institutional shareholders.

Directors' attendance at scheduled Board and Committee meetings during 2012

	Independent	Board	Audit Committee	Remuneration Committee	Nomination and Corporate Governance Committee	Health, Safety, Environment and Community Committee	Investment Committee[9]
Prof Dr Dieter Ameling	Yes	12/14				3/3	4/5
Mr Gerhard Ammann[1]	Yes	12/14	5/5		5/5	2/2	2/2
Mr Marat Beketayev	No	7/14			4/9	2/3	3/7
Mr Richard Burrows[2]	Yes	7/9	2/2	3/3		2/2	
Mr Jim Cochrane[3]	No	14/14					2/2
Mr Mehmet Dalman	No	14/14		6/6	8/8		5/5
Sir Paul Judge	Yes	12/14	7/7	9/9	5/5		
Dr Mohsen Khalil[4]	Yes	6/9			4/4		1/2
Dr Johannes Sittard	No	2/2			1/1	1/1	
Mr Roderick Thomson[5]	Yes	12/14	7/7	8/9	8/9		2/2
Mr Felix Vulis[6]	No	13/14			3/4	3/3	
Mr Terence Wilkinson[7]	Yes	13/14	7/7	9/9	4/4		
Dr Zaure Zaurbekova[8]	No	12/14				2/2	4/7

1 Mr Gerhard Ammann was appointed to the HSEC Committee on 10 August 2012.
2 Mr Richard Burrows was appointed to the Audit, HSEC and Remuneration Committees on 10 August 2012.
3 Mr Jim Cochrane was appointed to the Investment Committee on 10 August 2012.
4 Dr Mohsen Khalil was appointed to the Investment and NaCG Committees on 10 August 2012.
5 Mr Roderick Thomson was appointed to the Investment Committee on 10 August 2012.
6 Mr Felix Vulis was appointed to the NaCG Committee on 10 August 2012.
7 Mr Terence Wilkinson was appointed Chairman of the NaCG Committee on 23 November 2012.
8 Dr Zaure Zaurbekova was appointed to the HSEC Committee on 10 August 2012.
9 All ad hoc.

Corporate governance report continued

Company Secretary

The appointment and removal of the Company Secretary is a matter reserved for the Board.

Advice to the Board

All members of the Board are entitled to take legal advice at the Company's expense. All the Directors have access to the Company Secretary for support and advice. The Company Secretary is responsible for advising the Board on all corporate governance issues and for ensuring that all applicable legislation and Board procedures are followed.

Training and development

In conjunction with the Chairman, the Company Secretary is responsible for ensuring that the Board and Committee members receive appropriate training and development. During 2012 this included:

- Providing a Board induction for Messrs Burrows and Khalil;
- An overview of logistical challenges in transporting materials to China;
- A M&A activity workshop led by the CEO Africa;
- HR workshop led by the Group HR Director; and
- Various updates on corporate governance, data security and risk.

Board committees

The Board has established five principal Board Committees: Audit Committee, Remuneration Committee, NaCG Committee, Investment Committee and the Health, Safety, Environment and Community Committee (the 'HSEC' Committee). The Company Secretary is Secretary to each of these Committees. The terms of reference of each of these Committees are available on the Company's website.

Board and Committee appointments

Date of appointment	Director	Committee
3 February 2012	Mr Mehmet Dalman	Chairman
25 May 2012	Mr Terence Wilkinson	Senior Independent Director
12 June 2012	Mr Richard Burrows	Independent non-executive Director
12 June 2012	Dr Mohsen Khalil	Independent non-executive Director
10 August 2012	Mr Gerhard Ammann	Chairman of Investment Committee
10 August 2012	Mr Terence Wilkinson	Chairman of Audit Committee
10 August 2012	Mr Richard Burrows	Audit Committee
10 August 2012	Mr Gerhard Ammann	HSEC Committee
10 August 2012	Mr Richard Burrows	HSEC Committee
10 August 2012	Dr Zaure Zaurbekova	HSEC Committee
10 August 2012	Mr Jim Cochrane	Investment Committee
10 August 2012	Dr Mohsen Khalil	Investment Committee
10 August 2012	Mr Roderick Thomson	Investment Committee
10 August 2012	Dr Mohsen Khalil	NaCG Committee
10 August 2012	Mr Felix Vulis	NaCG Committee
10 August 2012	Mr Richard Burrows	Remuneration Committee
23 November 2012	Mr Terence Wilkinson	Chairman of NaCG Committee
15 March 2013	Mr Mehmet Dalman	NaCG Committee

Committee composition as at 31 December 2012

	Audit Committee	NaCG Committee[1]	Remuneration Committee	HSEC Committee	Investment Committee
Committee Chairman	Mr Terence Wilkinson	Mr Terence Wilkinson	Sir Paul Judge	Mr Felix Vulis	Mr Gerhard Ammann
	Mr Richard Burrows	Mr Marat Beketayev	Mr Richard Burrows	Prof Dr Dieter Ameling	Prof Dr Dieter Ameling
	Sir Paul Judge	Dr Mohsen Khalil	Mr Roderick Thomson	Mr Gerhard Ammann	Mr Marat Beketayev
	Mr Roderick Thomson	Mr Roderick Thomson	Mr Terence Wilkinson	Mr Marat Beketayev	Mr Jim Cochrane[2]
		Mr Felix Vulis		Mr Richard Burrows	Dr Mohsen Khalil
				Dr Zaure Zaurbekova	Mr Roderick Thomson
					Dr Zaure Zaurbekova

1 Subsequent to the year end, on 15 March 2013, Mr Mehmet Dalman was appointed to the NaCG Committee. He stepped down from the Board and from this Committee on 23 April 2013.
2 Subsequent to the year end, Mr Jim Cochrane stepped down from the Board and from this Committee.

Nomination and Corporate Governance Committee

Mr Terence Wilkinson
Committee Chairman

The Committee held five scheduled and four ad hoc meetings in 2012.

Composition during 2012

	Committee tenure	Meetings attended
Chairman		
Mr Mehmet Dalman	To 23 November	8/8
Mr Terence Wilkinson	Member from 10 August Chairman from 23 November	4/4
Members		
Mr Gerhard Ammann	To 10 August	5/5
Mr Marat Beketayev	Throughout 2012	4/9
Sir Paul Judge	To 10 August	5/5
Dr Mohsen Khalil	From 10 August	4/4
Mr Roderick Thomson	Throughout 2012	8/9
Dr J Sittard	To 3 February	1/1
Mr Felix Vulis	From 10 August	3/4

Mr Dalman chaired the NaCG Committee during 2012 until 23 November 2012. Thereafter, the Board appointed Mr Wilkinson (who had been appointed to the Committee on 10 August 2012) as Chairman of this Committee.

The other Committee members up to 10 August 2012 were Mr Gerhard Ammann, Sir Paul Judge, Mr Marat Beketayev and Mr Roderick Thomson. Following a review of committee composition in August 2012, the members were Messrs Mehmet Dalman, Marat Beketayev, Mohsen Khalil, Roderick Thomson, Felix Vulis and Terence Wilkinson. Following the extension of the role of the Chairman of the Board in November 2012, Mr Dalman stepped down from the Committee and Mr Wilkinson was appointed as Chairman of the Committee. In March 2013, the Board further considered the composition of the NaCG Committee and agreed that Mr Dalman should serve on the Committee. Subsequent to the year end, Mr Dalman stepped down from the Board and from the Committee.

The Company has complied with the Code recommendations regarding membership of the NaCG Committee throughout the year except that from 10 August 2012 there was a balance of independent Directors rather than a majority of independent non-executive Directors on the Committee.

The Committee was appropriately constituted and sufficiently large to carry out its work without becoming unwieldy.

Terms of reference

The Committee reviewed its terms of reference to bring them into line with best practice and to reflect the extension of the Committee's remit to include oversight of corporate governance and compliance with the Code and recommended the changes to the Board.

Under its terms of reference, the NaCG Committee is required to meet at least twice a year to consider, among other issues:

- The size, structure and composition of the Board, taking into account the skills, knowledge and experience of the Directors and to recommend to the Board any new candidates;
- Whether non-executive Directors have sufficient time to devote to the proper performance of their duties;
- Making recommendations in relation to the retirement and re-election of Directors at the Company's AGM;
- Succession planning; and
- Any departures from the Code, ensuring explanations are given to shareholders as to how actual practices are consistent with good corporate governance.

Activities in 2012

The Committee held five scheduled meetings and four ad hoc meetings in 2012.

On 3 February 2012, Dr Sittard tendered his resignation from the Board for personal reasons. The NaCG Committee reviewed the position of Chairman and agreed to recommend to the Board the appointment of Mr Dalman in this role. Dr Sittard did not participate in this discussion.

Following the search by external consultants, the NaCG Committee reviewed candidates for appointment to the Board. This process took into consideration the benefits of diversity, including gender diversity, when identifying suitable candidates for interview. The Committee considered that Mr Burrows had considerable public company, acquisitions and emerging markets experience and Dr Khalil had a background in emerging markets, project finance and business procedures and therefore it recommended their appointments to the Board.

The NaCG Committee reviewed the composition of the Board Committees and recommended during the year the appointments shown in the table on page 66, all of which were approved by the Board.

The NaCG Committee also recommended the appointment of Mr Wilkinson as SID.

The Company has recently introduced a Global Succession Planning Policy and the NaCG Committee will focus on Board Succession Planning during 2013.

Situational conflicts

The Committee reviewed all existing conflicting situations and recommended that the Board reconfirm its approval of these. It also reviewed all new conflicting situations and recommended their approval to the Board.

Annual re-election of Directors

In accordance with the Code, all Directors stand for re-election at each Annual General Meeting ('AGM') subject to the NaCG Committee recommending to the Board the continuation in office of each Director. In making its recommendations, the Committee took into consideration the Director's effectiveness and commitment to the role.

The Committee recommended candidates to the Board for appointment at the AGM and the Board confirmed the following: Mr Burrows and Dr Khalil will offer themselves for election and Messrs Ammann, Beketayev, Thomson, Vulis and Wilkinson and Dr Zaurbekova will offer themselves for re-election. Professor Dr Ameling and Sir Paul Judge will not stand for re-appointment at the 2013 AGM.

Corporate governance report continued

Mr Terence Wilkinson
Committee Chairman

The Audit Committee meetings are aligned with the corporate reporting cycle to enable the Committee to discharge its duties effectively.

Composition during 2012

	Committee tenure	Meetings attended
Chairman		
Mr Gerhard Ammann	To 10 August	5/5
Mr Terence Wilkinson	Throughout 2012 Chairman from 10 August	7/7
Members		
Mr Richard Burrows	From 10 August	2/2
Sir Paul Judge	Throughout 2012	7/7
Mr Roderick Thomson	Throughout 2012	7/7

Mr Gerhard Ammann chaired the Audit Committee until 10 August 2012, thereafter the Chairman was Mr Terence Wilkinson. The Audit Committee members until 10 August 2012 were Sir Paul Judge, Mr Roderick Thomson and Mr Terence Wilkinson, all of whom were regarded by the Board as independent non-executive Directors and each of whom has extensive business experience.

Following the review of the Committees composition in August 2012, the Audit Committee's members are Mr Terence Wilkinson, Sir Paul Judge, Mr Roderick Thomson and Mr Richard Burrows.

Mr Wilkinson is considered by the Board to have had recent and relevant financial experience given his roles at Lonmin plc, Ridge Mining plc and Century Aluminium Co.

The Company complied throughout the year with the Code recommendations regarding membership of the Audit Committee.

Terms of reference

Under its terms of reference, the Committee is required to meet at least four times a year to consider, among other issues:

- The integrity of the Company's financial reporting;
- The internal controls and risk management systems;
- The effectiveness of the internal audit function; and
- The relationship with the external auditors.

The Audit Committee meetings are aligned with the corporate reporting cycle to enable the Committee to discharge its duties effectively. In particular the Audit Committee schedules its meetings to enable it to review and comment on key financial announcements before making recommendations to the Board for their release.

The Chairman of the Audit Committee reports verbally to the Board on the actions of the Committee and updates the Board on any issues which require further investigation, action or improvement.

Whilst only members of the Committee are entitled to attend meetings, the Chairman invites the CFO, the CEO, the General Counsel, and the Chairman of the Board to attend. In addition, he invites the Head of Internal Audit to every meeting and he also invites the Group Head of Risk and the Head of Compliance to attend where necessary to update the Committee. The external auditors are also invited to each meeting of the Audit Committee and they meet separately with the Committee members, without management being present, at least once a year.

Activities in 2012

The Audit Committee held five scheduled meetings and two ad hoc meetings in 2012.

During the year the following items were reviewed:

- Accounting policies, estimates and judgements including methodology and results of the Group's annual impairment review;
- Confirmation of the ability of the Group to continue as a going concern;
- The Preliminary and Half Year Results announcements, financial statements and Annual Report and Accounts;
- Internal audit reports;
- Internal investigations into allegations of malpractice including, amongst others, those raised through the whistleblowing helpline;
- Internal controls and risk management reports;
- Compliance reports; and
- All external audit reports.

The Committee also received regular updates on the progress of Programme Arrow, an ongoing programme to improve the efficiency of the accounting reporting systems.

External audit

The Audit Committee reviews the overall performance of the auditors annually and is responsible for making formal recommendations each year to the Board on the continuation of the external auditors in office. The Audit Committee is responsible to the Board for ensuring that the external auditors remain independent of the Company in all material respects and that they have adequate resources available to them to enable the delivery of an objective audit to the shareholders.

The provision of external audit services was put out to tender towards the end of 2011 and as a result of this process the Audit Committee recommended to the Board of Directors that PwC be reappointed as auditors. Subsequently, the Audit Committee agreed with PwC the 2012 audit plan and fee. As the external auditors are required to rotate the Group audit partner every five years, the lead partner changed during 2012. The Audit

Committee is satisfied that this is sufficient to preserve PwC's independence.

In order to protect the external auditors' independence, the Audit Committee also reviews the level and nature of any non-audit work to be performed during the year and considers whether it is appropriate for this work to be carried out by the external auditors. The Audit Committee maintains a policy regarding acceptable non-audit work, which incorporates authority levels for approving such work.

The policy defines the types of services:

- Which are prohibited to be performed by auditors as they would result in auditors' independence becoming impaired;
- Which are pre-approved to be performed by auditors up to a pre-determined monetary threshold, over which such services need to be approved by the Audit Committee Chairman; and
- Which require Audit Committee Chairman approval at all times due to their potential to impair auditors' independence if proper safeguards are not put in place.

The policy also prohibits:

- Hiring senior auditors' staff to senior positions in accounting or financial reporting roles;
- Application of contingent fees or commission; and
- Direct or material indirect business relationships between the auditor and the Group.

The Committee receives updates from the Audit Committee Chairman on non-audit engagements approved by him for the period, and also receives reports from the auditors on all new non-audit work. The Committee regularly reviews non-audit fees charged by PwC and monitors the level and overall volume and nature of the services in order to identify the risk of overreliance by auditors on non-audit work.

In 2012 the following non-audit engagements were approved for PwC: provision of advice on corporate finance transactions entered into or proposed to be entered into; assurance over the Group's sustainability reporting; forensic support as part of internal investigative work; other services including tax advice and assurance related works.

Note 35 to the Consolidated financial statements shows the value of the audit and non-audit work carried out by PwC during the year.

Internal audit

The Head of Internal Audit is invited to attend each Audit Committee meeting where he provides assurance, independent of the assurance provided by the CFO, that internal control activities, which have been subject to audit by his team, are operating effectively.

The Group has an Internal Audit Charter which states that the Head of Internal Audit is accountable to the Audit Committee and is to provide ENRC Group management with the following:

- An independent, objective, positive assurance on effectiveness of internal controls; and
- A value-adding consulting service designed to improve the effectiveness and efficiency of the Group's operations and to safeguard the assets and the integrity of the Group.

During 2012, Internal Audit carried out planned reviews consisting of the following dedicated assurance programmes:

- General business process assurance programme including reviews of, amongst others, procurement, sales management, sponsorship and donations, treasury, human resources management and transportation costs;
- Capital expenditures ('CAPEX') assurance programme included reviews of major CAPEX projects across the Group;
- Health and safety assurance programme including reviews of health and safety behavioural standards implementation in Kazakhstan and the CIS region;
- IT assurance programme, which is being developed and run with assistance from KPMG, included reviews of key stages of Programme Arrow; and
- Acquisition and disposal review programme including disposals and post-acquisition reviews.

Whistleblowing

The Audit Committee reviews the arrangements by which employees can raise with local management any concerns they may have about workplace fraud or mismanagement, on a confidential basis.

Whistleblowing incidents are taken very seriously by the Audit Committee. Complaints are investigated in the first instance and a decision taken about further steps. Feedback is provided to the person making the complaint.

Towards the end of 2011, a new Whistleblowing and Investigation Policy was approved by the Board. In order to maintain the independence and objectivity of the investigative process, this policy made Internal Audit responsible for running an Internal Investigation function. The new function, established in 2012, is responsible for leading and coordinating investigations in response to any allegations of wrongdoing. All investigations are overseen by the General Counsel, who updates the Audit Committee on a regular basis.

Corporate governance report continued

Remuneration Committee

Sir Paul Judge
Committee Chairman

During 2012, the Remuneration Committee met nine times.

Composition during 2012

	Committee tenure	Meetings attended
Chairman		
Sir Paul Judge	Throughout 2012	9/9
Members		
Mr Richard Burrows	From 10 August	3/3
Mr Mehmet Dalman	To 10 August	6/6
Mr Roderick Thomson	Throughout 2012	8/9
Mr Terence Wilkinson	Throughout 2012	9/9

Sir Paul Judge is the Chairman of the Remuneration Committee. The other members during the year were Mr Dalman (until 10 August 2012), Mr Thomson, Mr Wilkinson and Mr Burrows (from 10 August 2012). Throughout the year, all members of the Committee were non-executive Directors and the Company has complied with the Code recommendations regarding membership of the Remuneration Committee throughout the year. Whilst only the members of the Committee are entitled to attend its meetings, the CEO is also invited by the Committee Chairman to attend, but he does not attend on matters relating to his own remuneration.

Terms of reference

Under its terms of reference the Committee is required to meet at least twice a year and, amongst other issues, it determines and recommends to the Board the broad policy for the remuneration of Executive Directors and members of the senior management team.

The remuneration of the non-executive Directors is a matter reserved for the Board. The non-executive Directors do not review their own remuneration.

Activities in 2012

During 2012 the Remuneration Committee met nine times, seven meetings were scheduled meetings and two were ad hoc meetings.

Further details are included in the Directors' remuneration report, which is set out on pages 76 to 85.

A resolution to approve the Directors' remuneration report will be proposed at the forthcoming AGM.

Health, Safety, Environment and Community Committee

Mr Felix J Vulis
Committee Chairman

During the year the HSEC Committee reviewed all fatalities and recommended health and safety criteria for Senior Executives' bonuses.

Composition during 2012

	Committee tenure	Meetings attended
Chairman		
Mr Felix J Vulis	Throughout 2012	3/3
Members		
Professor Dr Dieter Ameling	Throughout 2012	3/3
Mr Gerhard Ammann	From 10 August	2/2
Mr Marat Beketayev	Throughout 2012	2/3
Mr Richard Burrows	From 10 August	2/2
Mr Victor Hanna	To 10 August	0/1
Mr Patrice L'Huillier	To 10 August	0/1
Dr Johannes Sittard	To 3 February	1/1
Dr Zaure Zaurbekova	From 10 August	2/2

Mr Vulis chairs the HSEC Committee. At the start of the year the other members were Professor Dr Ameling, Mr Beketayev, Mr Hanna, Mr L'Huillier and Dr Sittard. Dr Sittard stood down from the Committee on his resignation from the Board on 3 February 2012. Following the review of committees by the Board in August 2012, the HSEC Committee comprised the following members from 10 August 2012 onwards: Professor Dr Dieter Ameling, Mr Gerhard Ammann, Mr Marat Beketayev, Mr Richard Burrows, Mr Felix Vulis and Dr Zaure Zaurbekova.

Terms of reference

Under its terms of reference, the Committee is required to meet at least twice a year and, among other things, it considers:

- Health, safety, environment and community risks;
- The Group's compliance with applicable legal and regulatory requirements associated with health, safety, environment and community matters; and
- The Group's performance in relation to health, safety, environment and community impact and monitoring sustainable development initiatives.

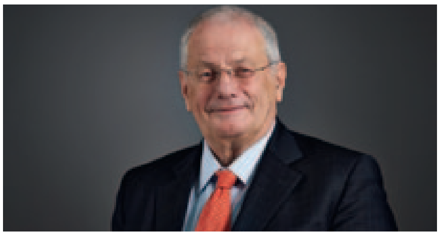
Activities in 2012

The HSEC Committee met three times in 2012. The HSEC Committee was responsible for the inclusion of a report in the Annual Report and Accounts and it oversaw the development of a standalone Sustainable Development Report for 2011, which was published in May 2012.

During the year it reviewed all fatalities and recommended health and safety criteria for Senior Executives' bonuses to the Remuneration Committee. It also received presentations on underground mining safety and discussed the financial implication of carbon pricing.

Further details on HSEC are set out in the sustainable development review on pages 17 to 20 and in the Sustainable Development Report for 2012, to be published shortly.

Investment Committee



Mr Gerhard Ammann
Committee Chairman

The Committee recommended several acquisitions to the Board during the year.

Composition during 2012

	Committee tenure	Meetings attended
Chairman		
Mr Mehmet Dalman	To 10 August	5/5
Mr Gerhard Ammann	From 10 August	2/2
Members		
Professor Dr Dieter Ameling	Throughout 2012	4/5
Mr Marat Beketayev	Throughout 2012	3/7
Mr Jim Cochrane	From 10 August	2/2
Dr Mohsen Khalil	From 10 August	1/2
Mr Roderick Thomson	From 10 August	2/2
Dr Zaure Zaurbekova	Throughout 2012	4/7

From the start of the year, the Investment Committee comprised Mr Mehmet Dalman, in the chair, and Professor Dr Ameling, Mr Beketayev and Dr Zaure Zaurbekova. Following the review of committee composition in August 2012, the Investment Committee comprised Mr Ammann (Chairman), Mr Beketayev, Mr Cochrane, Dr Khalil, Mr Thomson and Dr Zaurbekova from 10 August 2012. Mr Cochrane stood down from the Committee on 11 April 2013.

Terms of reference

Under the Investment Committee's terms of reference, the Committee is required to meet at least twice a year and, among other things, it:

- Reviews and discusses with management the necessary due diligence required on prospective mergers and acquisitions projects;
- Receives detailed analyses of prospective mergers and acquisitions projects; and
- Oversees the structuring and implementation of mergers and acquisitions projects.

Activities in 2012

The Investment Committee met seven times on an ad hoc basis during 2012 and recommended to the Board the acquisition of certain assets in the Democratic Republic of the Congo from FQM and the settlement of related legal matters, the acquisition of the Frontier licence, the acquisition of the outstanding 49.5% of Camrose Resources Ltd thus giving the Group full control of its African assets. In addition, the case for separating the Group's international assets was reviewed.

Risk management and internal control

Risk and the Board of Directors

The Board is ultimately responsible for maintaining a sound risk management and internal control system to ensure compliance with the requirements of the UK Corporate Governance Code and the Turnbull Guidance. The Group's system of risk management and internal control is designed to identify, manage and mitigate the risk of failure to achieve business objectives. The system provides reasonable but not absolute assurance against material misstatement or loss.

There are ongoing processes in place for identifying, assessing, managing, monitoring and reporting on the significant risks faced by the Group. These processes were in place for the year under review up to, and including, the date of the approval of the Annual Report and Accounts.

Executive Committee ('ExCom')

The ExCom has specific responsibility for the Group's system of risk management. It reviews the Group's significant risks and subsequently reports to the Audit Committee on material changes and the associated mitigating actions. Members of the ExCom are listed on pages 60 and 61.

Enterprise-wide risk management

The ExCom considers the careful and appropriate management of risk as an important management role. Managing business risk to deliver opportunities is a key element of all the Group's business activities.

The significant business risks are understood and documented. The business context determines in each situation the level of acceptable risk and controls.

The main features of the Group's system of risk management include:

- Group statements on strategic direction;
- Identifying business objectives and business principles;
- A clear risk strategy;
- A clear risk policy;
- The development of a Board risk appetite statement that will be rolled out across the business in 2013;
- A Company risk management manual;
- Annual review of key business risks;
- A continuing process for identification and evaluation of principal risks to the achievement of business objectives;
- An annual review of internal control;
- Management processes to mitigate significant risks to an acceptable level;
- Ongoing monitoring of significant risks and internal and external environmental factors that may change the Group's risk profile; and
- A review by the Group of both the type and amount of external insurance that the Group buys, bearing in mind the availability of such cover, its cost and the likelihood and magnitude of the risks involved.

In addition to the annual review of principal risks, there is a process of regular reporting to the Board through the Audit Committee on the status of the risk management process.

Risk management system evolution

The Group continues to develop its risk management and internal control systems and this includes:

- A clear risk strategy, with annual tactical enhancement initiatives to further develop the Group's approach to risk management, internal control and insurance;
- High calibre risk and internal control specialists at a Group, regional and business entity level;
- Externally commissioning a number of specialist technical risk identification and action planning assignments including operational risk surveys, anti-bribery and corruption risk assessment;
- Group-wide business continuity enhancement planning project;
- Further evolution of our insurance strategy, including specialist insurance related to our major projects;
- Continued development of in-country risk and internal control capabilities; and
- Further refinements to the ExCom risk review process.

Further improvements planned for 2013 include:

- Enhanced Audit Committee visibility of key risk action plans;
- A comprehensive Group-wide review of the internal control system;
- Further enhancements to our process level internal controls; and
- Additional improvements to the mining and operational risk assessment processes in Africa.

A 'top-down' risk management approach is in place focusing on the key risks to the execution of the Group's business strategy, which complements our regional and entity 'bottom-up' risk aggregation methodology. To further enhance the Group's approach to risk management at a business unit level, the principles of the international standard for risk management ISO 31000 are adopted where appropriate and further training and embedding on this will take place in 2013.

Internal control

The Turnbull Guidance sets out best practice on internal control for UK listed companies to assist them in assessing the application of the Code principles and compliance with the underlying provisions with regard to internal control.

The Group's systems of internal control are designed and operated to support the identification, evaluation and management of risks affecting the Group, including in relation to the financial reporting process and the preparation of consolidated accounts, and the business environment in which the Group operates. The systems of internal control are subject to continuous review as circumstances change and new risks emerge.

Features of the systems of internal control include:

- The risk management system described in the preceding section;
- Documented policies and procedures within the Group's businesses;
- An annual review of key internal controls;
- Minimising operating risk by using appropriate infrastructure, controls, systems and people throughout the businesses;
- Business entity level control self-assessments; and
- Internal control letter of representation process.

The key policies employed in managing operating risk involve the segregation of duties, transaction authorisation, monitoring, financial, managerial and comprehensive reporting and analysis against approved standards and budgets.

Group Treasury manages exposure to counterparty risk, liquidity risk and currency transaction risks. They coordinate the activities of Group companies in this area. The treasury policies, risk limits and monitoring procedures are reviewed regularly by the Audit Committee on behalf of the Board.

Group Tax manages risks associated with tax compliance, reporting, planning and transfer pricing. They monitor tax risks and implement strategies and procedures to control these risks.

Assurance on compliance with systems of internal control and on their effectiveness is obtained through:

- Regular management reviews;
- Annual testing of key internal controls;
- Internal audit reviews; and
- Testing of certain aspects of the internal financial control systems by the external auditors during the course of their statutory examinations with regular reports to the Audit Committee by the external auditors.

The Audit Committee considers the results of the reviews to confirm that controls are functioning. Any material breakdowns and remedial actions are reported to the Board.

Risk management and internal control systems in relation to financial reporting

The main features of the Group's systems of risk management and internal control in relation to financial reporting, other than the general principles referred to above, are:

- Control environment – communication of key principles and policies, and reports on compliance;
- Risk management – identification of key financial risks and appropriate responses;
- Control activities – management utilises a range of preventative and detective controls to minimise errors; and
- Monitoring – ongoing monitoring of the above.

The systems of risk management and internal control are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss. In reviewing these, the Board has taken into account the results of all the work carried out by internal and external auditors.

Review of effectiveness

In accordance with the Turnbull Guidance a review of the effectiveness of the risk management system and internal control is undertaken annually by the Audit Committee on behalf of the Board.

The Board and the Audit Committee have reviewed the effectiveness of the risk management and internal control system, including financial, operational and compliance controls and risk management, in accordance with the Turnbull Guidance to the date of approval of this Annual Report and Accounts.

If significant internal control failings are identified, the Board confirms that necessary actions will be taken to address them and these will include:

- Reports to the Audit Committee and the Board; and
- If necessary, further investigations implemented by the Audit Committee.

Remedial action plans will be monitored by the Audit Committee, with regular updates on progress to the Board.

Corporate governance report continued

Compliance

The Group Compliance Department continues to work to create a framework for the prevention of:

- Bribery and corruption;
- Assisting or facilitating money laundering;
- Anti-competitive behaviour; and
- Breaches of international sanctions regimes.

The Group Compliance Department, works with the Compliance Departments in the various regions in which the Group operates (and via the regional offices, with compliance officers at business level) to work towards creating a framework of policies, procedures and processes to help the Group as a whole minimise the risks posed by each of the above factors.

The Group Compliance Department drafted, agreed and rolled out an updated procedure for approval of counterparties throughout the Group. The standard procedure includes a risk-based approach to vetting counterparties and the people who ultimately own such counterparties. Checks are undertaken to minimise the risks of the Group entering into business relationships with people and entities who could pose issues relating to potential violations of laws including sanctions, money laundering, bribery and corruption, terrorist financing, organised crime or who could pose a reputational risk for the Group. The Group believes that such measures are adequate to minimise the risks associated with these areas.

In conjunction with the roll out of the new procedure, the Group Compliance Department conducted face-to-face training and awareness sessions with over 150 employees identified as needing to be aware and up-to-date on these issues based on their roles and responsibilities.

The updated counterparty procedures will continue to be monitored and reviewed and awareness and training on these procedures will be ongoing for employees identified as undertaking roles where awareness and compliance of the issues and procedures is paramount.

Towards the end of 2012 the Group Compliance Department started a further review and update of the Group's Code of Conduct to make it more accessible to employees. The revised version, together with a set of explanatory notes, was made available in multiple languages in the first quarter of 2013 on the ENRC website and introduced at a conference for senior managers in February 2013. These senior managers will cascade the new Code of Conduct throughout the Group.

During 2012, ENRC completed its bribery and corruption risk review of the business in conjunction with external legal and other advisors. The output of the review will inform the Group's compliance plans for 2013 and beyond as the Group seeks to use the information to implement and/or update relevant policies, procedures and processes.

The Group continued in 2012 to ask new employees in identified "at risk" positions (for example those working in finance, procurement and sales and marketing) to undertake two online training modules. One module relates to the Group's Code of Conduct, the other relates to anti-bribery and anti-corruption awareness.

Anti-bribery and Corruption ('ABC') Steering Committee

The Group established the ABC Steering Committee in 2011. This Committee continued to meet during 2012, chaired by the General Counsel. In addition to the General Counsel, the CFO, Group Head of Risk, Head of Compliance, Head of Internal Audit and the Head of Strategic Planning and Investment Analysis are also members. The Committee invites other parties to report and participate in the meetings on a regular basis, including other employees whose work is exposed to anti-bribery and corruption issues and external advisors who are able to provide valuable input. The ABC Steering Committee coordinates the Group's approaches to bribery and corruption issues across core departments to ensure that the work carried out to prevent and detect corruption is consistent and effective. Towards the end of 2012, it was agreed that the ABC Steering Committee would be replaced with a Risk, Compliance and Control Committee (the 'RCC Committee') which would have a wider remit for reviewing, and ensuring control over risks, including the risks of bribery and corruption which the Group faces. In February 2013 the ABC Steering Committee met again pending the establishment of the RCC Committee.

The Serious Fraud Office (the 'SFO') process

ENRC has entered into a reporting process with the SFO following a number of public allegations made in the summer of 2011 in relation to the acquisition of a business in the DRC, previously owned by FQM. The SFO invited the Company to a meeting, following which it was agreed that the Company would undertake investigations into certain matters including in respect of allegations around its operations and assets in, and transactions involving, Kazakhstan and Africa (in particular, the DRC). Regarding Kazakhstan, external counsel representing ENRC has provided a report to the SFO. In respect of Africa, the Company continues to engage with the SFO.

The Board of ENRC takes corporate governance and compliance very seriously and is committed to ensuring that ENRC complies with laws relevant to its business wherever it operates.

Review of related party transactions

On 25 April 2012, the Company was contacted by the Financial Services Authority which is now known as the Financial Conduct Authority ('FCA') in its capacity as the UK Listing Authority ('UKLA'). The letter stated that the UKLA was conducting a preliminary review of the Company's compliance with the Listing Rules on a Group-wide basis and, in particular on the application of Listing Rules 10 and 11 to certain transactions. The Company has been assisting the UKLA with these enquiries. Recognising the complexity of its related party issues, in May 2012, the Company engaged a major advisory/risk management firm to assist it in identifying any enhancements that could be made to its related party systems and procedures. In responding to UKLA requests the Company identified certain issues. Accordingly, the Company instructed an advisory/risk management firm (via external legal counsel) to carry out an immediate additional review of certain transactions from a Listing Rule 11 perspective, with the aim that any further relevant matters would be brought to the UKLA's attention.

The UKLA has considered the Company's various responses and replied instructing the Company to appoint a sponsor to carry out a diagnostic review of Listing Rules 10 and 11 analyses of certain transactions, including of the original purchase of 50.5 per cent of Camrose Resources Limited (including all ancillary agreements) and the transaction entered into with FQM. Further issues may still arise beyond those which have currently been notified to the UKLA.

The Company has also received and responded to a separate enquiry from the UKLA relating to the application of Listing Rules 10 and 11 to the sale of Zhol Zhondeushi LLP to Prime Residential County LLP (which completed on 16 May 2012).

The UKLA has not presently referred these matters to an enforcement team but the conclusions of the sponsor review which they have requested, or the UKLA's independent conclusions on the Company's wider compliance with the Listing Rules, may result in enforcement action against the Company by the UKLA or an agreed settlement in respect of the issues identified (either of which may include a combination of a public censure, a private warning, the payment of a fine and/or formal or informal agreements to improve systems and processes).

Further issues may still arise beyond those which are currently within the scope of the UKLA's enquiries.

Interaction with shareholders

During 2012 the Group met with a large number of shareholders and prospective investors, mainly based in the United Kingdom, continental Europe and the United States of America, as part of a regular schedule of meetings and roadshows. The Group has an active and extensive Investor Relations programme (the 'IR programme') although its free float is currently only around 18%. Management also met with the Founder Shareholders and Kazakhmys PLC, who together hold around 70% of the Company's shares. The Government of the Republic of Kazakhstan, which has Board representation, is frequently and closely involved with the Group's deliberations and the executive management.

As part of its IR programme, the Group aims to provide a high level of transparency and communication to investors and analysts on a timely basis, through announcements, meetings and seminars. The Group seeks to develop a regular dialogue with investors and analysts and to respond to their challenges and understand their sentiments and concerns. The Group has a comprehensive IR section on its website, which has up-to-date information available to all shareholders and investors. Shareholders have the opportunity to attend and raise questions at the Company's AGM.

The Group aspires to have an IR programme that is ranked highly amongst its peers for its accessibility, responsiveness and disclosure. The CEO and CFO between them aim to meet all major shareholders at least twice a year and, along with other senior management, to meet with a wide range of shareholders and prospective investors during the year. In 2012 these discussions focused on the financial and operational results and development of the Group's businesses and also sought to understand any concerns held by investors. The Group frequently meets with sell-side analysts to raise the Group's profile and to build the research coverage.

Information on IR activity and analysts' and brokers' reports are regularly circulated to the Board. The Chairman, along with non-executive Directors if appropriate, annually conducts a number of investor meetings focused on corporate governance.

The sixth AGM is due to be held on Wednesday, 5 June 2013 and the Board welcomes the opportunity to answer questions put to it by shareholders of the Company.

Share capital

The Company's share capital is described on page 88.

Going concern

The Group's business activities, together with those factors likely to affect future performance, are set out in the Business Review as described on page 86.

In assessing the Group's going concern status the Directors have taken into account the factors set out in the Business Review, including the financial position of the Group and in particular its balances of cash, cash equivalents and liquid investments, the borrowing facilities in place and their terms, medium-term cash flow and liquidity projections, the current commodity prices and market expectations in the medium term, the Group's expected operating cost profile and its capital expenditure and financing plans.

After making enquiries, the Directors have reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Remuneration report

Sir Paul Judge
Committee Chairman

Dear Shareholders

I am pleased to present, on behalf of the Board, the report on Directors' remuneration for the year ended 31 December 2012.

The members of the Committee, each of whom was an independent non-executive Director during the year, were as follows:

- Sir Paul Judge
- Mr Richard Burrows (from 10 August 2012)
- Mr Mehmet Dalman (until 10 August 2012)
- Mr Roderick Thomson
- Mr Terence Wilkinson

I have chaired the Committee since 11 August 2011. The Company Secretary acted as Secretary to the Committee and the Chief Executive Officer, the Group HR Director and the Global Head of Reward also attended Committee meetings by invitation, but no individual participated in discussions relating to his own remuneration.

As Chairman of the Committee, I have engaged directly with institutional shareholders and their representative bodies during the year in order to understand their views on the Company's remuneration programme. Meetings were held with BlackRock, Legal & General and Scottish Widows ahead of the approval of the Directors' Remuneration Report in 2012 and with the Association of British Insurers and the National Association of Pension Funds, following the 2012 Annual General Meeting. Comments from these shareholders and their representatives were positive, which in our view shows that the Company's remuneration programme is understood and generally supported.

In order to carry out its duties, the Committee sought advice from various sources, including Kepler Associates ('Kepler') which was retained by the Committee as an independent advisor. Kepler does not have any other relationship with the Group. In addition, during the year, the Committee also received advice from the Group HR Director, the Company Secretary and the Global Head of Reward.

The Committee met nine times in 2012 (2011: six), six of which meetings were scheduled (2011: four) and three were ad hoc (2011: two). During the year the Committee considered and agreed, amongst other matters:

- Actual performance and bonuses for the financial year ended 31 December 2011;
- Annual bonus structure and performance targets for the financial year ended 31 December 2012;
- Engagement with shareholders on remuneration matters;
- Annual bonus structure for General Directors;
- Overview of global reward programmes across the Group, global mobility policy and base salary increase budgets applying to the whole Group employee population;
- The Committee's terms of reference;
- The structure of this report for the financial years ended 31 December 2011 and 2012; and
- The structure of 2012 LTIP awards and delayed 2011 LTIP awards.

Details of attendance at Committee meetings are shown on page 65.

I and my fellow Directors are satisfied with the way the Committee operated during 2012 and with the results achieved following the 2011 AGM, especially the strong support for the Directors' Remuneration Report at the 2012 AGM. 97.93% of the votes received were in favour of the report.

The Committee has also been taking particular note of the ongoing consultation by the Department for Business, Innovation and Skills ('BIS') and its new regulations relating to the reporting of executive remuneration. Whilst these regulations do not come into force until ENRC's 2013 financial year, we have nevertheless incorporated a number of changes to this year's report to reflect the draft regulations. The Committee hopes that these changes help make the 2012 Directors' remuneration report clearer and our executive remuneration arrangements easier to understand.

For 2013, the Committee expects to continue working along these lines and to maintain an open dialogue with shareholders to ensure our remuneration programme remains appropriate. In response to shareholders concerns, we are, for instance, introducing a clawback condition to future DSP and LTIP awards.

Once again this year, I will be available at the Company's AGM to answer any questions on the Committee's activities and you will have the opportunity to vote on this Directors' remuneration report, which has been prepared in accordance with the Companies Act 2006 and meets the relevant requirements of the FCA Listing Rules.

Signed on behalf of the Board of Directors

Paul Judge

Sir Paul Judge
Chairman of the Remuneration Committee

24 April 2013

Role of the Committee

The Committee is a formal committee of the Board. Its remit is set out in the terms of reference ('ToR') formally adopted by the Board in 2007 and which are reviewed annually to ensure the Committee operates effectively. The ToR were last reviewed in early 2013 and the amended ToR will be adopted by the Board in May 2013. The ToR are designed to enable the Committee to comply with the requirements relating to remuneration policy set out in the UK Corporate Governance Code (the 'Code'). A copy of the ToR can be found on the Company's website.

The principal responsibilities of the Committee are:

- To determine and recommend to the Board the framework and broad policy for the remuneration of the Group's Chairman, Executive Directors, the Company Secretary and the Senior Executives of the Group;
- To monitor the appropriateness and relevance of the Group's remuneration policy;
- To approve the design and performance targets of any performance-related pay schemes operated by the Group and to approve the total annual payments made under such schemes; and
- To review the design of share-based incentives and determine the level and extent to which awards are made, and vest, during the year.

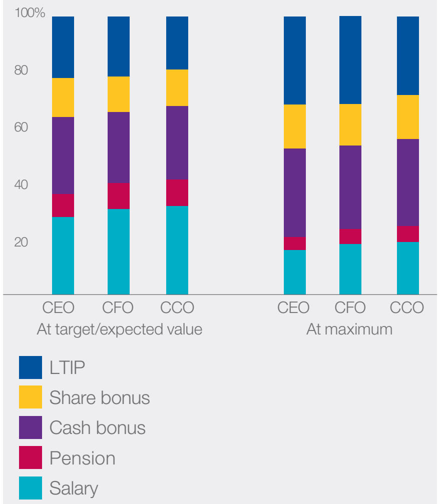
Remuneration policy

The Group's remuneration policy is to provide a level of remuneration which attracts, retains and motivates Directors and Senior Executives with the talent to achieve the Group's strategic goals and maximise shareholder value. The Group's policy also looks to ensure that remuneration is consistent with best practice and provides an appropriate alignment with personal and business performance.

There is a competitive market for successful executives with experience in the mining industry and the provision of appropriate rewards for superior performance is important for the continued growth of the business. Therefore, in applying the remuneration policy, the Committee assesses relevant benchmark data from sources such as international mining companies, other FTSE 100 companies of a similar size and complexity and the market generally. The Committee aims to set basic salary broadly in line with the market median. The Committee's policy is to align 'at risk' remuneration with the long-term success of the Group. In setting remuneration within this framework, the Committee aims to give Senior Executives every encouragement to enhance the Group's performance without taking unacceptable risks, whilst ensuring that they are fairly and responsibly rewarded for their personal contributions.

