

Embracing the World



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Financial Summary (Back Cover)

This report 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 report.

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 report, 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.

Highlights

Resilient performance in the face of weaker market demand and lower prices.

Management's swift response to the downturn and the sales leverage of the Group's strategic location mitigated the impact of the downturn.

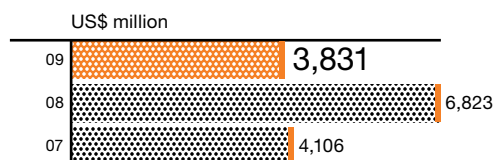
The retention of the labour force facilitated a rapid return to effectively full capacity.

Maintained low cost advantage with total costs down 17% versus 2008.

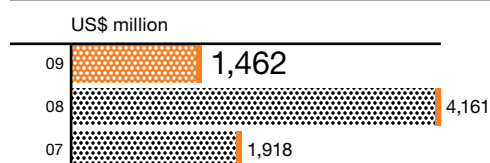
Strong balance sheet facilitated implementation of strategy:

- US\$1.1 billion capital expenditure.
- Acquisition of a 25% stake in Shubarkol, a coal business in Kazakhstan, for US\$200 million.
- Diversified the Group with the acquisition of CAMEC, a copper and cobalt producer in the DRC, for US\$931 million.

Revenue



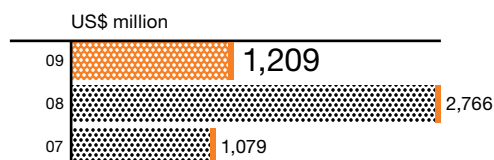
Underlying EBITDA¹



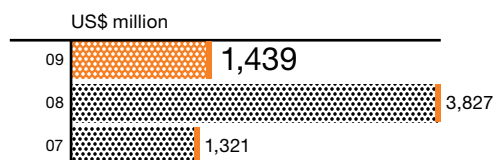
Underlying EBITDA margin²



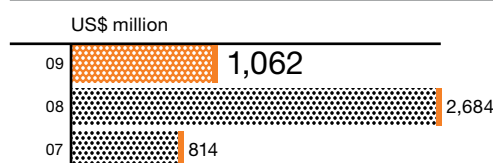
Net cash generated from operations



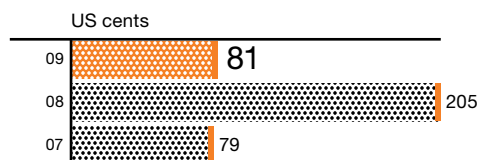
Profit before tax



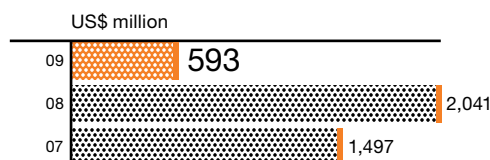
Profit after tax



EPS



Net available funds³



1 Underlying EBITDA: profit before finance income, finance costs, income tax expense, depreciation, amortisation and impairment, net gains and losses on derivatives not qualifying for hedge accounting, share of profit or loss on joint ventures and associates and the impact of the devaluation of the Kazakhstani tenge. Non-GAAP measures are defined in note 38 on page 105.

2 Underlying EBITDA margin: Underlying EBITDA as a percentage of revenue.

3 Net available funds: Cash and cash equivalents plus term deposits and other financial assets and less investments in unquoted options and other restricted financial assets less outstanding debt (non-current and current).

Chairman's Statement

Dr Johannes Sittard

Non-executive Chairman



“2009 demonstrated the inherent strengths of ENRC’s low cost and integrated operations. Management performed extremely well through the downturn and, as the year progressed, had the Group advantageously positioned to deliver with the upturn. The strength of our balance sheet was also important and it assisted the business as a base from which to invest and to grow by acquisition. We continue to evaluate all opportunities, both organic and acquisitive, with care to ensure that value is delivered for all shareholders.”

The prevailing economic conditions during 2009 meant that ENRC faced challenging headwinds for a significant part of the year. I was particularly impressed with the performance of our senior management team who responded quickly and effectively to ensure that the impact of the downturn was minimised as much as possible. Their focus on cost control and reducing inventory levels played a significant part in ensuring that the Group performed well into the recovery.