Remuneration packages are furthermore structured to provide an appropriate balance between fixed and variable elements, such that performance-related elements represent the majority of the package. The main components of the Executive Directors' remuneration for 2013 (which broadly align with the remuneration packages for Senior Executives below the Board) are set out in the table below:

Executive Director pay mix for 2013

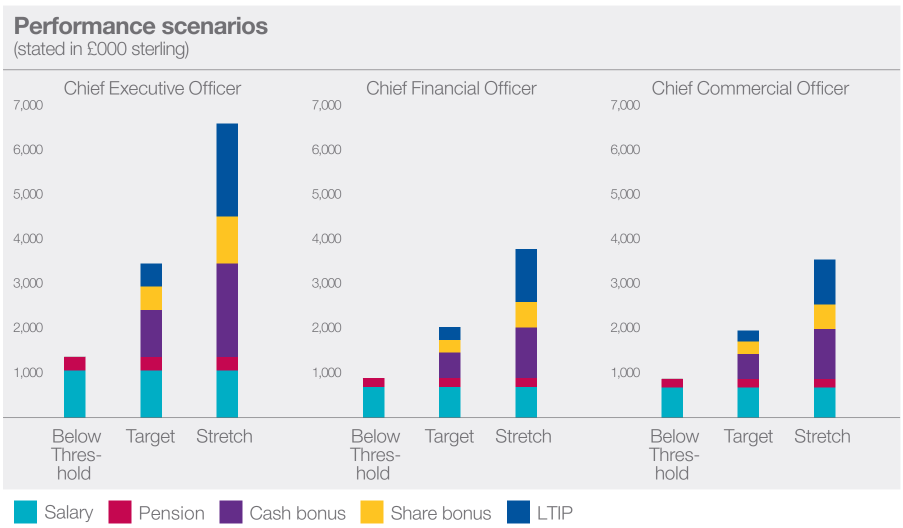


Remuneration policy table

	Purpose and link to strategy	Operation	Performance metrics	2011	2012	**2013**	Page
Base Salary	Attract, retain and motivate and, in general, reward fairly according to the nature of the role, prevailing market conditions and individual performance.	Reviewed annually with effect from 1 January, taking account of: • individuals' roles and performance; • pay and employment conditions elsewhere in the Group, including base salary budgets; and • relevant benchmark data.	Not applicable	CEO: £1,051,000 CFO: £683,000 CCO: £670,000	No change	**No change**	81
Annual bonus	Reinforce the achievement of annual KPIs and reward strong performance.	Reviewed annually to ensure continued alignment with strategy.	Based on the achievement of financial, health & safety and personal performance targets set at the start of the financial year.	CEO: 300% of salary CFO: 250% of salary CCO: 250% of salary A portion is deferred into shares through the DSP.	No change	**No change**	81
Performance targets			Financial	75% (56.25% EBITDA; 18.75% EPS)	No change	**No change**	81-82
			Health & safety	15%			
			Personal objectives	10%			
DSP	Support retention and strengthen alignment with shareholders' interests.	Used to defer into shares a percentage of annual bonus for three years. Dividends accrue on deferred share awards over the period, subject to continued employment.	Not applicable	None	One third of annual bonus entitlement.	**Introduction of clawback**	83
Opportunity				CEO: one-third of bonus	CEO: no change	**No change**	
				CFO: 30% of bonus	CFO: one-third of bonus	**No change**	
				CCO: one-third of bonus	CCO: no change	**No change**	
Performance condition				Not applicable	No change	**No change**	
LTIP	To incentivise and reward longer-term performance and align 'at risk' remuneration with the long-term success of the Group.	Conditional rights to receive shares in the Company for nil consideration after three years, subject to the achievement of stretching performance measures. Awards will normally vest on the third anniversary of the grant.		No change	No change	**Introduction of clawback and award sizes reduced to reflect recent fall in share price**	83-84
Opportunity				CEO: 200% of salary CFO: 175% of salary CCO: 150% of salary	No change	**No change**	

	Purpose and link to strategy	Operation	Performance metrics	2011	2012	**2013**	Page
Performance condition	The awards issued post 2010 provide a simpler and more relevant benchmark in order to be a better indicator of management performance.		TSR	50% on 3-year TSR rank vs. a tailored group of 15 mining peers; 50% on 3-year TSR outperformance of the MSCI Metals & Mining Index.	100% on 3-year TSR outperformance of the FTSE 350 Mining Index.	**No change**	
Pension	To provide appropriate levels of retirement benefit.	Executive Directors participate in the ENRC Personal Pension Plan, a defined contribution scheme.	Not applicable	10% of salary	30% of salary	**No change**	81
Benefits	To provide market-competitive benefits for the role.	Includes life assurance, private healthcare, travel insurance and income protection insurance.	Not applicable	Total cost c. £55,000	Total cost c. £61,000	**No change**	81

In line with the draft BIS regulations, the chart opposite provides an indication of what could be received by each of the directors under the policy set out in the table above for 2013. It should be noted that LTIP and DSP awards do not normally vest until the third anniversary of the date of grant and the values shown exclude the impact of share price growth and dividend accrual. Illustrations are intended to provide further information to shareholders regarding the pay-for-performance relationship. However, actual pay delivered will be influenced by changes in share price and the vesting period of awards.



Assumptions

Scenario	Salary & pension	Annual cash bonus	Deferred share bonus	LTIP
Below Threshold	2013 base salary and pension	No cash bonus payable; performance is below Threshold	No deferred share bonus payable; performance is below Threshold	Threshold performance level not achieved (0% vesting)
Target		Target cash bonus (50% of maximum)	Target deferred share bonus (50% of maximum)	Performance warrants threshold vesting (25% of maximum)
Stretch		Maximum cash bonus; performance exceeds maximum vesting level	Maximum deferred share bonus; performance exceeds maximum vesting level	Performance warrants full vesting

Threshold: level of performance below which no annual bonus is payable and LTIP awards lapse in full.

Directors' contracts

Executive Directors

Each Executive Director has a rolling service agreement which can be terminated by either the Company or the Executive Director giving 12 months' notice. Under the terms of the contracts, the Company reserves the right, in its absolute discretion, to terminate an Executive Director's employment by making a payment in lieu of notice. In the event of a contract being terminated, the Committee would determine the level of any compensation to be paid, normally by reference to fixed elements of remuneration and the notice period. Payments of cash bonus would normally be subject to satisfaction of performance conditions and pro-rated to the date of cessation of employment. Any vesting of shares under the DSP would normally be pro-rated to the date of cessation of employment. Any vesting of shares under the LTIP would be at the discretion of the Committee, on a pro-rated basis and having regard to the satisfaction of performance conditions.

The Board supports the recommendation in the Code that all Directors should be subject to annual re-appointment and accordingly the CEO and CFO will stand for re-appointment at the 2013 AGM, as they did in 2012. The CCO resigned on 11 April 2013.

The Board recognises that experience gained outside the Group can be valuable in terms of director development. Subject to Board approval, Executive Directors are permitted to accept outside appointments on external boards or committees so long as these are not considered to interfere with the business of the Company. Both Mr Cochrane and Mr Vulis had external directorships during the year. Any fees in respect of those appointments may be retained by the Executive Directors concerned. During 2012, Mr Vulis was not paid any fees in respect of his external appointment and Mr Cochrane was paid 80,000 rupees (2011: 80,000 rupees) and was entitled to 11,535 rand (2011: 6,833 rand) in respect of his other directorships. Mr Cochrane's fees have been paid to a charity of his choice.

Service agreements

Name	Date of contract	Notice period
Mr Felix Vulis	20 August 2009	12 months
Dr Zaure Zaurbekova	01 October 2009	12 months
Mr Jim Cochrane	13 August 2010	12 months

Non-executive Directors

Non-executive Directors do not have service contracts with the Company, but each has a letter of appointment. Each non-executive Director is required to stand for election at the AGM following appointment. In addition and in accordance with the Code's recommendation that all Directors should be subject to annual reappointment, each non-executive Director will stand for reappointment at the 2013 AGM, as they did in 2012. Over and above this, the appointment may be terminated by either party giving six months' notice.

Copies of all Executive Directors' service agreements and the letters of appointment of the non-executive Directors are available for inspection during normal business hours at the Registered Office of the Company.

Non-executive Directors' fees

The remuneration of the non-executive Directors (other than the Chairman) is a matter for the Chairman and the Executive Directors (the 'non-conflicted Directors'). Fees are designed to ensure that the Company attracts and retains high calibre individuals. They are reviewed on an annual basis and account is taken of the level of fees paid by other companies of a similar size and complexity.

Non-executive Directors do not participate in any annual bonus plan, long-term incentive plan or pension arrangements. The Company repays the reasonable expenses that non-executive Directors incur in carrying out their duties as Directors.

Dr Johannes Sittard resigned on 3 February 2012. The Company agreed to waive his notice period subject to Dr Sittard's being available on a consultancy basis for two months until 3 April 2012. Dr Sittard received £100,000 under this arrangement.

Following his appointment as Chairman on 3 February 2012, Mr Mehmet Dalman was paid a fee of £550,000 pro rata per annum. As announced on 23 November 2012, the Board agreed that the Chairman should take responsibility for corporate functions including Finance, Risk, Human Resources, Legal & Compliance, and Investor Relations. He retains overall responsibility for the strategic development of the Group and its capital reorganisation, which is focused on improving the efficiency of its investment programme, as well as continuing to enhance the Company's corporate governance. In view of these changes, his annual fee was therefore reviewed by the Committee and it was agreed to increase it to £800,000 pro rata per annum with effect from 1 January 2013.

The base fee for non-executive Directors in 2012 was £105,000 per annum.

Additional fees of £20,000 pro rata per annum were payable to Mr Ammann as Chairman of the Audit Committee until 10 August 2012 and subsequently as Chairman of the Investment Committee since 10 August 2012. Mr Dalman and Sir Paul Judge also received additional fees of £20,000 pro rata per annum as Chairmen of the Investment Committee (until 10 August 2012) and the Remuneration Committee respectively. Mr Dalman received a fee for his role as Senior Independent Director ('SID') of £52,500 pro rata per annum with effect from 1 January 2012 until his appointment as Chairman. Mr Wilkinson was appointed SID on 25 May 2012, Chairman of the NaCG Committee on 1 August 2012 and Chairman of the Audit Committee on 10 August 2012. Following a review of Mr Wilkinson's fees by the non-conflicted Directors, it was decided that he would receive a general fee of £250,000 per annum with effect from 22 November 2012, encompassing his roles as non-executive Director, SID and Chairman of the Audit and NaCG.

As a member of the Kazakh Government, Mr Marat Beketayev is not permitted to receive his fee personally. The fee for Mr Beketayev will be donated to a charity of his choice.

Executive Directors' single figure remuneration

This table reports a single figure for total remuneration for each Executive Director for 2012, calculated in accordance with the methodology set out in the draft regulations issued by BIS in 2012.

Stated in £000 sterling	Base salary	Benefits in kind	Pension	Annual performance bonus	DSP	LTIP	**Total 2012**
Executive Directors							
Mr Felix Vulis[1]	1,051	178	315	956	478	0	**2,978**
Dr Zaure Zaurbekova[1]	683	86	205	518	259	0	**1,751**
Mr Jim Cochrane	670	21	201	525	0	0	**1,417**

[1] Benefits in kind also include compensation for holidays not taken in Kazakhstan.

Audited information

This report contains both audited and non-audited information. As required under Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, PricewaterhouseCoopers LLP has audited the following elements of the report:

- Short-term employee benefits including basic salaries and fees, cash bonuses and non-monetary benefits which are included in the table of Directors' remuneration and its footnotes on page 82; and
- The awards made under the Deferred Share and Long-Term Incentive plans on pages 83 to 85.

Components of Executive Directors' remuneration

Base salary

Base salaries are reviewed annually by the Committee. In deciding salary levels, the Committee takes account of individuals' roles, performance, relevant benchmark data and pay and employment conditions elsewhere in the Group, including base salary review budgets applying to the whole Group employee population. A key consideration is the Group's underlying performance. The Company seeks to reward all employees fairly according to the nature of their role, prevailing market conditions and individual performance.

The Executive Directors' salaries were not increased in 2012 and have been frozen for 2013.

Pensions and other benefits

The Executive Directors are members of the ENRC Personal Pension Plan (the 'Plan'), a defined contribution pension scheme. The employer contribution to the Plan is 30% of base salary, which broadly aligns ENRC's pension provision with UK market practice for companies of similar size.

In 2012, an employer contribution of 30% of base salary was made to the Plan on behalf of each Executive Director. For the year ended 31 December 2012, the amounts paid into the Plan in respect of the CEO, the CFO and the CCO respectively are shown on page 82.

Benefits comprise life assurance, private healthcare, travel insurance and income protection insurance. Both Mr Vulis and Dr Zaurbekova received accrued annual leave payments, as required under Kazakhstani employment law. Details are shown above and on page 82.

Annual bonus

For the year ended 31 December 2012, the annual bonus continued to be based:

- 75% on Group financial performance;
- 15% on health and safety performance; and
- 10% on personal performance.

75% of the Group's financial performance target is based on EBITDA and 25% on EPS. These key performance indicators are described on pages 14 and 15 and the table below illustrates the extent to which these targets were met during the year.

In assessing performance, the Committee considers actual financial performance as reported to shareholders and adjusted performance, taking into account actual and adjusted commodity prices and other uncontrollable events to make the bonus outcome less sensitive to volatility in commodity prices and significant exceptional unbudgeted items.

	Achievement					
	Below Threshold	Between Threshold and Target	At Target	Between Target and Stretch	At or above Stretch	Element payout (% of max.)
Financial performance						
Reported EBITDA		✓				35.0%
Adjusted EBITDA[1]		✓				46.9%
Reported EPS	✓					–
Adjusted EPS[1]	✓					–
Personal performance						
Mr F Vulis			✓			75%
Dr Z Zaurbekova			✓			75%
Mr J Cochrane				✓		90%
Health & Safety performance					✓	100%

[1] Adjusted EBITDA and EPS are not as reported in the financial statements but reflect those adjustments detailed in the text above.

Remuneration report continued

Financial performance is measured relative to budget, with 50% of the maximum opportunity payable for performance in line with budget, and full payment only if performance equals or exceeds 120% of budget (110% for adjusted performance). The bonus payable is based 50/50 on actual and adjusted financial performance compared to budget.

Specific targets have not been disclosed as they are considered to be commercially sensitive and therefore confidential. However, the Committee recognises the need to set targets that are appropriately challenging and which will pay out in full only for exceptional performance. Budgets are set taking account of both internal and external expectations, while health and safety and personal performance are measured against predetermined objectives. The performance measures are regarded as appropriate to align management and shareholder interests, and to reward delivery of the Group's strategy whilst cultivating greater health and safety awareness within the organisation.

The Committee agreed that the maximum bonus potential for 2012, to include both the cash element and the deferred shares element, should continue for 2013 to be set at 300% of base salary for the CEO, and 250% of base salary for the CFO and CCO.

The actual bonus, including the deferred share element, achieved for 2012 is 136.53% (2011: 165.7%) of base salary for the CEO, 113.77% (2011: 138.1%) of base salary for the CFO, and 78.35% (2011: 138.1%) for the CCO. One third of this will be deferred into shares for three years under the DSP for the CEO and the CFO.

For the 2013 financial year the annual bonus structure and bonus opportunities will remain unchanged.

The following table gives details of Directors' remuneration for the period 1 January to 31 December 2012.

Directors' remuneration

Stated in £000 sterling	Base Salary	Annual performance bonus[4]	Benefits in kind	Other	**Total 2012**	Total 2011[5]
Executive Directors						
Mr Felix Vulis[1]	1,051	1,434	24	154	**2,663**	2,929
Dr Zaure Zaurbekova[1]	683	777	16	69	**1,545**	1,707
Mr Jim Cochrane	670	525	21	–	**1,216**	1,613
Chairman						
Mr Mehmet Dalman	530	–	–	–	**530**	133
Non-executive Directors						
Prof Dr Dieter Ameling	105	–	–	–	**105**	100
Mr Gerhard Ammann	125	–	–	–	**125**	120
Mr Marat Beketayev	105	–	–	–	**105**	100
Mr Richard Burrows[2]	63	–	–	–	**63**	–
Sir Paul Judge	125	–	–	–	**125**	108
Mr Mohsen Khalil[2]	63	–	–	–	**63**	–
Mr Roderick Thomson	105	–	–	–	**105**	100
Mr Terence Wilkinson	126	–	–	–	**105**	26
Former non-executive Director						
Dr Johannes Sittard[3]	47	–	3	100	**150**	508
Total	3,793	2,736	64	323	**6,921**	7,444

1 Mr Vulis and Dr Zaurbekova received accrued annual leave payments, as required under Kazakhstani employment law. These are recorded in Other.
2 Messrs Burrows and Khalil were appointed with effect from 12 June 2012.
3 Dr Sittard resigned on 3 February 2012 and was retained by the Company on a consultancy basis for two months until 3 April 2012.
4 One-third of the annual bonuses awarded to Mr Felix Vulis and Dr Zaure Zaurbekova will be deferred into shares under the DSP.
5 The 2011 total has been restated to include the deferred share element of the bonus.

Pension contributions

Stated in £000 sterling	**2012**	2011
Executive Directors		
Mr Felix Vulis	**315**	105
Dr Zaure Zaurbekova	**205**	68
Mr Jim Cochrane	**201**	67
Total	**721**	240

Deferred Share Plan ('DSP')

The DSP was introduced in 2011 to defer a proportion of the Executive Directors and Senior Executives' bonuses into shares. The deferral is for a period of three years and vesting is subject to the participants remaining employed by the Group. With respect to Executive Directors, the DSP was used for the first time in 2012. Similarly, the DSP will be used in 2013 to defer into shares one third of each of the CEO and CFO total 2012 bonus (CEO: £478,000; CFO: £259,000). The DSP is intended to help support retention and strengthen the alignment of Executive Directors' interests with those of shareholders. Dividends will accrue on deferred share awards over the three-year holding period. DSP awards made for performance in the 2013 financial year will be subject to a clawback condition over the holding period.

Director	Share awards held at 1 January 2012	Share awards granted during the year	Share awards released during the year	Share awards lapsed during the year	Vesting date	**Share awards held at 31 December 2012**
Mr Felix Vulis	–	103,708	–	–	2 May 2015	**103,708**
Dr Zaure Zaurbekova	–	50,558	–	–	2 May 2015	**50,558**
Mr Jim Cochrane	–	55,072	–	–	2 May 2015	**55,072**
	–	209,338	–	–		**209,338**

The DSP awards are in the form of nil cost options which expire ten years from the date of award and are subject only to continued employment. The value of each award was calculated by reference to the average mid-market price of an ordinary share of the Company for the five dealing days immediately preceding the award date, which was 559.5 pence for the 2012 awards.

Long-Term Incentive Plan ('LTIP')

The LTIP enables the Committee to award participants a conditional right to receive shares in the Company for nil consideration. Awards will normally vest on the third anniversary of grant subject to the satisfaction of the relevant performance conditions. The LTIP rules allow for immediate pro-rated vesting of the awards, subject to achievement of the performance conditions, on a change of control.

As reported last year, no LTIP awards were possible in 2011, due to extended close periods. Following shareholders' approval, the Committee made two awards in 2012, one with reference to 2011 which has a performance condition measured from 1 January 2011 to 31 December 2013 (the '2011 award') and the second with reference to 2012 which has a performance condition measured from 1 January 2012 to 31 December 2014 (the '2012 award'). Both the 2011 and 2012 awards were based on 200% of base salary for the CEO, 175% of base salary for the CFO and 150% of base salary for the CCO based on the average market value of shares over the five days preceding the date of grant.

In light of the recent fall in share price and shareholders' preference for reduced award sizes in such circumstances, the Committee has agreed that 2013 LTIP awards will be calculated based on the 6 month average share price to 31 December 2012 of 334 pence, rather than the usual approach of using the average share price over the five days preceding the date of grant. This will result in lower numbers of shares being granted in 2013 than would otherwise have been the case, and is intended to improve the alignment of management with shareholder interests by ensuring that executives are not unduly rewarded with higher LTIP awards following a falling share price.

LTIP performance condition

The vesting of LTIP awards is based on ENRC's relative TSR performance, which the Committee considers to be the most appropriate measure of long-term Company performance, providing an alignment of interests between senior management and shareholders. This is a key performance indicator for the Company and is described in more detail on page 14. For the purposes of the LTIP, TSR is calculated in common currency and using three-month share price averaging for the 2010 LTIP award and six-month share price averaging from 2011 onwards.

LTIP awards: grant, performance and vesting

2010 LTIP award

At the end of the three-year performance period, ENRC's TSR was below the median of its tailored peer group. As a result, there will be no vesting of the 2010 award, which will lapse.

2010 LTIP performance condition

ENRC TSR rank vs tailored peer group constituents	% of LTIP award that vests
Median	25%
Median to upper quartile	Pro rata between 25% and 100%
Upper quartile or above	100%

2011 LTIP award

In early 2011, the Committee decided to amend the TSR performance condition by introducing a second TSR benchmark. This amended TSR performance condition was applied to the delayed 2011 award which was granted in 2012. As reported last year, 50% of the delayed 2011 award will vest in 2014 subject to ENRC's outperformance against the MSCI Metals & Mining Index. The remaining 50% of the 2011 award will vest in 2014 subject to ENRC's relative TSR ranking against a tailored TSR comparator group revised to focus more on diversified and emerging markets miners and other relevant comparators such as steel companies.

Remuneration report continued

2011 LTIP performance conditions

ENRC's TSR rank vs tailored peer group constituents	% of 2011 LTIP award that vests	ENRC's TSR % outperformance of the MSCI Metals & Mining Index	% of 2011 LTIP award that vests
Median	12.5%	0% p.a.	12.5%
Median to upper quartile	Pro rata between 12.5% and 50%	0% to 7.5% p.a.	Pro rata between 12.5% and 50%
Upper quartile or above	50%	7.5% p.a. or greater	50%

2012 LTIP award

The 2012 LTIP award will vest in 2015 subject to ENRC's relative TSR performance against the FTSE 350 Mining Index (as shown on page 85).

2013 LTIP award

The only changes proposed to the LTIP for awards to be made in 2013 are that they will be subject to a clawback condition over the vesting period and the award sizes will be reduced to reflect the recent fall in share price and shareholders' preference for reduced award sizes in such circumstances. The 2013 LTIP awards will be calculated based on the six-month average share price to 31 December 2012 of 334 pence rather than the usual approach of using the average share price over the five days preceding the date of grant.

2012 and 2013 LTIP performance condition

ENRC's TSR % outperformance of the FTSE 350 Mining Index	% of LTIP award that vests
0%	25%
0% to 7.5% p.a.	Pro rata between 25% and 100%
7.5% p.a. or greater	100%

Long-Term Incentive Plan

Director	Year	Share awards held at 1 January 2012	Share awards granted during the year	Share awards released during the year	Share awards lapsed during the year	Vesting Date[2]	**Share awards held at 31 December 2012**
Mr Felix Vulis	2009	192,455	–	–	(192,455)	n/a	**–**
	2010	168,846[1]	–	–	–	2013	**168,846**
	2012[3]	–	375,550	–	–	2014	**375,550**
	2012	–	375,550	–	–	2015	**375,550**
		361,301	751,100	–	(192,455)		**919,946**
Dr Zaure Zaurbekova	2009	96,921	–	–	(96,921)	n/a	**–**
	2010	96,031[1]	–	–	–	2013	**96,031**
	2012[3]	–	213,594	–	–	2014	**213,594**
	2012	–	213,594	–	–	2015	**213,594**
		192,952	427,188	–	(96,921)		**523,219**
Mr Jim Cochrane	2009	136,637	–	–	(136,637)	n/a	**–**
	2010	62,076[1]	–	–	–	2013	**62,076**
	2012[3]	–	179,491	–	–	2014	**179,491**
	2012	–	179,491	–	–	2015	**179,491**
		198,713	358,982	–	(136,637)		**421,058**

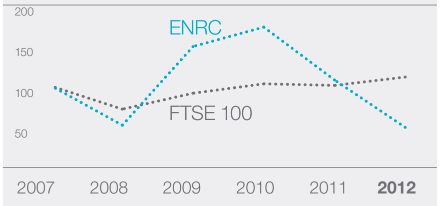
The LTIP awards are in the form of nil cost options which expire ten years from the date of award. The value of each award was calculated by reference to the average mid-market price of an ordinary share of the Company for the five dealing days immediately preceding the award date, which was 559.5 pence for awards granted in 2012.

1 The LTIP awards made in 2010 will lapse during 2013 as the performance condition has not been met.
2 The LTIP awards vest and become exercisable subject to achievement of the performance conditions which are summarised above.
3 Delayed 2011 award, which will vest in 2014.

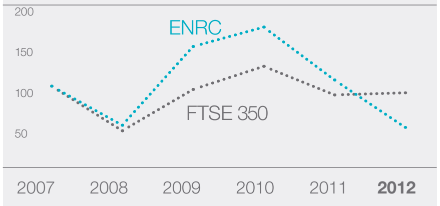
Performance graph

The Company's TSR performance is shown below. ENRC became a constituent of the FTSE 100 Index on 26 March 2008 and this index is considered to be the most appropriate benchmark. The graph below charts the total cumulative shareholder return of ENRC compared with the FTSE 100 over the last five financial years. Also shown below is a comparison of ENRC's performance against the FTSE 350 Mining Index.

Total shareholder return FTSE 100[1] (£)



Total shareholder return FTSE 350[1] Mining Index (£)



[1] Value of £100 invested on 31 December 2007

The mid-market price of ENRC shares at 31 December 2012 was £2.84 and between 1 January 2012 and 31 December 2012, the lowest and highest share prices were £2.59 and £7.49 respectively.

LTIP – Tailored TSR comparator group[1]

Company	2010	2011[2]
Alcoa	✓	
Aluminum Corp of China	✓	
Antofagasta	✓	
BHP Billiton	✓	✓
Cameco	✓	
Cliffs Natural Resources	✓	
Ferrexpo	✓	
Fortescue Metals	✓	
Freeport-McMoRan	✓	
Grupo Mexico	✓	
Kazakhmys	✓	
Mitsubishi Materials	✓	
Mount Gibson Iron	✓	
Outokumpu	✓	
Peabody Energy	✓	
Rio Tinto	✓	✓
Teck Resources	✓	
Vale	✓	✓
Vedanta	✓	✓
Xstrata	✓	✓
Anglo American		✓
ArcelorMittal		✓
Assore		✓
Cia. Siderugica Nacional		✓
Eramet		✓
Evraz		✓
Kobe Steel		✓
Norilsk Nickel		✓
Novoliptsk		✓
Severstal		✓

[1] The comparator group for 2012 is (and for 2013 will be) the FTSE 350 Mining Index
[2] 50% of award only.

Directors' report

The Directors present their report and the audited Consolidated financial statements for the year ended 31 December 2012.

Principal activities

The Group is a leading diversified natural resources group with integrated mining, processing, energy, logistical, and marketing operations. Production assets are located in the Republic of Kazakhstan, Russia, Zambia and the Democratic Republic of the Congo. The Group has six operating Divisions: Ferroalloys, Iron Ore, Alumina and Aluminium, Energy, Logistics and Other Non-ferrous.

Business Review

The Business Review has been prepared to provide the Company's shareholders and other interested parties with a fair review of the business of the Group and a description of the principal risks and uncertainties facing it. In accordance with section 417 of the Companies Act 2006, the Business Review is incorporated by reference into this report and comprises the following:

- Chairman's statement on pages 8 and 9;
- Chief Executive Officer's statement and capital expenditure on pages 10 to 13;
- Key Performance Indicators on pages 14 and 15;
- Sustainable development review on pages 17 to 20, which should be read in conjunction with the Sustainable Development Report to be published separately;
- Operational review on pages 24 to 42;
- Chief Financial Officer's review and capital expenditure on pages 44 to 49;
- Risk management on pages 50 to 58; and
- Note 38 to the Consolidated financial statements on pages 157 to 159.

All of the above form part of the management report required by the Financial Conduct Authority's Disclosure and Transparency Rules.

Dividends

The Company paid an interim dividend of US 6.5 cents per ordinary share (2011: US 16 cents) in October 2012. The Directors of the Board do not recommend a final dividend for the year ended 31 December 2012, making a total for the year of US 6.5 cents per ordinary share (2011: US 27 cents). The default payment currency of every dividend is US dollars unless a currency election form has been lodged. Registered shareholders may elect to receive their dividend in pounds sterling by notifying the Registrars before the next dividend announcement.

Annual General Meeting ('AGM')

The 2013 AGM will be held on Wednesday, 5 June 2013 at The Lincoln Centre (18 Lincoln's Inn Fields, London WC2A 3ED). A separate circular containing the Notice of Meeting, together with an explanation of the items of special business, is enclosed with this Annual Report and Accounts.

Directors

Details of the current Directors of the Company and their biographies are set out on pages 60 and 61.

On 3 February 2012 Dr Johannes Sittard stepped down from the roles of Chairman and non-executive Director and Mr Mehmet Dalman was appointed Chairman.

On 25 May 2012 two new independent non-executive Directors were appointed to the Board of the Company, with effect from 12 June 2012: Mr Richard Burrows and Dr Mohsen Khalil. On the same date Mr Terence Wilkinson was appointed as Senior Independent Director. Mr Terence Wilkinson had been a non-executive Director and a member of the Audit and Remuneration Committees since December 2011. Following the appointments, the Board comprised 12 Directors, seven of whom were independent non-executive Directors.

On 10 August 2012, following the recommendation of the Nomination and Corporate Governance Committee, the Board agreed that Mr Gerhard Ammann and Mr Mehmet Dalman should stand down as Chairmen of the Audit and Investment Committees respectively and that Mr Terence Wilkinson assume the chair of the Audit Committee and Mr Gerhard Ammann of the Investment Committee.

On 23 November 2012 the role of the Chairman was extended to include direct responsibility for corporate functions including finance, risk, human resources, legal & compliance and investor relations. The Chairman retained, together with the Board, overall responsibility for the strategic development of the Group and its capital reorganisation. The role then focused on improving the efficiency of the Group's investment programme, as well as continuing to enhance the Group's corporate governance. This change enabled the Chief Executive Officer, Mr Felix Vulis, to fully focus on operations, notably cost and operational efficiencies across the Group's assets. Operational management teams report directly to Mr Felix Vulis, and he retains all responsibility for marketing, logistics and exploration.

Also on 23 November 2012 Mr Terence Wilkinson was appointed as the new Chairman of the NaCG Committee, taking over from Mr Mehmet Dalman who stepped down as a member and Chairman of this Committee. Mr Jim Cochrane resigned on 11 April 2013. On 23 April 2013 Mr Dalman stepped down from the Board and Mr Ammann was appointed Acting Chairman.

Details of all changes to the Board during the year are shown on page 64.

In accordance with the Articles of Association, all Directors are subject to election at the first AGM after their appointment and to re-election at intervals of no more than three years. At the 2013 AGM, Mr Richard Burrows and Dr Mohsen Khalil, having been appointed since the previous AGM, will offer themselves for election. The UK Corporate Governance Code, effective from June 2010, requires that all directors of FTSE 350 companies stand for re-election annually. The NaCG Committee recommended to the Board which Directors should continue. Mr Ammann, Mr Beketayev, Mr Roderick Thomson, Mr Vulis, Mr Wilkinson and Dr Zaubekova will stand for re-election at the AGM. Prof Dr Dieter Ameling and Sir Paul Judge will stand down after the 2013 AGM.

Directors are appointed and may be removed in accordance with the Articles of Association of the Company and the provisions of the Companies Act 2006.

Details about Board processes, including training and development, are included on pages 64 and 66.

The Board has put in place a procedure whereby all Directors have access, through the Company Secretary, to independent professional advice at the expense of the Company. The Company also maintains an appropriate level of Directors' and Officers' ('D&O') liability insurance. A qualifying third party indemnity provision has been in place since 2008 for the benefit of current Directors and officers of the Company and those of its subsidiaries to enable the Company to fund the costs incurred by Directors in defending certain claims against them in relation to their duties as Directors and officers. The indemnity operates only to the extent that the D&O liability insurance does not afford protection.

Directors' interests in ordinary shares

This table shows the number of ordinary shares of the Company in which the Directors were beneficially interested as at the date of this report.

	As at 23 April 2013	31 December 2012	31 December 2011
Mr Mehmet Dalman[1]	**112,500**	112,500	112,500
Mr Felix Vulis	**700,000**	700,000	700,000
Mr Gerhard Ammann	**22,222**	22,222	22,222
Mr Jim Cochrane[2]	**258,331**	258,331	258,331
Dr Zaure Zaurbekova	**550,000**	550,000	550,000

1 Mr Dalman stood down from the Board on 23 April 2013.
2 Mr Cochrane stood down from the Board on 11 April 2013.

Major interests in shares

The table overleaf shows those shareholders who have been notified to the Company as holding major interests in shares amounting to more than 3% of the issued share capital of the Company, as at the date of this report.

	Number of voting rights	%	Nature of holding
Kazakhmys Eurasia BV	**334,824,860**	26	Indirect
Mr P Chodiev[1]	**154,052,625**	12	Indirect
Mr A Ibragimov[2]	**113,836,250**	9	Indirect
Mr A Machkevitch	**187,836,250**	15	Indirect
The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan	**150,047,116**	12	Direct

1 Mr Chodiev's total holdings amount to 187,836,250 shares (14.59%) as he has transferred a total of 33,783,625 shares to entities where he is the beneficial owner. The entities are managed by amongst others certain members of Mr Chodiev's family. A TR-1 has been received in respect of the shares notified above.
2 Mr Ibragimov's total holdings amount to 187,836,250 shares (14.59%), however, some are held on a discretionary basis by a fund management vehicle owned and operated by, amongst others, Mr Ibragimov's family. A TR-1 has been received in respect of the shares notified above.

Directors' report continued

Share capital

As at 31 December 2012 the Company's authorised share capital was US$400,000,000 divided into 2,000,000,000 ordinary shares of US 20 cents each. The issued share capital of the Company at 31 December 2012 was 1,287,750,000 ordinary shares. The ordinary shares are listed on the London and Kazakhstan Stock Exchanges.

The rights and obligations attaching to the Company's shares, in addition to those conferred on their holders by law, are set out in the Articles of Association, which can be obtained from the Company Secretary at the Company's Registered Office. The holders of ordinary shares are entitled to receive all shareholder documents, to attend and speak at general meetings of the Company, to appoint proxies, to exercise all voting rights and to participate in distributions of income or capital.

At the 2012 AGM, shareholders gave the Directors authority to allot shares up to an aggregate nominal value of US$25,755,000, representing 10% of the issued share capital of the Company as at 16 April 2012. This authority will expire on the earlier of the 2013 AGM or 11 September 2013. No shares were allotted during the year.

Also at the 2012 AGM shareholders authorised the Company to make market purchases of up to 128,775,000 ordinary shares, representing 10% of the issued share capital of the Company as at 16 April 2012. This authority will expire on the earlier of the 2013 AGM or 11 September 2013. No market purchases of shares were made during the year.

At the forthcoming AGM the Board will again seek shareholders' approval to renew the annual authorities for the Company to allot shares and to make purchases of its own shares through the market.

The Company is not aware of any agreements between shareholders restricting the voting rights or the right to transfer shares in the Company.

Situational conflicts

In accordance with the Articles of Association of the Company, the Board is permitted to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. The Board has a formal system in place for Directors to declare any conflicts or potential conflicts and for these to then be considered for authorisation. The NaCG Committee takes responsibility for ensuring that a schedule of conflicts is maintained and that the Board reviews this schedule on an annual basis and updates authorisations where necessary.

Amendments to the Articles of Association

The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders.

Relationship agreements

On 7 December 2007 the Founder Shareholders, Messrs Chodiev, Ibragimov and Machkevitch, entered into separate relationship agreements with the Company to regulate the ongoing relationship between each Founder Shareholder and the Company. The principal purpose of the relationship agreements is to ensure that transactions and relationships between the Group and the Founder Shareholders are at arm's length and on a normal commercial basis. Under the terms of the relationship agreements, each Founder Shareholder has a right to appoint a Director to the Board as detailed in the corporate governance report on page 63. None of the Directors currently on the Board has been appointed by the Founder Shareholders.

Employees

Information about employees is disclosed in the sustainable development review on pages 17 to 20, which should be read in conjunction with the Sustainable Development Report, to be published separately.

The Group understands that the success of every global business depends on its ability to maintain diversity within its workforce. The Group works hard on promoting diversity in all of the countries where it operates. The recruitment process in the Group is based on skills and experience. The Group has implemented Global People Policies to ensure that the employment process is free of discrimination on grounds of age, religion, marital status, disability, gender, sexual orientation and social background.

As a global group, we realise the significance of promoting and protecting human rights in the workplace. In accordance with the Group's Code of Conduct any form of discrimination or unfair treatment is not tolerated.

Creditor payment policy

The Group's policy is to agree terms of trading with suppliers in advance and to make payment in accordance with these terms. The Group does not follow any specific published code or standard on payment practice. Suppliers in Kazakhstan and Africa often require prepayment and the average number of creditor days outstanding for the Group as at 31 December 2012 was 52 (2011: 40). The average number of creditor days outstanding as at 31 December 2012 for the Company was nil (2011: nil).

Events after balance sheet date

2012 Final Dividend

The Directors of the Board do not recommend a final dividend for the year ended 31 December 2012.

Details of all other events after the balance sheet date are set out in note 38 to the Consolidated financial statements on pages 157 to 159.

Political and charitable donations

No political donations were made during the year. Charitable donations towards community social investment amounted to US$121 million (2011: US$156 million).

A description of community social investment is included in the sustainable development review on page 19 of this report, which should be read in conjunction with the Sustainable Development Report, to be published separately.

Financial instruments

Details of the Group's financial risk management, objectives and policies, together with details of financial instruments are described in note 34 to the Consolidated financial statements on pages 150 to 155.

Change of control: significant agreements

The following represent significant agreements and other potential legal impediments which may entitle the counterparties to exercise termination or other rights in the event of a change of control of the Company.

Article 13 of the Kazakhstan Subsurface Law

The Republic of Kazakhstan may be entitled to exercise pre-emptive rights over certain issuances or sales of ordinary shares or assets shared by the Group. Article 13 of the Kazakhstan Law on Subsoil and Subsoil Use provides that the Republic of Kazakhstan has pre-emptive rights 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 no less favourable terms than those offered by other purchasers.

Euro Medium Term Notes

On 13 May 2010, the Group established a Euro Medium Term Note ('EMTN') programme for up to US$3,000 million. Subject to relevant laws and regulations, notes can be issued in a variety of forms and for a range of maturity periods. Proceeds from any issues under the programme may be used for the Group's capital expenditure programme, potential future acquisitions and for general corporate purposes. There were no issues outstanding under the programme as at 31 December 2012.

Upon the occurrence of a change of control, the holder of any note under the EMTN programme will have the right to require the issuer to purchase such note at a purchase price in cash equal to 101% of the nominal amount together with (if appropriate) interest accrued to the date of purchase.

For these purposes, 'change of control' means the occurrence of any of the following:

- The direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, amalgamation or statutory plan of arrangement or consolidation) of all or substantially all of the assets of ENRC PLC to any person or group (other than to ENRC PLC, one of its subsidiaries or one or more Permitted Holders); or
- The consummation of any transaction which results in any person other than a Permitted Holder or a group (other than a group that includes one or more Permitted Holders) becoming the beneficial owner directly or indirectly, of more than 50% of the combined voting power of the issuer's voting stock. A 'Permitted Holder' is any of:
- Messrs Chodiev, Machkevitch and Ibragimov and any related person or trust; or
- The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan (and any successor entity thereto).

Structured Trade Finance Facility

On 5 October 2010, the Group entered into a US$500 million structured trade finance facility with a group of international lenders. The facility has an applicable interest rate of one month LIBOR plus 3.37% and is repayable over three years. As at 31 December 2012, US$167 million of the facility was outstanding.

Revolving Credit Facility

On 16 February 2012, the Group signed the refinancing of the US$500 million revolving credit facility. The amount of the facility was reduced to US$467 million and has been arranged on a club deal basis with Crédit Agricole acting as the coordinating bank. This is a two-year facility and bears an interest rate of LIBOR plus 2.5% per annum. At 31 December 2012, there were no drawings under this facility. On 12 February 2013, this facility was replaced with a new revolving credit facility.

Russian Commercial Bank (Cyprus) Limited (part of the VTB Group)

On 30 September 2011, the Group entered into a US$1,000 million loan agreement. The loan has an applicable interest rate of 6.1% per annum and is repayable initially in three years by bullet repayment with a two-year term-out option. No security has been pledged as part of the agreement. At 31 December 2012, US$1,000 million had been drawn down.

On 25 April 2012, the Group entered into a second US$1,000 million term loan facility. The loan has an applicable interest rate of LIBOR plus 6.25% per annum and is repayable in two years by bullet repayment. The full amount was drawn down at 31 December 2012.

Sberbank of Russia

On 1 February 2012, the Group entered into a credit facility agreement with Sberbank of Russia for US$2,000 million. The facility has an applicable interest rate of LIBOR plus 6.3% and is repayable in five years. The full amount was drawn down at 31 December 2012.

Export Credit Facilities

On 7 February 2011, the Group entered into an ECA facility for the amount of €185 million. The facility has an 11 year maturity and bears an interest rate of six month EURIBOR plus 1.2% per annum. Euler Hermes Kreditversicherungs AG has provided credit insurance to support the facility. The purpose of the facility is to finance the Group's capital expenditure in the new Aktobe ferroalloys smelter. At 31 December 2012, US$180 million of the facility was outstanding.

On 21 December 2012, the Group entered into an ECA facility for the amount of €74.8 million. The facility has a 10.5 year maturity with a three year draw down availability period and bears an interest rate of six month EURIBOR plus 1.1% per annum. Euler Hermes Kreditversicherungs AG has provided credit insurance to support the facility. At 31 December 2012 there were no drawings under this facility.

Promissory Note

As part of the FQM transaction, announced on 2 March 2012, the total consideration included deferred consideration of US$500 million. This is in the form of a three-year promissory note with an interest coupon of 3% per annum. In accordance with IAS 39 Financial Instruments Recognition and Measurement, this was measured at fair value of US$441 million at the time of the transaction and US$466 million as at 31 December 2012.

Brazil deferred consideration

In September 2010, ENRC NV acquired the remaining 50% of Bahia Minerals BV for an initial consideration amount and various event driven incremental purchase payments thereafter. At the date of this report the aggregate amount of net outstanding incremental purchase payments is US$220 million.

Change of control
The aforementioned Structured Trade Finance Facility, the Revolving Credit Facility, the Russian Commercial Bank (Cyprus) Facilities, the Sberbank of Russia Facility and the Export Credit Facilities have broadly similar change of control provisions described below.

If at any time a change of control occurs and if the majority lenders so require, the lenders may decline to fund a draw down and may cancel their commitments under the facility and require that any outstanding loan, together with accrued interest, be due and payable in full by giving not less than 10 days’ notice.

Under the Promissory Note, if a change of control occurs, the principal sum and any accrued and unpaid interest thereon must be prepaid within 14 days unless (a) the acquiring entity’s long-term, unsecured, unsubordinated debt securities have a credit rating equivalent to (or better than) ENRC PLC’s credit rating and ENRC PLC’s credit rating does not worsen as a result of the change of control (or, if it does, the acquiring entity replaces ENRC PLC as guarantor under the Promissory Note) or (b) the holder consents to the change of control.

For these purposes, ‘change of control’ means any person or group of persons acting in concert who gains direct or indirect control of the Company and ‘control’ means the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to cast more than one half of the maximum number of votes that might be cast at a general meeting of the Company as applicable or appoint or remove all, or the majority of, the Directors or give directions with respect to the operating and financial policies of the Company.

In respect of the Brazil deferred consideration, upon a change of control, ENRC NV will become liable to pay all outstanding incremental purchase payments to Ardila Investments N.V. (the Seller under the Bahia Minerals BV sale and purchase agreement) within five business days. For these purposes, a change of control means an acquisition by a person, not being a subsidiary undertaking or parent undertaking of ENRC NV, of a beneficial interest in more than 50% of the total issued share capital of Bahia Minerals BV as at the date of such sale.

There are a number of agreements that take effect after or terminate upon a change of control of the Company, such as commercial contracts and joint venture agreements. None is considered to be significant in terms of their potential impact on the business of the Group as a whole.

Auditors and disclosure of information to auditors

The Group’s external auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed at the forthcoming AGM.

Each of the Directors at the date of approval of this report confirms that so far as the Directors are aware, there is no relevant audit information of which the Company’s auditors are unaware; and the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Group’s auditors are aware of the information. The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Corporate governance

The Group’s statement on corporate governance is included in the corporate governance report on pages 63 to 75 of this Annual Report and Accounts and forms part of this Directors’ report.

Electronic access to the Company’s publications

A copy of the 2012 Annual Report and Accounts, along with other corporate publications, reports and press releases, is available on the Company’s website at www.enrc.com.

Signed on behalf of the Board of Directors

Mr Felix J Vulis
Chief Executive Officer

24 April 2013

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts, the remuneration report and the Consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether IFRS as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Consolidated and Parent Company financial statements respectively; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006 and, as regards to the Consolidated financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are listed on pages 60 and 61 confirm that, to the best of their knowledge:

- The Consolidated financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- The Parent Company financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- The Directors' report and the Business Review contained on pages 86 to 90, include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Independent assurance report to the Directors of Eurasian Natural Resources Corporation PLC

The Directors of Eurasian Natural Resources Corporation PLC ('ENRC' 'the Group') engaged us to provide limited assurance on the information set out below and included in the Annual Report and Accounts for the year ended 31 December 2012.