Despite the economic difficulties, industry production levels recovered progressively during 2009, particularly as a result of the continuing demand for commodities from China. This environment also supported strengthening prices. By the end of the year our own production levels were largely back to effectively full available capacity.

During the year ENRC began to deliver on its stated intention to develop as a more diversified mining group. We took advantage of the acquisition opportunities available and in September 2009 we announced our offer for Central African Mining & Exploration Company PLC (‘CAMEC’) which became unconditional on 9 November 2009. Work is ongoing to integrate CAMEC into the ENRC corporate structure, as our Other Non-ferrous Division, and we believe that in due course CAMEC’s assets, and our own expertise, will provide us with a competitive advantage in the region. In February 2010 we entered into a conditional agreement to acquire a 90% interest in Chambishi Metals PLC a processing facility in Zambia. Management plans to combine Chambishi with the existing Other Non-ferrous Division facilities in the Democratic Republic of Congo (‘DRC’). The Chambishi acquisition was completed in early April.

In June 2009 Miguel Perry stepped down as an Executive Director and Chief Financial Officer of the Group. In September 2009 we announced the appointment of Zaure Zaurbekova as an Executive Director and Chief Financial Officer. Prior to this Ms Zaurbekova had been the Group’s Deputy Chief Financial Officer and acting Chief Financial Officer after Mr Perry’s departure, coming to the role with significant experience of leading the finance function in Kazakhstan.

In August 2009 we announced that Sir David Cooksey, non-executive Chairman, was leaving ENRC to take up the position of Chairman of UK Financial Investments Limited. After consultation with our major shareholders, I was honoured to be asked by the Board to become Chairman in his place. Felix Vulis, previously our Chief Operating Officer in Kazakhstan, was promoted to be an Executive Director and the Group's Chief Executive Officer, whilst our Senior Independent Director, Sir Richard Sykes, became Deputy Chairman. Michael Eggleton, who had served on the Board since the IPO as a non-executive Director, left in 2009 to pursue other interests. In January 2010 we announced the appointment of Professor Dieter Ameling as an independent non-executive Director. Despite the considerable changes in the Board's composition since last summer, I firmly believe that the Group's continuing strong strategic performance demonstrates that our Board is committed to driving forward the businesses and strategy.

One of the issues of the year was the increase in the number of fatalities compared to 2008. During the year we worked hard with DuPont to evaluate and improve safety management at our operational sites and this work is ongoing. The project is a long-term one and it is too soon to measure the effectiveness of the new processes we have introduced. However, any fatality is considered seriously and the management team have taken steps to increase their scrutiny of health and safety practices at our operational sites and have escalated the reporting process so there is greater accountability at a senior level.

We believe that the economic outlook will continue to improve during the course of 2010 and that greater stability than we have had in recent years will result in a more positive period for natural resources companies in the future.



Dr Johannes Sittard
Non-executive Chairman

Board of Directors



Dr Johannes Sittard (age 66)
Chairman and non-executive Director

Dr Sittard is the non-executive Chairman of the Company, having been the Chief Executive Officer of the Group until 20 August 2009. Dr Sittard was appointed Chairman of the Nomination Committee of ENRC in September 2009. Dr Sittard has over 25 years' experience in the natural resources and steel industries. Prior to joining the Group in 2001, Dr Sittard was the President and Chief Operating Officer of ISPAT International NV (now known as ArcelorMittal). He is also the Chairman of Alferon.



Sir Richard Sykes (age 67)
Senior Independent Director and non-executive Deputy Chairman

Sir Richard is the Senior Independent Director and non-executive Deputy Chairman of the Company and Chairman of the Remuneration Committee of ENRC. Sir Richard Sykes is currently the Chairman of NHS London, the Strategic Health Authority accountable for the performance of the National Health Service in the capital. Prior to that he was the Rector of Imperial College, London and the Senior Independent Director of Rio Tinto plc. He has over 30 years of experience within the biotechnology and pharmaceutical industries, serving as Chief Executive and Chairman of GlaxoWellcome from 1995 to 2000 and then as Chairman of GlaxoSmithKline until 2002.



Professor Dr Ameling (age 68)
Independent non-executive Director

Professor Dr Dieter Ameling is a non-executive Director of the Company. Since 2008, he has been Senior Councillor of ThyssenKrupp Steel AG and is an associate professor at the Technical University Clausthal. Prior to joining the Group in January 2010, Professor Dr Ameling was the Chairman of the Steel Institute VDEh and President of the German Steel Federation.



Mr Gerhard Ammann (age 65)
Independent non-executive Director

Mr Ammann is a non-executive Director and Chairman of the Audit Committee of ENRC. Mr Ammann is currently President of Bank Von Roll, a private bank in Switzerland. Prior to joining the ENRC Board he 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.



Mr Marat Beketayev (age 32)
Non-executive Director and representative of the Government of Kazakhstan

Mr Beketayev is a non-executive Director of the Company. Mr Beketayev is Vice-minister of Justice of the Republic of Kazakhstan and was previously an advisor to the Prime Minister of the Republic of Kazakhstan. Mr Beketayev 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.



Mr Mehmet Dalman (age 52)
Independent non-executive Director

Mr Dalman is a non-executive Director of the Company and was appointed Chairman of the Mergers and Acquisitions Committee of ENRC upon its formation in September 2009. Mr Dalman has spent 20 years as an investment banker, working in Japan, Hong Kong, Frankfurt and London. Mr Dalman is currently Vice Chairman of Toscafund Asset Management LLP. Prior to that he was Chief Executive Officer of WMG Group, a financial services firm that he founded in 2004, and a member of the Supervisory Board of Deutsche Börse and the Board of Commerzbank AG.



Sir Paul Judge (age 60)
Independent non-executive Director

Sir Paul Judge is a non-executive Director of the Company. Previously, Sir Paul Judge spent 13 years with Cadbury Schweppes plc, where he led the buyout of its food companies to form Premier Brands Ltd. Sir Paul is the Chairman of Schroder Income Growth Fund plc and Director of the United Kingdom Accreditation Service, Standard Bank Group Ltd of Johannesburg, of Tempur-Pedic International Inc. of Kentucky and of Abraaj Capital of Dubai.



Mr Kenneth Olisa (age 58)
Independent non-executive
Director

Mr Olisa is a non-executive director of the Company. Mr Olisa is a director of Thomson Reuters and the founder and Chairman of Restoration Partners, a boutique technology merchant bank. From 1992 to 2006, Mr Olisa was Chair and CEO of Interregnum PLC, a listed technology merchant bank. Prior to that, he was a senior executive for over 20 years at Wang Labs and IBM. He serves on the board of several UK not-for-profit organisations including Thames Reach. He is an ordinary member of the Independent Parliamentary Standards Authority (IPSA)



Mr Roderick Thomson (age 70)
Independent non-executive
Director

Mr Thomson is a non-executive Director of the Company. 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.



Mr Eduard Utepov (age 56)
Non-executive Director and
representative of the
Government of Kazakhstan

Mr Utepov has held numerous leading positions within the state property authorities of the Republic of Kazakhstan since 1994. Between 1995 and 1997 he served as Chairman of the State Privatisation Committee of the Republic of Kazakhstan and since January 2006 has served as Chairman of the State Property and Privatisation Committee at the Ministry of Finance of the Republic of Kazakhstan.



Mr Felix Vulis (age 54)
Chief Executive Officer

Mr Vulis has been Chief Executive Officer since August 2009. He has been Chairman of the Health, Safety, Environment and Sustainability Committee since August 2009. Prior to his appointment as Chief Executive Officer Mr Vulis 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. Mr Vulis is Deputy Chairman of the Governing Board and Co-Chairman of the Operating Working Group of the Foreign Investors Council of Kazakhstan.



Mr Abdraman Yedilbayev (age 50)
Non-executive Director
appointed by Mr Ibragimov

Mr Yedilbayev is a non-executive Director appointed by Mr Ibragimov. Mr Yedilbayev has wide experience working in the mining industry, in both the public and private sector. For the past 11 years Mr Yedilbayev has been at Gornoe Buro LLP, which provides a variety of technological and scientific services to the mining industry and is currently Chairman and Finance Director.