What we are assuring ('Selected Information')

The Selected Information, as set out in the Performance Summary in the Annual Report and Accounts 2012 on page 19 consists of:

- Workforce (employees);
- Fatalities (employees and contractors);
- Lost Time Injuries (employees);
- Lost Time Injury Frequency Rate;
- Energy Consumed (production only);
- Greenhouse Gas Emissions (energy only);
- Water Use; and
- Community Social Investment.

The scope of our work was restricted to the Selected Information for the year ended 31 December 2012 and does not extend to information in respect of earlier periods or to any other information in the Annual Report and Accounts 2012.

How the information is assessed ('Reporting Criteria')

We assessed the Selected Information using ENRC's 2012 Reporting Principles as set out at www.enrc.com/csr/reporting[1].

Professional standards applied[2] and level of assurance[3]

We have used ISAE 3000 (limited level of assurance) and we have complied with the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics.

Understanding reporting and measurement methodologies

There are no globally recognised and established practices for evaluating and measuring the Selected Information. The range of different, but acceptable, techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Reporting Principles used as the basis of ENRC's reporting should therefore be read in conjunction with the Selected Information.

Work done[4]

Considering the risk of material misstatement of the Selected Information, we:

- Made enquiries of ENRC's management, including the Sustainable Development ('SD') team and those with responsibility for SD management and Group SD reporting;
- Evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information. This included analysing and visiting 14 sites, selected on the basis of their inherent risk and materiality to the Group, to understand the key processes and controls for reporting site performance data to the Group SD team;
- Performed limited substantive testing on a selective basis of the Selected Information at corporate head offices (London and Astana) and in relation to 33 sites to verify that data had been appropriately measured, recorded, collated and reported; and
- Assessed the disclosure and presentation of the Selected Information.

ENRC's responsibilities

The Directors of ENRC are responsible for:

- Designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- Establishing objective Reporting Principles for preparing the Selected Information;
- Measuring ENRC's performance based on the Reporting Principles; and
- The content of the Annual Report and Accounts 2012.

Our responsibilities

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error; and
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and reporting our conclusion to the Directors of ENRC.

Our conclusions

As a result of our procedures nothing has come to our attention that indicates the Selected Information for the year ended 31 December 2012 has not been prepared in all material respects with the Reporting Principles.

This report, including our conclusions, has been prepared solely for the Directors of ENRC as a body in accordance with the agreement between us, to assist the Directors in reporting ENRC's sustainable development performance and activities. We permit this report to be disclosed in the Annual Report and Accounts for the year ended 31 December 2012, to enable the Directors to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and ENRC for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants
London
24 April 2013

1 The maintenance and integrity of the ENRC website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Data or Reporting Principles when presented on the ENRC website.

2 We have complied with International Standard on Assurance Engagements 3000 – 'Assurance Engagements other than Audits and Review of Historical Financial Information' issued by the International Auditing and Assurance Standards Board (IAASB), and with the applicable independence and competency requirements of the ICAEW Code of Ethics. To comply with those standards our work was carried out by an Independent and multi-disciplinary team of sustainability and assurance specialists.

3 Assurance, defined by the IAASB, gives the user confidence about the subject matter assessed against the reporting criteria. Reasonable assurance gives more confidence than limited assurance engagement in substantially less in scope in relation to both the assessment of risks of material misstatement and the procedures performed in response to the assessed risks.

4 We comply with the applicable independence and competency requirements of the ICAEW Code of Ethics.

Independent auditors' report to the members of Eurasian Natural Resources Corporation PLC

We have audited the Consolidated financial statements of Eurasian Natural Resources Corporation PLC for the year ended 31 December 2012 which comprise: Consolidated income statement; Consolidated statement of comprehensive income; Consolidated balance sheet; Consolidated cash flow statement; Consolidated statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the statement of Directors' responsibilities set out on page 91, the Directors are responsible for the preparation of the Consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Consolidated financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its loss and cash flows for the year then ended;
- Have been properly prepared in accordance with IFRS as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' report for the financial year for which the Consolidated financial statements are prepared is consistent with the Consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement of responsibilities, set out on page 91, in relation to going concern;
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to shareholders by the Board of Directors' remuneration.

Other matters

We have reported separately on the Parent Company financial statements of Eurasian Natural Resources Corporation PLC for the year ended 31 December 2012 and on the information in the remuneration report that is described as having been audited.

Nicholas Blackwood

Nicholas Blackwood
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 April 2013

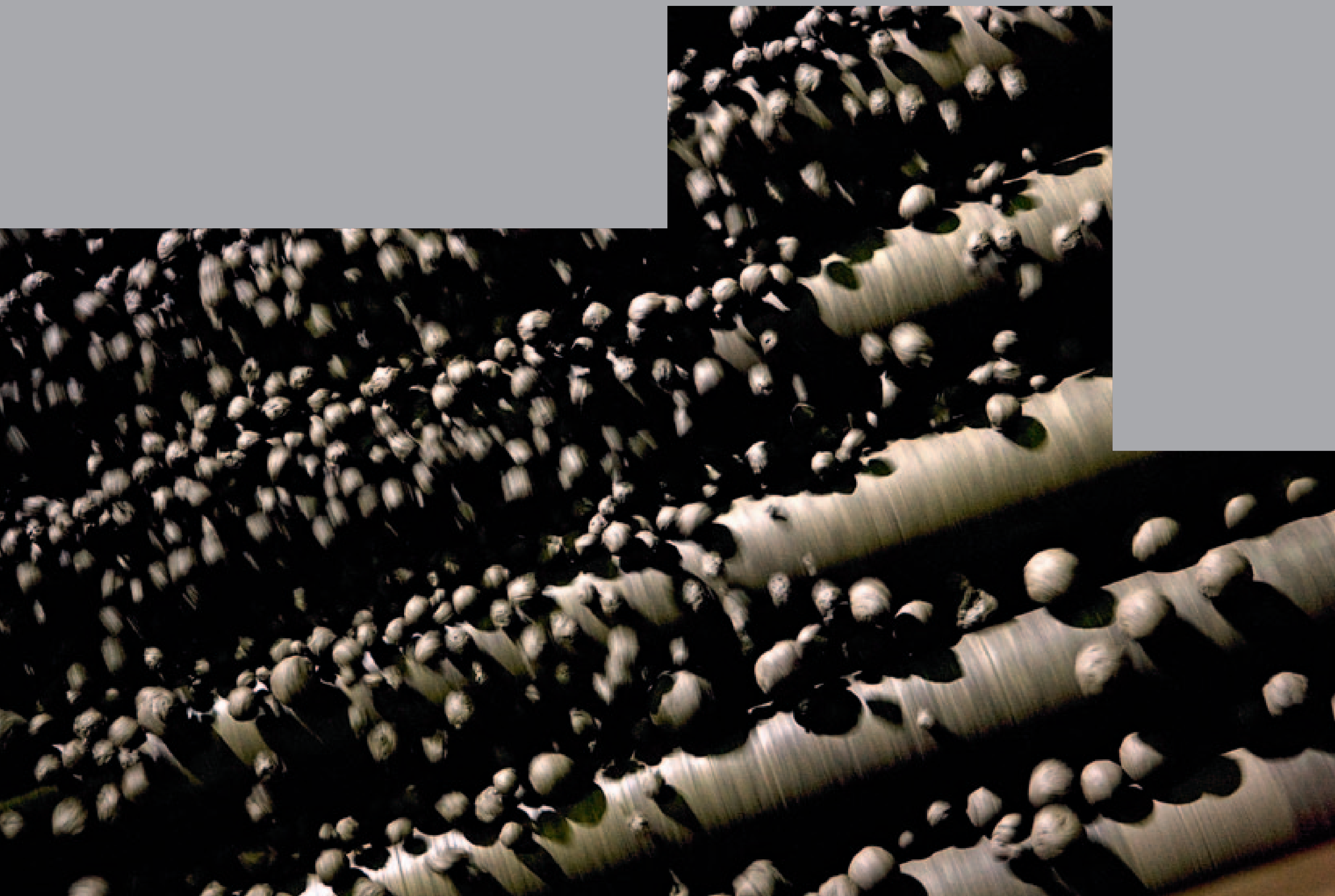
Notes

(a) The maintenance and integrity of the Eurasian Natural Resources Corporation PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Consolidated financial statements since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

07

Financials

In this section:



Consolidated income statement

In millions of US$ (unless stated otherwise)	Note	Years ended 31 December 2012	2011
Revenue	6	**6,320**	7,705
Cost of sales	7	**(3,723)**	(3,517)
Gross profit		**2,597**	4,188
Distribution costs	8	**(530)**	(501)
General and administrative expenses	10	**(733)**	(692)
Exploration costs		**(149)**	(77)
Impairments	9	**(1,216)**	(24)
Onerous contract provision	9	**(328)**	–
Net other operating expense	11	**(15)**	(18)
Operating (loss)/profit		**(374)**	2,876
Finance income	13	**60**	61
Finance cost	14	**(286)**	(184)
Net gain arising from business combinations	5	**89**	–
Share of (loss)/profit of joint ventures and associates	19	**(39)**	2
(Loss)/profit before income tax		**(550)**	2,755
Income tax expense	15	**(302)**	(769)
(Loss)/profit for the year		**(852)**	1,986
(Loss)/profit attributable to:			
Owners of the Company		**(804)**	1,974
Non-controlling interests		**(48)**	12
(Loss)/earnings per share – basic and diluted (US cents)	16	**(62)**	153

The above Consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

In millions of US$	Note	Years ended 31 December 2012	2011
(Loss)/profit for the year		**(852)**	1,986
Other comprehensive income/(expense):			
Fair value gain/(loss) on available-for-sale financial assets		**42**	(174)
Transfer of impairment of investments in available-for-sale financial assets	9	**123**	–
Currency translation differences		**(293)**	(223)
Total comprehensive (expense)/income for the year		**(980)**	1,589
Total comprehensive (expense)/income attributable to:			
Owners of the Company		**(931)**	1,577
Non-controlling interests		**(49)**	12
		(980)	1,589

The above Consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

In millions of US$	Note	As at 31 December 2012	2011
Assets			
Non-current assets			
Property, plant and equipment	17	**14,591**	9,891
Goodwill and intangible assets	18	**1,754**	1,410
Investments in joint ventures and associates	19	**9**	389
Other financial assets	20	**261**	207
Loans receivable	21	**44**	225
Deferred tax assets	15	**69**	49
Other non-current assets	22	**303**	349
Total non-current assets		**17,031**	12,520
Current assets			
Inventories	23	**1,292**	1,027
Trade and other receivables	24	**1,056**	1,223
Income tax receivable		**18**	36
Other financial assets	20	**62**	11
Loans receivable	21	**3**	2
Cash and cash equivalents	25	**698**	622
Total current assets		**3,129**	2,921
Assets classified as held for sale		**4**	75
Total assets		**20,164**	15,516
Equity			
Share capital and share premium	27	**3,257**	3,257
Reserves		**6,489**	7,643
Attributable to owners of the Company		**9,746**	10,900
Non-controlling interests		**804**	336
Total equity		**10,550**	11,236
Liabilities			
Non-current liabilities			
Borrowings	28	**5,554**	1,234
Deferred tax liabilities	15	**1,976**	1,277
Onerous contract provision	9	**233**	–
Asset retirement obligations	29	**223**	124
Employee benefit obligations	30	**83**	53
Other non-current liabilities		**24**	15
Total non-current liabilities		**8,093**	2,703
Current liabilities			
Borrowings	28	**279**	360
Trade and other payables	31	**974**	980
Onerous contract provision	9	**95**	–
Income tax liabilities		**71**	130
Other taxes payable	32	**102**	82
Total current liabilities		**1,521**	1,552
Liabilities classified as held for sale		**–**	25
Total liabilities		**9,614**	4,280
Total liabilities and equity		**20,164**	15,516

The above Consolidated balance sheet should be read in conjunction with the accompanying notes.

These Consolidated financial statements and the accompanying notes, were approved for issue by the Board of Directors on 24 April 2013 and were signed on its behalf by:

Mr Felix J Vulis
Chief Executive Officer

Dr Zaure Zaurbekova
Chief Financial Officer

Consolidated cash flow statement

In millions of US$	Note	Years ended 31 December 2012	2011
Cash generated from operating activities	26	**1,909**	3,044
Interest and other similar expenses paid		**(178)**	(105)
Interest received		**14**	21
Income tax paid		**(475)**	(817)
Net cash generated from operating activities		**1,270**	2,143
Cash flow from investing activities			
Purchase of property, plant and equipment		**(2,306)**	(2,121)
Proceeds from sales of property, plant and equipment		**87**	27
Purchase of intangible assets		**(39)**	(13)
Payment of contingent consideration		**(108)**	–
Acquisition of subsidiaries, net of cash acquired	5	**(1,958)**	(281)
Purchase of joint ventures and associates		**–**	(55)
Purchase of financial assets available-for-sale		**–**	(25)
Proceeds from assets held for sale		**15**	–
Proceeds from sale of financial assets available-for-sale		**25**	–
Proceeds from cash deposited as guarantee		**–**	11
Loans and deposits granted		**(275)**	(285)
Proceeds from repayment of loans and deposits		**38**	73
Dividends received		**–**	13
Net cash used for investing activities		**(4,521)**	(2,656)
Cash flow from financing activities			
Borrowings – proceeds		**4,090**	154
Borrowings – repayments		**(338)**	(154)
Payment of deferred consideration		**(159)**	–
Purchase of non-controlling interests		**(29)**	–
Dividends paid to owners of the Company		**(225)**	(434)
Dividends paid to non-controlling interests		**(8)**	(14)
Net cash generated from/(used for) financing activities		**3,331**	(448)
Net changes in cash and cash equivalents		**80**	(961)
Cash and cash equivalents at beginning of year		**622**	1,595
Foreign exchange loss on cash and cash equivalents		**(4)**	(12)
Cash and cash equivalents at end of year	25	**698**	622

The above Consolidated cash flow statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

In millions of US$	Share capital	Share premium	Retained earnings	Translation reserve	Revaluation reserve of financial assets available-for-sale	Total	Non-controlling interests	Total equity
	Attributable to owners of the Company							
Balance as at 1 January 2011	**258**	**2,999**	**7,275**	**(790)**	**7**	**9,749**	**260**	**10,009**
Profit for the year	–	–	1,974	–	–	1,974	12	1,986
Other comprehensive expense	–	–	–	(223)	(174)	(397)	–	(397)
Total comprehensive income/(expense)	**–**	**–**	**1,974**	**(223)**	**(174)**	**1,577**	**12**	**1,589**
Dividends	–	–	(434)	–	–	(434)	(16)	(450)
Share-based payments	–	–	8	–	–	8	–	8
Other changes in non-controlling interests[1]	–	–	–	–	–	–	80	80
Balance as at 31 December 2011	**258**	**2,999**	**8,823**	**(1,013)**	**(167)**	**10,900**	**336**	**11,236**
Loss for the year	–	–	(804)	–	–	(804)	(48)	(852)
Other comprehensive (expense)/income	–	–	–	(292)	165	(127)	(1)	(128)
Total comprehensive (expense)/income	**–**	**–**	**(804)**	**(292)**	**165**	**(931)**	**(49)**	**(980)**
Dividends	–	–	(225)	–	–	(225)	(9)	(234)
Buyout of non-controlling interests[2]	–	–	(8)	–	–	(8)	(21)	(29)
Share-based payments	–	–	10	–	–	10	–	10
Other changes in non-controlling interests[3]	–	–	–	–	–	–	547	547
Balance as at 31 December 2012	**258**	**2,999**	**7,796**	**(1,305)**	**(2)**	**9,746**	**804**	**10,550**

1 Mainly includes the recognition of non-controlling interests arising on the acquisition of Rubio Holdings Limited.
2 This relates to the remaining 3.12% in ENRC Africa Holdings Ltd (formerly Central African Mining and Exploration Company PLC) acquired in 2012.
3 Mainly includes the recognition of non-controlling interests on the acquisition of the remaining ordinary share capital of Camrose Resources Limited, the recognition of 3.68% non-controlling interests as a result of the Shubarkol Komir JSC acquisition, the recognition of 5% non-controlling interests as a result of the Frontier SPRL acquisition and the de-recognition of non-controlling interests for Xinjiang Tuoli ENRC Taihang Chrome Co. Ltd. ('Tuoli') as a result of loss of control (and subsequent classification as an investment).

The above Consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Consolidated financial statements

1. Basis of preparation and principal accounting policies

Eurasian Natural Resources Corporation PLC (the 'Company') was incorporated and registered under the laws of England and Wales on 8 December 2006 and is listed on the London Stock Exchange. The Company's registered office and domicile is 16 St. James's Street, London, SW1A 1ER, United Kingdom. The Consolidated financial statements (the 'financial statements') as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (the 'Group') and the Group's interest in joint ventures and associates.

Basis of preparation

The financial statements have been drawn up on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2011 except where new policies have been applied. New accounting policies and pronouncements and the effects of these policies have been outlined below.

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and interpretations issued by the IFRS Interpretations Committee ('IFRIC'), as adopted by the European Union ('EU'), and in accordance with the Companies Act 2006 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation. The financial statements have been prepared on a going concern basis (see Corporate governance report).

The financial statements have also been prepared under the historical cost convention as modified for the revaluation of certain assets and liabilities as further explained in the respective accounting policies.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements in applying the Group's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Comparative information

Where the Group has changed the presentational format of the Consolidated financial statements to further improve the comparability of its results, comparative figures have been changed accordingly.

Changes in accounting policy and disclosures

New and amended standards adopted for 2012

Amendments to IFRS 7, 'Financial Instruments: Disclosures' – Transfers of Financial Assets effective for periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised. The amendment also requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment has no impact to the Group.

New standards, amendments to standards and interpretations issued but not yet effective and not early adopted

IFRS 10, 'Consolidated financial statements' (endorsed by the EU with effective date of 1 January 2014)

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by the Company.

IFRS 11, 'Joint arrangements' (endorsed by the EU with effective date of 1 January 2014)

IFRS 11 removes the option to account for jointly controlled entities ('JCEs') using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

IFRS 12, 'Disclosures of interests in other entities' (endorsed by the EU with effective date of 1 January 2014)

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to Consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities.

IFRS 13, 'Fair Value Measurement' (endorsed by the EU with effective date of 1 January 2013)

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

IAS 19, 'Employee Benefits' (revised 2011) effective 1 January 2013 (endorsed by the EU with effective date 1 January 2013)

IAS 19 makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

IAS 27, 'Separate financial statements' (revised 2011) (endorsed by the EU with effective date of 1 January 2014)

As a consequence of the new IFRS 10, a portion of IAS 27 has been replaced that addresses the accounting for Consolidated financial statements. The new IAS 27 only deals with separate financial statements.

IAS 28, 'Investments in associates and joint ventures' (revised 2011) (endorsed by the EU with effective date of 1 January 2014)

IAS 28 has been renamed as a consequence of the new IFRS 11 and IFRS 12. The revised IAS 28 describes the application of the equity method to investments in joint ventures in addition to associates.

Amendments to IAS 32, 'Financial Instruments: Presentation' – Offsetting Financial Assets and Financial Liabilities (endorsed by the EU with effective date of 1 January 2014)

The amendments clarify the meaning of 'currently has a legally enforceable right to set-off'. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous.

IAS 12, 'Income Taxes' (amendment) – Deferred taxes: Recovery of Underlying Assets (endorsed by the EU with effective date of 1 January 2013)

The amendment clarifies that the deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16, 'Property, Plant and Equipment' should always be measured on a sale basis.

IFRIC 20, 'Stripping costs in the production phase of a surface mine' (endorsed by the EU with effective date of 1 January 2013)

IFRIC 20 applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The Group is currently assessing the impact of this interpretation but does not expect the transition to this new interpretation to significantly impact the financial results. This interpretation addresses recognition of production stripping costs as an asset, initial measurement of the stripping activity asset and subsequent measurement of the stripping activity asset and states the following:

- Initial measurement: Stripping activity asset is measured at cost; this being the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs.
- Subsequent recognition: The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

Annual improvements to IFRS 2009–2011 (endorsed by the EU with effective date of 1 January 2013)

The Group intends to adopt these new and amended standards for annual periods beginning on or after the effective dates as endorsed by the EU. The Group is currently assessing the impact of the above listed amendments and new standards on its financial statements.

Basis of consolidation

The financial statements of the Group include the consolidation of the accounts of the Company and its subsidiaries drawn up to 31 December 2012 and the Group's share of joint ventures and associates as described below.

i) Subsidiaries
Subsidiaries are those entities, over which the Company has the power to govern the financial and operating policies so as to obtain economic benefits from its activities, generally accompanying, directly or indirectly, an interest of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are de-consolidated from the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Intercompany transactions, balances and unrealised gains and losses on transactions between subsidiaries are eliminated. Accounting policies of subsidiaries, associates and joint ventures have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Company. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

ii) Joint ventures
Joint ventures are all entities over which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group has elected to use the equity method to account for interests in jointly controlled entities, which are disclosed as joint ventures in the financial statements. Under this method of accounting, the investment is initially recognised at cost. The Group's investment in joint ventures includes goodwill identified on acquisition, net of any accumulated impairment losses.

1. Basis of preparation and principal accounting policies continued

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in the statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated to the extent of the Group's interest in the joint ventures unless the transaction provides evidence of an impairment of the asset transferred.

iii) Associates

Associates are all entities over which the Group has significant influence through participation in the financial and operating policy decisions of the investee, but which is not a subsidiary or jointly controlled entity.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting as described above for jointly controlled entities.

Functional and presentational currency

All amounts in these financial statements are presented in millions of US dollars, unless otherwise stated.

The functional currency for major entities in the Group is determined as the currency of the primary economic environment in which the entities operate. The following additional factors are considered in determining the functional currency of a foreign operation:

- Whether the activities of the foreign operation are carried out as an extension of the reporting entity, rather than being carried out with a significant degree of autonomy;
- Whether transactions with the reporting entity are a high or a low proportion of the foreign operation's activities;
- Whether cash flows from the activities of the foreign operation directly affect the cash flows of the reporting entity and are readily available for remittance to it; and
- Whether cash flows from the activities of the foreign operation are sufficient to service existing and normally expected debt obligations without funds being made available by the reporting entity.

The functional currency of the significant operating entities is either the Kazakhstani tenge ('KZT'), or the Russian rouble ('RUB') or Brazilian real ('BRL'). For the Sales and Marketing entities and significant African operations, the functional currency is the US dollar ('US$').

The functional currency of the Company is the US$.

The following table shows, for the years indicated, the principal rates of exchange used per US$1.00.

	As at 31 December		Average rate	
	2012	2011	**2012**	2011
British pound	**0.62**	0.65	**0.63**	0.62
Kazakhstani tenge	**150.74**	148.40	**149.11**	146.62
Russian rouble	**30.39**	32.19	**31.04**	29.32
Brazilian real	**2.04**	1.88	**1.95**	1.67

Foreign currency translation

Transactions in currencies other than the functional currency are translated to the functional currency at the rate of exchange ruling at the date of the transaction, unless hedge accounting applies in which case the contract rate is used. 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, except when recognised in other comprehensive income as qualifying cash flow hedges. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Translation from functional to presentational currency

The results and financial position of all Group entities that have a functional currency different from the presentational currency are translated into the presentational 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);
- All resulting exchange differences are recognised as a separate component of equity; and
- 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 at the date of acquisition. 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.

Revenue recognition

A significant portion of production is sold under contracts of sale of goods. Revenue from sale of goods 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 sale 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 and quality of the product. Any subsequent adjustments to the initial estimate of quantity and quality of the product is recorded in revenue once they have been determined;
- No continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold has been retained;
- The amount of revenue and respective costs incurred or to be incurred in respect of the transaction can be measured reliably; and
- It is probable that the economic benefits associated with the sale will flow to the Group.

Revenue from sale of services is 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 measured at the fair value of the consideration received or receivable. When the fair value of goods or services received in a barter transaction involving dissimilar items cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up. Revenues are shown net of VAT and discounts.

Employee benefits

Defined benefit plans
The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with labour union agreements in Kazakhstan, Russia and the Democratic Republic of the Congo. The agreements typically provide for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. Such benefits are valued consistent with an unfunded defined benefit plan in accordance with IAS 19 'Employee Benefits'.

The future benefit that employees have earned in return for their service in the current and prior periods is discounted to determine the present value. Since Kazakhstan, Russia and the Democratic Republic of the Congo do not have an extensive market of high quality corporate bonds, the market yields on government bonds are used as a basis for discount rates. The calculation is performed annually internally or by a qualified, independent actuary depending on the complexity of computations.

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. This means that the difference between the fair value of the plan assets (if any) and the present value of the defined liabilities 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 in the period in which they arise. 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.

1. Basis of preparation and principal accounting policies continued

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. Contributions to defined contribution plans are recognised in the income statement as an employee benefit expense in the period in which they are due.

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.

Share-based payments
The Group has equity-settled, share-based compensation plans, under which the Group receives services from qualifying employees as consideration for equity instruments. The employee services received in exchange for the grant of the equity-settled payments are measured at the fair value of the equity granted and are recognised as expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards subject to the Group's estimate of the number of awards which will lapse prior to vesting. The amount recognised in the income statement as an expense is adjusted to reflect the actual number of awards that vest. The fair values of equity-settled payments are measured at the dates of grant using a Monte-Carlo pricing model for the Long Term Incentive Plan and Black-Scholes option pricing model for the Deferred Share Plan.

At the end of each reporting period, the Group revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions. It recognises the impact on the revision to original estimates, if any, in the income statement, with corresponding adjustment to equity.

If the Group cancels or settles a grant of equity instruments during the vesting period, it treats this as an acceleration of vesting and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. Any payment made to a counterparty on the cancellation or settlement of a grant of equity instruments, even if this occurs after the vesting date, is accounted for as a repurchase of an equity interest (i.e. as a deduction from equity), except to the extent that the payment exceeds the fair value of the equity instruments repurchased, measured at the repurchase date. Any such excess is recognised as an expense.

Finance income and cost

Finance income comprises interest income on funds invested and gains and income on investment and trading securities. Finance 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 and losses on the revaluation and disposal of investments designated at fair value through profit or loss.

Finance income and costs include foreign exchange gains and losses that relate mainly to loans receivable, borrowings, and term deposits (more than three months).

Interest income and expenses are recognised on a time proportion basis, using the effective interest method. 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 acquisition of a qualifying asset.

Borrowings to finance the acquisition of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs which relate to borrowings made specifically to fund the acquisition of a qualifying asset are fully capitalised. To the extent that funds are borrowed generally by the Group, the capitalisation rate used is based upon only those incremental borrowings utilised for the purpose of obtaining a qualifying asset.

Income tax

The income tax expense for the period comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case tax is also recognised in other comprehensive income or directly in equity. Kazakhstan Excess Profits Tax, being a tax on income, forms part of the income tax expense.

Current tax expense is the amount of tax estimated to be payable or recoverable in respect of the taxable income or loss of a period, as well as adjustments to estimates in respect of previous periods. It is calculated on the basis of the tax laws and rates enacted or substantively enacted at the balance sheet date.

Deferred tax represents the amount of income taxes payable or recoverable in future periods in respect of temporary differences, unused tax losses and unused tax credits. Deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, subject to the exceptions below.

Deferred tax is not accounted for if it arises from the initial recognition of goodwill or 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 tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax is provided on temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, 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 tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the recognised amounts and the deferred tax assets and liabilities are intended to be settled either simultaneously or on a net basis.

Exploration and evaluation

Exploration for and evaluation of mineral resources include the search for mineral resources after the Group company has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting mineral resources. Exploration and evaluation expenditure related to an area of interest are written off as incurred until the management conclude that it is probable that future costs will be recovered through successful development and exploitation of the area of interest, or alternatively through its sale, from which point they are carried forward as an asset in the balance sheet and are included as a component of property, plant and equipment at cost less impairment charges.

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.

For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped with relevant existing cash-generating units of operating mines that are located in the same geographical region. Where the assets are not associated with a specific cash-generating unit, the recoverable amount is assessed for the specific exploration area.

Any impairment loss is recognised as an expense in accordance with the policy on impairment of non-financial assets.

Identifiable exploration and evaluation assets acquired as part of a business combination are recognised as assets at their fair value at the date of acquisition.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment loss. Cost includes the original purchase price of the asset, costs attributable to bringing the asset to its working condition for its intended use and estimated future cost of closure and restoration of the asset.

Depreciation is recorded over the useful life of the asset, or over the expected remaining life of the mine if shorter, as follows:

- Buildings (including mining premises): 10 to 60 years on a straight-line basis;
- Mining assets (including mineral rights): on a units of production basis;
- Plant and equipment: 5 to 30 years on a straight-line basis; and
- Motor vehicles: 5 to 30 years on a straight-line basis.

Land is not depreciated.

The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life.

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.

1. Basis of preparation and principal accounting policies continued

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 other repairs and maintenance are charged to the income statement in the 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 of the assets disposed of and are recognised in the income statement.

Property, plant and equipment are tested for impairment if facts and circumstances indicate that impairment may exist, in accordance with the impairment policy below.

i) Mining assets
Once a project has been established as commercially viable, capitalised expenditures are transferred from 'exploration and evaluation' to 'mining assets'. In addition, mining assets include mineral rights, expenditure incurred to establish or expand production 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 costs 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 assets' 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 allocated overheads.

On completion, the cost of construction is transferred to the appropriate asset category. Assets under construction are not depreciated. Depreciation commences on the date when 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, and 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 treated as a production cost that forms part of the cost of inventory.

Impairment

The carrying amounts of property, plant and equipment and all other non-financial assets are reviewed for impairment if facts and circumstances indicate that impairment may exist. An intangible asset that has indefinite useful life, such as goodwill, is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The Group tests an asset or cash-generating unit ('CGU') for impairment by comparing its recoverable amount with its carrying amount. When impairment review is undertaken, the recoverable amount is assessed by reference to the higher of 'value in use' and 'fair value less costs to sell'.

A CGU 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.

Value in use is the net present value of expected future cash flows of the relevant CGU in its current condition. Value in use is determined by applying assumptions specific to the Group's continued use of the asset or CGU and does not take into account future developments.

The estimates used for impairment reviews to determine value in use are based on detailed mine plans and operating budgets. Future cash flows are based on management's best 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; and
- Future cash costs of production, capital expenditure related to construction in progress and development projects that are not yet completed, close down, restoration and environmental clean up.

Fair value less costs to sell is the amount obtainable from the sale of an asset or CGU 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 CGU in an arm's length transaction.

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. For assets excluding goodwill, 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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Business combinations and goodwill

The acquisition method of accounting is used to account for business combinations.

The Group elects on a transaction-by-transaction basis, to measure non-controlling interests at the value of their proportion of identifiable assets and liabilities or at full fair value. The excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree, represents goodwill. 'Bargain purchase gain' which is the excess of the net identifiable amounts of the assets acquired and liabilities assumed over the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest, is recognised immediately in the income statement.

The consideration transferred in a business combination is measured at fair value, with contingent consideration recognised at fair value as part of that consideration transferred. The obligation to pay contingent consideration is classified as a liability or equity on the basis of the terms and conditions of the contingent consideration. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss, if any, is recognised in the income statement.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in conjunction with a business combination are expensed as incurred.

Goodwill acquired through business combinations has been allocated to those CGUs or groups of CGUs that are expected to benefit from the business combination. These CGUs or groups of CGUs represent the lowest level within the Group at which goodwill is monitored for internal management purposes and these CGUs or groups of CGUs are not larger than the Group's operating segments, which are its product groups.

Goodwill is tested for impairment annually in accordance with the impairment policy described above. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. Subsequently, goodwill is measured at cost initially recognised less accumulated impairment losses.

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 in a business combination are capitalised at fair value when the fair value can be measured reliably on initial recognition. Intangible assets are tested for impairment if facts and circumstances indicate that impairment may exist, in accordance with the impairment policy described above.

Intangible assets are amortised using the straight-line method over their useful lives not exceeding 20 years.

Notes to the Consolidated financial statements continued

1. Basis of preparation and principal accounting policies continued

Financial assets

Classification
The Group classifies its financial assets into the following measurement categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets include cash and cash equivalents, trade receivables, other receivables, loans receivable and other financial assets.

Measurement
i) Loans and receivables
Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments. Loans and receivables are initially recognised at fair value plus directly attributable transaction costs. Subsequently, loans and receivables are stated at amortised cost using the effective interest 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 loans is adjusted for amortisation of the origination gain or loss and the amortisation is recorded as finance income/costs The Group's loans and receivables comprise mainly of 'loans receivable', 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

ii) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss 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 such as forward currency contracts, interest rate swaps and forward commodity contracts, other than those designated as effective hedging instruments, are included within financial assets at fair value through profit or loss. These assets are initially recognised at fair value with transaction costs expensed in the income statement. They are subsequently re-measured at fair value with gains or losses recognised in the income statement.

iii) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are initially recognised at fair value plus transaction costs and subsequently carried at fair value. Changes in fair value of available-for-sale financial assets, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in the statement of comprehensive income. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair value of quoted investments is determined by reference to closing bid prices at the end of every reporting period. Where fair value cannot be reliably measured, available-for-sale assets are carried at cost.

iv) Held-to-maturity financial assets
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are measured at amortised cost using the effective interest rate method, less any impairment losses.

Derecognition
The Group derecognises financial assets when: (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired; (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.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, when it becomes probable that they will enter bankruptcy or other financial reorganisation, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults, and prolonged decline in the value of equity instruments classified as available-for-sale financial assets.

i) Assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of loss is recognised in the income statement. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account.

ii) Assets classified as available-for-sale
The decline in the fair value of an available-for-sale financial asset is recognised in the statement of comprehensive income. When there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to the income statement as a reclassification adjustment even though the financial asset has not been derecognised. The amount of the cumulative loss that is reclassified from equity to the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses recognised in the income statement for an investment in an equity instrument classified as available-for-sale are not reversed through the income statement. If in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a weighted average basis.

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, consumable stores and other inventories is purchase price or extraction cost. Cost 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, but excluding borrowing costs.

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.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest 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 movement in the provision from the previous reporting period is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses' in the income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less. Balances restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date are included in other financial non-current assets, while balances restricted for more than three months but less than 12 months after the balance sheet date are included in trade and other receivables. Restricted balances are excluded from cash and cash equivalents in the cash flow statement.

1. Basis of preparation and principal accounting policies continued

Financial liabilities

Classification
The Group classifies its financial liabilities into the following measurement categories: loans and borrowings, financial liabilities at fair value through profit or loss, and derivatives designated as hedging instruments in an effective hedge. Management determines the classification of its financial liabilities at initial recognition.

Financial liabilities include trade and other payables, loans and borrowings, bank overdrafts and derivative financial instruments.

Measurement
i) Loans and borrowings
Loans and borrowings are initially recorded at fair value plus directly attributable transaction costs. Loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Any difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings 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 method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

ii) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified in this category if accepted principally for the purpose of repurchasing in the short term. Derivatives, other than those designated as effective hedging instruments, are included within financial liabilities at fair value through profit or loss. These liabilities are initially recognised at fair value with transaction costs expensed in the income statement. They are subsequently re-measured at fair value with gains or losses recognised in the income statement.

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 a part of finance costs.

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. Estimates are based on management's interpretation of compliance with current environmental legislation in the country of operation.

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 finance 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.

Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

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 when declared after the balance sheet date but before the financial statements are authorised for issue.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for making strategic decisions, allocating resources and assessing performance of the operating segments, has been identified as the Group Chief Executive Officer.

2. Critical accounting estimates and judgements in applying accounting policies

The Group makes judgements in the process of applying accounting policies. The Group also makes estimates and assumptions concerning the future. 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 resulting accounting estimates may differ from 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 and areas of judgements that have a significant effect on the amounts recognised in the financial statements are discussed below.

Ore reserve estimates

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.

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. Estimates are normally supported by drilling samples and geological studies by independent mining engineering consultants. Significant judgement is required to generate an estimate based on the geological data available.

Ore reserve estimates may change from period to period. This may impact the Group's financial results. Changes in these estimates may impact depreciation charges, impairment charges on individual assets and CGUs, and asset retirement obligation provisions.

Life of mines

Contracts for subsurface use expire between 2013 and 2052. The Group expects that the subsurface use contracts will be extended at nominal cost until the end of the lives of the related mines, which range between 7 and 46 years. Any changes in these assumptions may impact depreciation charges, impairment charges on individual assets and CGUs and asset retirement obligations, as these items have been measured using the assumption that the subsurface use contracts will be extended until the end of the mine life.

If the contracts are not renewed at their current expiry dates, the carrying amount of property, plant and equipment existing at the expiry date to be written off at the date of expiry is US$985 million as at 31 December 2012 (2011: US$793 million).

Asset retirement obligations

Provision is made for asset retirement obligations when the related environmental disturbance takes place. Decommissioning and rehabilitation expenditure is largely expected to take place at the end of the respective mine lives, which varies from 7 to 46 years. Provisions are measured using the net present value of the expected costs as outlined in notes 1 and 29 to the Consolidated financial statements.

The provision represents management's best estimate of the costs that will be incurred based on legislative and regulatory requirements. Significant judgement is required as many of these costs will not crystallise until the end of the life of the mine.

2. Critical accounting estimates and judgements in applying accounting policies continued

Estimates are reviewed annually and are based on management's interpretation of compliance with current environmental legislation in the country of operation. Significant changes in environmental legislation, restoration techniques and estimates of contamination will result in changes to provisions from period to period.

The long-term inflation rate currently applied in the calculation is 2.0%–9.0% as at 31 December 2012 (2011: 1.2%–9.0%) being the estimate of the rate of inflation over the mine lives. The discount rate currently applied in the calculation is 5.8%–13.5% at 31 December 2012 (2011: 7.9%–15.4%) being the estimate of the risk-free pre-tax interest rates for long-term government securities.

Impairment of assets

The Group considers, at least annually, the recoverability of the values of goodwill recognised in its financial statements. The Group also at the reporting date considers the recoverability of all assets if there have been any indications of impairment.

Financial assets
The Group exercises judgement in assessing whether there is any objective evidence that a financial asset is impaired, including for example, assessment of counterparty default risk, both customer and financial counterparties, determination of whether there has been 'significant' or 'prolonged' decline in the fair value below original cost and estimation of future cash flows. The recoverability of the value of financial assets is addressed through the Group's impairment review procedures (refer to note 1).

Non-current assets and goodwill
Note 1 outlines the Group's policy for impairment of long-term non-financial assets and goodwill. Significant judgement is used to determine the present value of cash flows used (including the estimated quantum and timing) in the Group's impairment models. Judgement is also employed in the assessment of the value of an asset or group of assets prior to the receipt of a confirmed offer as well as for the estimation of future cash flows required to determine value in use.

If an impairment indicator exists, the Group's approach is to consider the ability of its groups of CGUs, which have no goodwill in their financial statements, to generate future economic benefits which exceed the value of the related tangible assets in the financial statements.

In measuring the value in use for each CGU the Group based cash flow projections on the entities' most recent business plans. Cash flow projections in these business plans are extrapolated until the last year of the life-of-mine applicable for each CGU. Cash flows have been projected for a maximum of 34 years as of 31 December 2012. The long-term US inflation rate has been used as the assumed growth rate in the preparation of these cash flows.

In 2012, the key assumptions which formed the basis of forecasting future cash flows in the models are:

- Commodity prices, which are based on internal forecasts by the management of the Group's sales and marketing business. These internal forecasts are comparable to the forecasts of industry market researchers;
- Long-term costs are set in line with current operational performance, as adjusted for future inflation rates in countries of operation and, where applicable, the expected movements in key input costs;
- The successful extraction, processing and sale of the reserves in accordance with the quantities described in the report on Ore Reserves and Mineral Resources on pages 174 to 183 and companies' long-term mine plans;
- The long-term US inflation rate will average 2.3% per annum, in line with external forecasts; and
- In determining the discount rate to be applied to the future cash flows, the Group based its computation on the post-tax Weighted Average Cost of Capital for the Group, which is adjusted for the country risk premium for each CGU accordingly. The rates used were in the range of 10.29%–12.83%.

The results of the impairment review are disclosed in note 9.

Business combinations

The Group made a number of acquisitions during the year. Judgement is required in determining whether a transaction meets the criteria to be treated as business combination or asset acquisition.

Acquisition method of accounting for business combination requires judgements and estimates to be made as part of the measurement of the fair values of assets and liabilities acquired and the consideration transferred. Where necessary, the Group hired external valuation consultants to review the underlying records, make appropriate comparisons and ultimately advise on the likely fair value and economic useful lives of the acquired assets. Where external consultants are not used the values are estimated internally.

Notes 5 and 18 provide further details of the Group's policy regarding business combinations and accounting for goodwill in 2012.

Onerous contract provisions on long-term customer contracts

Long-term customer contracts can extend over a number of financial years. During the contractual period, revenue, costs and profits may be impacted by estimates of the ultimate profitability of each contract. Where the unavoidable costs of meeting the obligations under the contract exceed the associated expected future net benefits, an onerous contract provision is recognised. The calculation of these provisions will involve the use of estimates and assumptions. Key assumptions include forecast commodity prices, operational costs and discount rates. Note 9 provides further details of the Group's onerous contract provision.

Contingent liabilities

The Group exercises judgement in measuring and recognising the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 37). Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Taxation

The Group is subject to the taxation requirements in the jurisdictions in which the Group operates. Significant judgement is required in determining the position for income taxes across these jurisdictions owing to the complexity of tax laws, frequent changes in tax laws and regulations, and the manner of their implementation. Judgement must also be exercised whilst interpreting the interaction between different taxes and interaction between tax rules of different jurisdictions.

Tax provisions are recognised in accordance with tax laws enacted or substantively enacted by the tax authorities in the jurisdictions in which the Group operates, and in accordance with requirements of the applicable accounting standards.

Note 15 contains information on current period tax charges, prior period adjustments, current and deferred tax assets and liabilities including, where appropriate, provisions against uncertain tax positions.

3. Segment information

Management have determined the operating segments based on the reports reviewed and used by the Group Chief Executive Officer ('CEO') to make strategic decisions. The CEO considers the business from a products and services perspective and assesses the performance of the operating segments based on the measure of Underlying EBITDA (refer to note 38).

The amounts provided to the CEO with respect to segment assets and segment liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segment and their physical conditions.

Segment Underlying EBITDA, assets and liabilities includes items directly attributable to the operating segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, goodwill and intangible assets, inventories, trade and other receivables and cash and cash equivalents, and mainly exclude investments in joint ventures and associates, other financial assets, loans receivable, unallocated term deposits and deferred and current income tax assets. Segment liabilities comprise primarily trade and other payables and asset retirement obligations and mainly exclude borrowings and deferred and current income tax liabilities. Capital expenditure comprises additions to property, plant and equipment and intangible assets for commencing, expanding or sustaining production.

The Group is organised on the basis of six (2011: six) operating segments:

- Ferroalloys – comprises the extraction and sale of chrome ore as well as the production of ferroalloys from chromium and manganese ores;
- Iron Ore – comprises exploration, extraction, processing and manufacturing of iron ore products;
- Alumina and Aluminium – comprises extraction and processing of bauxite and limestone, and smelting of alumina and aluminium;
- Other Non-ferrous – comprises the exploration and extraction, processing and manufacturing of copper and cobalt products, and the exploration of other minerals in Africa. Includes also the logistics and trucking operations throughout Southern Africa;
- Energy – comprises coal mining, processing to produce coke and semi-coke products and power generation; and
- Logistics – Kazakhstan's main freight forwarder and railroad operator, providing international logistics for all Eurasian based Group operations; also rail construction and repair services for the Kazakhstani state rail company.

Internal charges between segments have been reflected in the performance of each operating segment. The Group has a number of activities that exist principally to support the metals operations including power generation, coal mining and transportation. Inter-segment transfers or transactions are entered into under a cost-plus pricing structure. The revenue generated from third parties reported to the CEO is measured in a manner consistent with that in the Consolidated income statement. The identified operating and reportable segments of the Group are the same as those that applied to the Group's Annual Report and Accounts for the year ended 31 December 2011.

3. Segment information continued

During 2012 the following acquisitions have been added to the Group. Refer to note 5 for further details.

Company	Operating Segment
Camrose Resources Limited	Other Non-ferrous
Roan Prospecting & Mining SPRL	Other Non-ferrous
Frontier SPRL	Other Non-ferrous
Compagnie Minière de Sakania SPRL	Other Non-ferrous
Shubarkol Komir JSC	Energy

2012 Segment information In millions of US$	Ferroalloys Division	Iron Ore Division	Alumina and Aluminium Division	Other Non-ferrous Division	Energy Division	Logistics Division	Corporate	Intra Group Eliminations	Total
Revenue	2,604	1,832	883	604	350	38	9	–	**6,320**
Inter-segment revenue	14	2	24	–	417	248	–	(705)	**–**
Segment revenue	**2,618**	**1,834**	**907**	**604**	**767**	**286**	**9**	**(705)**	**6,320**
Segment operating profit/(loss)	**609**	**643**	**(1,024)**	**(652)**	**303**	**52**	**(305)**	**–**	**(374)**
Finance income									**60**
Finance cost									**(286)**
Net gain arising from business combinations (note 5)									**89**
Share of loss of joint ventures and associates									**(39)**
Loss before income tax									**(550)**
Income tax expense									**(302)**
Loss for the year									**(852)**
Impairments (note 9)	**(124)**	**(2)**	**(618)**	**(336)**	**(13)**	**–**	**(123)**	**–**	**(1,216)**
Depreciation and amortisation	**(139)**	**(113)**	**(119)**	**(185)**	**(103)**	**(26)**	**(6)**	**–**	**(691)**
Onerous contract provision (note 9)	**–**	**–**	**(328)**	**–**	**–**	**–**	**–**	**–**	**(328)**
Acquisition related costs (note 5)	**–**	**–**	**–**	**(24)**	**(2)**	**–**	**–**	**–**	**(26)**
Gain/(loss) arising from business combinations (note 5)	**–**	**–**	**–**	**109**	**(20)**	**–**	**–**	**–**	**89**
Underlying EBITDA (note 38)	**872**	**758**	**41**	**(107)**	**421**	**78**	**(176)**	**–**	**1,887**
Capital expenditure	**682**	**443**	**237**	**637**	**266**	**218**	**56**	**–**	**2,539**
Segment assets	**3,518**	**4,212**	**1,603**	**7,029**	**2,373**	**594**	**476**	**(157)**	**19,648**
Segment liabilities	**(472)**	**(188)**	**(424)**	**(383)**	**(125)**	**(41)**	**(391)**	**290**	**(1,734)**
									17,914
Unallocated term deposits									**50**
Investments in joint ventures and associates									**9**
Other financial assets									**323**
Loans receivable									**47**
Borrowings									**(5,833)**
Deferred and current income tax assets									**87**
Deferred and current income tax liabilities									**(2,047)**
Total equity									**10,550**
Average number of employees	**24,442**	**20,224**	**14,220**	**8,773**	**8,492**	**1,825**	**508**	**–**	**78,484**

2011 Segment information In millions of US$	Ferroalloys Division	Iron Ore Division	Alumina and Aluminium Division	Other Non-ferrous Division	Energy Division	Logistics Division	Corporate	Intra Group Eliminations	Total
Revenue	3,069	2,449	1,122	657	248	149	11	–	7,705
Inter-segment revenue	15	3	23	–	370	193	–	(604)	–
Segment revenue	3,084	2,452	1,145	657	618	342	11	(604)	7,705
Segment operating profit/(loss)	1,040	1,404	234	(40)	299	63	(124)	–	2,876
Finance income									61
Finance cost									(184)
Share of profit of joint ventures and associates									2
Profit before income tax									2,755
Income tax expense									(769)
Profit for the year									1,986
Depreciation and amortisation	(122)	(101)	(98)	(114)	(61)	(15)	(4)	–	(515)
Impairments	(7)	–	–	–	–	(17)	–	–	(24)
Underlying EBITDA (note 38)	1,169	1,505	332	74	360	95	(122)	–	3,413
Capital expenditure	403	436	254	238	323	252	15	–	1,921
Segment assets	3,114	4,135	2,111	3,252	1,135	474	444	(139)	14,526
Segment liabilities	(369)	(164)	(79)	(92)	(78)	(76)	(559)	139	(1,278)
									13,248
Unallocated term deposits									72
Investments in joint ventures and associates									389
Other financial assets									218
Loans receivable									227
Borrowings									(1,594)
Deferred and current income tax assets									84
Deferred and current income tax liabilities									(1,408)
Total equity									11,236
Average number of employees	25,229	19,331	14,457	8,219	6,836	2,970	399	–	77,441

Geographical information

The Group's revenue from external customers and non-current assets by geographical location are detailed below.

Revenue by geographical location is allocated based upon the ultimate country of destination of the products/services if known. If the eventual destination of the product/service sold through traders is not known, then the revenue is allocated to the location where the customer resides.

	Revenue from external customers	
	Years ended 31 December	
In millions of US$	**2012**	2011
Russia	2,014	2,953
Kazakhstan	515	548
Rest of Eurasia[1]	29	37
Eurasia	**2,558**	3,538
China	1,489	1,488
Japan	584	723
Rest of Asia Pacific[2]	264	175
Asia Pacific	**2,337**	2,386
Europe and Middle East[3]	**989**	1,140
Africa	**113**	284
Rest of the World	**323**	357
Total	**6,320**	7,705

1 Rest of Eurasia comprises other countries of the former Soviet Union.
2 Rest of Asia Pacific comprises South Korea and other countries in this region.
3 The Group does not derive revenues in the UK.

3. Segment information continued

Non-current assets are allocated based upon the geographical location of those assets and exclude investments in joint ventures and associates, other financial assets, loans receivable and deferred tax assets.

In millions of US$	Non-current assets As at 31 December 2012	2011
Kazakhstan	7,841	6,357
Russia	224	209
Rest of Eurasia[1]	29	15
Eurasia	**8,094**	6,581
Democratic Republic of the Congo ('DRC')	5,362	1,548
Zambia	335	372
Rest of Africa[2]	720	958
Africa	**6,417**	2,878
Brazil	**1,921**	2,032
Rest of the World	**216**	159
Total	**16,648**	11,650

1 Rest of Eurasia comprises other countries of the former Soviet Union.
2 Rest of Africa comprises Mozambique, Zimbabwe, South Africa and Mali.

Major customers

Included in revenue arising from iron ore sales of US$1,832 million (2011: US$2,449 million) are sales of approximately US$796 million (2011: US$1,547 million) which arose from the Group's largest customer, Magnitogorsk Iron and Steel Works OJSC ('MMK').

4. Balances and transactions with related parties

During the years ended 31 December 2012 and 31 December 2011, the Group entered into the following transactions with related parties in the ordinary course of business:

In millions of US$	Founder Shareholders[1] 2012	2011	Joint ventures 2012	2011	Associates 2012	2011	Other[2] 2012	2011	Total 2012	2011
Revenue from sale of goods	**8**	6	**–**	–	**–**	–	**1**	1	**9**	7
Revenue from the provision of services	**2**	3	**31**	2	**–**	–	**–**	–	**33**	5
Purchase of goods	**(9)**	(42)	**(18)**	–	**(18)**	(44)	**–**	–	**(45)**	(86)
Purchase of services and other (expense)/income	**(79)**	(79)	**2**	1	**–**	(1)	**(6)**	(14)	**(83)**	(93)
Finance income[3]	**7**	18	**23**	11	**–**	–	**–**	–	**30**	29
Finance cost	**(1)**	(10)	**(1)**	(2)	**–**	–	**–**	–	**(2)**	(12)
Purchase of property plant and equipment[4]	**(5)**	(48)	**–**	–	**–**	–	**–**	–	**(5)**	(48)

1 Includes all entities under the control of the Founder Shareholders.
2 Other mainly includes US$1 million revenue from Kazakhmys PLC and US$5 million other services received from Medical Centre Eurasia LLP (company owned by the Group's CEO) (2011: US$1 million revenue from Kazakhmys PLC, US$10 million provision against the option to acquire 70% in Masalskoe GOK LLP and US$4 million other services received from Medical Centre Eurasia LLP (previously disclosed within Founder Shareholders)).
3 Finance income of US$23 million recognised in the Joint Venture's category in 2012 relates to the shareholder loan facility, provided to Camrose (2011: US$11 million) prior the acquisition.
4 During 2012, the Group capitalised within property, plant and equipment US$5 million predominantly related to the acquisition of railway wagons (2011: US$48 million) from an entity controlled by the Founder Shareholders.

The outstanding balances with related parties as at 31 December 2012 and 31 December 2011 are as follows:

	Founder Shareholders[1]				Joint ventures		Associates		Other[6]		Total	
	Eurasian Bank		Other									
In millions of US$	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Non-current assets												
Loans receivable[2]	–	–	–	–	7	199	–	–	–	–	7	199
Other financial assets[3]	23	16	–	–	–	–	–	–	–	–	23	16
Other non-current assets[4]	5	3	–	2	–	–	–	–	–	–	5	5
Current assets												
Trade and other receivables[5]	24	36	3	17	2	8	–	4	12	–	41	65
Cash and cash equivalents	153	175	–	–	–	–	–	–	–	–	153	175
Current liabilities												
Borrowings	–	–	–	–	–	3	–	–	–	75	–	78
Trade and other payables	–	–	5	7	–	2	–	2	2	1	7	12

1 Includes all entities under the control of the Founder Shareholders.
2 Non-current loans receivable of US$7 million relates to Taurus Gold Ltd., a joint venture of the Group (2011: Loan receivable of US$199 million predominantly relates to the shareholder loan facility, which was provided to Camrose during 2010 for repaying committed loans previously undertaken by Camrose, funding working capital, commencing feasibility studies, as well as planning and development. As a result of the acquisition of the outstanding ordinary shares of Camrose in December 2012, the outstanding balance of US$436 million for this loan as at 31 December 2012 became an intercompany loan. No repayments were made in relation to this loan).
3 Other financial assets held with Eurasian Bank JSC includes term deposits of US$23 million (2011: US$16 million) for the retirement of assets in accordance with the requirements of contracts on subsurface use.
4 Other non-current assets with Eurasian Bank JSC of US$5 million relates to letters of credit for property, plant and equipment (2011: US$3 million).
5 Trade and other receivables with Eurasian Bank JSC include letters of credit of US$2 million (2011: US$14 million) and term deposits including interest of US$22 million (2011: US$22 million).
6 Other includes US$12 million receivable from Xinjiang Tuoli ENRC Taihang Chrome Co. Ltd. ('Tuoli'), which was sold in 2012 subject to the satisfactory receipt of outstanding trade payables to the Group. Trade payables of US$2 million mainly relates to Medical Centre Eurasia LLP, a company owned by the Group CEO (2011: US$75 million payable for promissory notes to Cerida Global Limited, the Group's former joint venture partner, and US$1 million trade payable to Medical Centre Eurasia LLP (previously disclosed within Founder Shareholders)).

Founder Shareholders

The Group was formed from a collection of entities jointly controlled by the three Founder Shareholders, Mr P Chodiev, Mr A Ibragimov and Mr A Machkevitch. The Founder Shareholders continue to be major shareholders of the Company and collectively own, including shares held through trusts and other entities, 43.8% of the Company as at 31 December 2012 (2011: 43.8%). For the years ended 31 December 2012 and 31 December 2011, the Group undertook significant related party transactions with entities controlled by the Founder Shareholders.

Revenues of US$8 million (2011: US$6 million) from the sales of goods to entities controlled by the Founder Shareholders were recognised in the energy segment.

The purchase of goods and services from entities controlled by the Founder Shareholders include the following transactions:

	Years ended 31 December	
In millions of US$	2012	2011
Purchases of goods		
Purchases of raw materials	(9)	(42)
Total	(9)	(42)
Purchase of services and other (expense)/income		
Insurance	(43)	(39)
Security services	(17)	(13)
Rental expenses	(8)	(8)
Repairs and maintenance	(4)	(8)
Bank charges	(4)	(4)
Other	(3)	(7)
Total	(79)	(79)

Notes to the Consolidated financial statements continued

4. Balances and transactions with related parties continued

Eurasian Bank JSC

Eurasian Bank JSC is a company controlled by the Founder Shareholders. Term deposits held at Eurasian Bank JSC have an effective interest rate for the year ended 31 December 2012 of 2.3% (2011: 2.8%). Cash and cash equivalents held at Eurasian Bank JSC bear an interest rate of 3.5% (2011: 2.3%).

There were no restrictions on the balance of US$153 million (2011: US$175 million) in cash and cash equivalents at 31 December 2012.

Guarantees

At the inception of the contract in December 2006, Mr A Machkevitch provided a guarantee in favour of Alumina & Bauxite Company Ltd, a member of the RUSAL Group, to guarantee the due and punctual performance of ENRC Marketing AG's obligations under its alumina supply contract with RUSAL. The guarantee contains an indemnity from Mr A Machkevitch in favour of Alumina & Bauxite Company Ltd in respect of any losses it may suffer arising from any default or non-performance by ENRC Marketing AG under the contract.

Transactions and balances with Government

Government of the Republic of Kazakhstan related entities

The Government of the Republic of Kazakhstan and related entities are related parties of the Group as a result of the Government's shareholding in the Group. The Group has a number of transactions with the Government of the Republic of Kazakhstan and related entities. The nature of these transactions are typically as follows:

- Railroad construction and repair services provided to the Government – revenue US$30 million in 2012 (2011: US$134 million);
- Energy supplied to state owned companies which are part of the National Welfare Fund 'Samruk-Kazyna' JSC group – revenue US$5 million in 2012 (2011: US$2 million);
- The majority of the Group's Community and Social Investment in Kazakhstan is made through the Komek Foundation which was established in 2008. The Komek Foundation's long-term focus is on the implementation of programmes aimed at supporting the Group's own employees as well as providing finance for investment in the development of cultural, education, sport and health facilities. Social investment and donations predominately to local schools, colleges and councils in 2012 amounted to US$30 million (2011: US$10 million). No donations were made to the Nazarbayev Fund during 2012 (2011: US$98 million). In addition, donations of US$65 million (2011: US$20 million) were made to the State Fund Centre of Complex Development 'Sary-Arka' to fund the construction of an opera house with total donations up to 31 December 2012 to fund this project being US$105 million;
- National railway services received from Kazakhstan Temir Zholy JSC of US$124 million in 2012 (2011: US$106 million); Balances included in advances to suppliers and other receivables related to the future services from Kazakhstan Temir Zholy JSC amounted to US$25 million as at year ended 31 December 2012 (2011: US$11 million);
- Supply and transportation of fuel and oil associated gas by KazTransGaz JSC amounted to US$46 million in 2012 (2011: US$48 million);
- Services received in relation to transportation of electricity and energy by Kazakhstan Electricity Grid Operating Company JSC ('KEGOC') – US$34 million in 2012 (2011: US$32 million);
- Utility services (including water, electricity, waste) received from state owned companies which are part of the National Welfare Fund 'Samruk-Kazyna' JSC group amounted to US$8 million in 2012 (2011: US$6 million); and
- Taxation and similar payments including royalties and Mineral Extraction Tax ('MET').

In 2010, the Group entered into loan agreements with Development Bank of Kazakhstan and JSC Sovereign Wealth Fund 'Samruk-Kazyna', entities controlled by the Republic of Kazakhstan as follows:

Development Bank of Kazakhstan Facility

On 15 April 2010, the Group announced that it had entered into a loan agreement for the amount of US$400 million with the Development Bank of Kazakhstan. The facility is provided by the Development Bank of Kazakhstan using financing from the State-run Export-Import Bank of China. The facility is for a 15-year period, bears an interest rate of 4% and is fully drawn as at 31 December 2012 (2011: fully drawn). The loan is secured by a corporate guarantee issued by ENRC PLC and a pledge over 51% of the shares of Kazakhstan Aluminium Smelter JSC ('KAS'). Interest charged to the Consolidated income statement amounted to US$16 million in 2012 (2011: US$16 million). The balance payable on the balance sheet amounted to US$401 million (including accrued interest) for the year ended 31 December 2012 (31 December 2011: US$400 million).

JSC Wealth Fund 'Samruk-Kazyna'

On 30 November 2010, the Group entered into a US$500 million facility with the JSC Wealth Fund 'Samruk-Kazyna'. The facility has an applicable interest rate of 7.5% per annum and is repayable in 10 years by bullet repayment. No security has been pledged as part of the agreement and it is fully drawn down as at 31 December 2012 (2011: fully drawn down). Interest charged to the Consolidated income statement amounted to US$38 million in 2012 (2011: US$38 million). The balance payable on the Consolidated balance sheet amounted to US$511 million (including accrued interest) as at 31 December 2012 (2011: US$511 million).

Government of the Democratic Republic of the Congo ('DRC') related entities

La Générale des Carrières et des Mines ('Gécamines'), the representative entity of the DRC Government, holds 30% interest in the Group's subsidiary Boss Mining SPRL. As a result of the acquisitions during 2012, the DRC Government holds the remaining 5% in Frontier SPRL, 30% in Metalkol SARL and Gécamines will continue to hold the minority 25% stake in Swanmines SPRL. The Group has a number of transactions with the DRC Government and related entities. The nature of these transactions are typically as follows:

- Taxation and similar payments (including royalties);
- Electricity received from Societe Nationale d'Electricite amounted to US$11 million in 2012 (2011: US$7 million);
- During 2012, the DRC Government granted to ENRC's subsidiary Frontier SPRL a new mining licence in respect of the Frontier mine for US$101.5 million. The new Frontier licence will provide feed for the Frontier processing plant that was acquired from First Quantum Minerals Ltd (refer to note 5 for further details);
- Prior to acquisition by the Group of the outstanding shares of Camrose Resources Limited, ('Camrose') Metalkol SARL (a subsidiary of Camrose) recognised a long term receivable of US$35 million from the DRC Government. The Group will review the nature and fair value of this amount as part of the process of finalising its accounting for the acquisition of Camrose; and
- As a result of the acquisition of outstanding shares in Camrose (refer to Acquisitions section below), a loan receivable from Gècamines that amounted to US$6 million including accrued interest of $1 million was recognised as part of the Group's balances on the Consolidated balance sheet as at 31 December 2012. This loan was provided to Gècamines as part of the US$400 million shareholder loan facility to Camrose, for the purposes of subscribing by Gècamines for shares in Metalkol SARL (Camrose's subsidiary).

Acquisitions

Shubarkol Call Option

In April 2012 the Group exercised the option and completed the acquisition of the remaining 75% of the outstanding ordinary shares of Shubarkol (refer to note 5 for further details) from Eurasian Industrial Company JSC which is owned by Founder Shareholders of the Group.

Camrose

In December 2012, the Group acquired the remaining 49.5% of the outstanding ordinary shares in Camrose (refer to note 5 for further details) from Cerida Global Limited (the Group's former joint venture partner). Cerida Global Limited is an indirect, wholly owned subsidiary of Fleurette Properties Limited, whose entire issued share capital is indirectly and wholly owned by a discretionary trust for the benefit of the wife and children of Mr Dan Gertler.

Promissory notes

Promissory notes related to the consideration payable for the initial 50.5% investment in Camrose, totalling US$125 million issued to Cerida Global Limited, were fully settled during 2012 (2011: outstanding balance was US$75 million).

Options

On 8 January 2009 the Group purchased an option for a cash consideration of US$10 million, from a company controlled by Mr A Yedilbayev, who served as one of the Group's non-executive Directors until the 8 June 2011, to acquire a 70% interest in Masalskoe GOK LLP. Masalskoe is a company with rights for exploration and production of iron ore of the Masalskoe deposit in the Republic of Kazakhstan. The Group has provided in full for this option and the impairment loss in 2011 was included within impairments and onerous contract provision, refer to note 9.

4. Balances and transactions with related parties continued

Disposals

On 18 March 2011, companies within the Group entered into a preliminary agreement with Prime Residential County LLP ('Prime') for Prime to purchase 100% of the equity shareholding in Zhol Zhondeushy LLP (a subsidiary of the Group). On 16 May 2012, the parties signed a sale and purchase agreement and Zhol Zhondeushy LLP was sold to Prime for 2,266 million tenge (approximately US$15 million). Mr A Shadiev, who served as a Director of one of the Group's subsidiaries between 2007 and 2012, became one of two members of Prime on 2 May 2012.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. They include the Board and Senior Management as identified on pages 60 to 61.

Compensation for key management personnel is set out in the table below:

In millions of US$	Years ended 31 December 2012	2011
Salary and other short-term benefits	**22**	24
Share-based payments	**6**	4
Post-employment benefits	**2**	1
Termination benefits	**–**	2
Total	**30**	31

Balances outstanding with key management arising from key management compensation were as follows:

In millions of US$	As at 31 December 2012	2011
Payables[1]	**(8)**	(11)

[1] Payables represent accrued bonuses and liabilities under cash settled plans.

Board Compensation

Compensation payable to Directors of the Company is for services performed for the Group.

Directors' detailed emoluments are disclosed in the Remuneration report on pages 76 to 85.

5. Business combinations

Acquisition of Camrose Resources Limited ('Camrose')

On 28 December 2012, the Group completed the purchase of the remaining 49.5% of the outstanding ordinary shares of Camrose, as well as the outstanding minority shareholdings in certain Camrose subsidiaries. The total cash consideration was US$550 million. The Group subsequently holds effective interests of 100% in Camrose, 100% in La Congolaise de Mines et de Développement (Comide Sprl) ('Comide'), 70% in Treatment of Kingamyambo Tailings Company ('Metalkol'), 63.7% in Africo Resources Limited ('Africo') and 47.8% in Swanmines Sprl ('Swanmines').

Camrose, through its subsidiaries, primarily holds interests in five copper and cobalt exploitation licences situated in the DRC:

- The main asset is the Kolwezi tailings which are owned by Metalkol. The tailings consist of the Kingamyambo dam and the Musoni river tailings containing copper and cobalt ore. The tailings will be processed by the Kolwezi Processing Facility (acquired as part of the First Quantum Minerals transaction in March 2012, discussed later in this note) which sits adjacent to the site;
- Africo, which is listed on the Toronto Stock Exchange, owns a 75% interest, through its subsidiary Swanmines, in an exploitation licence on the Kalukundi property in the Kolwezi District of the Katanga Province, in the southeast of the DRC. The remaining 25% is owned by Gécamines; and
- Comide holds the exploitation licences for Kii, Mashitu and Pungulume, which are contiguous to Africo's Kalukundi property.

The provisional fair values of the identifiable assets and liabilities of Camrose and its subsidiaries as at the acquisition date are set out below:

In millions of US$	Provisional fair values at acquisition date
Property, plant and equipment (including mineral rights)	2,149
Other financial assets (current)	47
Other receivables – non-financial	13
Loans receivable (non-current)	6
Inventories	6
Total assets	**2,221**
Deferred tax liabilities	(576)
Trade and other payables	(29)
Borrowings	(6)
Short term provisions	(1)
Total liabilities	**(612)**
Net assets	1,609
Non-controlling interests	(475)
Goodwill	386
Net attributable assets	**1,520**
Consideration:	
Purchase consideration settled in cash	550
Cash acquired	(27)
Net cash outflow on acquisition	523
Fair value of existing interest at acquisition date	523
Consideration	**1,046**
Fair value of shareholder loans and other existing trading balances	474
Total consideration	**1,520**

Analysis of gain arising from business combinations:	
Fair value of existing interest[1]	523
Book value of existing interest	(137)
Gain arising on re-measurement to fair value of existing equity interest	386
Derecognition adjustment in respect of goodwill arising from FQM transaction as a result of this business combination	(277)
Gain arising from business combinations	**109**

1 The fair value of existing interest is calculated based upon the consideration for the outstanding ordinary shares excluding amounts attributed to the acquisition of non-controlling interests.

The Camrose transaction is one of the main reasons for the decrease in investments in joint ventures and associates in the Consolidated balance sheet as it was previously accounted for as a joint venture, refer to note 19.

As a result of the acquisition, the 50.5% previously held equity interest in Camrose was required to be re-measured at fair value as at the acquisition date (IFRS 3), resulting in a gain of US$109 million. This gain has been included within the net gain arising from business combinations line in the Consolidated income statement. The gain includes the derecognition of goodwill relating to the acquisition of Roan Prospecting and Mining SPRL (discussed later in this note) which is subsequently allocated to the Camrose cash-generating unit ('CGU'). This goodwill is now fully recognised in the fair value of the Camrose assets acquired (refer to note 18).

As required by IFRS 3, the identifiable assets and liabilities exclude balances payable by Camrose to the Group. Under IFRS 3, such balances arising from pre-existing relationships are deemed to be 'settled' at acquisition as they eliminate on consolidation. There was, however, no actual settlement of the balances and they remain due and payable. These amounts relate to shareholder loans and other existing trading balances of net fair value of US$474 million due from Camrose to the Group and prior to the acquisition were included in the Group's Consolidated balance sheet. These balances were considered to be carried at fair value and therefore no gain or loss arose on deemed settlement.

5. Business combinations continued

The goodwill recognised on acquisition is the result of the requirement to recognise a deferred tax liability on the acquired mineral rights (within property, plant and equipment) and fair value adjustments. None of the recognised goodwill is expected to be deductible for income tax purposes.

Acquisition costs of US$17.5 million have been expensed and included in general and administrative expenses in the Consolidated income statement. The Group has chosen to recognise the non-controlling interests for this acquisition based on their proportionate share of the fair value of the identifiable net assets of the acquiree.

The acquired businesses contributed no revenue and no profit after income tax from the date of acquisition to 31 December 2012. If the acquisition had taken place at the beginning of the year, there would have been no additional impact to the Group's revenue, whilst there would have been a reduction to the profit after income tax of US$35 million (this excludes share of loss of joint ventures already included in the Consolidated income statement).

Acquisition of Roan Prospecting & Mining SPRL, Frontier SPRL and Compagnie Minière de Sakania SPRL

On 2 March 2012, the Group completed the acquisition of First Quantum Minerals Limited's ('FQM') business assets in respect of the Kolwezi Tailings ('KMT') project, the Frontier and Lonshi mines and related exploration interests, all located in the Katanga Province of the DRC, for a total consideration of US$1.25 billion. The entities acquired were 100% Compagnie Minière de Sakania SPRL ('COMISA'), 100% Kolwezi Investment Limited. ('KI'), 100% Roan Prospecting and Mining SPRL ('RPM'), 100% Congo Minerals Development ('CMD') and 95% Frontier SPRL ('Frontier'). The remaining 5% in Frontier is held by the DRC Government.

The total consideration of US$1.25 billion comprised of the following:

- An initial payment of US$750 million which was made in March 2012; and
- Deferred consideration of US$500 million in the form of a three-year promissory note with an interest coupon of 3% which is payable annually in arrears.

Subsequent to the above, on 31 July 2012, the DRC Government granted a new mining licence in respect of the Frontier mine for US$101.5 million.

The main asset of RPM is the Kolwezi Processing Facility. The facility consists of solvent extraction and electrowinning ('SX/EW') circuits for the production of cobalt hydroxide and copper cathodes. The ore body which will be utilised is the Kolwezi tailings, discussed earlier in this note as part of the Camrose acquisition. The Kolwezi Processing Facility and the Kolwezi tailings are referred to together as the Roan Tailings Reclamation ('RTR') project (previously known as the KMT project).

The assets at Frontier consist of an open pit mine and processing facility, comprising a mill and a concentrator for the production of copper concentrate.

The table below sets out the final fair values at acquisition date:

	Final fair values at acquisition date			
In millions of US$	RPM	Frontier	Other	Total
Property, plant and equipment (including mineral rights)	416	605	2	**1,023**
Inventories	–	42	–	**42**
Total assets	416	647	2	**1,065**
Deferred tax liabilities	(10)	(101)	(1)	**(112)**
Trade and other payables	–	(6)	–	**(6)**
Total liabilities	(10)	(107)	(1)	**(118)**
Net assets	406	540	1	**947**
Non-controlling interests	–	(27)	–	**(27)**
Goodwill	277	96	(1)	**372**
Net attributable assets	683	609	–	**1,292**
Consideration:				
Consideration to FQM (analysed below)	683	507	–	**1,190**
Cash payment to DRC Government for grant of Frontier licence	–	102	–	**102**
Total consideration	683	609	–	**1,292**
Analysis of FQM consideration:				
Purchase consideration settled in cash				**750**
FQM refund for assets not delivered on closing				**(1)**
Fair value of promissory notes				**441**
Total				**1,190**

The Group has finalised its review of the fair value of the identifiable assets and liabilities acquired in respect of the FQM transaction. The final fair value adjustments related primarily to the final measurement of mineral rights acquired, inventories acquired and other adjustments to goodwill and deferred tax liabilities.

The Frontier business was acquired for consideration of US$609 million comprising US$507 million in March 2012 to FQM and US$101.5 million in July 2012 to the DRC Government. Due to the short time period between these transactions and their linked nature, they have been treated as occurring at one stage for the purposes of acquisition accounting. The goodwill recognised on the Frontier acquisition is the result of the requirement to recognise a deferred tax liability on the acquired mineral rights (within property, plant and equipment). None of the recognised goodwill is expected to be deductible for income tax purposes.

The goodwill arising on the acquisition of RPM relates to synergy benefits arising in respect of the Camrose joint venture at the time of acquisition and has been allocated to the Camrose CGU. As discussed earlier in this note and referred to in note 18, this goodwill is subsequently derecognised on the acquisition of Camrose in 2012.

Acquisition costs of US$5.2 million have been expensed and included in general and administrative expenses in the Consolidated income statement. The Group has chosen to recognise the non-controlling interests for this acquisition based on their proportionate share of the fair value of the identifiable net assets of the acquiree.

The acquired businesses contributed no revenue and a loss after income tax of $10 million from the date of acquisition to 31 December 2012. If the acquisition had taken place at the beginning of the year, there would have been no additional impact to the Group's revenue and no additional impact to profit after income tax in the Consolidated income statement.

Acquisition of Shubarkol Komir Joint Stock Company ('Shubarkol')

On 16 April 2012, the Group exercised the option, which was originally granted in conjunction with the acquisition of the initial 25% interest in Shubarkol in February 2009, to acquire the remaining 75% of the outstanding ordinary shares of Shubarkol. The total cash consideration was US$600 million (plus assumed debt of US$50 million) following receipt of all necessary legal and regulatory approvals. Shubarkol holds 100% of the ordinary shares of Sary-Arka Spetskoks LLP ('Sary-Arka') and indirectly 70% of the ordinary shares of Xinjiang Aismir Coking Coal Co. Limited ('Asmare JV'). As a result of this transaction, the Group owns an effective interest of 96.3% in Shubarkol and 67.4% in Asmare JV due to non-controlling interests.

The principal activity of Shubarkol is the extraction of thermal coal with low ash content from open pit mines. It is one of the major producers of coal in Kazakhstan. Sary-Arka is also located in Kazakhstan and its main asset is a coke production plant which produces semi-coke from coal supplied by Shubarkol.

Asmare JV owns and operates a coke plant in the Xinjiang region of China, and is primarily engaged in the production of low phosphorous coke and coke by-products from coal supplied by local suppliers.

5. Business combinations continued

The table below sets out the adjustments to the provisional fair values as previously reported and the final fair values at acquisition date. The final fair value adjustments relate primarily to the measurement of the investment in joint venture, intangible assets and non-controlling interests which were required when the Group completed its review of the acquired balance sheet:

In millions of US$	Provisional fair values at acquisition date as reported at 30 June 2012	Final fair value adjustments	**Final fair values at acquisition date**
Property, plant and equipment (including mineral rights)	830	32	**862**
Intangible assets	14	(14)	**–**
Investment in joint venture	11	11	**22**
Other financial assets (non-current)	11	–	**11**
Inventories	11	–	**11**
Other financial assets (current)	6	–	**6**
Total assets	883	29	**912**
Deferred tax liabilities	(146)	(20)	**(166)**
Borrowings	(50)	–	**(50)**
Taxation	(12)	(1)	**(13)**
Provisions	(11)	–	**(11)**
Trade and other payables	(11)	4	**(7)**
Total liabilities	(230)	(17)	**(247)**
Net assets	653	12	**665**
Non-controlling interests	(1)	(28)	**(29)**
Goodwill	132	20	**152**
Net attributable assets	784	4	**788**
Consideration:			
Purchase consideration settled in cash	600	–	**600**
Cash acquired	(16)	–	**(16)**
Net cash outflow on acquisition	584	–	**584**
Fair value of existing interest at acquisition date	200	–	**200**
Consideration	784	–	**784**
Fair value of existing trading balances	–	4	**4**
Total consideration	784	4	**788**
Analysis of loss arising from business combinations:			
Fair value of existing interest	200	–	**200**
Book value of existing interest	(214)	(6)	**(220)**
Loss arising from business combinations	(14)	(6)	**(20)**

The Shubarkol transaction is one of the main reasons for the decrease in investments in joint ventures and associates in the Consolidated balance sheet as it was previously accounted for as an associate, refer to note 19.

As a result of the acquisition, the previously held equity interest in Shubarkol was required to be re-measured at fair value as at the acquisition date (IFRS 3), resulting in a loss of US$20 million. This loss has been included within the net gain arising from business combinations line in the Consolidated income statement.

The goodwill recognised on acquisition is the result of the requirement to recognise a deferred tax liability on the acquired mineral rights (within property, plant and equipment) and fair value adjustments. None of the recognised goodwill is expected to be deductible for income tax purposes.

As required by IFRS 3, the identifiable assets and liabilities exclude balances payable by Shubarkol to the Group. Under IFRS 3, such balances arising from pre-existing relationships are deemed to be 'settled' at acquisition as they eliminate on consolidation. There was, however, no actual settlement of the balances and they remain due and payable. These amounts relate to existing trading balances of net fair value US$4 million due from Asmare JV to the Group and prior to the acquisition were included in the Group's Consolidated balance sheet. These balances were considered to be carried at fair value and therefore no gain or loss arose on deemed settlement.

Acquisition costs of US$1.9 million have been expensed and included in general and administrative expenses in the Consolidated income statement. The Group has chosen to recognise the non-controlling interests for this acquisition based on their proportionate share of the fair value of the identifiable net assets of the acquiree.

The acquired business contributed revenues of US$105 million and profit after income tax of US$41 million from the date of acquisition. If the acquisition had taken place at the beginning of the year, the impact to the Group's revenue would have been an additional US$48 million and there would have been an additional profit after income tax of US$21 million (this excludes share of profit of associates already included in the Consolidated income statement).

Goodwill

The acquisition of Camrose, FQM's assets in respect of the RTR project, Frontier and Shubarkol, are the main reasons for the increase in goodwill in the Consolidated balance sheet, refer to note 18.

Fair value estimates

The provisional values of assets and liabilities recognised on acquisition are their estimated fair values at the date of acquisition. Accounting standards permit up to 12 months for provisional acquisition accounting to be finalised following the acquisition date if any subsequent information provides better evidence of the item's fair value at the date of acquisition.

For the FQM and Shubarkol transaction, the Group finalised its review of the fair value of assets and liabilities recognised at the date of acquisition. For the Camrose transaction, the Group is in the process of finalising its review of the fair value of assets and liabilities recognised at the date of acquisition. Such reviews may include engaging third party advisors to determine the fair values of the CGUs of the entities acquired.

6. Revenue

	Years ended 31 December	
In millions of US$	**2012**	2011
Sales of goods, net of discounts	**6,146**	7,437
Logistics services	**169**	259
Sales of by-products and other revenue	**5**	9
Total revenue	**6,320**	7,705

7. Cost of sales

	Years ended 31 December	
In millions of US$	**2012**	2011
Materials and components used	**(1,432)**	(1,504)
Staff costs	**(703)**	(604)
Depreciation and amortisation	**(666)**	(498)
Mineral extraction taxes, royalties and other taxes	**(325)**	(399)
Power and energy	**(208)**	(201)
Repairs and maintenance	**(135)**	(114)
Insurance	**(44)**	(37)
Changes in inventories	**125**	91
Other	**(335)**	(251)
Total cost of sales	**(3,723)**	(3,517)

8. Distribution costs

	Years ended 31 December	
In millions of US$	**2012**	2011
Transportation costs	**(425)**	(398)
Agency and commission fees	**(19)**	(24)
Staff costs	**(11)**	(7)
Taxes and duties	**(10)**	(14)
Packing and handling materials	**(10)**	(10)
Insurance	**(4)**	(6)
Other	**(51)**	(42)
Total distribution costs	**(530)**	(501)

Notes to the Consolidated financial statements continued

9. Impairments and onerous contract provision

In millions of US$	Operating segment:	Year ended 31 December 2012	2011
Impairments			
Cash-generating units:			
Aluminium of Kazakhstan	Alumina and Aluminium Division	**(608)**	–
Boss Mining Group	Other Non-ferrous Division	**(240)**	–
Zhairemsky GOK	Ferroalloys Division	**(124)**	–
Chambishi	Other Non-ferrous Division	**(96)**	–
Investments in quoted equity shares	Corporate	**(123)**	–
Other	Various	**(25)**	(24)
Total impairments		**(1,216)**	(24)
Onerous contract provision	Alumina and Aluminium Division	**(328)**	–

Impairments

Cash-generating units

As a result of the annual impairment review of cash-generating units ('CGU'), the Group recognised impairments of property, plant and equipment, goodwill and other non-current assets for the year ended 31 December 2012.

The recoverable amount of a CGU is determined using the higher of the value in use ('VIU') and fair value less costs to sell. In 2012, the recoverable amount was determined to be the VIU. The VIU is the net present value of future cash flows expected to be derived from the relevant CGU in its current condition. The cash flow projections are based on a five-year strategic plan, after which a growth rate of 2.3% (2011: 2.2%) is applied for the years thereafter.

The price assumptions used are based on internal management forecasts for commodity prices, which are then benchmarked with external sources of information to ensure that they are within the range of available analyst forecasts.

The discount rate applied is based on the weighted average cost of capital ('WACC'), adjusted for country risk. The WACC takes into account both the cost of equity and debt, adjusted for specific risks associated with the Group. The post-tax discount rate is applied to post-tax cash flows expressed in nominal terms. The following are the discount rates used in determining the VIU.

In millions of US$	Years ended 31 December 2012	2011
Ferroalloys Division	**10.29%-10.42%**	10.51%-10.81%
Iron Ore Division	**10.42%**	10.81%
Alumina and Aluminium Division	**10.42%**	10.81%
Other Non-ferrous Division	**11.36%-12.83%**	11.13%-12.15%
Energy Division	**10.42%**	10.81%

The operating costs and capital expenditure are based on the most recent approved budget and five-year strategic plan. The operating costs and capital expenditure are based on management's best estimate of expected costs taking into consideration long-term production plans and expected efficiency improvements over the life of the mine.

The CGUs where impairments have been identified are discussed below.

Aluminium of Kazakhstan ('AoK') CGU
AoK is a major supplier of alumina with assets including an aluminium plant, bauxite and limestone mines, and a heat and energy plant. AoK is treated as a separate CGU within the Alumina and Aluminium Division.

As a result of the impairment review, an impairment loss of US$608 million (2011: US$nil) was recognised for the AoK CGU of which US$597 million relates to property, plant and equipment and the remaining, US$11 million, relates to other non-current assets. The impairment loss was mainly due to lower long-term prices for alumina as a result of difficult market conditions and inflationary cost pressures.

Boss Mining Group CGU
Boss Mining Group CGU is included in the Other Non-ferrous Division. The Boss Mining Group CGU includes Boss Mining Sprl, Société Minière de Kabolela et Kipese Sprl ('SMKK') and the relevant assets of Congo Cobalt Corporation Sprl ('CCC') which provides mining contracting services to Boss Mining and SMKK. Boss Mining includes copper and cobalt mining and processing operations in the Democratic Republic of the Congo ('DRC'). The operations include open cast mines, crushing, beneficiation, concentrator plants and an electro-winning facility. SMKK is the holder of exploration permit assets contiguous to the Group's existing operations in the DRC. These

assets are considered as one CGU for the purpose of impairment review as their operations are inextricably linked and their cash inflows are monitored as one CGU.

The US$240 million (2011: US$nil) impairment loss in the Boss Mining Group CGU includes the impairment of goodwill of US$177 million and property, plant and equipment of US$63 million. As a result of reprioritisation of the Group's copper projects, the construction of the Boss Mining concentrator has been deferred. This impacted the timing of expected cash inflows and resulted in higher production costs.

Zhairemsky CGU
Zhairemsky GOK is a major supplier of manganese and ferromanganese concentrates to customers throughout Russia, Ukraine, Central Asia and China. Zhairemsky GOK is treated as a separate CGU within the Ferroalloys Division.

Property, plant and equipment and other non-current assets of the Zhairemsky GOK CGU have been impaired by US$124 million (2011: US$nil). The impairment loss is due to limited demand and lower prices for its main manganese products and higher costs of production.

Chambishi CGU
Chambishi Metals PLC ('Chambishi') is a Zambian copper and cobalt producer. Chambishi together with ENRC Marketing Africa FZE, a Dubai-based marketing and sales company that historically has handled Chambishi's copper and cobalt sales, is considered a separate CGU. The Chambishi CGU is included in the Other Non-ferrous Division.

Goodwill relating to the Chambishi CGU was impaired by US$96 million (2011: US$nil) due to the deferral of capital expenditure as a result of the reprioritisation of the Group's copper and cobalt projects and consequential higher production costs.

Sensitivity to changes in assumptions

The impairment test for the CGUs were particularly sensitive to changes in commodity prices, discount rates and operating costs.

Whilst the Directors remain confident in the assumptions used in the recoverable amount computations, adverse changes in assumptions as described below for the Kazakhstan Aluminium Smelter CGU, Frontier CGU and Roan Tailing Reclamation CGU could result in an impairment charge. Sensitivity analysis has shown that these CGUs with headroom would show an impairment loss if one of the key assumptions changed, as illustrated in the following table:

		Value assigned to the key assumption			Change in the key assumption which would result in the recoverable amount equalling the carrying value		
2012	Excess of recoverable amount over carrying value US$ million	Commodity prices US$	Discount rate %	Operating costs US$000/t	Commodity prices %	Discount rate %	Operating costs %
KAS	242	Aluminium: 2,200/t-5,069/t	10.4	Years 1-2: 1.9-2.1 Thereafter: 2.2-4.3	2.3	29.9	5.4
RTR	179	Copper: 7,100/t-11,978/t Cobalt:12.5/lb-24.5/lb	12.8	Years 1-2: n/a Thereafter: 3.9-7.3	0.9	7.7	16.9
Frontier	93	Copper: 7,100/t-10,691/t Cobalt:12.5/lb-22.0/lb	12.8	Years 1-2: 3.0-3.1 Thereafter: 2.0-4.6	2.4	14.3	8.1

Each of the sensitivities above were determined assuming the relevant key assumption moved in isolation.

Investments in quoted equity shares

The Group determines an impairment loss on its investments in quoted equity shares when there has been a significant or prolonged decline in its fair value below original cost. The Group exercises judgement in determining what is 'significant' or 'prolonged' by evaluating, among other factors, whether the decline is outside the normal range of volatility in the asset's price. The level of impairment loss that the Group recognised in the Consolidated income statement is the cumulative loss that had been recognised directly in the 'revaluation reserve of financial assets available-for-sale' in the Consolidated statement of changes in equity.

The total amount of impairment loss recognised by the Group in relation to its investments in quoted equity shares is US$123 million (2011: US$nil). Of this impairment loss, US$120 million relates to the Group's interest in Northam Platinum Limited and US$3 million relates to the Group's investment in short-term available-for-sale equity securities.

Onerous contract provision

The Group has recognised an onerous contract provision amounting to US$328 million (2011: US$nil) in relation to its long-term contract with United Company RUSAL, a Russian aluminium producer. The long-term contract requires a minimum delivery of approximately 1,200 ktpa of alumina and runs until the end of 2016. The pricing under this contract is linked to the LME price of primary aluminium. Due to a reduction in the estimated LME prices and an increased cost of production, the estimated unavoidable costs of meeting the contractual obligations as at 31 December 2012 exceed the economic benefits expected to be received from it.

The onerous contract provision balance in the Consolidated balance sheet as at 31 December 2012 amounted to US$328 million (2011: US$nil). Of this amount, US$233 million is classified as a non-current liability, with the remaining US$95 million classified as a current liability. The principal assumptions made in calculating the onerous contract provision are as follows: discount rate of 7.34%, forecast commodity prices for alumina between US$333/t and US$377/t, and operating costs between US$421/t and US$452/t.

10. General and administrative expenses

In millions of US$	Years ended 31 December 2012	2011
Staff costs	**(271)**	(233)
Professional and other services[1]	**(143)**	(92)
Sponsorship and donations	**(122)**	(156)
Taxes other than on income	**(38)**	(36)
Travel and entertainment	**(28)**	(25)
Depreciation and amortisation	**(23)**	(17)
Rent	**(16)**	(17)
Utilities and telecommunication services	**(10)**	(11)
Bank charges	**(10)**	(8)
Repairs and maintenance	**(8)**	(8)
Impairment provision of trade and other receivables	**(3)**	(26)
Insurance	**(3)**	(5)
Other	**(58)**	(58)
Total general and administrative expenses	**(733)**	(692)

[1] Included within professional and other services are expenses of US$26 million (2011: US$2 million credit) related to acquisition costs which are expensed under IFRS 3 (revised).

11. Other operating income and expense

In millions of US$	Years ended 31 December 2012	2011
Foreign exchange gains	**95**	124
Gain on sale of property, plant and equipment	**3**	2
Gain on sale of other assets	**11**	12
Other	**49**	36
Total other operating income	**158**	174
Foreign exchange losses	**(105)**	(133)
Loss on sale of property, plant and equipment	**(5)**	(7)
Loss on sale of other assets	**(11)**	(7)
Other	**(52)**	(45)
Total other operating expense	**(173)**	(192)
Net other operating expense	**(15)**	(18)

12. Employee benefit expense

In millions of US$	Note	Years ended 31 December 2012	2011
Wages and salaries		**(882)**	(765)
Compulsory social security costs		**(72)**	(61)
Expense related to defined benefit plans	30	**(26)**	(9)
Share-based payments	33	**(12)**	(8)
Contributions to defined contribution plans		**(3)**	(3)
Total employee benefit expense		**(995)**	(846)

13. Finance income

In millions of US$	Years ended 31 December 2012	2011
Interest income	**38**	37
Foreign exchange gains	**11**	9
Unwinding gain on origination of loan	**2**	2
Fair value gain on financial assets/liabilities	**7**	–
Dividends	**–**	1
Other	**2**	12
Total finance income	**60**	61

14. Finance cost

In millions of US$	Years ended 31 December 2012	2011
Interest expense on borrowings	**(228)**	(77)
Amortisation of financial instruments discount	**(26)**	(9)
Foreign exchange losses	**(17)**	(39)
Unwinding of asset retirement obligations discount	**(13)**	(7)
Unwinding of employee benefits obligations discount	**(4)**	(3)
Other	**(57)**	(49)
Finance cost	**(345)**	(184)
Less: amounts capitalised on qualifying assets	**59**	–
Total finance cost	**(286)**	(184)

15. Income taxes

Income tax expense comprises the following:

In millions of US$	Years ended 31 December 2012	2011
Current tax		
Corporate income tax – current period	**(392)**	(634)
Corporate income tax – prior periods	**(4)**	(36)
Withholding taxes	**(25)**	(46)
Total current tax	**(421)**	(716)
Deferred tax		
Deferred income tax – current period – origination and reversal of temporary differences	**109**	(54)
Deferred income tax – prior periods	**10**	1
Deferred income tax – effect of changes in tax legislation	**–**	–
Total deferred tax	**119**	(53)
Total income tax expense for the period	**(302)**	(769)

Factors affecting future tax charges

Future tax charges are affected by changes to the applicable laws and regulations in, as well as profit mix from, the jurisdictions in which the Group operates. Given that the Group is subject to Excess Profits Tax in the Republic of Kazakhstan, future tax charges are also affected by product prices and profitability levels achieved on subsurface use contracts in the Republic of Kazakhstan.

The applicable rate of Corporate Income Tax in the UK was reduced from 26% to 24% with effect from 1 April 2012. A further reduction to 23% with effect from 1 April 2013 was enacted on 17 July 2012. Proposals to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015 have also been announced.

15. Income taxes continued

Tax charge reconciliation

Reconciliation between the actual tax charge for the period and the expected tax charge on the profit before tax for the period at the tax rate of 20% applicable in the Republic of Kazakhstan, where the majority of the Group's operations are located, is provided below:

In millions of US$	Years ended 31 December 2012	2011
(Loss)/profit before income tax	**(550)**	2,755
Notional tax (benefit)/charge at 20% (2011: 20%)	**(110)**	551
Excess profits tax – current period	**22**	69
Withholding taxes	**25**	46
Effect of different tax rates in other countries	**(37)**	(25)
Items not deductible for tax purposes	**89**	75
Income not chargeable for tax purposes	**(54)**	(40)
Losses not recognised for tax purposes	**148**	60
Recognition or utilisation of unrecognised losses	**–**	(2)
Prior period adjustments	**(7)**	35
Impairments and onerous contract provision	**202**	–
Other	**24**	–
Income tax expense for the year	**302**	769

The aggregate amount of income tax related to items recognised directly in other comprehensive income was US$nil (2011: US$nil).

Deferred taxation

Deferred tax movements for the year are summarised below as follows:

	Mineral rights	Accelerated capital allowances	Other short-term timing differences	Asset retirement obligations	Tax losses	Unrealised intercompany profit eliminated	Other	Total
As at 31 December 2011	**(886)**	**(459)**	**36**	**17**	**29**	**24**	**11**	**(1,228)**
Acquisitions and disposals	(799)	(50)	(2)	(1)	–	–	(1)	(853)
(Charged)/credited to income statement	35	55	1	16	1	(13)	24	119
Exchange differences	54	(2)	(1)	–	3	–	1	55
At 31 December 2012	**(1,596)**	**(456)**	**34**	**32**	**33**	**11**	**35**	**(1,907)**
Represented by:								
Deferred tax asset								**69**
Deferred tax (liability)								**(1,976)**
Net deferred tax (liability)								**(1,907)**
As at 31 December 2010 as previously reported	(837)	(389)	42	13	27	20	9	(1,115)
Acquisitions and disposals	(112)	–	–	–	–	–	–	(112)
(Charged)/credited to income statement	14	(73)	(6)	4	2	4	2	(53)
Exchange differences	49	3	–	–	–	–	–	52
At 31 December 2011	(886)	(459)	36	17	29	24	11	(1,228)
Represented by:								
Deferred tax asset								49
Deferred tax (liability)								(1,277)
Net deferred tax (liability)								(1,228)

The Group has unrecognised deferred tax assets in respect of tax losses of US$374 million (2011: US$189 million). Of this amount, US$110 million (2011: US$40 million) relates to losses which expire within 10 years, and US$264 million (2011: US$149 million) relates to losses which have no expiry date.

Deferred income tax is not provided on temporary differences arising on investments in subsidiaries, branches, associates and interests in joint ventures 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. The aggregate amount of temporary differences associated with such investments is US$6,608 million (2011: US$8,385 million).

16. Earnings per share

In millions of US$ (unless stated otherwise)	Years ended 31 December 2012	2011
(Loss)/profit for the year attributable to owners of the Company	**(804)**	1,974
Number of shares:		
Weighted average number of ordinary shares in issue for basic earnings per share	**1,287,750,000**	1,287,750,000
Adjusted for:		
Potential share based awards under Deferred Share Plan	**1,229,371**	–
Weighted average number of ordinary shares for diluted earnings per share	**1,288,979,371**	1,287,750,000
(Loss)/earnings per share – basic and diluted (US cents)	**(62)**	153

Earnings per share – adjusted

In millions of US$ (unless stated otherwise)	Years ended 31 December 2012	2011
Adjusted profit for the year attributable to owners of the Company (refer to note 38)	**533**	1,998
Earnings per share – basic and diluted – adjusted (US cents)	**41**	155

17. Property, plant and equipment

In millions of US$	Freehold land	Buildings and mining assets	Mineral rights	Plant and equipment	Vehicles	Assets under construction	Total
Cost at 1 January 2012	**55**	**2,153**	**3,138**	**3,659**	**1,113**	**1,950**	**12,068**
Additions	13	75	2	323	98	1,981	**2,492**
Additions on business combinations (note 5)	–	223	2,964	272	37	538	**4,034**
Change in asset retirement costs	–	55	–	6	–	11	**72**
Transfers	–	353	–	482	267	(1,102)	**–**
Transfer to assets classified as held for sale	–	–	–	–	–	(6)	**(6)**
Disposals	–	(36)	–	(61)	(30)	(47)	**(174)**
Exchange differences	(1)	(36)	(161)	(53)	(20)	(41)	**(312)**
At 31 December 2012	**67**	**2,787**	**5,943**	**4,628**	**1,465**	**3,284**	**18,174**
Accumulated depreciation at 1 January 2012	–	(528)	(75)	(1,181)	(393)	–	**(2,177)**
Disposals	–	5	–	51	29	–	**85**
Depreciation charge	–	(146)	(102)	(377)	(110)	–	**(735)**
Impairment charge	(2)	(245)	(63)	(285)	(41)	(153)	**(789)**
Exchange differences	–	10	–	17	6	–	**33**
At 31 December 2012	**(2)**	**(904)**	**(240)**	**(1,775)**	**(509)**	**(153)**	**(3,583)**
Carrying value at 31 December 2012	**65**	**1,883**	**5,703**	**2,853**	**956**	**3,131**	**14,591**

Additions to assets under construction included US$59 million capitalised borrowing costs (2011: US$nil). The average capitalisation rate was 6% for the year ended 31 December 2012 (2011: US$nil).

During the year, there was a US$789 million impairment charge with respect to property, plant and equipment (2011: US$nil). Refer to note 9 for the detailed impact of this charge.

17. Property, plant and equipment continued

In millions of US$	Freehold land	Buildings and mining assets	Mineral rights	Plant and equipment	Vehicles	Assets under construction	Total
Cost at 1 January 2011	54	1,870	2,669	2,960	833	1,485	9,871
Additions	2	39	25	172	103	1,566	1,907
Additions relating to acquisition of assets[1]	–	–	195	–	–	–	195
Additions on business combinations	–	–	399	–	–	–	399
Change in asset retirement costs	–	31	–	–	–	–	31
Transfers	–	227	7	608	202	(1,044)	–
Transfer to assets classified as held for sale	–	1	–	(6)	(1)	(6)	(12)
Disposals	–	(5)	–	(53)	(16)	(23)	(97)
Exchange differences	(1)	(10)	(157)	(22)	(8)	(28)	(226)
At 31 December 2011	55	2,153	3,138	3,659	1,113	1,950	12,068
Accumulated depreciation at 1 January 2011	–	(434)	(28)	(934)	(329)	–	(1,725)
Disposals	–	3	–	47	15	–	65
Depreciation charge	–	(100)	(48)	(305)	(84)	–	(537)
Transfer to assets classified as held for sale	–	–	–	3	1	–	4
Exchange differences	–	3	1	8	4	–	16
At 31 December 2011	–	(528)	(75)	(1,181)	(393)	–	(2,177)
Carrying value at 31 December 2011	55	1,625	3,063	2,478	720	1,950	9,891

1 Included within additions of mineral rights is the Group's US$195 million payment to acquire 100% of the ordinary shares of Dezita Investments Limited which owns Exploration Permit Number PE 1284 in the Democratic Republic of the Congo.

18. Goodwill and intangible assets

In millions of US$	Note	Goodwill	Intangible assets	Total
Carrying amount at 1 January 2011		1,348	23	1,371
Acquisitions through business combinations		86	–	86
Additions		–	14	14
Impairment		(7)	–	(7)
Exchange differences		(54)	–	(54)
Carrying amount at 31 December 2011		1,373	37	1,410
Acquisitions through business combinations[1]	5	**910**	**–**	**910**
Additions		**–**	**47**	**47**
Amortisation		**–**	**(2)**	**(2)**
Disposals		**–**	**(4)**	**(4)**
Derecognition relating to acquisition of Camrose[2]	5	**(277)**	**–**	**(277)**
Impairment	9	**(273)**	**–**	**(273)**
Exchange differences		**(56)**	**(1)**	**(57)**
Carrying amount at 31 December 2012		**1,677**	**77**	**1,754**

1 During the year, goodwill arose on the acquisition of the remaining interests in Camrose and Shubarkol and on the FQM transaction.
2 Goodwill arising on the acquisition of RPM, part of the FQM transaction, relates to synergy benefits arising in respect of the Camrose joint venture at the time of acquisition, refer to note 5 for further details. This goodwill is subsequently derecognised on the acquisition of Camrose in 2012.

The carrying amount of goodwill is allocated to groups of cash-generating units ('CGU's) as follows:

In millions of US$	As at 31 December 2012	2011
Ferroalloys Division		
– Kazchrome	**211**	214
– Other	**8**	8
Iron Ore Division		
– Brazil	**430**	468
– SSGPO	**144**	146
Alumina and Aluminium Division	**3**	3
Other Non-ferrous Division		
– RTR and other Camrose subsidiaries	**386**	–
– Frontier	**96**	–
– Chambishi	**97**	193
– Boss Mining Group	**–**	179
– Other[1]	**126**	135
Energy Division	**176**	27
Goodwill – carrying amount	**1,677**	1,373

1 Included within other in the Other Non-ferrous Division is goodwill related to exploration and evaluation assets.

Goodwill is allocated to the CGU expected to benefit from the business combination. Typically this is in accordance with the Group's operating segments.

Goodwill is tested for impairment in accordance with the policy disclosed in note 1. The Group considered the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. At the date of impairment testing, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill and assets of the operating segments. Furthermore, difficult market conditions with an overall decline in the commodity prices have adversely impacted results and the cash flows of certain CGUs.

The annual impairment review resulted in an impairment loss of US$273 million to goodwill (2011: US$7 million). Refer to note 9 for further details. Following the impairment review and recognition of the above impairment loss, the market capitalisation of the Group continues to be below the book value of its equity at 31 December 2012. However, the Group consider that the value of the CGUs in aggregate exceeds the market capitalisation at this date.

19. Investments in joint ventures and associates

As at 31 December 2012 and 31 December 2011, investments in joint ventures and associates consisted of the following:

In millions of US$ (unless stated otherwise)				As at 31 December 2012		As at 31 December 2011	
Investee	Associate/ joint venture	Country of incorporation	Principal activities	**Carrying value**	**Effective ownership**	Carrying value	Effective ownership
Xinjiang Aismir Coking Coal Co. Ltd[1,2]	Joint venture	China	Production of coke and coke by-products	**8**	**67.4%**	–	–
Taurus Gold Limited	Joint venture	British Virgin Islands	Development of gold deposits	**1**	**34.8%**	8	34.8%
Camrose Resources Limited[3]	Joint venture	British Virgin Islands	Development of copper and cobalt deposits	**–**	**–**	168	50.5%
Shubarkol Komir JSC[1,3]	Associate	Kazakhstan	Semi-coke/thermal coal production	**–**	**–**	213	24.1%
Earth Centre Investments (Pty) Limited[4]	Associate	Namibia	Property investment	**–**	**–**	–	50.0%
Total				**9**		389	

1 Effective ownership represents the Group's interests in joint ventures and associates considering non-controlling interests.
2 Xinjiang Aismir Coking Coal Co. Ltd ('Asmare JV') was acquired on 16 April 2012 as part of the Shubarkol acquisition.
3 The Group's interest in these entities increased during the year and they are now subsidiaries.
4 This investment was disposed of during 2012.

Notes to the Consolidated financial statements continued

19. Investments in joint ventures and associates continued

Movements in the carrying value of the investments in associates are set out in the following table:

In millions of US$	Note	2012	2011
Carrying value at 1 January		**213**	210
Dividends		**–**	(9)
Share of profit of associates		**–**	14
Reversal of net debt		**7**	–
Acquisition through business combinations (a)	5	**(220)**	–
Exchange differences		**–**	(2)
At 31 December		**–**	213

Movements in the carrying value of the investments in joint ventures are set out in the following table:

In millions of US$	Note	2012	2011
Carrying value at 1 January		**176**	183
Acquisition through business combinations (a)	5	**22**	–
Acquisition of outstanding interest in Camrose (b)	5	**(137)**	–
Share of loss of joint ventures		**(39)**	(12)
Impairment of interest in Asmare JV (c)		**(13)**	–
Acquisition of additional investment in Taurus Gold		**–**	7
Adjustment of acquisition costs		**–**	(2)
At 31 December		**9**	176

(a) Acquisition of outstanding interest in Shubarkol

On 16 February 2009, the Group acquired 25% of the ordinary shares in Shubarkol, a semi-coke and thermal coal producer incorporated in Kazakhstan. On 16 April 2012, the Group completed the purchase of the remaining 75% of the outstanding ordinary shares of Shubarkol which holds 100% of the ordinary shares of Sary-Arka Spetskoks LLP and indirectly 70% of the ordinary shares of Xinjiang Aismir Coking Coal Co. Ltd ('Asmare JV'). Shubarkol is now a fully consolidated subsidiary, however, Asmare JV is accounted for as a joint venture.

Asmare JV owns and operates a coke plant in the Xinjiang region of China, and is primarily engaged in the production of low phosphorous coke and coke by-products from coal supplied by local suppliers. This investment is deemed a joint venture as according to the joint venture charter, all strategic decisions, including decisions over distribution and reinvestment policy and approval of the annual business plan, should be taken through a unanimous approval of the joint venture's owners. Refer to note 5 for further details.

(b) Acquisition of outstanding interests in joint ventures

In August 2010, the Group purchased 50.5% of the issued share capital of Camrose and formed the Camrose joint venture. From this time, the Group exercised day-to-day operational control, however, due to certain reserved matters in the shareholders' agreement governing the relationship, the investment was accounted for as a joint venture. On 20 August 2012, the guarantee provided by the Group to secure repayment of US$155 million Cerida debt was discharged. In December 2012, the Group acquired the remaining 49.5% of Camrose. Refer to note 5 for further details.

(c) Impairment of interest in Asmare JV

Subsequent to the acquisition, the Group is continuing to review its strategic options in respect of Asmare JV. As a consequence of the uncertainty regarding the future development of this investment an impairment charge of US$13 million has been recognised. Refer to note 9.

Summary financial information

Summary financial information for the associates for the years ended and as at 31 December 2012 and 31 December 2011, not adjusted for the percentage ownership held by the Group, is as follows:

	Associates	
In millions of US$	2012	2011
Total assets	–	229
Total liabilities	–	(135)
Net assets	–	94
Total revenue[1]	76	192
Net (loss)/profit[1]	(1)	56

1 For the year ended 31 December 2012, total revenue and net loss represents the period prior to the acquisition of the remaining 75% interest in the ordinary shares of Shubarkol in April 2012.

Summary financial information for the joint ventures for the years ended and as at 31 December 2012 and 31 December 2011, adjusted for the percentage ownership held by the Group, is as follows:

	Joint ventures	
In millions of US$	2012	2011
Non-current assets	15	93
Current assets	8	68
Non-current liabilities	(2)	(178)
Current liabilities	(3)	(6)
Non-controlling interests	–	8
Net assets/(liabilities)	18	(15)
Total income	9	4
Total expenses	(64)	(19)
Other comprehensive income	3	3
Non-controlling interests	16	(1)
Total comprehensive expense[1]	(36)	(13)

1 For the year ended 31 December 2012, total comprehensive expense includes the Group's share of Camrose for the period prior to the acquisition of the remaining 49.5% interest in December 2012.

The Group's share of capital commitments of joint ventures in respect of property, plant and equipment was US$nil (2011: US$5 million).

20. Other financial assets

In millions of US$	As at 31 December 2012	2011
Non-current		
Investments in quoted equity shares (a)	**232**	191
Other (b)	**29**	16
Total non-current other financial assets	**261**	207
Current		
Investments in quoted equity shares (c)	**12**	11
Other (d)	**50**	–
Total current other financial assets	**62**	11
Total other financial assets	**323**	218

(a) Non-current investments in quoted equity shares comprise the Group's interest in Northam Platinum Limited ('Northam'), a major South African platinum producer.

During 2012, a US$41 million gain has been recognised in the Consolidated statement of comprehensive income in respect of this investment (2011: US$163 million loss). This investment is being held as an available-for-sale non-current asset as it is intended to be held for longer than one year and is considered to be strategic in nature. This investment has been impaired in the year, refer to note 9 for further details.

(b) Other non-current financial assets comprise US$23 million of other related party non-current financial assets (2011: US$16 million) and US$6 million of other third party non-current financial assets (2011: US$nil).

(c) Investments in listed equity shares represent short-term available-for-sale equity securities. In 2012, a US$1 million gain (2011: US$12 million loss) has been recognised in the Consolidated statement of comprehensive income in respect of the short-term available-for-sale equity securities. This investment has been impaired in the year, refer to note 9 for further details.

(d) Other current financial assets include US$47 million of investments in Guaranteed Investment Certificates ('GICs') with Canadian financial institutions acquired as part of the Camrose transaction in December 2012. These GICs are yielding interest at rates ranging from 1.00% to 1.45% and have original maturity dates of greater than three months but not more than one year.

All changes in fair value of financial assets are attributable to changes in market conditions.

Financial assets are denominated in the following currencies:

In millions of US$	As at 31 December 2012	2011
South African rand	**232**	191
Canadian dollar	**57**	9
Kazakhstani tenge	**15**	10
US dollar	**14**	6
British pound	**3**	2
European euro	**2**	–
Total other financial assets	**323**	218

21. Loans receivable

In millions of US$	Note	As at 31 December 2012	2011
Non-current			
Loans receivable from related parties	4	**13**	199
Loans receivable		**31**	26
Total non-current loans receivable		**44**	225
Current			
Loans receivable		**3**	2
Total current loans receivable		**3**	2
Total loans receivable		**47**	227

The Group's loans receivable mature as follows:

In millions of US$	2012	2011
Less than 1 year	**3**	2
Between 1 and 2 years	**12**	3
Between 2 and 3 years	**2**	–
Between 3 and 4 years	**2**	25
Between 4 and 5 years	**2**	35
Between 5 and 10 years	**19**	145
Greater than 10 years	**7**	17
Total loans receivable	**47**	227

The Group's loans receivable are denominated in currencies as follows:

In millions of US$	2012	2011
Kazakhstani tenge	**31**	25
US dollar	**14**	201
British pound	**2**	1
Total loans receivable	**47**	227

The effective interest rates at the balance sheet date for interest bearing loans receivable were as follows:

In millions of US$	Loan currency	Maturity	Effective interest rate 2012	2011	As at 31 December 2012	2011
Non-current						
Loans receivable from related parties	US$	2020	**8%**	n/a	**6**	–
Loans receivable from related parties	US$	2014	**2%**	2%	**5**	5
Loans receivable from related parties	GBP	2014	**n/a**	n/a	**2**	1
Loans receivable from related parties[1]	US$	n/a	**n/a**	8%	**–**	193
Total related party					**13**	199
Loans receivable	KZT	Various	**1-12%**	1-12%	**25**	19
Loans receivables – non-interest bearing	KZT	Various	**n/a**	n/a	**3**	4
Loans receivable	US$	2014	**n/a**	n/a	**3**	3
Total third party					**31**	26
Total non-current loans receivable					**44**	225
Current						
Loans receivables – non-interest bearing	Various	Various	**n/a**	n/a	**3**	2
Total third party					**3**	2
Total current loans receivable					**3**	2
Total loans receivable					**47**	227

[1] In 2011, a non-current loan receivable from related parties of US$193 million related to the shareholder loan facility, which was provided to Camrose during 2010 for repaying committed loans previously undertaken by Camrose, funding working capital, commencing feasibility studies, as well as planning and development. As a result of the completion of the acquisition of Camrose in December 2012, the outstanding balance for this loan as at 31 December 2012 was treated as an intercompany loan and was eliminated on consolidation.

21. Loans receivable continued

The fair values of the Group's loans receivable are as follows:

In millions of US$	Carrying values 2012	Carrying values 2011	Fair values 2012	Fair values 2011
Loans receivable	**34**	28	**34**	28
Loans receivable from related parties	**13**	199	**13**	216
Total loans receivable	**47**	227	**47**	244

The fair values of current and non-current loans receivable are determined using discounted cash flows at the interest rates prevailing as at 31 December 2012 and 31 December 2011.

22. Other non-current assets

In millions of US$	As at 31 December 2012	As at 31 December 2011
Prepayments for property, plant and equipment and related services	**271**	310
Long-term inventory	**19**	19
Other advances and non-current assets	**14**	20
Provision for impairment	**(1)**	–
Total other non-current assets	**303**	349

Prepayments for property, plant and equipment and related services are for machinery and equipment. Included in the prepayments are US$5 million (2011: US$3 million) of letters of credit with Eurasian Bank JSC pertaining to purchases of property, plant and equipment, refer to note 4.

Other advances and non-current assets includes US$6 million (2011: US$2 million) related to the advances made to Kazakhstan Temir Zholy JSC ('KTG'), a Government of the Republic of Kazakhstan related entity, refer to note 4 for further details.

Long-term inventory consists of the slag dump of chrome ore which was recorded at fair value of US$25 million at the date of the Serov acquisition. During 2012, US$1 million of the slag dump was processed (2011: US$1 million). At 31 December 2012, the total balance of the slag dump is US$21 million (2011: US$21 million), of which US$2 million (2011: US$2 million) is recorded within current inventory. The value of the slag dump remains unchanged between 2011 and 2012 mainly due to movements in the Russian rouble exchange rate.

23. Inventories

In millions of US$	As at 31 December 2012	As at 31 December 2011
Finished goods	**379**	294
Raw materials	**370**	283
Consumable stores	**293**	217
Work-in-progress	**187**	166
Other inventory	**102**	87
Less provision for obsolete and slow-moving inventory	**(39)**	(20)
Total inventories	**1,292**	1,027

Inventory write-downs recognised in the Consolidated income statement during the year amounted to US$32 million (2011: US$19 million).

24. Trade and other receivables

In millions of US$	Note	As at 31 December 2012	2011
Trade receivables		**559**	661
Restricted cash[1]		**53**	125
Term deposits with related parties	4	**22**	22
Term deposits		**5**	3
Letters of credit with related parties	4	**2**	14
Other receivables		**25**	46
Other amounts due from related parties	4	**24**	30
Less impairment loss provision[2]		**(30)**	(28)
Total trade and other receivables (financial assets) – net		**660**	873
Other taxes		**294**	217
Prepaid expenses		**38**	67
Advances to suppliers		**39**	57
Advances to related parties	4	**15**	5
Prepaid expenses to related parties	4	**10**	4
Less impairment loss provision		**–**	–
Total trade and other receivables (non-financial assets) – net		**396**	350
Total trade and other receivables		**1,056**	1,223

1 In 2012, restricted cash relates to guarantees and letters of credit in the normal course of business (2011: restricted cash of US$125 million relates to the deposit paid in relation to the FQM transaction in 2012).
2 The impairment loss provision includes US$10 million recognised against a receivable in Masalskoe GOK LLP during 2011. For further details refer to note 4.

The fair value of trade and other receivables (financial assets) approximates their carrying value. As at 31 December 2012, trade and other receivables (financial assets) of US$86 million (2011: US$28 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. With respect to trade and other receivables that are neither impaired nor past due, there are no indications as at the reporting date that the customers will not meet their payment obligations. The overdue analysis of these receivables is as follows:

In millions of US$	As at 31 December 2012	2011
Current and not impaired	**576**	845
Less than 3 months overdue	**67**	17
Between 3 to 6 months overdue	**3**	8
Between 6 to 12 months overdue	**13**	2
Over 12 months overdue	**3**	1
Total past due but not impaired	**86**	28
Individually determined to be impaired – gross	**28**	28
Total individually impaired	**28**	28
Total trade and other receivables (financial assets)	**690**	901
Less impairment loss provision	**(30)**	(28)
Total trade and other receivables (financial assets) – net	**660**	873

Movements of the impairment provision of trade and other receivables (financial assets) during the year are as follows:

In millions of US$	Impairment loss provision 2012	2011
Balance as at 1 January	**28**	11
Impairment loss recognised in income statement	**3**	26
Amounts written off as uncollectable	**(1)**	(6)
Unused amounts reversed	**–**	(3)
Balance as at 31 December	**30**	28

24. Trade and other receivables continued

The trade and other receivables (financial assets) are denominated in various currencies as follows:

In millions of US$	As at 31 December 2012	2011
US dollar	**527**	700
Russian rouble	**68**	106
Kazakhstani tenge	**50**	39
European euro	**10**	20
British pound	**1**	–
Other	**4**	8
Total trade and other receivables (financial assets) – net	**660**	873

The interest rate profile of the Group's interest-bearing trade and other receivables (financial assets) is as follows:

In millions of US$	As at 31 December 2012	2011
Fixed interest rate	**25**	36
Floating interest rate	**47**	–

All other trade and other receivables (financial assets) are non-interest bearing.

25. Cash and cash equivalents

In millions of US$	As at 31 December 2012	2011
Short-term deposits	**401**	404
Cash at bank and on hand	**297**	218
Total cash and cash equivalents	**698**	622

The cash and cash equivalents are denominated in currencies as follows:

In millions of US$	As at 31 December 2012	2011
US dollar	**490**	343
Kazakhstani tenge	**86**	147
Russian rouble	**79**	73
European euro	**17**	11
Brazilian real	**8**	2
British pound	**7**	18
South African rand	**7**	12
Swiss franc	**4**	2
Chinese renminbi	**–**	13
Other	**–**	1
Total cash and cash equivalents	**698**	622

The interest rate profile of the interest-bearing cash and cash equivalents is as follows:

In millions of US$	As at 31 December 2012	2011
Fixed interest rate	**302**	387
Floating interest rate	**327**	191

All other cash and cash equivalents are non-interest bearing.

26. Cash flow from operating activities

In millions of US$	Note	Years ended 31 December 2012	2011[1]
Cash flow from operating activities			
(Loss)/profit before income tax for the year		**(550)**	2,755
Adjustments for:			
Depreciation and amortisation		**691**	515
Loss on disposal of property, plant and equipment		**2**	5
Net gain arising from business combinations	5	**(89)**	–
Onerous contract provision	9	**328**	–
Adjustment to contingent consideration for Rubio Holdings		**(8)**	–
Gain on disposal of assets and liabilities classified as held for sale		**(1)**	–
Share of loss/(profit) from joint ventures and associates	19	**39**	(2)
Share-based payments	33	**10**	8
Impairment of property, plant and equipment, goodwill and non-current assets	9	**1,216**	24
Impairment loss on receivables		**3**	26
Impairment of inventories		**20**	–
Net finance cost		**226**	123
Net foreign exchange gain		**(14)**	(32)
		1,873	3,422
Changes in inventories		**(232)**	(173)
Changes in trade and other receivables		**146**	(169)
Changes in trade and other payables		**68**	(10)
Changes in asset retirement obligations		**12**	(7)
Changes in employee benefit obligations		**22**	6
Changes in other taxes payable		**20**	(25)
Cash generated from operating activities		**1,909**	3,044

[1] Reclassification of year ended 31 December 2011 is due to net foreign exchange gain and impairment of property, plant and equipment being reanalysed.

27. Capital and dividends

Share capital and share premium

	Number (issued and fully paid)	Ordinary shares US$000	Share premium US$000
At 31 December 2012	**1,287,750,000**	**257,550**	**2,999,023**
At 31 December 2011	1,287,750,000	257,550	2,999,023

As at 31 December 2012 and 31 December 2011, total authorised capital is 2,000,000,000 ordinary shares with a par value of US$0.20 each. Of the ordinary shares authorised, 1,287,750,000 have been issued and fully paid with a par value of US$0.20 each and a share premium of US$2.33. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Dividends

For the years ended 31 December 2012 and 31 December 2011, the following dividends were declared and paid by the Group:

	2012 US cents per share	2012 In millions of US$	2011 US cents per share	2011 In millions of US$
Prior year final dividend	**11**	**142**	18	232
Interim dividend	**6.5**	**83**	16	206
Total dividends		**225**		438

The Board of Directors does not recommended a final dividend for the year ended 31 December 2012. The full year dividend for 2012 is US 6.5 cents per share.

28. Borrowings

In millions of US$	Note	As at 31 December 2012	2011
Non-current			
Bank borrowings		**4,202**	325
Term borrowings		**7**	2
Promissory notes		**451**	–
Bonds		**–**	14
Non-current borrowings – third party		**4,660**	341
Bank borrowings		**394**	393
Term borrowings		**500**	500
Non-current borrowings – related party	4	**894**	893
Total non-current borrowings		**5,554**	1,234
Current			
Bank borrowings		**232**	263
Term borrowings		**–**	1
Promissory notes		**15**	–
Bonds		**14**	–
Current borrowings – third party		**261**	264
Bank borrowings		**7**	7
Term borrowings		**11**	14
Promissory notes		**–**	75
Current borrowings – related party	4	**18**	96
Total current borrowings		**279**	360
Total borrowings		**5,833**	1,594

The carrying values and fair values of borrowings are as follows:

In millions of US$	Carrying values 2012	Carrying values 2011	Fair values 2012	Fair values 2011
Bank borrowings	**4,835**	988	**4,799**	940
Term borrowings	**518**	517	**466**	451
Promissory notes	**466**	75	**509**	75
Bonds	**14**	14	**14**	14
Total borrowings	**5,833**	1,594	**5,788**	1,480

The fair value of borrowings is determined using discounted cash flows at the discount rates for the relevant facilities as at the balance sheet date.

The Group's borrowings mature as follows:

In millions of US$	As at 31 December 2012	2011
Less than 1 year	**279**	360
Between 1 and 2 years	**2,517**	196
Between 2 and 3 years	**1,163**	54
Between 3 and 4 years	**731**	33
Between 4 and 5 years	**231**	52
Between 5 and 10 years	**804**	753
Between 10 and 15 years	**108**	146
Total borrowings	**5,833**	1,594

The Group's borrowings are denominated in currencies as follows:

In millions of US$	As at 31 December 2012	2011
US dollar	**5,555**	1,447
European euro	**264**	129
Kazakhstani tenge	**14**	15
Chinese renminbi	**–**	3
Total borrowings	**5,833**	1,594

The effective interest rates at the balance sheet date for current and non-current borrowings were as follows:

In millions of US$	Borrowing currency	Maturity	Effective interest rate 2012	Effective interest rate 2011	As at 31 December 2012	As at 31 December 2011
Third party						
Bank borrowings (g)	US$	2013	**LIBOR + 3.37%**	LIBOR + 3.37%	**–**	167
Bank borrowings (c)	US$	2014-2016	**6.10%**	6.10%	**992**	40
Bank borrowings (c)	US$	2014	**LIBOR + 6.25%**	n/a	**992**	–
Bank borrowings (b)	US$	2017	**LIBOR + 6.30%**	n/a	**1,984**	–
Bank borrowings (i)	EUR	2021	**EURIBOR + 1.2%**	EURIBOR + 1.2%	**160**	43
Bank borrowings (i)	EUR	2020	**EURIBOR + 1.5%**	EURIBOR + 1.5%	**50**	48
Bank borrowings (i)	EUR	2020	**EURIBOR + 0.5%**	EURIBOR + 0.5%	**24**	27
Promissory notes (e)	US$	2015	**3.0%**	n/a	**451**	–
Bonds	KZT	2013	**2-10%**	2-10%	**–**	14
Non-interest bearing term borrowings	Various				**7**	2
Total third party					**4,660**	341
Related party						
Bank borrowings (h)	US$	2025	**4.0%**	4.0%	**394**	393
Term borrowings (f)	US$	2020	**7.5%**	7.5%	**500**	500
Total related party					**894**	893
Total non-current					**5,554**	1,234
Third party						
Bank borrowings (g)	US$	2013	**LIBOR + 3.37%**	LIBOR + 3.37%	**167**	200
Bank borrowings (b)	US$	2017	**LIBOR + 6.30%**	n/a	**14**	–
Bank borrowings (c)	US$	2014-2016	**6.10%**	6.10%	**8**	–
Bank borrowings (c)	US$	2014	**LIBOR + 6.25%**	n/a	**13**	–
Bank borrowings (d)	US$	2012	**LIBOR + 2.5%**	LIBOR + 2.25%	**–**	50
Bank borrowings (i)	EUR	2021	**EURIBOR + 1.2%**	EURIBOR + 1.2%	**20**	–
Bank borrowings (i)	EUR	2020	**EURIBOR + 1.5%**	EURIBOR + 1.5%	**6**	6
Bank borrowings (i)	EUR	2020	**EURIBOR + 0.5%**	EURIBOR + 0.5%	**4**	4
Bank borrowings	CNY	2012	**n/a**	6.0%	**–**	3
Promissory notes (e)	US$	2015	**3.0%**	n/a	**15**	–
Bonds	KZT	2013	**2-10%**	2-10%	**14**	–
Other non-interest bearing term borrowings	Various				**–**	1
Total third party					**261**	264
Related party						
Bank borrowings (h)	US$	2025	**4.0%**	4.0%	**7**	7
Term borrowings (f)	US$	2020	**7.5%**	7.5%	**11**	11
Promissory notes (e)	US$	2011-2012	**n/a**	n/a	**–**	75
Non-interest bearing term borrowings	Various				**–**	3
Total related party					**18**	96
Total current					**279**	360
Total borrowings					**5,833**	1,594

28. Borrowings continued

(a) Export Credit Facility ('ECA Facility')

On 21 December 2012, the Group entered into an ECA Facility agreement for the amount of €74.8 million. The agreement has a 10.5 year maturity with a three-year draw down availability period and bears an interest rate of six-month EURIBOR plus 1.1% per annum. Euler Hermes Kreditversicherungs AG has provided credit insurance to support the facility. At 31 December 2012 there were no drawings under this facility.

(b) Sberbank of Russia

On 1 February 2012, the Group entered into a credit facility agreement with Sberbank of Russia for US$2,000 million. The facility has an applicable interest rate of LIBOR plus 6.3% and is repayable in five years. The full amount was drawn down at 31 December 2012.

(c) Russian Commercial Bank (Cyprus) Limited (part of the VTB Group)

On 30 September 2011, the Group entered into a US$1,000 million loan agreement with Russian Commercial Bank (Cyprus) Limited (part of the VTB group). The loan has an applicable interest rate of 6.1% per annum and is repayable initially in 3 years by bullet repayment with a two-year term-out option. No security has been pledged as part of the agreement and it was fully drawn down as at 31 December 2012 (2011: US$40 million).

On 25 April 2012, the Group entered into a second US$1,000 million term loan facility. The facility bears an applicable interest rate of LIBOR plus 6.25% per annum and is repayable in two years by bullet repayment. The full amount was drawn down at 31 December 2012.

(d) Revolving Credit Facility

On 16 February 2012, the Group signed the refinancing of the US$500 million revolving credit facility. The amount of the facility was reduced to US$467 million and has been arranged on a club deal basis with Credit Agricole acting as the coordinating bank. This is a two-year facility and bears an interest rate of LIBOR plus 2.5%. As at 31 December 2012 there were no drawings under this facility.

(e) Promissory Notes

As part of the FQM transaction, announced on 2 March 2012, the total consideration included deferred consideration of US$500 million. This is in the form of a three-year promissory note with an interest coupon of 3% per annum. In accordance with IAS 39 'Financial Instruments Recognition and Measurement', this was measured at fair value of US$441 million at the time of the transaction and US$466 million as at 31 December 2012.

In August 2010, as part of its acquisition of the initial 50.5% interest in Camrose, the Group issued promissory notes at nominal value totalling US$125 million which matured between 9 months and 24 months from the date of issue. As at 31 December 2012, the carrying value of the promissory notes outstanding was US$nil (2011: US$75 million).

(f) JSC Wealth Fund 'Samruk Kazyna'

On 30 November 2010, the Group entered into a US$500 million facility with the JSC Wealth Fund 'Samruk Kazyna'. The facility has an applicable interest rate of 7.5% per annum and is repayable in 10 years by bullet repayment. No security has been pledged as part of the agreement and it was fully drawn down as at 31 December 2012 (2011: fully drawn down).

(g) Structured Trade Finance Facility

On 5 October 2010, the Group entered into a US$500 million Structured Trade Finance Facility with a group of international lenders. The facility has an applicable interest rate of one month LIBOR plus 3.37% and is repayable over three years. As at 31 December 2012 US$167 million of the facility was outstanding (2011: US$367 million).

The facility is secured principally against trade receivables from the Magnitogorsk Iron and Steel Works OJSC ('MMK'), the associated trade receivable balance as at 31 December 2012 was US$51 million (2011: US$35 million).

(h) Development Bank of Kazakhstan Facility

On 15 April 2010, the Group entered into a loan agreement for the amount of US$400 million with the Development Bank of Kazakhstan. The facility was provided by the Development Bank of Kazakhstan using financing from the State-run Export-Import Bank of China. The facility is for a 15-year period, bears an interest rate of 4% and is fully drawn as at 31 December 2012 (2011: fully drawn). The loan is secured by a corporate guarantee issued by ENRC PLC and a pledge over 51% of the shares of Kazakhstan Aluminium Smelter JSC.

(i) Export Credit Facilities

On 7 February 2011, the Group entered into an ECA Facility agreement for the amount of €185 million. The agreement has an 11-year maturity and bears an interest rate of six month EURIBOR plus 1.2% per annum. Euler Hermes Kreditversicherungs AG has provided credit insurance to support the facility. The purpose of the facility is to finance the Group's capital expenditure in the new Aktobe ferroalloys smelter. At 31 December 2012, US$180 million of the facility was outstanding (2011: US$43 million).

On 16 February 2010, the Group entered into an ECA Facility agreement for the amount of €47.5 million. The facility has a 10-year maturity and bears an interest rate of six month EURIBOR plus 1.5% per annum. Euler Hermes Kreditversicherungs AG has provided credit insurance to support the facility. The facility will be used to finance some of the Group's planned capital expenditure. As at 31 December 2012 US$56 million of the facility was outstanding (2011: US$54 million).

On 30 November 2007, the Group entered into an unsecured €32.5 million ECA Facility. The facility has an applicable interest rate of six month EURIBOR plus 0.5% per annum and matures on 20 February 2020. Euler Hermes Kreditversicherungs AG has provided credit insurance to support the facility. The purpose of the facility is to finance an export contract with Takraf GmbH. As at 31 December 2012 US$28 million of the facility was outstanding (2011: US$31 million).

(j) Euro Medium Term Notes

On 13 May 2010, the Group established a Euro Medium Term Note ('EMTN') programme for US$3,000 million. Subject to relevant laws and regulations notes can be issued in a variety of forms and for a range of maturity periods. Proceeds from any issues under the programme may be used for the Group's capital expenditure programme, potential future acquisitions and for general corporate purposes. There were no issues outstanding under the programme as at 31 December 2012 (2011: US$nil).

Undrawn Loan Commitments

As at 31 December 2012 the Group had US$609 million of undrawn committed facilities (2011: US$1,577 million).

Included within undrawn committed facilities as at 31 December 2012 is US$467 million relating to the undrawn portion of the Revolving Credit Facility. On 12 February 2013 this facility was refinanced with a US$500 million Revolving Credit Facility; please refer to note 40 for further details.

29. Asset retirement obligations

The Group has a legal obligation to complete landfill site restoration during mining operations and decommission its mining property after closure. The timing of decommissioning activity is subject to reassessment at the same time as the revision of the Group's proved and probable reserves.

		As at 31 December	
In millions of US$	Note	2012	2011
Current provision for asset retirement obligations	31	4	3
Non-current provision for asset retirement obligations		223	124
Total provision for asset retirement obligations		**227**	127

Movements in asset retirement obligations are as follows:

In millions of US$	Note	Assets decommissioning costs	Site restoration and re-vegetation	Total
As at 1 January 2012		**56**	**71**	**127**
Capitalisation		**32**	**40**	**72**
Acquisition of subsidiary		**–**	**7**	**7**
Transfer		**(3)**	**3**	**–**
Production costs		**–**	**13**	**13**
Unwinding of discount	14	**3**	**10**	**13**
Utilisation		**–**	**(1)**	**(1)**
Exchange differences		**(1)**	**(3)**	**(4)**
As at 31 December 2012		**87**	**140**	**227**
As at 1 January 2011		22	74	96
Capitalisation		30	1	31
Changes in estimate		(1)	(4)	(5)
Transfer		4	(4)	–
Unwinding of discount	14	2	5	7
Utilisation		–	(2)	(2)
Exchange differences		(1)	1	–
As at 31 December 2011		56	71	127

In accordance with its subsurface use contracts, the Group makes annual obligatory contributions to a deposit fund for the closure costs which will take effect upon exhaustion of the mineral deposits at the end of the respective mine lives, which varies between 7 and 46 years.

The amount of the provision for asset retirement obligations is determined using the nominal prices effective at the reporting dates and 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:

	2012			2011		
	Kazakhstani entities	Russian entities	African entities	Kazakhstani entities	Russian entities	African entities
Discount rate	**5.8%**	**7.5%**	**8.0%-13.5%**	7.9%	9.2%	8.0%-15.4%
Inflation rate	**5.6%-6.9%**	**5.0%-6.5%**	**2.0%-9.0%**	4.5%-6.2%	5.2%-6.5%	1.2%-9.0%

30. Employee benefit obligations

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with labour union agreements.

Movements in the present value of defined benefit obligations were as follows:

In millions of US$	Note	2012	2011
Present value of unfunded defined benefit obligation as at 1 January		**53**	41
Acquisition of subsidiary		**3**	–
Interest cost	14	**4**	3
Benefits paid		**(4)**	(3)
Current service cost		**3**	1
Actuarial losses		**23**	8
Exchange differences		**1**	3
Present value of unfunded defined benefit obligation as at 31 December		**83**	53

The present value of unfunded defined benefit obligations as at 31 December 2010, 2009 and 2008 was US$41 million, US$46 million and US$37 million, respectively.

Amounts recognised in the Consolidated income statement in respect of the defined benefit plan are as follows:

		Years ended 31 December	
In millions of US$	Note	2012	2011
Interest cost[1]	14	**4**	3
Current service cost[2]		**3**	1
Actuarial losses[2]		**23**	8
Expense recognised in the Consolidated income statement		**30**	12

1 The interest cost is recognised in the finance cost line in the Consolidated income statement.
2 The current service cost and actuarial losses are recognised in the following line items in the Consolidated income statement:

		Years ended 31 December	
In millions of US$	Note	2012	2011
Cost of sales		**20**	8
General and administrative expenses		**6**	1
Total expense	12	**26**	9

Principal actuarial assumptions used at the balance sheet date were as follows:

	As at 31 December	
	2012	2011
Discount rate	**5.8%-14.0%**	5.8%-9.2%
Future salary increase	**5.0%-11.0%**	5.0%-10.0%
Average labour turnover rate of production personnel	**4.1%-15.8%**	4.1%-19.4%
Average labour turnover rate of administrative personnel	**5.6%-12.3%**	4.0%-12.5%

Assumptions regarding future mortality are based upon advice in accordance with published statistics and experience.

The future average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date are as follows:

	2012	2011
Male	**11**	11
Female	**15**	15

The future average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:

	2012	2011
Male	**12**	12
Female	**16**	16

31. Trade and other payables

In millions of US$	Note	As at 31 December 2012	2011
Trade payables		**374**	244
Payable to related parties	4	**8**	12
Distributions payable		**12**	11
Deferred and contingent consideration and acquisition related liabilities	5	**285**	484
Total trade and other payables (financial)		**679**	751
Advances received from customers		**65**	58
Accruals relating to employee entitlements		**126**	98
Asset retirement obligations	29	**4**	3
Other		**100**	70
Total trade and other payables (non-financial)		**295**	229
Total trade and other payables		**974**	980

The fair value of trade and other payables (financial liabilities) approximates their carrying amounts, as the impact of discounting is insignificant.

32. Other taxes payable

In millions of US$	As at 31 December 2012	2011
Mineral extraction tax	**33**	39
VAT payable	**17**	8
Environmental taxes	**13**	12
Employee withholding taxes	**11**	7
Import duties	**9**	1
Social taxes	**6**	6
Other taxes	**13**	9
Total other taxes payable	**102**	82

Other taxes include property taxes, withholding taxes and employment insurance.

33. Share-based payments

The Group has established a Long-Term Incentive Plan ('LTIP') and a Deferred Share Plan ('DSP') with a view to attracting, retaining and motivating the Executive Directors and selected senior management.

The LTIP share awards are equity-settled share-based payment transactions except LTIP 4 which is a cash-settled award. All LTIP share awards vest on the third anniversary of the grant date subject to achievement of performance targets except LTIP 5 which vest on the second anniversary of the grant date. The LTIP performance target for the schemes prior to 2011 is based on the Group's total shareholder return ('TSR'), ranked against a comparator group of other international mining companies over a three-year period. Performance targets of the LTIP granted in 2011 and 2012 (LTIP 4 and LTIP 5 respectively) are measured as 50% relative to the performance of TSR, ranked against a comparator group of international mining companies and 50% on TSR performance relative to the MSCI World Metals & Mining Index. LTIP 6 granted in 2012 will vest subject to the Group's TSR outperformance relative to the FTSE 350 Mining Index.

Since December 2011 two DSP awards have been granted. DSP 1 granted in 2011 is cash-settled and DSP 2 granted in 2012 is equity-settled. The participants of the DSP received awards over ordinary shares of the Company in the form of rights to acquire a specified number of ordinary shares either by issue or transfer of ordinary shares at the end of the vesting period or rights to call for ordinary shares at the end of vesting period and for a predetermined period thereafter.

Further information on the LTIP and DSP is disclosed in the Remuneration report on pages 76 to 85.

In circumstances where an employee ceases to be employed prior to the vesting date for these schemes for reasons except dismissal, the Board has the discretion to allow the employee's award to vest to the extent they deem the performance target would have been satisfied if pro-rated to the date of cessation of employment.

Details of grants and assumptions in the calculation of fair value under the LTIP and DSP are set out in the table below:

	DSP 2	DSP 1	LTIP 6	LTIP 5	LTIP 4	LTIP 3	LTIP 2
Grant date	2 May 2012	21 December 2011	2 May 2012	2 May 2012	23 December 2011	26 April 2010	20 April 2009
Fair value per share (in British pounds)	5.11	3.00	1.87	1.88	0.13	9.23	3.97
Share price at grant date (in British pounds)	5.60	6.23	5.60	5.60	6.30	12.08	5.489
Estimated average volatility[1]	46%	56%	46%	50%	56%	72%	70%
Estimated dividend yield[2]	3.08%	3.38%	3.08%	3.08%	3.38%	2.23%	3.82%
Risk free interest rate[3]	0.39%	0.16%	0.39%	0.27%	0.16%	1.67%	1.27%
Exercise price (in British pounds)	–	–	–	–	–	–	–
Vesting period	3 years	3 years	3 years	2 years	3 years	3 years	3 years

1 The Group's estimated share price volatility for plans prior to 2011 is based on the historical average annualised volatility of the comparator group of mining companies and reflects the assumption that the historical volatility over a period similar to the life of the awards is indicative of future trends, which may not necessarily be the actual outcome. For the plans from 2011, Group's historic share price data was used to calculate volatility.
2 The estimated dividend yield was based on the Group's historical dividend payments.
3 The risk free interest rate is a government bond rate over a period similar to the life of the awards.

The estimated fair value of each share granted under the LTIP and DSP is calculated by applying Monte Carlo and Black Scholes models respectively. As at 31 December 2012 and 31 December 2011 the median benchmark comparator was not met. As a result LTIP 2 did not vest and LTIP 3 will not vest in 2013.

Recognition of services received

An expense of US$12 million (2011: US$8 million) for share-based payments was recognised during the year ended 31 December 2012 within employee benefit expense in the income statement. During 2012 payments of US$nil (2011: US$nil) were made to LTIP and DSP participants. The expense in respect of the cash-settled schemes for 2011 was not material and therefore was included in the results for the year ended 31 December 2012 rather than year ended 31 December 2011.

The reduction in expense arising from a change in fair value of the liability for cash-settled plans between grant date and balance sheet date amounted to US$2.4 million.

33. Share-based payments continued

The table below sets out the movement in shares granted under the LTIP and DSP:

Number	DSP 2	DSP 1[1]	LTIP 6	LTIP 5	LTIP 4[1]	LTIP 3	LTIP 2	LTIP 1	Total
As at 1 January 2011	–	–	–	–	–	1,174,100	1,537,766	404,869	3,116,735
Granted	–	774,016	–	–	439,064	–	–	–	1,213,080
Lapsed	–	–	–	–	–	–	–	(404,869)	(404,869)
Forfeited	–	–	–	–	–	(54,285)	(113,668)	–	(167,953)
As at 31 December 2011	–	774,016	–	–	439,064	1,119,815	1,424,098	–	3,756,993
Granted	**1,856,523**	**–**	**1,482,615**	**768,634**	**–**	**–**	**–**	**–**	**4,107,772**
Lapsed	**–**	**–**	**–**	**–**	**–**	**–**	**(1,424,098)**	**–**	**(1,424,098)**
Forfeited	**(12,466)**	**(25,523)**	**(72,548)**	**–**	**(36,265)**	**(68,837)**	**–**	**–**	**(215,639)**
As at 31 December 2012	**1,844,057**	**748,493**	**1,410,067**	**768,634**	**402,799**	**1,050,978**	**–**	**–**	**6,225,028**

[1] DSP 1 and LTIP 4 are cash-settled awards granted in December 2011.

The weighted average remaining life of share options outstanding at the year ended 31 December 2012 was 604 days (2011: 273 days).

34. Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign currency risk, interest rate risk and commodity price risk). The Group may use derivative financial instruments to hedge foreign exchange and interest rate exposures.

Financial risk management is the responsibility of the treasury function which identifies, evaluates and, if appropriate, hedges financial risks in close cooperation with the Group's operating divisions. The Treasury Policy outlines 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 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. Credit limits are set by the Group in accordance with limits provided by the credit insurance company.

The Group undertakes rigorous credit control procedures which are closely monitored by the Chief Commercial Officer and the Chief Financial Officer. These procedures are regularly reviewed in light of the limited availability of credit insurance. As a general rule, for those sales to non-major customers where credit insurance is not available, the Group operates a policy of 'cash on delivery' and 'letters of credit'.

The Group has established relationships with a number of international and domestic banks in the areas in which the Group operates. Individual credit limits are assigned to each counterparty according to an analysis of financial strength or published credit rating. Limits and exposures to each counterparty are regularly monitored and reported at each Board meeting. During the year a mixture of bank deposits and liquidity funds were used within the Group's investment portfolio.

Our policy is to invest surplus funds with good quality banks or liquidity funds. Individual counterparty exposure limits are based on entity credit ratings published by at least one of the major credit rating agencies. In some areas where the Group operates it is necessary to deal with counterparties that do not have the required credit rating as prescribed by the policy. In these cases a counterparty limit will be calculated based on detailed credit analysis of the individual counterparty. The resulting credit limits are reviewed frequently to ensure that they remain appropriate.

The Group considers its maximum exposure to credit risk related to the uncollateralised balances to be as follows:

In millions of US$	Note	As at 31 December 2012	2011
Cash and cash equivalents	25	**698**	622
Trade and other receivables	24	**660**	873
Other financial assets	20	**323**	218
Loans receivable	21	**47**	227
Total maximum credit risk exposure		**1,728**	1,940

The maximum exposure to credit risk for cash and cash equivalents, trade and other receivables, other financial assets and loans receivable by geographic region is as follows:

As at 31 December 2012 In millions of US$	Cash and cash equivalents	Trade and other receivables	Other financial assets	Loans receivable	Total
Eurasia	**297**	**184**	**25**	**31**	**537**
Europe and Middle East	**314**	**214**	**6**	**–**	**534**
Africa	**60**	**25**	**236**	**16**	**337**
Asia Pacific	**–**	**224**	**–**	**–**	**224**
Rest of the World	**27**	**13**	**56**	**–**	**96**
Total	**698**	**660**	**323**	**47**	**1,728**

As at 31 December 2011 In millions of US$	Cash and cash equivalents	Trade and other receivables	Other financial assets	Loans receivable	Total
Eurasia	383	226	16	25	650
Europe and Middle East	186	134	2	–	322
Africa	39	174	191	202	606
Asia Pacific	–	326	–	–	326
Rest of the World	14	13	9	–	36
Total	622	873	218	227	1,940

In 2012 the top 10 customers as a proportion of the outstanding balance of the Group's trade receivables accounted for 25% (2011: 41%). Based on historical default rates, the Group believes that no impairment review is necessary in respect of trade receivables not past due by up to 60 days.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. This is achieved by a combination of producing regular cash forecasts and ensuring that either adequate cash reserves or bank facilities are in place to meet future liabilities.

The following table summarises the Group's non-derivative financial assets and liabilities which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows, translated at balance sheet date exchange rates.

Notes to the Consolidated financial statements continued

34. Financial risk management continued

Non-derivative financial assets and liabilities

In millions of US$	Note	Carrying amount	Total contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years
									As at 31 December 2012
Borrowings	28	(5,833)	(7,010)	(564)	(2,795)	(1,406)	(910)	(298)	(1,037)
Trade and other payables	31	(679)	(679)	(679)	–	–	–	–	–
Other non-current liabilities[1]		(8)	(10)	–	(7)	(1)	–	–	(2)
Trade and other receivables	24	660	660	660	–	–	–	–	–
Cash and cash equivalents	25	698	698	698	–	–	–	–	–
Other financial assets[2]	20	75	89	48	3	2	–	1	35
Loans receivable	21	47	49	6	9	3	3	5	23
Net position		(5,040)	(6,203)	169	(2,790)	(1,402)	(907)	(292)	(981)

In millions of US$	Note	Carrying amount	Total contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years
									As at 31 December 2011
Borrowings	28	(1,594)	(1,993)	(409)	(239)	(107)	(76)	(94)	(1,068)
Trade and other payables	31	(751)	(751)	(751)	–	–	–	–	–
Other non-current liabilities[1]		(3)	(5)	–	(1)	(1)	–	–	(3)
Trade and other receivables	24	873	873	873	–	–	–	–	–
Cash and cash equivalents	25	622	622	622	–	–	–	–	–
Loans receivable	21	227	241	4	–	6	21	52	158
Other financial assets[2]	20	16	18	–	1	–	–	1	16
Net position		(610)	(995)	339	(239)	(102)	(55)	(41)	(897)

1 The other non-current liabilities total presented on the face of the balance sheet includes US$16 million of provisions and guarantees with no contractual cash flows (2011: US$12 million).
2 The other financial assets (non-current and current) totals presented on the face of the balance sheet includes US$244 million of investment in quoted equity shares with no contractual cash flows (2011: US$202 million) and derivative financial assets of US$2 million (2011: US$ nil).

Foreign currency risk

The majority of the Group's production costs are denominated in Kazakhstani tenge (KZT), Russian roubles (RUB) and US dollars (US$) while the majority of sales are denominated in US dollars (US$). The Group is therefore exposed to the risk that movements in exchange rates will affect both its operating profit and cash flows. The Group may enter into derivative financial instruments to hedge part or all of these risks.

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.

During 2012 the Group swapped the majority of its ECA borrowing facilities to USD from EUR.

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.

In millions of US$	KZT	US$	RUB	EUR	GBP	ZAR	Other[2]
As at 31 December 2012							
Kazakhstani entities (KZT)	**n/a**	**597**	**(4)**	**(267)**	**–**	**–**	**–**
Marketing and holding entities (US$)	**–**	**n/a**	**58**	**(231)**	**(48)**	**232**	**10**
Marketing Russian entities (RUB)	**–**	**(5)**	**n/a**	**–**	**–**	**–**	**–**
UK management entities (GBP)	**–**	**207**	**–**	**–**	**n/a**	**–**	**–**
Russian Serov entities (RUB)	**–**	**33**	**n/a**	**–**	**–**	**–**	**–**
African entities (primarily US$)[1]	**–**	**(153)**	**–**	**(2)**	**(100)**	**39**	**47**
Brazilian entities (BRL)	**–**	**(322)**	**–**	**–**	**–**	**–**	**–**
Net monetary position	**–**	**357**	**54**	**(500)**	**(148)**	**271**	**57**
As at 31 December 2011							
Kazakhstani entities (KZT)	n/a	1,105	7	(37)	–	–	–
Marketing and holding entities (US$)	1	n/a	35	(109)	(22)	191	9
Marketing Russian entities (RUB)	–	(45)	n/a	–	–	–	–
UK management entities (GBP)	–	(96)	–	–	n/a	2	–
Russian Serov entities (RUB)	–	32	n/a	–	–	–	–
African entities (primarily US$)[1]	–	(45)	–	–	(79)	(78)	(9)
Brazilian entities (BRL)	–	(437)	–	–	–	–	–
Net monetary position	1	514	42	(146)	(101)	115	–

[1] US$ balances against African entities represents US$ balances in non US$ functional currency entities.
[2] The other currency total of US$57 million in 2012 is primarily comprised of Canadian dollar balances.

In 2012 and 2011 intercompany balances are included to fully reflect the Group's exposure to foreign currency risk.

The principal exchange rates used for the British pound, Kazakhstani tenge, Russian rouble and Brazilian real are presented in note 1.

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 tax.

In millions of US$	KZT	US$	RUB	EUR	GBP	ZAR	Other
As at 31 December 2012							
Total foreign exchange risk	**–**	**357**	**54**	**(500)**	**(148)**	**271**	**57**
Appreciation in the US exchange rate	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**
Increase/(decrease) in profit/equity due to appreciation of US dollar	**–**	**18**	**(3)**	**25**	**7**	**(14)**	**(3)**
As at 31 December 2011							
Total foreign exchange risk	1	514	42	(146)	(101)	115	–
Appreciation in the US exchange rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Increase/(decrease) in profit/equity due to appreciation of US dollar	–	26	(2)	7	5	(6)	–

The impact on income/equity of a 5.0% depreciation of the US dollar is the equal opposite of the 5.0% appreciation shown above.

Notes to the Consolidated financial statements continued

34. Financial risk management continued

Interest rate risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. These assets and liabilities are exposed to fair value interest rate risk or cash flow interest rate risk depending on whether they are subject to fixed or floating rates of interest.

The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters. The Group's policy is to maintain a balance between fixed and floating interest rate risks. This is principally achieved by using a mix of fixed and floating interest rate borrowings or if necessary, entering into derivative financial instruments to manage the interest rate of the debt portfolio. The Group's significant interest bearing assets and liabilities are as follows:

		As at 31 December 2012			
In millions of US$	Note	Fixed rate	Floating rate	Non-interest bearing	Total
Trade and other receivables	24	25	47	588	660
Cash and cash equivalents	25	302	327	69	698
Loans receivable	21	32	–	15	47
Assets		359	374	672	1,405
Borrowings	28	(2,378)	(3,448)	(7)	(5,833)
Liabilities		(2,378)	(3,448)	(7)	(5,833)
Net position		(2,019)	(3,074)	665	(4,428)
Effect of a 1% increase in interest rates on profit before tax		n/a	(31)	n/a	(31)

		As at 31 December 2011			
In millions of US$	Note	Fixed rate	Floating rate	Non-interest bearing	Total
Trade and other receivables	24	36	–	837	873
Cash and cash equivalents	25	387	191	44	622
Loans receivable	21	203	–	24	227
Assets		626	191	905	1,722
Borrowings	28	(1,029)	(560)	(5)	(1,594)
Liabilities		(1,029)	(560)	(5)	(1,594)
Net position		(403)	(369)	900	128
Effect of a 1% increase in interest rates on profit before tax		n/a	(4)	n/a	(4)

As shown above the impact on profit before tax of a 1% increase in interest rates would be a US$31 million decrease in profit before tax (2011: US$4 million decrease) with an equal opposite effect if interest rates decreased by 1%. The US$31 million profit before tax decrease (2011: US$4 million decrease) is entirely attributable to cash flow risk (floating rate interest) as the Group does not re-measure fixed rate financial assets and liabilities to fair value.

The impact on equity is the same as the impact on income. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Commodity price risk

The Group generates most of its revenue from the sale of commodities primarily ferrochrome, chrome ore, iron ore, alumina, aluminium, cobalt and copper. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicality in industries that are end users of these products.

Prices may also 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.

A substantial or extended decline in commodity prices would materially and adversely affect the Group's business and the financial results and cash flows of operations. The Group does not hedge its exposure to the risk of fluctuations in the price of its products.

The table below sets out the sensitivity of the Group's Underlying EBITDA to changes in commodity prices. A 5% reduction in sales price, relative to the average for the year, would reduce Underlying EBITDA by:

	Year ended 31 December	
In millions of US$	2012	2011
High-carbon ferrochrome	**81**	92
Chrome ore	**5**	9
Iron ore	**90**	121
Alumina	**16**	22
Aluminium	**27**	32
Cobalt	**12**	18
Copper	**14**	11

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 Group intends to maintain a capital structure in line with industry's norms and practices which will be achieved over a period of time, taking into account investment opportunities and availability of debt finance.

The Group considers the following balances as a part of its capital management:

		As at 31 December	
In millions of US$	Note	2012	2011
Borrowings	28	**5,833**	1,594
Share capital and share premium	27	**3,257**	3,257
Reserves[1]		**6,489**	7,643
Total capital		**15,579**	12,494

1 Reserves include retained earnings, translation reserve and revaluation reserve of financial assets available for sale.

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 manage its debt level. Reconciliations of the Group's gearing and net debt position can be found in note 38.

The Group's credit ratings are currently BB- with Standard & Poor's and Ba3 with Moody's with both ratings on a negative outlook. It is possible that these credit ratings could restrict the Group's access to future sources of debt.

In order to ensure the Group has access to sufficient funding to meet its obligations as they fall due the Group has refinanced its existing revolving credit facility in February 2013, increasing the facility to US$500 million and extending the maturity to 2015, please refer to note 40 for further details. In addition to the new facilities, the Group can also issue notes under its US$3,000 million Euro Medium Term Notes ('EMTN') programme.

Fair value of financial instruments

In determining fair value of financial instruments the Group uses its judgment to select a variety of methods and to verify assumptions that are mainly based on market conditions existing at each balance sheet date, as well as obtaining fair value measurements from other parties.

For the financial instruments measured on the balance sheet at fair value, the Group has adopted the following fair value measurement hierarchy:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of financial instruments traded in the active market is based on quoted market prices at the balance sheet date. These instruments are included in level 1. As at 31 December 2012 and 2011, the Group's available-for-sale financial assets (refer to note 20) are included in level 1 of the hierarchy.

As at 31 December 2012 and 2011, the Group did not hold financial instruments that are included in level 2 or 3 of the hierarchy.

The fair value of financial instruments carried at amortised cost is based on expected cash flows discounted at prevailing interest rates for new instruments with similar credit risk and maturity.

Notes to the Consolidated financial statements continued

35. Auditor's remuneration

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's external auditor as detailed below:

In millions of US$	Years ended 31 December 2012	2011
Fees payable to the Company's auditor for the audit of the Parent Company and Consolidated financial statements	**1.5**	1.9
The auditing of accounts of any associate of the Company	**2.8**	3.9
Audit-related assurance services	**1.6**	0.7
Taxation advisory services	**1.6**	0.8
Other assurance services	**0.9**	0.4
Services relating to corporate finance transactions entered into, or proposed to be entered into, by or on behalf of the Company or any of its associates	**2.4**	0.6
All other non-audit services	**0.3**	0.3
Total	**11.1**	8.6

36. Commitments

Capital expenditure commitments

In millions of US$	As at 31 December 2012	2011
Property, plant and equipment	**535**	1,031

The reduction in capital commitments is predominantly due to lower capital commitments for the Aktobe ferroalloys plant as it approaches completion and the lower level of capital expenditure planned in 2013.

Operating leases

The table below sets out minimum payments for aggregate future minimum lease payments:

In millions of US$	As at 31 December 2012	2011
Less than 1 year	**12**	11
Between 1 and 2 years	**7**	10
Between 2 and 3 years	**4**	7
Between 3 and 4 years	**3**	5
Between 4 and 5 years	**3**	3
After 5 years	**28**	30
Total	**57**	66

Rental expenses relating to the operating leases of mining facilities and administrative facilities are recognised in 'cost of sales' and 'general and administrative expenses' respectively within the income statement.

Assets pledged and restricted

The Group has the following assets pledged as collateral:

		As at 31 December			
		2012		2011	
In millions of US$	Note	**Asset pledged**	**Related liability**	Asset pledged	Related liability
Property, plant and equipment	17	**–**	**–**	2	–
Long-term deposits and restricted cash	20	**23**	**–**	16	14
Restricted cash[1]	24	**53**	**–**	125	160
Trade receivable	28	**51**	**167**	35	
Total assets pledged and restricted		**127**	**167**	178	174

[1] Restricted cash in 2011 of US$125 million relates to the deposit paid in relation to the First Quantum Minerals transaction.

In addition, there is a pledge over the shares of Kazakhstan Aluminium Smelter JSC as detailed in note 28 (h).

37. Contingencies

Taxation

At the end of 2009, the Kazakhstan tax authorities issued a transfer pricing assessment of US$126 million on SSGPO in respect of the year ended 31 December 2004. The Group's management have appealed against the assessment, with no provision against additional tax considered to be necessary. The Kazakhstan tax authorities are currently considering the Group's appeal against the assessment. As at 31 December 2012, the position remained unchanged.

Regulatory matters

As set out on pages 74 and 75, the Company has been contacted by Serious Fraud Office ('SFO') regarding allegations around its operations and assets in, and transactions involving, Kazakhstan and Africa (in particular, the DRC) and also the Financial Services Authority which is now known as the Financial Conduct Authority ('FCA') in its capacity as the UK Listing Authority ('UKLA') regarding compliance with the Listing Rules 10 (Significant Transactions) and 11 (Related party transactions). Further details regarding the potential actions which might arise are set out on page 75.

38. Reconciliation of non-GAAP measures

1. Underlying EBIT, EBITDA and EBITDA margin

In millions of US$ (unless stated otherwise)	Note	Years ended 31 December 2012	2011
(Loss)/profit for the year		**(852)**	1,986
Adjustments for:			
Impairments	9	**1,216**	24
Finance cost	14	**286**	184
Income tax expense	15	**302**	769
Onerous contract provision	9	**328**	–
Transaction costs/(credit) expensed under IFRS 3 (revised)	5	**26**	(2)
Share of loss/(profit) of joint ventures and associates	19	**39**	(2)
Finance income	13	**(60)**	(61)
Net gain arising from business combinations	5	**(89)**	–
Underlying EBIT		**1,196**	2,898
Add back:			
Depreciation and amortisation		**691**	515
Underlying EBITDA[1]		**1,887**	3,413
Divide by:			
Revenue		**6,320**	7,705
Underlying EBITDA Margin[2]		**29.9%**	44.3%

[1] Underlying EBITDA: (Loss)/profit before finance income, finance cost, income tax expense, onerous contract provision, depreciation, amortisation and impairment of property, plant and equipment, intangible assets and other non-current assets, share of profit or loss of joint ventures and associates, net gain arising from business combinations and acquisition related credit/costs now expensed under IFRS 3 (revised).

[2] Underlying EBITDA margin: Underlying EBITDA as a percentage of revenue.

2. Return on capital employed

In millions of US$ (unless stated otherwise)	Years ended 31 December 2012	2011
Underlying EBIT	**1,196**	2,898
Divide by:		
Capital employed weighted average[1]		
Borrowings	**4,122**	1,597
Equity including non-controlling interests	**11,035**	10,798
Total capital employed weighted average	**15,157**	12,395
Return on capital employed	**7.9%**	23.4%

[1] The capital employed used in this calculation is a three-point average based on the opening and closing balance sheet for each year plus the half year interim balance sheet.

Notes to the Consolidated financial statements continued

38. Reconciliation of non-GAAP measures continued

3. Gearing

In millions of US$ (unless stated otherwise)	Years ended 31 December 2012	2011
Net debt	**5,135**	972
Divide by:		
Net debt	**5,135**	972
Equity attributable to owners of the Company	**9,746**	10,900
	14,881	11,872
Gearing	**34.5%**	8.2%

4. Gross available funds and net debt

In millions of US$	Years ended 31 December 2012	2011
Gross available funds		
Cash and cash equivalents	**698**	622
Term deposits (included in trade and other receivables)	**27**	25
Total other financial assets	**323**	218
Less:		
Investment in quoted equity shares (non-current)	**(232)**	(191)
Other financial assets (current and non-current)	**(73)**	(16)
Total gross available funds	**743**	658
Net debt		
Cash and cash equivalents	**698**	622
Borrowings – current	**(279)**	(360)
Borrowings – non-current	**(5,554)**	(1,234)
Total net debt	**(5,135)**	(972)

5. Analysis of movements in net debt

In millions of US$	2012	2011
Opening net debt at 1 January	**(972)**	(35)
Increase/(decrease) in cash during the year	**80**	(961)
Cash inflow from borrowing proceeds	**(4,090)**	(154)
Cash outflow from debt repayment	**338**	154
Promissory notes repaid for Camrose joint venture acquisition (within investing activities)	**–**	50
Promissory notes repaid for Camrose joint venture acquisition (within financing activities)	**75**	–
Change in net debt resulting from cash flows	**(3,597)**	(911)
Foreign exchange (loss)/gain on borrowings	**(6)**	3
Foreign exchange loss on cash and cash equivalents	**(4)**	(12)
Foreign exchange movements	**(10)**	(9)
Promissory notes issued as part of FQM transaction	**(441)**	–
Borrowings assumed on acquisition of subsidiaries	**(56)**	–
Net interest accrued	**(73)**	(17)
Other movements	**14**	–
Other non-cash movements	**(556)**	(17)
Net debt at 31 December	**(5,135)**	(972)

6. Reconciliation of adjusted profit for the year attributable to owners of the Company

In millions of US$	Years ended 31 December 2012	2011
(Loss)/profit for the year attributable to owners of the Company	**(804)**	1,974
Adjustments for:		
Impairments	**1,216**	24
Onerous contract provision	**328**	–
Net gain arising from business combinations	**(89)**	–
Tax impact of the above	**(99)**	–
Non-controlling interests – share of impairments net of tax	**(19)**	–
Adjusted profit attributable to owners of the Company	**533**	1,998

7. Reconciliation of adjusted effective tax rate

In millions of US$ (unless stated otherwise)	Years ended 31 December 2012	2011
(Loss)/profit before income tax expense	**(550)**	2,755
Adjustments for:		
Impairments	**1,216**	24
Onerous contract provision	**328**	–
Net gain arising from business combinations	**(89)**	–
Adjusted profit before income tax expense	**905**	2,779
Income tax expense	**(302)**	(769)
Adjustments for:		
Tax on impairment	**(99)**	–
Adjusted income tax expense	**(401)**	(769)
Adjusted effective tax rate	**44.3%**	27.7%

39. Principal subsidiaries

The Group comprises a large number of companies and it is not practical to include all of them in a list in this report. Therefore, the Group discloses only those companies that have a more significant impact on the profit or assets of the Group. A full list of companies is filed along with the Annual Return to Companies House.

As at 31 December 2012

Subsidiary	Principal activity	Country of incorporation	Proportion of ordinary shares held by the Parent Company	Proportion of ordinary shares held by the Group	Proportion of preference shares held by the Group
SSGPO JSC ('SSGPO')	Mining and processing	Kazakhstan	–	100.00	81.47
Zhairemsky GOK JSC	Mining and processing	Kazakhstan	–	100.00	37.18
Shubarkol Komir JSC ('Shubarkol')	Mining and processing	Kazakhstan	–	100.00	–
TNC Kazchrome JSC ('Kazchrome')	Mining and processing	Kazakhstan	–	99.56	86.52
Aluminium of Kazakhstan JSC ('AoK')	Mining and processing	Kazakhstan	–	98.12	82.81
Frontier SPRL	Mining and processing	DRC	–	95.00	–
Boss Mining Sprl	Mining and processing	DRC	–	70.00	–
La Congolaise de Mines et de Développement (Comide Sprl) ('Comide')	Mining	DRC	–	100.00	–
Société Minière de Kabolela et Kipese Sprl ('SMKK')	Mining	DRC	–	100.00	–
Kazakhstan Aluminium Smelter JSC ('KAS')	Metals Processing	Kazakhstan	–	100.00	–
Rohan Prospecting and Mining SPRL ('RPM')	Metals Processing	DRC	–	100.00	–
Sary-Arka Spetskoks LLP	Metals Processing	Kazakhstan	–	100.00	–
Serov Ferroalloy Plant JSC	Metals Processing	Russian Federation	–	99.62	–
Chambishi Metals PLC	Metals Processing	Zambia	–	90.00	–
Eurasian Energy Corporation JSC ('EEC')	Power Generation	Kazakhstan	–	100.00	76.67
Bahia Mineração Ltda	Mineral Exploration	Brazil	–	100.00	–
Mineração Minas Bahia SA ('MIBA')	Mineral Exploration	Brazil	–	100.00	–
Mineração Peixe Bravo SA ('MPB')	Mineral Exploration	Brazil	–	100.00	–
Dezita Sprl	Mineral Exploration	DRC	–	100.00	–
ENRC Mozambique Limitada	Mineral Exploration	Mozambique	–	100.00	–
Amari Manganese SA (Pty) Limited	Mineral Exploration	South Africa	–	74.00	–
Treatment of Kingamyambo Tailings Company ('Metalkol')	Mineral Exploration	DRC	–	70.00	–
Todal Mining (Pvt) Limited	Mineral Exploration	Zimbabwe	–	60.00	–
Swanmines Sprl ('Swanmines')	Mineral Exploration	DRC	–	47.80	–
Congo Cobalt Corporation Sprl ('CCC')	Mining Contracting Services	DRC		100.00	
MEK Transsystema LLP	Transportation	Kazakhstan	–	100.00	–
TransCom LLP	Transportation	Kazakhstan	–	100.00	–
ENRC Logistics LLP	Transportation	Kazakhstan	–	100.00	–
Sabot Management Holdings Limited	Transportation	Seychelles	–	100.00	–
Sabot Holdings SA (Pty) Limited	Transportation	South Africa	–	100.00	–
ENRC Alumina AG & Branch	Sales & Marketing	Switzerland	–	100.00	–
ENRC Marketing Africa AG	Sales & Marketing	Switzerland	–	100.00	–
ENRC Marketing LLP	Sales & Marketing	Kazakhstan	–	100.00	–
ENRC Marketing LLC	Sales & Marketing	Russian Federation	–	100.00	–
Africo Resources Limited ('Africo')	Holding Company	Canada	–	63.70	–
Bahia Minerals BV ('BMBV')	Holding Company	Netherlands	–	100.00	–
Camrose Resources Limited	Holding Company	DRC	–	100.00	–
Enya Holding BV	Holding Company	Netherlands	–	100.00	–
ENRC NV	Holding Company	Netherlands	–	100.00	–
ENRC Africa BV	Holding Company	Kazakhstan	–	100.00	–
ENRC Africa Holdings Limited	Holding Company	United Kingdom	–	100.00	–
Rubio Holdings Limited	Holding Company	British Virgin Islands	–	100.00	–
Corporate Fund ENRC Komek	Charitable Foundation	Kazakhstan	–	100.00	–
ENRC Kazakhstan LLP	Group Managing Company	Kazakhstan	–	100.00	–
ENRC Management (UK) Limited	Group Managing Company	United Kingdom	100.00	–	–
ENRC Finance Limited	Treasury & Holding Company	United Kingdom	100.00	–	–

40. Events after balance sheet date

2012 Final Dividend

The Board of Directors does not recommend a final dividend for the year ended 31 December 2012.

Funding arrangements

On 12 February 2013, the Group refinanced its existing revolving credit facility, increasing the facility from US$467 million to US$500 million and extending the maturity to 2015. The facility has been arranged on a club deal basis with Bank of Tokyo acting as the coordinating bank and bears an interest rate of LIBOR plus 2.25%.

Brazil deferred consideration

On 8 March 2013, the Group entered into an agreement to reschedule the payment terms of the US$285 million deferred consideration outstanding in relation to the Bahia Minerals BV acquisition. Under the rescheduled payment terms:

- The Group has loaned US$65 million to the vendor which is repayable on the earlier of the issuance of the port installation licence or 1 June 2014; and
- The deferred consideration of US$285 million is now due on the later of the issuance of the port installation licence or 31 May 2014.

DRC Copper concentrate export governmental decree

On 5 April 2013 an Inter-ministerial Decree was adopted by the Minister of Mines and the Minister of Finance of the Democratic Republic of the Congo (the 'DRC') relating to the exportations of minerals (the 'Decree'). The Decree provides, amongst others, that the exportation of copper and cobalt concentrates is prohibited. However, a 90 day grace period is provided to mining companies that hold stocks of copper and cobalt concentrates. Such mining companies are entitled, during the 90 day grace period, to export such stocks, subject to the requirement to declare them. The Minister of Mines of the DRC has since advised that mining companies will be able to apply for an exemption from the ban on exportation of cobalt and copper concentrates under certain circumstances and subject to certain conditions. We understand that this decree is subject to further review following representations made by several stakeholders in the DRC. The Group is currently unable to make an assessment of any financial impact as it considers that the way in which this decree will be implemented to be uncertain.

Taxation

In January 2013 SSGPO received a notification from the Kazakhstan tax authorities requesting a change in the tax treatment of iron ore pellets for Excess Profits Tax and Mineral Extraction Tax purposes with effect from October 2010. The Group's management are of the opinion that the treatment applied by SSGPO is fully compliant with the applicable tax and sub-surface use legislation and consider a successful challenge by the tax authorities as being less than probable; consequently, no provision has been made in the 2012 financial statements as a result of this post balance sheet event. SSGPO and the Group's management are currently engaged in a dialogue with the relevant Ministries of the Government of the Republic of Kazakhstan with a view to ascertaining the Government's position, prior to which it is not practicable to quantify the potential impact.

Independent auditors' report to the members of Eurasian Natural Resources Corporation PLC

We have audited the Parent Company financial statements of Eurasian Natural Resources Corporation PLC for the year ended 31 December 2012 which comprise the Parent Company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 91, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2012;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Consolidated financial statements of Eurasian Natural Resources Corporation PLC for the year ended 31 December 2012.

Nicholas Blackwood -

Nicholas Blackwood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24 April 2013

Notes

(a) The maintenance and integrity of the Eurasian Natural Resources Corporation PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Consolidated financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Parent Company balance sheet as at 31 December 2012

Eurasian Natural Resources Corporation PLC
(Registered number 6023510)

In millions of US$	Note	As at 31 December 2012	As at 31 December 2011
Fixed assets			
Investments	3	**1,307**	1,273
Other fixed assets		**16**	–
		1,323	1,273
Current assets			
Amount owed by Group company	4	**5,067**	3,416
Accrued interest receivable		**330**	198
Restricted cash	5	**–**	125
Total current assets		**5,397**	3,739
Creditors – amounts falling due within one year			
Amount owed to Group company	6	**(33)**	(32)
Accrued interest payable		**(24)**	(11)
Guarantees	7	**(4)**	(8)
Other current payable		**(2)**	–
Total creditors – amounts falling due within one year		**(63)**	(51)
Net current assets		**5,334**	3,688
Total assets less current liabilities		**6,657**	4,961
Creditors – amounts falling due after more than one year			
Term borrowings	8	**(2,500)**	(500)
Guarantees	7	**(35)**	(33)
Other financial liabilities		**(2)**	–
Total creditors – amounts falling due after more than one year		**(2,537)**	(533)
Net assets		**4,120**	4,428
Capital and reserves			
Called up share capital	9	**258**	258
Share premium account	10	**2,999**	2,999
Other reserves	10	**39**	29
Profit and loss account	10	**824**	1,142
Total shareholders' funds	10	**4,120**	4,428

As permitted by section 408 of the Companies Act 2006, the Parent Company's profit and loss account has not been included in these financial statements.

The financial statements on pages 163 to 168 were approved by the Board of Directors on 24 April 2013 and were signed on its behalf by:

Mr Felix J Vulis
Chief Executive Officer

Dr Zaure Zaurbekova
Chief Financial Officer

Notes to the Parent Company financial statements for the year ended 31 December 2012

1. Principal accounting policies

(a) Basis of preparation

These financial statements represent the individual Parent Company.

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The Directors have reviewed the Company's existing accounting policies and consider that they are consistent with last year. The principal accounting policies are set out below.

The functional and presentation currency of the Company is US dollars. At 31 December 2012, the exchange rate was £1 = US$1.6168 (2011: £1 = US$1.5418) and the average rate for the year was £1 = US$1.6133 (2011: £1 = US$1.5620).

(b) Fixed asset investments

Investments in subsidiary undertakings are stated in the balance sheet at cost less provisions for impairment. Investments are tested for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the investment exceeds the higher of net realisable value and the discounted future earnings from the investment.

(c) Financial assets and liabilities

Amounts owed to Group companies and term borrowings, which are interest and non-interest bearing, are initially recorded at fair value, net of transaction costs incurred, and subsequently remeasured at amortised cost using the effective interest method.

Finance income and expenses are accounted for on an accrual basis using the effective interest method.

(d) Financial guarantees

Financial guarantees are contracts that require the Company 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, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Financial guarantees are recognised when a premium is paid or in the case of premium-free guarantees (such as intra-group guarantees) when the borrower receives the money from the financing entity. When the Company issues a premium-free guarantee or a guarantee at a premium different from market premium, fair value is determined using valuation techniques (e.g. market prices of similar instruments, interest-rate differentials, etc).

The fair value of premium-free guarantees issued by the Company in respect of its subsidiaries' borrowings are accounted for as capital contributions and recognised as an increase in the cost of investment in the subsidiaries.

Financial guarantee liabilities are amortised on a straight line basis over the life of the guarantees with respective income presented within other operating income. At each reporting 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 reporting date.

(e) Foreign currencies

Transactions denominated in currencies other than US dollars are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in currencies other than US dollars are translated using the rate of exchange ruling at the balance sheet date. Exchange differences are charged or credited to the profit and loss account in the year in which they arise.

(f) Taxation including deferred tax

Current tax in respect of the taxable profit or loss for a period is provided using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except where otherwise prescribed by the financial reporting standards. Deferred tax liabilities are generally recognised in respect of all timing differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured using the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised on an undiscounted basis.

Current and deferred tax are recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or a loss recognised directly in the statement of total recognised gains and losses, in which case tax attributable to that gain or loss is also recognised directly in the statement of total recognised gains and losses.

(g) Share-based payments

The Company has adopted a Long-Term Incentive Plan ('LTIP') and a Deferred Share Plan ('DSP') designed to reward senior management of the Group for achieving the Group's strategic objectives and provide an appropriate level of long-term performance related pay. Each year, participants will receive conditional awards of shares in the Company which will normally vest three years after they are awarded. This is subject to the satisfaction of performance conditions, measured over a three-year performance period and continued service.

The share-based compensation is accounted for as equity-settled in the Company's financial statements and is measured at fair value of the equity instruments at the date of grant. The estimated fair value of each share granted under the LTIP and DSP is calculated by applying Monte Carlo and Black Scholes models respectively.

In accordance with FRS 20, where a Parent Company grants equity instruments rights to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the Consolidated financial statements of the parent, the subsidiary is required to record an expense for such compensation with a corresponding increase recognised in equity as a contribution from the parent. Consequently, in the financial statements of the parent, the Company is required to record an addition to the Company's investment in subsidiaries, with a corresponding increase recognised in other reserves, based on the estimate of the number of shares that will eventually vest. Failure to vest as a result of market conditions is not reversed.

Further details on the share-based payments can be found in the Directors' Remuneration report and notes to the Consolidated financial statements of this Annual Report and Accounts.

(h) Dividends

Dividends payable 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 when declared after the balance sheet date but before the financial statements are authorised for issue.

2. Taxation including deferred tax

As at 31 December 2012, the Company has not recognised deferred tax assets in respect of tax losses of US$30 million (2011: US$14 million) and other deductible timing differences of US$3 million (2011: US$4 million) on the basis of insufficient evidence of taxable profits being available against which the deferred tax asset may be utilised. The unrecognised deferred tax asset will be recognised in periods in which losses are utilised against taxable profits.

The main UK corporation tax rate was reduced from 26% to 24% with effect from 1 April 2012. A further reduction to 23% with effect from 1 April 2013 was enacted on 17 July 2012. On the basis the Company does not have any recognised deferred tax assets or liabilities at the balance sheet date, no remeasurement of these balances is necessary.

In December 2012, a reduction in the applicable rate of corporation tax to 21% with effect from 1 April 2014 was announced and in March 2013, a further reduction in the applicable rate to 20% with effect from 1 April 2015 was announced. These changes have not been enacted or substantively enacted at the balance sheet date.

Notes to the Parent Company financial statements for the year ended 31 December 2012 continued

3. Investments

In millions of US$	Company
Cost	
As at 1 January 2012	1,273
Additions:	
Capital contribution relating to financial guarantees	22
Capital contribution relating to share-based payment	12
As at 31 December 2012	**1,307**
Net book value	
As at 31 December 2012	**1,307**
As at 31 December 2011	1,273

The company has the following subsidiaries:

Name	% ownership of ordinary shares	Country of incorporation	Principal activity
ENRC Finance Limited	100	UK	Treasury Holding Company
ENRC Management (UK) Limited	100	UK	Group Managing Company

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

4. Amount owed by Group company

	As at 31 December	
In millions of US$	**2012**	2011
ENRC Finance Limited	**5,067**	3,416

The amount due from ENRC Finance Limited as at 31 December 2012 bears interest at LIBOR plus 2.06% on US$3,113 million, and interest at LIBOR plus 6.3% on US$1,954 million. The amount due from ENRC Finance Limited as at 31 December 2011 bears interest at LIBOR plus 2.06%. The loans are unsecured and repayable on demand.

5. Restricted cash

On 2 March 2012, ENRC Congo BV (a subsidiary company of ENRC Finance Limited) entered into an agreement with First Quantum Minerals ('FQM') to acquire FQM's assets in relation to their operations in the Democratic Republic of the Congo. The restricted cash was transferred to FQM as part settlement of the overall consideration.

On 19 March 2012, ENRC Congo BV reimbursed the Company for the restricted cash which was transferred to FQM as payment on their behalf.

6. Amount owed to Group company

In millions of US$	As at 31 December 2012	2011
ENRC Management (UK) Limited	**33**	32

The amount due to ENRC Management (UK) Limited at 31 December 2012 and 2011 relates to management recharges. It is repayable on demand and is not interest bearing.

7. Guarantees

In millions of US$	As at 31 December 2012	2011
Current liabilities for financial guarantees	**4**	8
Non-current liabilities for financial guarantees	**35**	33
Total liabilities for financial guarantees	**39**	41

The Company has guaranteed bank overdrafts, drawn components of bank loans and third party contractors of some of its subsidiary companies. Under the terms of the financial guarantees, the Company will make payments to reimburse the holders of the guarantee upon failure of the subsidiary company to make payments when due.

The nominal value of bank overdrafts, drawn components of bank loans and third party contractors guaranteed by the Company was US$3,778 million (2011: US$1,069 million) with maturity dates ranging from 2013 and 2021. The maximum exposure relating to financial guarantees was US$5,080 million (2011: US$3,520 million).

8. Term borrowings

On 30 November 2010, the Company entered into an agreement with JSC Sovereign Wealth Fund 'Samruk Kazyna' for a loan amounting to US$500 million. JSC Sovereign Wealth Fund 'Samruk Kazyna', a related party, is an entity controlled by the Government of the Republic of Kazakhstan, one of the Company's shareholders. The loan is unsecured and repayable in September 2020. Interest is payable semi-annually at a fixed interest rate of 7.5% in March and September of each year.

On 1 February 2012, the Company entered into a credit facility agreement with Sberbank of Russia for US$2,000 million. The facility has an applicable interest rate of LIBOR plus 6.3% and is repayable in 5 years. The facility has been fully drawn down during the year and will be used for general corporate purposes.

9. Called up share capital

In millions of US$	As at 31 December 2012	2011
Authorised:		
2,000,000,000 ordinary shares of US$0.20 each	**400**	400
Allotted and fully paid		
1,287,750,000 ordinary shares of US$0.20 each	**258**	258

Notes to the Parent Company financial statements for the year ended 31 December 2012 continued

10. Reconciliation of reserves and movements in shareholders' funds

In millions of US$	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total shareholders' funds
As at 31 December 2010	258	2,999	21	388	3,666
Profit for the financial year	–	–	–	1,188	1,188
Dividends paid	–	–	–	(434)	(434)
FRS 20 Share-based payment cost	–	–	8	–	8
As at 31 December 2011	**258**	**2,999**	**29**	**1,142**	**4,428**
Loss for the financial year	**–**	**–**	**–**	**(93)**	**(93)**
Dividends paid	**–**	**–**	**–**	**(225)**	**(225)**
FRS 20 Share-based payment cost	**–**	**–**	**10**	**–**	**10**
As at 31 December 2012	**258**	**2,999**	**39**	**824**	**4,120**

Other reserves include capital contributions in relation to share-based payments. In 2012, the Company has recognised a net amount of US$10 million in other reserves in relation to the share-based payments (2011: US$8 million). Details of the share-based payments are disclosed in the notes to the Consolidated financial statements.

The fee for the statutory accounts audit of the Company for 2012 is US$15 thousand (2011: US$23 thousand). This fee has been borne by a fellow Group company and subsequently recharged to the Company.

Between 31 December 2011 and 31 December 2012 the Company declared and paid dividends amounting to US$225 million. This comprised of the final 2011 dividend of US 11 cents per share, amounting to US$141 million, paid on 21 June 2012, and interim 2012 dividend of US 6.5 cents per share, amounting to US$84 million, paid on 4 October 2012.

11. Events after the balance sheet date

On 12 February 2013, ENRC Finance Limited refinanced its existing revolving credit facility increasing the facility, from US$467 million to US$500 million and extending the maturity to 2015. The facility has been arranged on a club deal basis with Bank of Tokyo acting as the coordinating bank and bears an interest rate of LIBOR plus 2.25%. The Company acts as a guarantor to third party banks in relation to finance arrangements and repayment obligations on behalf of ENRC Finance Limited.

SRK independent expert mineral resource and ore reserves report for the year ended 31 December 2012

SRK Consulting (UK) Ltd. ('SRK') has reviewed and restated the Mineral Resources and Ore Reserves for the various assets of the Group (ENRC PLC and each of its subsidiaries) in line with 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. For the Kazakhstan assets this involved reviewing the State Commission on Mineral Reserves ('GKZ') 'reserve' statements as prepared in accordance with the local regulatory requirements of Kazakhstan, as of 31 December 2012. SRK has modified and translated the Group's GKZ 'reserve' statements and restated these as Mineral Resources and Ore Reserves in accordance with the terms and definitions given in the JORC Code, without recourse to fundamental recalculation. For the Group's assets, SRK has either generated the Resource and Reserve statements, or reviewed and signed-off on internationally recognised Mineral Resource and Ore Reserve estimates undertaken either by the Group, or by independent third party consultants. All Mineral Resources are reported inclusive of Ore Reserves, where appropriate.

In 2007, SRK prepared an independent Mineral Expert's Report ('MER') on the mining, processing, smelting and power generating assets of the Group. Subsequent to the MER, SRK has prepared annual updates of the JORC Code compliant Mineral Resources and Ore Reserves of the Group's Kazakhstan assets. In addition, SRK has reviewed and restated Mineral Resources and, where applicable, Ore Reserves for the Group's international assets.

Site visits to the Kazakhstan assets are being undertaken on a two to three-year rotation basis. Site visits to Kazchrome's Donskoy GOK chrome operations and Zhairemsky GOK's manganese and iron-manganese operations were undertaken in February 2009 and February 2012. Site visits to Eurasian Energy Corporation's ('EEC') Vostochny Open Pit Coal Mine and the SSGPO iron ore mines were undertaken in February 2010 and November 2012. Aluminium of Kazakhstan's ('AoK') KBRU and TBRU bauxite mines were most recently visited in February 2011. The team for the February 2012 visit to Zhairemsky GOK also visited Kazchrome's Kazmarganets manganese mining operations. The Mineral Resource and Ore Reserve Statements as of 31 December 2011 form the basis for the current update. Shubarkol Komir JSC's coal mine was visited in November 2012 as part of the annual audit process. The basis for Shubarkol's Coal Resource and Reserve statement is the estimate that resulted from the pre-acquisition due diligence, which was undertaken by SRK in early 2012.

In addition to the Kazakhstan assets, various Mineral Resource and, where appropriate, Ore Reserve statements have been reviewed and restated for inclusion in the Group's Annual Report and Accounts 2012. These are further detailed below and in summary are for:

- Bahia Mineração Limitada's ('Bamin') Pedra de Ferro and Jurema iron ore projects in Brazil;
- Boss Mining's and Société Minière de Kabolela et Kipese Sprl's ('SMKK') copper and cobalt assets in the Democratic Republic of the Congo ('DRC');
- La Congolaise de Mines et de Développement (Comide sprl) ('Comide'), a subsidiary of Camrose Resource Limited ('Camrose'), copper and cobalt assets in the DRC;
- Treatment of Kingamyambo Tailings Company ('Metalkol'), a subsidiary of Camrose, copper and cobalt assets in the DRC;
- Frontier SPRL's ('Frontier') copper project in the DRC;
- Todal Mining (Pvt) Ltd's ('Todal') Bokai platinum project in Zimbabwe; and
- ENRC Mozambique Limitada's Estima coal project in Mozambique.

The dates of these statements relied on data availability and are therefore not necessarily stated as per 31 December 2012. Site visits to the DRC, Zimbabwe and Mozambique assets were most recently carried out in March and April 2012.

SRK has reviewed the Ore Reserve statements in conjunction with the Group's price forecasts. The real long-term prices used by SRK to support the current Ore Reserve declarations are:

- Chromite at US$237/tonne and high-carbon ferrochrome (HCFeCr) at US$2,125/tonne of Cr;
- Manganese concentrate products between US$104/tonne and US$118/tonne, and iron manganese concentrate products at US$30/tonne;
- SSGPO iron ore at US 105 cents/dmtu for concentrates, US 149 cents/dmtu pellets, and US$345/tonne for HBI briquettes;
- Bamin Blast Furnace product at US$55/tonne, and US$68/tonne for direct reduction product, as per the Upside Assessment Report statement, dated 1 June 2011;
- Alumina at US$312/tonne;
- Coal from EEC at a weighted average between domestic and export of US$21/tonne;
- Coal from Shubarkol at a weighted average between export, domestic industrial and domestic heating at US$20/tonne; and
- Platinum price of US$1,700/ounce as at 30 June 2012 for Bokai.

SRK has relied on the Group and its technical representatives to ensure all technical information provided to SRK is accurate. A detailed information request list was submitted by SRK and the Group provided the data up to February 2013.

The Mineral Resource and Ore Reserve statements are based on the assumptions, assessments, recommendations and material changes as stated below.

Ferroalloys Division

Kazchrome – Donskoy GOK (Chrome ore)

In 2012, Donskoy produced 4.5 Mt of run of mine ore. Molodezhnaya underground mine produced 2.5 Mt and has a mine life of 14 years, producing between 1.6 and 2.2 Mtpa for the next eight years. The 10th Anniversary underground mine produced 1.9 Mt and has a mine life of 43 years, with an average 1.6 Mtpa from Phase 1 for the next 16 years. The deeper Phase 2 commences production in 2020, with total production building up to around 4.0 Mtpa in 2035, continuing to 2055. A significant portion of the Ore Reserves is dependent on successful application of new mining methods for both near surface and deposits at depth. Whilst studies have been carried out for these, the methods have not been trialled and will be at a higher cost than the current method being utilised. Due to the integrated structure of the Donskoy mines with the Aksu and Aktobe smelters, this higher mining cost will not negatively impact on the current Ore Reserve statement. Yuzhny open pit mined a minimal 0.13 Mt in 2012 and is due to produce 2.3 Mt ore between 2013 and 2021, at a high stripping ratio. The Mineral Resources and Ore Reserves have decreased in line with depletion by 2012 production. The investments required to sustain the current operations and to provide for planned expansions and improvements at the 10th Anniversary mine and the Aktobe smelter have been adequately allowed for.

Kazchrome Kazmarganets (Manganese ore)

The Ore Reserves for Tur support production at current rates for 4.5 more years. The current mining contract for Tur expires on 7 October 2021. The Vostochny Kamys Ore Reserves are to be depleted in 2013. The current mining contract for Vostochny Kamys expires on 28 June 2018. Changes in the Mineral Resources and Ores Reserves are due to depletion, additional exploration, and reclassification of material for Tur, as reported on the GKZ balance. Kazmarganets product is consumed by the Aksu smelter, and the Ore Reserves have therefore been stated on the basis that they are part of the integrated Kazchrome operations. During 2012, the mines combined produced 1.1 Mt of manganese ore.

Zhairemsky GOK (Manganese and Iron-Manganese ores)

The Mineral Resources and Ore Reserves at Zhairemsky GOK have reduced by 1.7 Mt and 1.5 Mt respectively as a result of mining activities and stockpile depletion. The majority of production has been sourced from the Ushkatyn III open pit manganese operations (1.1 Mt), with additional manganese ore sourced from the Ushkatyn III underground mine (0.3 Mt) and Zhomart open pit (0.3 Mt). Minor iron-manganese ore mining has taken place during 2012 (56 kt). There have been no material changes to the Mineral Resources and Ore Reserves for Zhairemsky GOK outside of mining depletion activities in 2012. The current mining contract for Ushkatyn III expires in June 2015 and for Zhomart in June 2013. The Ore Reserves for the Zhairemsky GOK deposits are based on a life-of-mine plan to the end of 2031. SRK has declared the Ore Reserves on the understanding that Zhairemsky GOK can extend these mining contracts under similar terms for periods that match their life-of-mine plans. In addition to the manganese and iron-manganese Mineral Resources at Zhairemsky, polymetallic Mineral Resources have also been stated. Of those, only the Zhumanai Barite Resource has been depleted by production over 2012. SRK has been informed that changes are to be made to the GKZ Balance Reserves over 2013, which will affect the Mineral Resource and Ore Reserve as currently reported.

Iron Ore Division

SSGPO (Iron ore)

In 2012, SSGPO produced 41.0 Mt of iron ore at 32.0% iron content, from four open pits and one underground mine. The current mining contract expires in May 2015, and a Kazakhstan-based institute mining study has recently been undertaken to provide support to SSGPO's application for the 25-year extension to the mining contract up to 2040. SSGPO has modified its life-of-mine plan, with the Institute's study as the basis up to 2040, and extended it up to 2050, depleting the GKZ industrial reserves. SRK has based the Ore Reserve statement on SSGPO's mine plan up to 2050, but notes the following:

- This Ore Reserve statement assumes a second mining contract extension will be granted to enable operations beyond 2040; and
- SSGPO will need to provide additional technical design and economic modelling work to a similar level of detail as the Institute study for the material to be mined from 2040 to 2050.

Currently no Ore Reserves are stated for the Sorsky and Shagyrkulsky deposits, as no technical studies have been undertaken to prove either their technical feasibility or economic viability.

Bamin (Iron ore)

The Statement for the Pedra de Ferro ('PdF') project is in line with the BFS Upside Assessment Report ('UAR') Mineral Resource and Ore Reserve statement as issued on 1 June 2011. The Mineral Resources for PdF have been derived from those mineral rights licence areas that are attributable to Bamin as from this date, namely 870.830/2004, 870.283/2005, 811.466/1973, 292/1958, and 5247/1958. At the planned annual production rate for the UAR of 19.5 Mt of product, the life of mine will be 16 years. SRK notes that Bamin is currently undertaking studies for an alternative development plan for the PdF project. This work is anticipated to be completed during 2013 and future Mineral Resource and Ore Reserve statements will be affected. In addition to the Mineral Resources for PdF, Bamin also has reported Mineral Resources for Jurema (Blocks 1 & 4), dated as at 9 January 2009.

Alumina and Aluminium Division – AoK (Bauxite)

In 2012, AoK produced a total of 5.2 Mt of bauxite: 4.8 Mt from nine operating open pits in three areas of KBRU and 0.4 Mt from four operating open pits at TBRU. The TBRU mining contract expires on 21 January 2017, the mining contract for KBRU's Vostochno-Ayatskoye expires on 26 July 2031 and the mining contract for the remaining KBRU deposits Ayatskoye, Belinskoye and Krasnooktyabr'skoye is valid until 21 January 2042. SRK has declared the Ore Reserves on the understanding that AoK can extend these contracts under similar terms for periods that match their life-of-mine plans. The Ore Reserves are based on an overall life-of-mine plan for AoK to the end of 2045 and are supported by the overall profitability of the Alumina and Aluminium Division, which includes the Kazakhstan Aluminium Smelter, for which AoK is the sole alumina supplier.

Energy Division

EEC (Coal)

Vostochny Open Pit Coal Mine produced 20.3 Mt of coal in 2012. The current mining contract expires on 18 March 2022. The Coal Reserves are based on a life-of-mine plan up to 2046 and on the understanding that EEC can extend the contract under similar terms for a period that matches the life-of-mine plan. The Resources can support operations continuing beyond 2046.

Shubarkol (Coal)

During April 2012, the Group acquired the remaining 75% of ordinary shares of Shubarkol Komir JSC (25% having previously been acquired in February 2009). The Shubarkol Open Pit Coal Mine produced 8.2 Mt of coal in 2012, from two contract areas: Centralny (5.5 Mt), and Zapadny (2.7 Mt). The Coal Reserve for Centralny is constrained by the mining contract boundary, with production ramping up to 15 Mtpa by 2020. The mining contract boundary covers the area to be mined up to 2031. The Coal Reserves for Zapadny have also been capped at 2031, based on the current position of the mining contract boundary associated with production of 5 Mtpa by 2020. The Coal Reserves are based on a life-of-mine plan up to 2031 but the Coal Resources can support operations far beyond 2031.

Other Non-ferrous Division

Boss Mining and SMKK (Copper/Cobalt)

SRK has reviewed Mineral Resources for a variety of the Group's copper cobalt deposits located in the DRC, which the Group acquired through its majority shareholding in Central African Mining and Exploration Ltd ('CAMEC', now known as ENRC Africa Holdings Limited) in 2009 and through the acquisition of SMKK in 2009 and 2010. Resource models for the operating open pit mines at Mukondo Mountain and Kabolela (both originally undertaken by international mining consultants, Coffey Mining) have been depleted by production to 31 December 2012. The resource model for the small operating open pit mine at Chimbedia, which was originally estimated by Deswik consultants, has been depleted by production to 31 December 2012. Resources for the deposits at Saafi, Taratara, Kababankola, Luita Est, Disele Sud, Bangwe Est (all part of the Kakanda permit) and Kavundi Central (part of the Menda permit) were originally estimated by Deswik and have been restated as at 30 June 2012. The Mineral Resource estimate for Kakanda was undertaken by AMEC consultants in 2012 and is dated 30 June 2012. SRK has not stated any Ore Reserves for any of these deposits and current production is undertaken according to an internal mine plan. SRK notes, that whilst mining takes place on the Mukondo Mountain, Chimbedia and Kabolela deposits, no reconciliation has been possible between the resource models presented and the mining production data. This is considered a significant issue which will need to be resolved in the short term. SRK notes, however, that AMEC has been commissioned by the Group to re-estimate all Deswik and Coffey resource models during 2013. All Mineral Resources are presented on a 100% attributable basis.

Other Non-ferrous Division continued

Comide (Copper/Cobalt)

In August 2010, the Group acquired 50.5% of the ordinary shares of Camrose Resources Limited ('Camrose') which has a 55.3% indirect interest in Comide. In December 2012, the Group completed the purchase of the remaining 49.5% of the outstanding ordinary shares of Camrose. The deposits reviewed by SRK are: Shabulungu Est Extension, Kanika, Pungulume Est 1, 2, 3 and 4, Pungulume Principal, Mashitu Principal, Safwe Nord, and Mashitu Sud. All of the estimates, apart from Mashitu Principal and Safwe Nord, were undertaken by SRK Consulting (South Africa) Pty Limited ('SRK SA') during 2008 and 2009. The Mineral Resource estimate for Mashitu Principal and Safwe Nord combined was undertaken by RSV Gem in January 2012. SRK has restated the above estimates as at 30 June 2012, with the exception of Mashitu Principal, which is currently being mined by open pit methods, and hence the Mineral Resource statement has been depleted to 31 December 2012. SRK notes that no reconciliation is possible between the Mashitu Principal Mineral Resource model and the mining production data. This is considered to be a significant issue, which will need to be resolved in the short term. As with Boss Mining, the Group has commissioned AMEC to re-estimate all the historical resource models, also incorporating up to date drilling results. This work is ongoing in 2013. SRK has not stated any Ore Reserves for any of these deposits and current production at Mashitu Principal is undertaken according to an internal mine plan. All Mineral Resources are presented on a 100% attributable basis.

Roan Tailings Reclamation Project (Copper/Cobalt)

With the Group's acquisition of the remaining 49.5% in Camrose, it now owns an effective 70% in Metalkol, which holds the mineral licence for the Roan Tailings Reclamation ('RTR') project in the DRC. The RTR project is a project under development, which plans to establish a tailings retreatment copper-cobalt mine, processing reclaimed tailings from the Kolwezi metallurgical processing plant. In March 2012, the Group acquired the access rights and surface infrastructure of the RTR project as part of the FQM transaction. The Mineral Resource estimate is based on the original Resource estimate undertaken by Geostokos in 2003, with sufficient check calculations and, where appropriate, necessary adjustments made by SRK, and has been restated as at 30 June 2012. Studies are ongoing with regards to mining, final plant construction and commissioning. All Mineral Resources are presented on a 100% attributable basis.

Frontier (Copper)

In July 2012, the Group was granted a mining licence for the Frontier copper open pit mine in the DRC. The existing surface infrastructure, for the previously FQM operated mine, was acquired as part of the FQM transaction in March 2012. Mining by FQM ceased in August 2010. The Group plans to recommission the operation in 2013. The Mineral Resource has been authored by SRK as at 31 December 2012, based on wireframes provided by the Group and quality control and quality assurance data collated by AMEC. Drilling is ongoing, and the Mineral Resource estimate is therefore likely to change in the near future. SRK understands that technical studies are ongoing. SRK has not stated any Ore Reserves for the Frontier deposit.

Bokai (Platinum)

The Bokai platinum project in Zimbabwe is managed and operated by Todal, which is a 60% subsidiary of the Group. The remaining 40% is owned by Transminerals Corporation. The Group's interest in the project was acquired as part of the CAMEC transaction. A feasibility study was completed on the Bokai platinum project in June 2011, which SRK has reviewed. SRK has restated the Mineral Resources and Ore Reserves as at 30 June 2012. At the planned annual production rate of 3.6 Mtpa of ore (146 koz of platinum per annum), the life of mine will be 19 years. Whilst full approval for the project has not been granted, Todal has commenced construction of the decline system.

Estima (Coal)

The Estima coal project was acquired through the CAMEC transaction, and has since been managed by ENRC Mozambique Limitada, a fully owned subsidiary of the Group. ENRC Mozambique Limitada holds several coal licences in the Tete province of northwestern Mozambique, of which Estima is in the most advanced state of development. The Mineral Resource estimate was undertaken by Parsons Brinckerhoff consultants in 2012 and has been reviewed and restated by SRK as at 30 June 2012. SRK understands that studies are ongoing on the mining and infrastructure options for the project.

For and on behalf of SRK Consulting:

Asset	Competent Person for Mineral Resources	Competent Person for Ore Reserves
Donskoy GOK & Kazmarganets	Dr Lucy Roberts	Jurgen Fuykschot
Zhairemsky GOK	Mark Campodonic	Chris Bray
SSGPO	Dr Lucy Roberts	Richard Skelton
BMSA – Pedra de Ferro	Dr John Arthur	Richard Skelton
BMSA – Jurema	Dr Lucy Roberts	n/a
AoK	Mark Campodonic	Mark Campodonic
EEC	Paul Bright	Jon Woolliscroft
Shubarkol	Paul Bright	Jon Woolliscroft
Boss Mining & SMKK	Dr Lucy Roberts	n/a
Comide	Dr Lucy Roberts	n/a
RTR	Dr Lucy Roberts	n/a
Frontier	Richard Nicholls	n/a
Bokai	Dr John Arthur	Keith Joslin
Estima	Bill Hatton	n/a

Ore reserves/mineral resources estimates

Summary of ore reserves of the Group

	Reserves as of 31 December 2012 (unless stated otherwise)						Reserves as per 2011 Annual Report and Accounts		
	Proved		Probable		Total		Total		Reserves[1] life at 2012 mining volumes
Minerals type	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	
Ferroalloys Division									
		Cr_2O_3		Cr_2O_3		Cr_2O_3		Cr_2O_3	
Chrome ore	56.7	41.6	150.0	41.1	206.7	41.3	212.4	41.1	46 years
		Mn		Mn		Mn		Mn	
Manganese ore	–	–	20.6	22.1	20.6	22.1	24.0	21.2	7 years
		Fe/Mn		Fe/Mn		Fe/Mn		Fe/Mn	
Iron-manganese ore	–	–	7.0	38.7/4.0	7.0	38.7/4.0	7.0	38.7/4.0	n/a[3]
Iron Ore Division									
		Fe		Fe		Fe		Fe	
Iron ore (SSGPO)	206.3	37.2	1,270.4	36.0	1,476.7	36.2	1,338.6	34.0	36 years
Iron ore (Pedra de Ferro) (as of 1 June 2011)	250.1	40.1	204.2	46.2	454.3	42.9	–	–	n/a[4]
Alumina and Aluminium Division									
		Al_2O_3		Al_2O_3		Al_2O_3		Al_2O_3	
Bauxite	42.6	43.5	100.7	43.4	143.3	43.4	148.3	43.4	
Energy Division									
Coal[2]	662.5	*	314.7	*	977.2	*	682.8	*	28 years
Other Non-ferrous Division		Pt/4E g/t		Pt/4E g/t		Pt/4E g/t			
Platinum (as of 30 June 2012)	–	-/-	58.8	1.5/3.2	58.8	1.5/3.2	–	–	n/a[5]

1 The Reserves mine life has been calculated using 2012 mining volumes, from all relevant mine sites and does not take into account any mine expansion plans.
2 See following tables for details regarding Coal Reserve Quality for the various operations of the Energy Division.
3 Iron-manganese Ore Reserves life is not calculated due to immaterial mining activity for this product in 2012.
4 At the planned production rate of 19.5 Mtpa of product, the reserves life will be 16 years.
5 At the planned production rate of 3.6 Mtpa of ore, the reserves life will be 19 years.

Summary of mineral resources of the Group

(Mineral Resources are inclusive of Ore Reserves)

	Resources as of 31 December 2012 (unless stated otherwise)								Resources as per 2011 Annual Report and Accounts	
	Measured		Indicated		Inferred		Total		Total	
Minerals type	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Ferroalloys Division										
		Cr_2O_3		Cr_2O_3		Cr_2O_3		Cr_2O_3		Cr_2O_3
Chrome ore	69.6	50.8	183.7	49.1	55.0	48.7	308.3	49.4	313.6	49.4
		Mn		Mn		Mn		Mn		Mn
Manganese ore[1]	–	–	38.4	18.4	174.1	25.6	212.5	24.2	216.8	24.1
		Fe/Mn		Fe/Mn		Fe/Mn		Fe/Mn		Fe/Mn
Iron-manganese ore	–	–	9.8	42.7/1.7	5.1	43.4/1.3	14.9	42.9/1.6	15.0	42.9/1.6
		$BaSO_4$		$BaSO_4$		$BaSO_4$		$BaSO_4$		$BaSO_4$
Barite	–	–	4.8	69.2	9.9	43.7	14.7	52.0	15.3	52.7
		Pb/Zn/ $BaSO_4$		Pb/Zn/ $BaSO_4$		Pb/Zn/ $BaSO_4$		Pb/Zn/ $BaSO_4$		Pb/Zn/ $BaSO_4$
Barite-Polymetallic	–	-/-/-	22.2	2.3/3.1/30.3	20.8	1.5/4.1/19.7	43.0	1.9/3.6/25.2	43.0	1.9/3.6/25.2
		Pb/Zn		Pb/Zn		Pb/Zn		Pb/Zn		Pb/Zn
Polymetallic	–	-/-	32.8	2.0/4.2	1.9	0.8/2.8	34.7	1.9/4.1	34.7	1.9/4.1
Iron Ore Division										
		Fe		Fe		Fe		Fe		Fe
Iron ore (SSGPO)	336.5	44.5	3,184.2	39.2	866.3	39.2	4,387.0	39.6	4,423.8	39.6
Iron ore (Pedra de Ferro) (as of 1 June 2011)	273.4	40.7	468.9	38.2	497.2	35.2	1,239.5	37.5		
Iron ore (Jurema) (as of 9 January 2009)	–	–	301.0	28.3	531.0	25.8	832.0	26.7		
Alumina and Aluminium Division										
		Al_2O_3		Al_2O_3		Al_2O_3		Al_2O_3		Al_2O_3
Bauxite	45.9	44.0	106.9	43.7	2.6	46.0	155.4	43.8	160.5	43.8
Energy Division										
Coal[2]	1,838.6	*	692.5	*	191.5	*	2,722.6	*	1,187.9	*
	Resources as of various dates[3]								Resources as per 2011 Annual Report and Accounts	
Other Non-ferrous Division										
		Cu/Co		Cu/Co		Cu/Co		Cu/Co		Cu/Co
Copper/cobalt	112.2	1.5/0.3	112.4	2.1/0.2	52.1	2.1/0.2	276.7	1.9/0.3	76.9	2.2/0.3
		Cu		Cu		Cu		Cu		
Copper	1.6	1.2	177.4	1.2	94.9	1.2	273.9	1.2		
		Pt/4E g/t		Pt/4E g/t		Pt/4E g/t		Pt/4E g/t		
Platinum	–	-/-	69.2	1.7/3.5	33.7	1.7/3.3	102.9	1.7/3.4		
Coal[4]	363.2	*	403.8	*	367.5	*	1,134.5	*		

1 These include the Ushkatyn-I resources which relate to a particular high-iron manganese mineralisation (jacobsite), which were grouped for the purpose of this report together with the other manganese Mineral Resources.
2 See following tables for details regarding Coal Resource Quality for the various operations of the Energy Division.
3 Copper/cobalt: Mukondo Mountain, Kabolela, Chimbedia and Mashitu Principal Mineral Resources depleted up to 31 December 2012, all other copper/cobalt assets as at 30 June 2012. Copper as at 31 December 2012. Platinum and coal as at 30 June 2012.
4 Estima Coal Resource Quality parameters: Calorific value of 15.7 MJ/kg (as received); 1.0% S (air dried); 46.3% ash (air dried).

Ore reserves/mineral resources estimates continued

Ferroalloys Division

Mining facilities of the Ferroalloys Division produce chrome ore, manganese ore and iron-manganese ore. These facilities are represented by TNC Kazchrome Joint Stock Company (JSC) and Zhairemsky GOK JSC. Kazchrome JSC in turn consists of Donskoy GOK and Kazmarganets Mining Unit.

Ore Reserves – Chromite Deposits

		Reserves as of 31 December 2012						Reserves as per 2011 Annual Report and Accounts	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Donskoy GOK			Cr_2O_3		Cr_2O_3		Cr_2O_3		Cr_2O_3
10th Anniversary	U/G	43.6	42.5	124.5	42.3	168.1	42.4	169.8	42.3
Molodezhnaya	U/G	13.0	38.6	9.9	38.6	22.9	38.6	25.4	38.8
Yuzhny	O/P	0.1	42.5	2.5	42.5	2.6	42.5	2.5	42.5
Stockpiles		–	–	13.1	31.0	13.1	31.0	14.7	31.1
Donskoy GOK total		56.7	41.6	150.0	41.1	206.7	41.3	212.4	41.1

Mineral Resources – Chromite Deposits

(Mineral Resources are inclusive of Ore Reserves)

		Resources as of 31 December 2012								Resources as per 2011 Annual Report and Accounts	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Donskoy GOK			Cr_2O_3		Cr_2O_3		Cr_2O_3		Cr_2O_3		Cr_2O_3
10th Anniversary	U/G	57.7	50.8	159.4	50.5	55.0	48.7	272.1	50.2	273.8	50.2
Molodezhnaya	U/G	11.8	51.0	8.9	51.0	–	–	20.7	51.0	23.1	51.0
Yuzhny	O/P	0.1	48.8	2.3	48.8	–	–	2.4	48.8	2.2	48.8
Stockpiles		–	–	13.1	31.0	–	–	13.1	31.0	14.5	31.2
Donskoy GOK total		69.6	50.8	183.7	49.1	55.0	48.7	308.3	49.4	313.6	49.4

Ore Reserves – Manganese Deposits

		Reserves as of 31 December 2012						Reserves as per 2011 Annual Report and Accounts	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Kazmarganets			Mn		Mn		Mn		Mn
Tur	O/P	–	–	2.9	25.8	2.9	25.8	4.5	19.8
Vostochny Kamys	O/P	–	–	0.2	12.7	0.2	12.7	0.4	15.7
Kazmarganets total		–	–	3.1	24.9	3.1	24.9	4.9	19.5
Zhairemsky GOK									
Ushkatyn-I	O/P	–	–	–	–	–	–	–	–
Ushkatyn-III	O/P	–	–	6.7	22.7	6.7	22.7	7.8	22.7
Ushkatyn-III	U/G	–	–	7.7	21.8	7.7	21.8	8.1	21.8
Zhomart (including Zapadny Zhomart)	O/P	–	–	2.8	19.0	2.8	19.0	2.9	19.0
Perstenevsky	O/P	–	–	–	–	–	–	–	–
Stockpiles		–	–	0.3	14.4	0.3	14.4	0.3	14.4
Zhairemsky GOK total		–	–	17.5	21.6	17.5	21.6	19.1	21.6
Grand total		–	–	20.6	22.1	20.6	22.1	24.0	21.2

Mineral Resources – Manganese Deposits

(Mineral Resources are inclusive of Ore Reserves)

		Resources as of 31 December 2012								Resources as per 2011 Annual Report and Accounts	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Kazmarganets			**Mn**		**Mn**		**Mn**		**Mn**		Mn
Tur	O/P	–	–	**2.9**	**27.6**	**1.4**	**20.5**	**4.3**	**25.3**	6.7	20.6
Vostochny Kamys	O/P	–	–	**0.2**	**13.1**	**1.1**	**19.7**	**1.3**	**18.7**	1.5	18.5
Kazmarganets total		–	–	**3.1**	**26.6**	**2.5**	**20.1**	**5.6**	**23.7**	8.2	20.2
Zhairemsky GOK											
Ushkatyn-I[1]	O/P	–	–	**18.7**	**11.8**	**0.4**	**11.5**	**19.1**	**11.8**	19.2	11.8
Ushkatyn-III	O/P	–	–	**6.3**	**25.8**	**0.5**	**25.8**	**6.8**	**25.8**	7.7	25.8
Ushkatyn-III	U/G	–	–	**7.3**	**24.3**	**48.6**	**21.5**	**55.9**	**21.8**	56.3	21.9
Zhomart (including Zapadny Zhomart)	O/P	–	–	**2.7**	**20.9**	**6.3**	**21.4**	**9.0**	**21.3**	9.3	21.3
Perstenevsky	O/P	–	–	–	–	**0.8**	**21.0**	**0.8**	**21.0**	0.8	21.0
Perstenevsky	U/G	–	–	–	–	**115.0**	**27.7**	**115.0**	**27.7**	115.0	27.7
Stockpiles		–	–	**0.3**	**16.0**	–	–	**0.3**	**16.0**	0.3	19.7
Zhairemsky GOK total		–	–	**35.3**	**17.6**	**171.6**	**25.6**	**206.9**	**24.3**	208.6	24.3
Grand total		–	–	**38.4**	**18.4**	**174.1**	**25.6**	**212.5**	**24.2**	216.8	24.1

[1] These Ushkatyn-I resources relate to a particular high-iron manganese mineralisation (jacobsite), which were grouped for the purpose of this report together with the other manganese Mineral Resources.

Ore Reserves – Iron-Manganese Deposits

		Reserves as of 31 December 2012						Reserves as per 2011 Annual Report and Accounts	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Zhairemsky GOK			**Fe/Mn**		**Fe/Mn**		**Fe/Mn**		Fe/Mn
Ushkatyn-I	O/P	–	–	**6.1**	**38.7/4.1**	**6.1**	**38.7/4.1**	6.1	38.7/4.1
Ushkatyn-III	O/P	–	–	–	**-/-**	–	**-/-**	–	–
Ushkatyn-III	U/G	–	–	–	**-/-**	–	**-/-**	–	–
Zhomart	O/P	–	–	**0.3**	**40.6/2.8**	**0.3**	**40.6/2.8**	0.3	40.6/2.8
Stockpiles		–	–	**0.6**	**37.4/3.2**	**0.6**	**37.4/3.2**	0.6	37.4/3.2
Zhairemsky GOK total		–	–	**7.0**	**38.7/4.0**	**7.0**	**38.7/4.0**	7.0	38.7/4.0

Mineral Resources – Iron-Manganese Deposits

(Mineral Resources are inclusive of Ore Reserves)

		Resources as of 31 December 2012								Resources as per 2011 Annual Report and Accounts	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Zhairemsky GOK			**Fe/Mn**		**Fe/Mn**		**Fe/Mn**		**Fe/Mn**		Fe/Mn
Ushkatyn-I	O/P	–	–	**5.6**	**44.0/1.6**	–	**-/-**	**5.6**	**44.0/1.6**	5.6	44.0/1.6
Ushkatyn-III	O/P	–	–	–	**-/-**	**0.1**	**40.7/1.6**	**0.1**	**40.7/1.6**	0.1	40.7/1.6
Ushkatyn-III	U/G	–	–	**3.3**	**40.7/1.6**	–	**-/-**	**3.3**	**40.7/1.6**	3.4	40.7/1.6
Zhomart	O/P	–	–	**0.3**	**43.4/1.3**	**5.0**	**43.4/1.3**	**5.3**	**43.4/1.3**	5.3	43.4/1.3
Stockpiles		–	–	**0.6**	**41.6/3.6**	–	**-/-**	**0.6**	**41.6/3.6**	0.6	41.6/3.6
Zhairemsky GOK total		–	–	**9.8**	**42.7/1.7**	**5.1**	**43.4/1.3**	**14.9**	**42.9/1.6**	15.0	42.9/1.6

Ore reserves/mineral resources estimates continued

Ferroalloys Division continued

Mineral Resources – Barite Deposits

Enterprise and mine name	Type of mine	Measured Tonnage Mt	Measured Grade %	Indicated Tonnage Mt	Indicated Grade %	Inferred Tonnage Mt	Inferred Grade %	Total Tonnage Mt	Total Grade %	Resources as per 2011 Annual Report and Accounts: Total Tonnage Mt	Resources as per 2011 Annual Report and Accounts: Total Grade %
		Resources as of 31 December 2012									
Zhairemsky GOK			$BaSO_4$		$BaSO_4$		$BaSO_4$		$BaSO_4$		$BaSO_4$
Dalnezapadny	O/P	–	–	0.6	60.4	0.1	66.5	0.7	61.3	0.7	61.3
Zhumanai	O/P	–	–	–	–	–	–	–	–	0.6	69.1
Zapadny	O/P	–	–	4.2	70.4	0.1	74.9	4.3	70.5	4.3	70.5
Zapadny	U/G	–	–	–	–	9.7	43.0	9.7	43.0	9.7	43.0
Zhairemsky GOK total		–	–	4.8	69.2	9.9	43.7	14.7	52.0	15.3	52.7

Mineral Resources – Barite-Polymetallic Deposits

Enterprise and mine name	Type of mine	Measured Tonnage Mt	Measured Grade %	Indicated Tonnage Mt	Indicated Grade %	Inferred Tonnage Mt	Inferred Grade %	Total Tonnage Mt	Total Grade %	Resources as per 2011 Annual Report and Accounts: Total Tonnage Mt	Resources as per 2011 Annual Report and Accounts: Total Grade %
		Resources as of 31 December 2012									
Zhairemsky GOK			Pb/Zn/ $BaSO_4$		Pb/Zn/ $BaSO_4$		Pb/Zn /$BaSO_4$		Pb/Zn/ $BaSO_4$		Pb/Zn/ $BaSO_4$
Ushkatyn-I	O/P	–	–	1.9	3.7/-/8.8	0.1	3.6/-/9.5	2.0	3.7/-/8.9	2.0	3.7/-/8.9
Ushkatyn-III	O/P	–	–	4.1	2.9/-/13.8	0.1	4.6/9.4	4.2	2.9/-/13.6	4.2	2.9/-/13.6
Zapadny	O/P	–	–	8.0	1.9/4.7/16.4	–	-/-/-	8.0	1.9/4.7/16.4	8.0	1.9/4.7/16.4
Zapadny	U/G	–	–	–	–	20.3	1.5/4.2/19.1	20.3	1.5/4.2/19.1	20.3	1.5/4.2/19.1
Dalnezapadny	O/P	–	–	8.2	2.1/3.8/56.9	0.3	1.3/1.7/65.4	8.5	2.1/3.7/57.2	8.5	2.1/3.7/57.2
Zhairemsky GOK total		–	–	22.2	2.3/3.1/30.3	20.8	1.5/4.1/19.7	43.0	1.9/3.6/25.2	43.0	1.9/3.6/25.2

Mineral Resources – Polymetallic Deposits

Enterprise and mine name	Type of mine	Measured Tonnage Mt	Measured Grade %	Indicated Tonnage Mt	Indicated Grade %	Inferred Tonnage Mt	Inferred Grade %	Total Tonnage Mt	Total Grade %	Resources as per 2011 Annual Report and Accounts: Total Tonnage Mt	Resources as per 2011 Annual Report and Accounts: Total Grade %
		Resources as of 31 December 2012									
Zhairemsky GOK			Pb/Zn		Pb/Zn		Pb/Zn		Pb/Zn		Pb/Zn
Ushkatyn-I	O/P	–	–	11.3	3.3/1.2	0.4	1.9/0.5	11.7	3.3/1.2	11.7	3.3/1.2
Dalnezapadny	O/P	–	–	21.5	1.2/5.7	1.5	0.5/3.4	23.0	1.2/5.6	23.0	1.2/5.6
Zhairemsky GOK total		–	–	32.8	2.0/4.2	1.9	0.8/2.8	34.7	1.9/4.1	34.7	1.9/4.1

Iron Ore Division

Mining facilities of the Iron Ore Division are represented by the SSGPO mines and the Bamin projects – Pedra de Ferro and Jurema.

Ore Reserves – Iron Deposits

		Reserves as of 31 December 2012						Reserves as per 2011 Annual Report and Accounts	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
SSGPO			**Fe**		**Fe**		**Fe**		Fe
Sokolovsky	U/G	**11.4**	**32.0**	**210.4**	**32.0**	**221.8**	**32.0**	233.9	31.3
Sarbaisky	U/G	**3.3**	**31.4**	**100.8**	**31.4**	**104.1**	**31.4**	–	–
Sokolovsky	O/P	**–**	**–**	**48.2**	**34.9**	**48.2**	**34.9**	18.5	32.8
Sarbaisky (main)	O/P	**19.5**	**35.2**	**37.0**	**35.2**	**56.5**	**35.2**	84.7	33.5
Sarbaisky (southern)	O/P	**41.8**	**37.9**	**120.0**	**37.9**	**161.8**	**37.9**	142.9	36.0
Kacharsky	O/P	**130.3**	**37.8**	**662.2**	**37.8**	**792.5**	**37.8**	794.2	34.4
Korzhinkol'skoye	O/P	**–**	**–**	**91.8**	**35.8**	**91.8**	**35.8**	64.4	35.8
Sorsky	O/P	**–**	**–**	**–**	**–**	**–**	**–**	–	–
Shagyrkulsky	O/P	**–**	**–**	**–**	**–**	**–**	**–**	–	–
SSGPO total		**206.3**	**37.2**	**1,270.4**	**36.0**	**1,476.7**	**36.2**	1,338.6	34.0
		Reserves as of 1 June 2011							
Pedra de Ferro									
Haematite	O/P	**56.0**	**64.8**	**81.5**	**64.8**	**137.5**	**64.8**	137.5	64.8
Itabirite	O/P	**194.1**	**33.0**	**122.7**	**33.8**	**316.8**	**33.3**	316.8	33.3
Pedra de Ferro total		**250.1**	**40.1**	**204.2**	**46.2**	**454.3**	**42.9**	454.3	42.9

Mineral Resources – Iron Deposits

(Mineral Resources are inclusive of Ore Reserves)

		Resources as of 31 December 2012								Resources as per 2011 Annual Report and Accounts	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
SSGPO			**Fe**		**Fe**		**Fe**		**Fe**		Fe
Sokolovsky	U/G	**54.4**	**48.2**	**1,007.5**	**39.0**	**268.4**	**42.3**	**1,330.3**	**40.1**	1,331.9	40.1
Sokolovsky	O/P	**–**	**–**	**61.8**	**37.4**	**5.1**	**27.9**	**66.9**	**36.7**	75.7	36.7
Sarbaisky (main)	O/P + U/G	**36.7**	**40.4**	**779.7**	**40.4**	**159.2**	**40.3**	**975.6**	**40.4**	983.9	40.4
Sarbaisky (southern)	O/P	**59.2**	**46.3**	**170.1**	**44.5**	**62.2**	**48.1**	**291.5**	**45.6**	291.5	45.6
Kacharsky	O/P	**157.5**	**44.0**	**958.1**	**36.7**	**299.4**	**33.2**	**1,415.0**	**36.8**	1,430.7	36.8
Korzhinkol'skoye	O/P	**–**	**–**	**96.4**	**43.2**	**72.0**	**43.2**	**168.4**	**43.2**	170.8	43.2
Sorsky	O/P	**8.7**	**41.6**	**51.7**	**41.6**	**–**	**–**	**60.4**	**41.6**	60.4	41.6
Shagyrkulsky	O/P	**20.0**	**41.9**	**58.9**	**41.9**	**–**	**–**	**78.9**	**41.9**	78.9	41.9
SSGPO total		**336.5**	**44.5**	**3,184.2**	**39.2**	**866.3**	**39.2**	**4,387.0**	**39.6**	4,423.8	39.6
		Resources as of 1 June 2011									
Pedra de Ferro											
Haematite	O/P	**58.1**	**66.7**	**91.6**	**66.8**	**20.9**	**65.6**	**170.6**	**66.6**	170.6	66.6
Itabirite	O/P	**215.3**	**33.6**	**377.3**	**31.2**	**476.3**	**33.8**	**1,068.9**	**32.9**	1,068.9	32.9
Pedra de Ferro total		**273.4**	**40.7**	**468.9**	**38.2**	**497.2**	**35.2**	**1,239.5**	**37.5**	1,239.5	37.5
		Resources as of 9 January 2009									
Jurema											
Magnetite	O/P	**–**	**–**	**301.0**	**28.3**	**531.0**	**25.8**	**832.0**	**26.7**	832.0	26.7
Jurema total		**–**	**–**	**301.0**	**28.3**	**531.0**	**25.8**	**832.0**	**26.7**	832.0	26.7

Alumina and Aluminium Division

Mining facilities of the Alumina and Aluminium Division are represented by Aluminium of Kazakhstan JSC ('AoK') mines. AoK in turn consists of Krasno-Oktyabrskoye Mining Unit ('KBRU') and Torgayskoye Mining Unit ('TBRU').

Ore Reserves – Bauxite

		Reserves as of 31 December 2012						Reserves as per 2011 Annual Report and Accounts	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Aluminium of Kazakhstan – KBRU			Al_2O_3		Al_2O_3		Al_2O_3		Al_2O_3
Krasnooktyabr'skoye	O/P	26.5	43.4	63.0	43.0	89.5	43.1	91.1	43.1
Belinskoye	O/P	4.8	42.5	1.9	41.8	6.7	42.3	8.1	42.2
Ayatskoye	O/P	6.0	44.8	–	–	6.0	44.8	6.0	44.8
Vostochno-Ayatskoye	O/P	2.8	43.4	35.2	44.2	38.0	44.1	39.7	44.1
KBRU total		40.1	43.5	100.1	43.4	140.2	43.4	144.9	43.4
Aluminium of Kazakhstan – TBRU									
Amangel'dinsky	O/P	2.5	44.2	0.6	41.5	3.1	43.7	3.4	43.7
TBRU total		2.5	44.2	0.6	41.5	3.1	43.7	3.4	43.7
Grand total		42.6	43.5	100.7	43.4	143.3	43.4	148.3	43.4

Mineral Resources – Bauxite

(Mineral Resources are inclusive of Ore Reserves)

		Resources as of 31 December 2012								Resources as per 2011 Annual Report and Accounts	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Aluminium of Kazakhstan – KBRU			Al_2O_3		Al_2O_3		Al_2O_3		Al_2O_3		Al_2O_3
Krasnooktyabr'skoye	O/P	28.1	43.8	66.6	43.4	–	–	94.7	43.5	96.3	43.5
Belinskoye	O/P	5.1	42.7	2.0	41.9	–	–	7.1	42.5	8.5	42.3
Ayatskoye	O/P	6.3	45.1	–	–	–	–	6.3	45.1	6.3	45.1
Vostochno-Ayatskoye	O/P	2.9	43.6	37.3	44.4	0.1	42.2	40.3	44.4	42.2	44.3
KBRU total		42.4	43.9	105.9	43.7	0.1	42.2	148.4	43.8	153.3	43.7
Aluminium of Kazakhstan – TBRU											
Amangel'dinsky	O/P	3.5	45.1	1.0	42.0	2.5	46.2	7.0	45.0	7.2	45.0
TBRU total		3.5	45.1	1.0	42.0	2.5	46.2	7.0	45.0	7.2	45.0
Grand total		45.9	44.0	106.9	43.7	2.6	46.0	155.4	43.8	160.5	43.8

Energy Division

Mining facilities of the Energy Division are represented by the Vostochny open pit of Eurasian Energy Corporation JSC ('EEC') and the Centralny and Zapadny pits of Shubarkol Komir JSC ('Shubarkol').

Coal Reserves

		Reserves as of 31 December 2012						Reserves as per 2011 Annual Report and Accounts	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Quality	Tonnage Mt	Quality	Tonnage Mt	Quality	Tonnage Mt	Quality
EEC									
Vostochny[1]	O/P	**662.5**	*	**–**	*	**662.5**	*	682.8	*
Shubarkol									
Centralny/Zapadny[2]	O/P	**–**	*	**314.7**	*	**314.7**	*	–	*
Grand total		**662.5**	*	**314.7**	*	**977.2**	*	682.8	*

1 Vostochny Coal Reserves quality parameter: Calorific value = 3,990 kcal/kg (net as received); 0.56% S (air dried); 42.5% ash (air dried).
2 Shubarkol Coal Reserves quality parameters: Calorific value 5,754 kcal/kg (as received); 0.50% S (air dried); 4.9% ash (air dried).

Coal Resources

(Coal Resources are inclusive of Coal Reserves)

		Resources as of 31 December 2012								Resources as per 2011 Annual Report and Accounts	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Quality	Tonnage Mt	Quality	Tonnage Mt	Quality	Tonnage Mt	Quality	Tonnage Mt	Quality
EEC											
Vostochny[1]	O/P	**975.7**	*	**195.3**	*	**–**	*	**1,171.0**	*	1,187.9	*
Shubarkol											
Centralny/Zapadny[2]	O/P	**862.9**	*	**497.2**	*	**191.5**	*	**1,551.6**	*	–	*
Grand total		**1,838.6**	*	**692.5**	*	**191.5**	*	**2,722.6**	*	1,187.9	*

1 Vostochny Coal Resources quality parameter: Calorific value = 4,580 kcal/kg (net as received); 0.57% S (air dried); 36.0% ash (air dried).
2 Shubarkol Coal Resources quality parameters: Calorific value 5,250 kcal/kg (as received); 0.40% S (air dried); 11.4% ash (air dried).

Ore reserves/mineral resources estimates continued

Other Non-ferrous Division

The Other Non-ferrous Division consists of the Boss Mining, SMKK, Comide and Metalkol copper-cobalt assets in the DRC, the Frontier copper project in the DRC, the Bokai platinum project in Zimbabwe and the Estima coal project in Mozambique.

Mineral Resources – Copper and Cobalt

		Resources as of various dates[1,2,3,4]								Resources as per 2011 Annual Report and Accounts	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Boss Mining[1]			**Cu/Co**		**Cu/Co**		**Cu/Co**		**Cu/Co**		Cu/Co
Kakanda	O/P	**2.4**	**2.2/0.3**	**62.2**	**2.3/0.1**	**29.8**	**2.2/0.1**	**94.4**	**2.3/0.1**	51.3	2.3/0.1
Mukondo Mountain	O/P	**–**	**-/-**	**3.1**	**1.3/1.2**	**1.2**	**1.4/1.6**	**4.3**	**1.3/1.3**	5.3	1.4/1.3
Kavundi Central	O/P	**–**	**-/-**	**3.1**	**3.2/0.0**	**0.5**	**2.3/0.0**	**3.6**	**3.1/0.0**	3.6	3.1/0.0
Taratara	O/P	**–**	**-/-**	**1.2**	**1.3/0.6**	**1.2**	**1.5/0.7**	**2.4**	**1.4/0.6**	2.4	1.4/0.6
Saafi	O/P	**–**	**-/-**	**0.4**	**2.4/0.3**	**0.7**	**2.6/0.4**	**1.1**	**2.5/0.4**	1.1	2.5/0.4
Chimbedia	O/P	**–**	**-/-**	**–**	**-/-**	**1.2**	**1.9/0.2**	**1.2**	**1.9/0.2**	1.9	2.2/0.1
Kababankola	O/P	**–**	**-/-**	**4.7**	**1.4/0.7**	**0.1**	**0.9/0.1**	**4.8**	**1.3/0.7**	–	-/-
Disele Sud	O/P	**–**	**-/-**	**–**	**-/-**	**5.8**	**1.8/0.0**	**5.8**	**1.8/0.0**	–	-/-
Luita Est (Ecaille Sud)	O/P	**–**	**-/-**	**1.5**	**2.1/0.5**	**0.8**	**1.8/0.4**	**2.3**	**2.0/0.4**	–	-/-
Bangwe Est	O/P	**–**	**-/-**	**–**	**-/-**	**0.9**	**2.0/0.1**	**0.9**	**2.0/0.1**	–	-/-
Boss Mining total		**2.4**	**2.2/0.3**	**76.2**	**2.2/0.2**	**42.2**	**2.1/0.2**	**120.8**	**2.2/0.2**	65.6	2.3/0.2
SMKK[2]											
Kabolela	O/P	**–**	**-/-**	**7.0**	**1.3/0.3**	**1.9**	**1.3/0.2**	**8.9**	**1.3/0.3**	11.3	1.5/0.4
SMKK total		**–**	**-/-**	**7.0**	**1.3/0.3**	**1.9**	**1.3/0.2**	**8.9**	**1.3/0.3**	11.3	1.5/0.4
Comide[3]											
Shabulungu Est	O/P	**–**	**-/-**	**–**	**-/-**	**0.6**	**2.9/0.1**	**0.6**	**2.9/0.1**	–	-/-
Kanika	O/P	**–**	**-/-**	**2.8**	**2.4/0.3**	**–**	**-/-**	**2.8**	**2.4/0.3**	–	-/-
Pungulume East 1	O/P	**–**	**-/-**	**–**	**-/-**	**1.5**	**2.1/0.2**	**1.5**	**2.1/0.2**	–	-/-
Pungulume East 2	O/P	**–**	**-/-**	**1.3**	**1.7/0.4**	**–**	**-/-**	**1.3**	**1.7/0.4**	–	-/-
Pungulume East 3	O/P	**–**	**-/-**	**1.7**	**1.7/0.4**	**–**	**-/-**	**1.7**	**1.7/0.4**	–	-/-
Pungulume East 4	O/P	**–**	**-/-**	**2.8**	**2.1/0.3**	**1.2**	**2.1/0.2**	**4.0**	**2.1/0.3**	–	-/-
Pungulume Principal	O/P	**–**	**-/-**	**–**	**-/-**	**0.9**	**1.9/0.3**	**0.9**	**1.9/0.3**	–	-/-
Mashitu Principal/ Safwe Nord	O/P	**–**	**-/-**	**12.8**	**2.1/0.2**	**3.8**	**2.0/0.1**	**16.6**	**2.1/0.2**	–	-/-
Mashitu Sud	O/P	**–**	**-/-**	**4.7**	**1.7/0.2**	**–**	**-/-**	**4.7**	**1.7/0.2**	–	-/-
Comide total		**–**	**-/-**	**26.1**	**2.0/0.2**	**8.0**	**2.1/0.2**	**34.1**	**2.0/0.2**	–	-/-
Metalkol[4]											
Kingamyambo	O/P	**42.3**	**1.3/0.3**	**–**	**-/-**	**–**	**-/-**	**42.3**	**1.3/0.3**	–	-/-
Musonoi/Kasobantu	O/P	**67.4**	**1.6/0.3**	**3.1**	**1.4/0.4**	**–**	**-/-**	**70.5**	**1.6/0.3**	–	-/-
Metalkol total		**109.7**	**1.5/0.3**	**3.1**	**1.4/0.4**	**–**	**-/-**	**112.8**	**1.5/0.3**	–	-/-
Grand total		**112.1**	**1.5/0.3**	**112.4**	**2.1/0.2**	**52.1**	**2.1/0.2**	**276.6**	**1.9/0.3**	76.9	2.2/0.3

1 Kakanda, Kavundi Central, Taratara, Saafi, Kababankola, Disele Sud, Luita Est and Bangwe Est Mineral Resources are as of 30 June 2012; Mukondo Mountain and Chimbedia Mineral Resources are as of 31 December 2012.
2 Kabolela Mineral Resources are as of 31 December 2012.
3 Shabulungu Est, Kanika, Pungulume East 1, 2, 3, and 4, Pungulume Principal and Mashitu Sud Mineral Resources are as of 30 June 2012; Mashitu Principal/Safwe Nord Mineral Resources are as of 31 December 2012.
4 All Metalkol Mineral Resources are as of 30 June 2012.

Mineral Resources – Copper

		Resources as of 31 December 2012								Resources as per 2011 Annual Report and Accounts	
		Measured		**Indicated**		**Inferred**		**Total**		Total	
Enterprise and mine name	Type of mine	**Tonnage Mt**	**Grade %**	**Tonnage Mt**	**Grade %**	**Tonnage Mt**	**Grade %**	**Tonnage Mt**	**Grade %**	Tonnage Mt	Grade %
Frontier			**Cu**		**Cu**		**Cu**		**Cu**		Cu
Frontier	O/P	**1.6**	**1.2**	**177.4**	**1.2**	**94.9**	**1.2**	**273.9**	**1.2**	–	–
Frontier total		**1.6**	**1.2**	**177.4**	**1.2**	**94.9**	**1.2**	**273.9**	**1.2**	–	–

Ore Reserves – Platinum

		Reserves as of 30 June 2012						Reserves as per 2011 Annual Report and Accounts	
		Proved		**Probable**		**Total**		Total	
Enterprise and mine name	Type of mine	**Tonnage Mt**	**Grade g/t**	**Tonnage Mt**	**Grade g/t**	**Tonnage Mt**	**Grade g/t**	Tonnage Mt	Grade g/t
Bokai			**Pt/4E**		**Pt/4E**		**Pt/4E**		Pt/4E
Bokai North	U/G	**–**	**-/-**	**37.0**	**1.6/3.3**	**37.0**	**1.6/3.3**	–	-/-
Bokai South	U/G	**–**	**-/-**	**21.8**	**1.4/2.9**	**21.8**	**1.4/2.9**	–	-/-
Bokai total		**–**	**-/-**	**58.8**	**1.5/3.2**	**58.8**	**1.5/3.2**	–	-/-

Mineral Resources – Platinum
(Mineral Resources are inclusive Ore Reserves)

		Resources as of 30 June 2012								Resources as per 2011 Annual Report and Accounts	
		Measured		**Indicated**		**Inferred**		**Total**		Total	
Enterprise and mine name	Type of mine	**Tonnage Mt**	**Grade g/t**	**Tonnage Mt**	**Grade g/t**	**Tonnage Mt**	**Grade g/t**	**Tonnage Mt**	**Grade g/t**	Tonnage Mt	Grade g/t
Bokai			Pt/4E		Pt/4E		Pt/4E		Pt/4E		Pt/4E
Bokai North	U/G	**–**	**-/-**	**43.5**	**1.8/3.7**	**–**	**-/-**	**43.5**	**1.8/3.7**	–	-/-
Bokai South	U/G	**–**	**-/-**	**25.7**	**1.6/3.2**	**22.8**	**1.6/3.2**	**48.5**	**1.6/3.2**	–	-/-
Chironde	U/G	**–**	**-/-**	**–**	**-/-**	**10.9**	**1.8/3.5**	**10.9**	**1.8/3.5**	–	-/-
Bokai total		**–**	**-/-**	**69.2**	**1.7/3.5**	**33.7**	**1.7/3.3**	**102.9**	**1.7/3.4**	–	-/-

Mineral Resources – Coal

		Resources as of 30 June 2012								Resources as per 2011 Annual Report and Accounts	
		Measured		**Indicated**		**Inferred**		**Total**		Total	
Enterprise and mine name	Type of mine	**Tonnage Mt**	**Grade quality**	**Tonnage Mt**	**Grade quality**	**Tonnage Mt**	**Grade quality**	**Tonnage Mt**	**Grade quality**	Tonnage Mt	Grade quality
Estima											
Estima[1]	O/P	**363.2**	*	**403.8**	*	**367.5**	*	**1,134.5**	*	–	*
Estima total		**363.2**	*	**403.8**	*	**367.5**	*	**1,134.5**	*	–	*

[1] Estima Coal Resources overall quality parameters: Calorific value 15.7 MJ/kg (as received); 1.0% S (air dried); 46.3% ash (air dried).

AMEC independent expert ore reserves report for the year ended 31 December 2012

AMEC Australia has been engaged to benchmark current planning practice, identify gaps and assist with the improvement in the resource to reserve conversion process. The reporting of reserves in 2012 is therefore the start of a process that will convert the Mineral Resources published into Ore Reserves over the next two years. The current Ore Reserves have been prepared by the Group (ENRC PLC and each of its subsidiaries) and audited by AMEC Australia in accordance with the JORC Code (2004).

The Ore Reserve estimates have been prepared on the basis of Mineral Resource estimates that have been prepared or audited by SRK in January 2013, with the exception of the Frontier Mineral Resource. AMEC understands that the Mineral Resource estimate has been audited by SRK in 2007 as part of the FQM listing documentation. This 2007 audited Mineral Resource model was used for the Ore Reserve estimation. Subsequently the Mineral Resources have been re-estimated by SRK in January 2013 incorporating additional information. This has led to a substantial increase and re-classification of the mineral resources.

In October 2012, AMEC visited the Group's DRC copper and cobalt operations and AMEC audited the Ore Reserve estimates carried out by the Group or its consultants.

AMEC has relied on the Group and its technical representatives to ensure all technical information provided to AMEC is accurate. The Group provided the data for review to AMEC during January and February 2013. AMEC reviewed the Ore Reserve estimates in conjunction with the Group's price forecast for copper and cobalt.

Boss Mining/SMKK

The Group owns 70% of Boss Mining with the remaining 30% owned by Gécamines. The Boss Mining operations comprise the active Mukondo Mountain and Chimbedia open pits, the KDC cobalt dense media separation and flotation plant and the Luita heap leach and electro-winning plant. The Group owns 100% of SMKK and its operations comprise Kabolela South, an active open pit mine.

The Group's production plans for the currently active pits extend until June 2014 for Kabolela South, and August 2014 for Mukondo Mountain. Due to the campaign processing of ore mined from the two pits through the concentrator, processing will continue until December 2014. However, there is no life-of-mine plan for the Mukondo Mountain pit, which is based on the audited and signed SRK Mineral Resource. AMEC understands that there is no major capital investment required for Mukondo Mountain, and as such is of the opinion that the Ore Reserve estimates are sufficient to demonstrate the economic viability of Probable Ore Reserves. There is a life-of-mine plan for the Kabolela pit, which is based on the audited and signed SRK Mineral Resource as per 31 December 2012.

Comide

For the year 2012, Comide reported a production of 717 kt (dry tonnes) copper ore grading 2.48% Cu between March and December 2012. The Mashitu Principal pit life-of-mine plan forecasts production until December 2015. However, there is no life-of-mine plan for the Mashitu Principal pit, which is based on the audited SRK Mineral Resource estimate as per 31 December 2012. As there is no major capital investment required for Mashitu Principal from 2013 onwards, AMEC is of the opinion that the Ore Reserve estimates are sufficient to demonstrate the economic viability of Probable Ore Reserves.

Frontier

There was no production at Frontier in 2012, as the concentrator is being re-commissioned and upgraded. The emphasis of the mining operation has been on pre-stripping, rather than the increase of ore inventory on the run of mine pad. The Frontier mine is a long life asset as the current life-of-mine plan extends until 2024. At this time the life-of-mine plan is still based on the Mineral Resource estimate reviewed by SRK in 2007, as there was not enough time to develop an updated life-of-mine plan based on the Mineral Resource estimate carried out by SRK in 2013.

Concluding Remarks

AMEC considers that the production levels and respective operating costs planned for the Group's copper and cobalt operations in the DRC to be realistic. The required mine infrastructure is in place for the realisation of the current life-of-mine plans. Based on AMEC's high level review, AMEC believes that the stated Ore Reserves are fair and reasonable.

AMEC notes that with the exception of the Frontier pit, the producing open pit mines have short mine lives. To sustain current production levels over longer periods, the Group needs to engage in an aggressive mine development programme. AMEC understands that the Group has taken initial steps to replace the existing mining capacity and to expand production.

Asset	Competent Person for Ore Reserves
Boss Mining & SMKK	Thomas Schrimpf
Comide	Thomas Schrimpf
Frontier	Thomas Schrimpf

Ore Reserves – Copper and Cobalt

Enterprise and mine name	Type of Mine	Reserves as of 31 December 2012: Proved Tonnage Mt	Proved Grade %	Probable Tonnage Mt	Probable Grade %	Total Tonnage Mt	Total Grade %	Reserves as per 2011 Annual Report and Accounts: Total Tonnage Mt	Total Grade %
Boss Mining			**Cu/Co**		**Cu/Co**		**Cu/Co**		Cu/Co
Mukundo Mountain	O/P	**–**	**-/-**	**1.6**	**1.5/0.8**	**1.6**	**1.5/0.8**	–	-/-
SMKK									
Kabolela	O/P	**–**	**-/-**	**1.2**	**1.8/0.8**	**1.2**	**1.8/0.8**	–	-/-
Grand total		**–**	**-/-**	**2.8**	**1.6/2.8**	**2.8**	**1.6/2.8**	–	–

Ore Reserves – Copper

Enterprise and mine name	Type of mine	Reserves as of 31 December 2012: Proved Tonnage Mt	Proved Grade %	Probable Tonnage Mt	Probable Grade %	Total Tonnage Mt	Total Grade %	Reserves as per 2011 Annual Report and Accounts: Total Tonnage Mt	Total Grade %
Frontier			**Cu**		**Cu**		**Cu**		**Cu**
Frontier	O/P	**77.1**	**1.2**	**22.7**	**1.3**	**99.8**	**1.2**	**–**	**–**
Comide									
Mashitu Principal/Safwe Nord	O/P	**–**	**–**	**7.0**	**2.0**	**7.0**	**2.0**	**–**	**–**
Grand total		**77.1**	**1.2**	**29.7**	**1.5**	**106.8**	**1.2**	**–**	**–**

Glossary

Acronyms and symbols

Al_2O_3
Aluminium oxide

AoK
Aluminium of Kazakhstan

BAMIN
Bahia Mineração, the Group's Brazilian iron ore operation

BFS
Bankable Feasibility Study

BMBV
Bahia Minerals BV

BMSA
Bahia Mineração SA

BRL
Brazilian real

CAMEC
Central African Mining & Exploration Company PLC

CCC
Congo Cobalt Corporation Sprl

CDP
Carbon Disclosure Project

CIS
Commonwealth of Independent States

CNY
Chinese yuan

Cr_2O_3
Chromium oxide

DRC
Democratic Republic of the Congo

DSP
Deferred Share Plan

EEC
Eurasian Energy Corporation JSC

ETR
Effective Tax Rate

EMTN
Euro Medium Term Note

ENRC
Eurasian Natural Resources Corporation PLC

EPS
Earnings Per Share

EPT
Excess Profits Tax (Kazakhstan)

EU
European Union

EUR
Euro

EURIBOR
Euro Interbank Offered Rate

Fe_2O_3
Iron oxide

FQM
First Quantum Minerals Ltd

FTSE 100
Index that measures the performance of the shares of the 100 largest companies listed on the London Stock Exchange.

FTSE 350
Market capitalisation weighted stock market index incorporating the largest 350 companies by capitalisation which have their primary listing on the London Stock Exchange.

GAAP
Generally Accepted Accounting Practices

GBP
British pound

GHG
Greenhouse gas emissions

GKZ
State Reserves Commissions of countries of the former Soviet Union

HBI
Hot Briquetted Iron; a compacted form of direct reduced iron which is a premium steelmaking raw material.

HSEC
Health, Safety, Environment & Community

IAS
International Accounting Standards

IFRIC
International Financial Reporting Interpretation Committee

IFRS
International Financial Reporting Standards

JSC
Joint Stock Company

KAS
Kazakhstan Aluminium Smelter JSC

KASE
Kazakhstan Stock Exchange

KBRU
Krasno-Oktyabr'skoye bauxite mine

KZT
Kazakhstani tenge

LIBOR
London Interbank Offered Rate

LME
London Metal Exchange

LSE
London Stock Exchange

LTIFR
Lost Time Injury Frequency Rate: number of lost time injuries per million hours worked.

LTIP
Long Term Incentive Plan

MET
Mineral Extraction Tax

MIBA
Mineração Minas Bahia SA

MMK
Magnitogorsk Iron and Steel Works OJSC

Mn
Manganese

MPB
Mineração Peixe Bravo SA

n/a
Not applicable

OJSC
Open Joint Stock Company

O/P
Open pit

PSM
Process Safety Management

RoM
Run of Mine extraction: uncrushed ore in its natural state, as when it is blasted

RTR
Roan Tailings Reclamation Project

RUB
Russian rouble

RUSAL
United Company RUSAL

SD
Sustainable Development

SME
Small and Medium Enterprise

SMKK
Société Minière de Kabolela et Kipese Sprl

SRK
SRK Consulting (UK) Limited

SSGPO
Sokolovsko Sarbaiskoye Ore Mining and Processing Association

SX/EW
Solvent extraction/electro-winning: after ore is leached with acid the liquid product is further purified in a chemical process known as solvent extraction (SX). The resultant liquid product from this is known as a pregnant solution (acidic metal-laden water) and is sent to an electro-winning (EW) plant where the cobalt is deposited in metal form through electrolysis.

TBRU
Torgayskoye bauxite mine

U/G
Underground mine

UK
United Kingdom

USA
United States of America

US$
US dollar

ZAR
South African rand

Terms and definitions

Alumina
Any of several forms of aluminium oxide (Al_2O_3) occurring naturally as corundum or obtained by the refining of bauxite ore.

Aluminium smelter
An electrolysis process plant used to convert alumina to aluminium metal.

Anode
An electrode through which an electric current flows.

Barite
A mineral consisting of barium sulphate, predominantly used as a weighting agent for drilling fluids in oil and gas exploration.

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.

Beneficiation
The treatment of mined ore, making it more concentrated or richer.

Brownfield
A development project that is close to existing industrial operations with proximity to existing infrastructure, often an extension and with known geological conditions.

Capacity
The determined 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 or CAPEX
Expenditures incurred during the process of commencing, expanding or sustaining production.

Charge chrome
A ferrochrome alloy containing ore with a low chrome content, most commonly used in stainless steel production.

Chromite
Iron chromium oxide.

Chromium or Chrome Ore
Chemical element with symbol Cr, commonly used in the steel industry to produce stainless steel.

Cobalt
Chemical element with the symbol Co. A hard, lustrous grey metal.

Cobalt concentrate
A washed and/or floated ore that contains elevated levels of cobalt.

Coke
Bituminous coal from which the volatile components have been removed. It is used as a fuel and as a reducing agent in smelting.

Community Social Investment (CSI)
Costs of different types of activities designed to benefit external stakeholders and, in turn, support the Group's business objectives. Community Investment is distinguished from marketing, sponsorship or public relations, which primarily benefit the Group. CSI does not include management costs, employee time spent volunteering, employee donations, investments made primarily for public relations, brand promotion or cause-related marketing.

Concentrate
A material that has been processed to increase the content of the contained valuable component or mineral relative to the contained waste.

Contained metal
Total units, whether in metal form or metal units contained in concentrate and sludge, net of internal consumption, but excludes copper contained in cobalt concentrate.

Contango
A market condition where a forward or futures contract is trading above the expected spot price at contract maturity.

Copper
A chemical element with the symbol Cu. It is a ductile metal with very high thermal and electrical conductivity.

Copper cathode
Cathodes are typically large plates of pure copper (>99.9% copper) produced as the final product in the smelting and refining process. Copper cathodes are re-melted to produce wire rod, billets, cakes or ingots.

Crushing
Process of size reduction into relatively coarse particles by stamps, crushers, or rolls.

Demonstrated reserve
A collective term for the sum of ore in both measured and indicated resources and reserves.

Dilution
To lower the concentration of a mixture.

Electrowinning
An electroplating process used to remove metal ions from concentrated solutions.

Exceptional items
Those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the Group.

Execution
Those projects which have full Board approval with equipment ordered and construction in progress.

Exploration
The search for mineral deposits and the work done to prove or establish the extent of a mineral deposit.

Feasibility study
The evaluation of a proposed mining project to determine whether the mineral resource can be mined economically.

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-carbon, medium-carbon 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.

Fines
In ore processing, material crushed or ground too finely, or ores too powdery, for normal smelting.

Glossary continued

Fluorite
Also known as fluorspar, a halide mineral composed of calcium fluoride, CaF_2. Used for making steel and aluminium amongst other purposes.

Founder Shareholders
The Group was formed from a collection of entities jointly controlled by the three founder shareholders who are Mr Patokh Chodiev, Mr Alijan Ibragimov and Mr Alexander Machkevitch and who continue to be major shareholders of the Company.

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.

Grade
The 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.

Group
ENRC and each of its subsidiaries.

Haematite
Common iron oxide mineral (Fe_2O_3).

Heap leach
An industrial mining process in which metals are leached from a pile of crushed ore by a percolating solution.

Indicated resource
That part of a mineral resource for which rank, quality, and quantity have been computed partly from sample analyses and measurements and partly from reasonable geologic projections therefore giving a reasonable level of confidence to the estimates.

Inferred resource
That part of a mineral resource for which rank, quality, and quantity can be estimated with a low level of confidence as they are based on geologic evidence only, projections and few samples and measurements.

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 Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

Komek Foundation
ENRC's corporate foundation.

Limestone
Sedimentary rock comprised mostly of calcium carbonate (calcite).

Magnetite
A mineral of iron (Fe_3O_4), a common ore forming mineral with characteristic magnetic properties.

Manganese
A chemical element designated by the symbol Mn.

Measured resource
That part of a mineral resource for which rank, quality, and quantity have been computed from sample analyses and measurements from closely spaced and geologically well-known sample sites, giving a high level of confidence to the estimates.

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 (as defined elsewhere in the Glossary).

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
That portion of the identified ore or mineral deposit resource that can be economically mined at the time of determination. 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 (as defined elsewhere in the Glossary).

Overburden
Those layers of unwanted soil and rock that must be removed to reveal the ore beneath.

Pelletising
The process of agglomerating fine product and moulding it into the shape of a pellet (a ball of 8 to 16 mm in diameter), which is more favourable in size and strength for more 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.

Platinum
A chemical element with the chemical symbol Pt.

Polymetallic
Composed of a combination of different metals.

Probable ore reserves
The lowest confidence category of an ore reserve estimate but still of sufficient quality to serve as the basis for a decision on the development of the deposit.

Product cost per tonne
The total operating costs (as per the Consolidated income statement) over the volume of product sold.

Proved ore reserves
The highest confidence category of an ore reserve estimate. The style of mineralisation or other factors could mean that proved ore reserves are not achievable in some deposits.

Reclamation
The restoration of land and environmental values to a surface mine site after the ore is extracted. The process includes restoring the land to its approximate original appearance by restoring topsoil and planting native grasses and ground covers.

Reductant
A reducing agent; a reactant that donates electrons to other reactants during a redox reaction.

Refinery
An electrolytic or chemical facility producing pure metals or metal compounds.

Resource delineation
The analysis by a qualified professional that determines the resource boundary.

Return On Capital Employed or ROCE
Profit before interest and taxation and exceptional items over average capital employed (borrowings and total equity, including minority interests).

Saleable product
Products that have been upgraded into a form that may be sold to customers.

Samruk Kazyna
The sovereign wealth fund of the Republic of Kazakhstan.

Scrap
Discarded waste material, especially metal suitable for reprocessing.

Semi-coke
Any of a range of products intermediate in composition and consistency between coke and pitch formed by the incomplete carbonisation of coal.

Smelting
A thermal process whereby molten metals (or amalgamated metals) are liberated from beneficiated ore or concentrate with impurities speared as lighter slag.

Stockpile
A generally intermediate accumulation of ore, other mineral product or coal, prior to individual processing steps. Any heap of material formed for loading or other purposes.

Stripping ratio
The unit amount of overburden that must be removed to gain access to a similar unit amount of ore.

Sulphide ore
A sulphur bearing ore containing appreciable levels of metals that ideally can be extracted and recovered profitably through various process techniques.

Toll gating
A formal project phase review and control process.

Total Shareholder Return or TSR
Overall return on an ordinary share, after all adjustments for capital actions and reinvestments of dividends or other income over the relevant period, expressed as a percentage of the average price of an ordinary share at the beginning of the relevant period. (Dividends include regular dividend payments, and also may include cash payments to shareholders or special/one-time dividends or share buybacks.)

Tailings
Materials left over after the process of separating the valuable fraction from the uneconomic fraction of an ore.

Tuoli
Xinjiang Tuoli ENRC Taihang Chrome Co. Ltd.

Turbine
A rotating machine for producing electricity driven by steam or gas.

Upper Group 2 (UG2)
The UG2 Reef is one of the principal platinum group metal bearing reefs on the eastern and western limbs of the Bushveld Igneous Complex in South Africa.

Underlying EBITDA
Loss/profit before finance income, finance cost, income tax expense, onerous contract provision, depreciation, amortisation and impairment of property, plant and equipment, intangible assets and other non-current assets, share of profit or loss of joint venture and associates, net gain arising from business combinations and acquisition related credit/costs now expensed under IFRS 3 (revised).

Waste
Rock or mineral which must be removed from a mine to keep the mining scheme practical, but which has no value.

Winning
The excavation, loading, and removal of ore from the ground.

Units

%
per cent

°
degree

GWh
gigawatt hour

kcal/kg
thousand calories per thousand grammes

kg
kilogramme or thousand grammes

kt
thousand metric tonnes

kWh
kilowatt hour

Mt
million metric tonnes

MW
megawatt

MWh
megawatt hour

m^3
cubic metres

pa
per annum

TJ
terajoules

Shareholder information

General information

ENRC's shares are quoted on the London Stock Exchange ('LSE') and the Kazakhstan Stock Exchange ('KASE'). Information on the Company's current share price together with copies of the Group's Annual Reports and Accounts, Half Year Results and Interim Management Statements and major presentations to analysts and institutional shareholders are available on the ENRC website at www.enrc.com.

Dividends

As noted in the Directors' Report on page 86, and in the AGM Notice, the Directors of the Board do not recommend a final dividend for the year ended 31 December 2012.

As the Group's financial results are reported in US dollars, dividends are declared and paid in US dollars. Registered shareholders may elect to receive their dividend in pounds sterling instead. Any such dividend payments will be based on an exchange rate published in the London Financial Times on the business day prior to the relevant announcement of the Group's results.

Shareholders may change their currency election at any time by submitting a currency election form to the Company's Registrars, Computershare Investor Services PLC. However, the form must be lodged with the Registrars by the close of business on the day preceding the relevant dividend announcement. Any shareholders wishing to change their currency election in the future should contact the Company's Registrars in advance of the dividend announcement date.

Any currency election form lodged with the Registrars will remain in force until such time as the instruction is amended.

Dividend payment to your bank account

The Company can pay dividends in pounds sterling to United Kingdom registered shareholders directly to their bank or building society account. This means that dividends should be available as cleared funds on the dividend payment date. Shareholders wishing to adopt this method of payment should contact the Registrars.

Global payments service

The global payments service allows shareholders resident in certain countries to receive their dividend payment to their local bank and in their local currency (over 65 currencies are catered for). Shareholders wishing to make use of the global payments service should register with Investor Centre at www.investorcentre.co.uk or contact the Registrars.

Registrars and transfer office

The Company's ordinary share register is maintained by:

Computershare Investor Services PLC
The Pavillions
Bridgwater Road
Bristol
BS99 6ZZ
United Kingdom
Tel: +44 (0) 870 707 1680

www.investorcentre.co.uk/contactus

Any queries about the administration of holdings of ordinary shares, such as change of address, change of ownership or dividend payments, should be directed to the Company's Registrars. Holders of ordinary shares in the UK may also view and update details of their shareholding, after a brief registration process, via the Registrars' Investor Centre service at: www.investorcentre.co.uk

Internet share dealing

An internet share dealing service is available for holders of ordinary shares in the UK who want to either buy or sell ordinary shares.

Further information about this service can be obtained from the Company's Registrars on +44 (0) 870 707 1680 or by logging on to: www.computershare.com/dealing/uk

Telephone share dealing

A telephone share dealing service with the Company's Registrars is available for holders of ordinary shares in the UK. The service is available from 08.00 to 16.30, Monday to Friday, excluding bank holidays, on telephone number: +44 (0) 870 703 0084.

Detailed terms and conditions are available on request by calling the above number.

Online proxy voting

Members can submit a proxy form electronically by accessing Computershare Registrars' website www.investorcentre.co.uk/eproxy. Electronic facilities are available to all members and those who use them will not be disadvantaged. Please refer to the terms and conditions of the service on the website or contact the Registrars for further information.

Enquiries

Shareholders who wish to contact the Company on any matter relating to their shareholding are invited to contact the Company's Registrars, Computershare Investor Services PLC.

Shareholders may also contact the Company Secretary at the Company's Registered office: 16 St James's Street, London, SW1A 1ER, United Kingdom, Tel: +44 (0) 20 7389 1440, Fax: +44 (0) 20 7389 1441, E-mail: companysecretary@enrc.com.

For other enquiries, please contact the Investor Relations department at the Company's Registered office on +44 (0) 20 7389 1440.

Analysis of ordinary shareholders

As at 23 April 2013	Number of holders	%	Number of shares
1 to 1,000 shares	503	0.02	224,295
1,001 to 5,000	245	0.05	606,138
5,001 to 10,000	115	0.07	882,799
10,001 to 100,000	262	0.77	9,949,564
100,001 to 500,000	125	2.22	28,651,546
500,001 and over	80	96.87	1,247,435,657

Events calendar 2013

Thursday, 9 May 2013	May 2013 Interim Management Statement/2013 Q1 Production Report
Wednesday, 5 June 2013	Annual General Meeting
Wednesday, 7 August 2013	2013 Q2 Production Report
Wednesday, 21 August 2013	2013 Half Year Results Announcement
Thursday, 7 November 2013	November 2013 Interim Management Statement/2013 Q3 Production Report
Wednesday, 5 February 2014	2013 Q4 Production Report

Registered office

Eurasian Natural Resources Corporation PLC
16 St James's Street
London
SW1A 1ER
United Kingdom

Tel: +44 (0) 20 7389 1440

Fax: +44 (0) 20 7389 1441

Website: www.enrc.com

Registered in England and Wales

Company number: 6023510

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1 Embankment Place
London
WC2N 6RH
United Kingdom

Corporate brokers

Morgan Stanley
25 Cabot Square
Canary Wharf
London
E14 4QA
United Kingdom

Deutsche Bank AG
1 Great Winchester Street
London
EC2N 2DB
United Kingdom

Financial PR

M: Communications
1 Ropemaker Street, 9th Floor
London
EC2Y 9HT
United Kingdom

Legal advisors (English & US law)

Jones Day
21 Tudor Street
London
EC4Y 0DJ
United Kingdom

Legal advisors (Kazakhstani law)

Denton Wilde Sapte
96 Baitursynov Street
Almaty 050022
Kazakhstan

Financial Summary

In millions of US$ (unless stated otherwise)	2012	2011	2010	2009	2008	2007	2006
Results							
Revenue	**6,320**	7,705	6,605	3,831	6,823	4,106	3,256
Depreciation and amortisation	**(691)**	(515)	(411)	(298)	(305)	(278)	(245)
Impairments	**(1,216)**	(24)	–	–	(6)	(25)	(8)
Onerous contract provision	**(328)**	–	–	–	–	–	–
(Loss)/profit before income tax	**(550)**	2,755	2,977	1,439	3,827	1,321	971
(Loss)/profit for the year	**(852)**	1,986	2,197	1,062	2,684	814	686
(Loss)/profit attributable to owners of the Company	**(804)**	1,974	2,185	1,045	2,642	798	550
Underlying EBITDA	**1,887**	3,413	3,194	1,462	4,161	1,918	1,256
Underlying EBITDA margin	**29.9%**	44.3%	48.4%	38.2%	61.0%	46.7%	38.6%
Underlying EBIT	**1,196**	2,898	2,783	1,164	3,850	1,421	997
Effective tax rate	**(54.9)%**	27.9%	26.2%	26.2%	29.9%	38.4%	29.4%
(Loss)/earnings per share – basic and diluted (US cents)	**(62)**	153	170	81	205	79	55
Earnings per share – adjusted (US cents)	**41**	155	147	81	205	97	56
Dividends per share (US cents)	**6.5**	27	30.5	12	31	49	–
Balance sheet							
Non-current assets	**17,031**	12,520	10,724	7,127	5,621	3,959	3,008
Current assets[1]	**3,133**	2,996	3,557	2,489	4,393	4,229	1,595
Borrowings	**5,833**	1,594	1,630	428	727	1,424	1,484
Non-current liabilities (excluding borrowings)	**2,539**	1,469	1,314	613	294	484	372
Current liabilities (excluding borrowings)[2]	**1,242**	1,217	1,328	596	695	491	475
Net assets	**10,550**	11,236	10,009	7,979	8,298	5,789	2,272
Non-controlling interests	**804**	336	260	266	126	75	61
Attributable to owners of the Company	**9,746**	10,900	9,749	7,713	8,172	5,714	2,211
Net (debt)/cash	**(5,135)**	(972)	(35)	402	1,766	1,124	(1,148)
Gross available funds	**743**	658	1,672	1,021	2,768	2,921	395
Capital expenditure	**2,539**	1,921	1,187	1,147	1,294	911	563
Net cash generated from operating activities	**1,270**	2,143	2,303	1,209	2,766	1,079	744
Return on capital employed	**7.9%**	23.4%	28.4%	13.8%	47.5%	40.3%	31.6%
Divisional Underlying EBITDA							
Ferroalloys	**872**	1,169	1,403	707	2,789	1,140	547
Iron Ore	**758**	1,505	1,133	485	919	470	323
Alumina and Aluminium	**41**	332	267	78	295	214	277
Energy	**421**	360	308	213	177	107	77
Logistics	**78**	95	68	40	50	44	54
Other Non-ferrous	**(107)**	74	67	5	n/a	n/a	n/a
Corporate	**(176)**	(122)	(52)	(66)	(69)	(57)	(22)

1 Current assets includes assets classified as held for sale.
2 Current liabilities includes liabilities classified as held for sale.

Forward-looking statements

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

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