Ms Zaurbekova (age 47)
Chief Financial Officer and Chief
Financial Officer Kazakhstan

Ms Zaurbekova became Chief Financial Officer on 30 September 2009, having been acting Chief Financial Officer since June 2009 and having been Chief Financial Officer of Kazakhstan operations since 2001. Prior to that she was Finance Director and later, First Vice-President of Kazchrome. Before joining ENRC, Ms Zaurbekova worked in the Ministry of Industry and Trade of the Republic of Kazakhstan and began her career in the Kazakh Research Institute of Automation of Planning.

Chief Executive Officer's Statement

Mr Felix Vulis
Chief Executive Officer



“In 2009 the Group’s advantages, particularly its proximity to China, low cost base and business diversification, underpinned a robust performance in the face of a marked industry downturn. Swift measures taken by the management allowed us to mitigate the weaker demand and lower prices and deliver an improved performance in the second-half of 2009. During the year we were pleased to be able to use our strong balance sheet to grow our commodity base by acquisition. Our entry into copper and cobalt, with the purchase of CAMEC, opens up an exciting new opportunity and implements our strategy of diversification. We are increasingly confident that strong growth in emerging markets and a recovery coming in the rest of the world will sustain growth in the demand for our products in 2010.”

We are pleased with the Group’s financial and operational performance in 2009, which exceeded our initial expectations held at the beginning of the year. The Group’s resilience reflected its strategic location, its low cost advantages and the benefits of our integrated business capabilities. Our performance also reflected the success of measures implemented by management in response to the general downturn. In addition, the Group benefited from the strength of the Chinese economy and its robust metals demand. Commodity prices were generally stronger than we originally anticipated. Going into 2010, conditions for recovery in our main markets now seem to be firmly established, although we recognise that there remain some points of vulnerability in the global economy.

In late 2008 and into 2009 management responded rapidly and decisively to the crisis, cutting ferroalloys and iron ore production to match customer demand, reducing inventories and receivables, re-evaluating capital expenditure and focusing on the control of costs. Progressively during 2009, management was able to advance production levels across those businesses, and particularly in Kazakhstan where the labour force had been retained through the downturn. By the end of 2009, production had been restored to effectively full available capacity across most of our principal product lines. In 2009, the Group’s resilient operating performance and balance sheet strength opened up opportunities to diversify the business.

The results achieved are a particular credit to the operational management in Kazakhstan. We are also grateful for the commitment of the workforce through the challenging times and to the efforts of our Sales & Marketing operation. The Group offers to all its employees its sincere thanks for their loyalty, commitment and continued efforts. In 2010 we are reviewing wage rates for our Kazakhstan employees across each of the Divisions.

We remain positive on the medium- and long-term prospects for the growth of the Chinese and Russian economies and elsewhere in emerging markets. The prospects for ENRC in these markets are enhanced by structural capacity shortages, notably in China, and supply constraints that are expected to emerge with an economic recovery. ENRC in Kazakhstan is well positioned to exploit opportunities in China and Russia. For the Group this is supplemented by the acquisitions of CAMEC, and more recently, Chambishi, which offer geographical and commodity diversification as well as a broader range of growth opportunities. In addition our capital expenditure initiatives are directed towards providing a solid platform for growth, inside Kazakhstan and elsewhere around the world, to deliver value for all our shareholders.

2009 Production performance

The Group's production performance in 2009 was broadly similar to 2008 for ferroalloys and iron ore, notwithstanding the cutbacks initiated by management in Q4 2008, with improved aluminium production and electricity generation. Through 2009, the Ferroalloys and Iron Ore Divisions experienced a progressive recovery in capacity utilisation and sales. In the Ferroalloys Division 2009 high-carbon ferrochrome production was ahead of 2008 (2009: 1,073 kt; 2008: 1,054 kt), although weakness in chrome ore sales and in the low- and medium-carbon ferrochrome markets persisted. By Q4 2009 Kazchrome – the key Kazakhstan business of the Ferroalloys Division – had restored its capacity utilisation to 97%.

In the Iron Ore Division, primary iron ore concentrate production progressively recovered through 2009 and was broadly in line with 2008 (2009: 15,197 kt; 2008: 15,487 kt), although with proportionately more saleable concentrate production. Capacity utilisation reached 97% in Q4 2009 and there was a strong recovery in pellet production in H2 2009. In the Alumina and Aluminium Division, 2009 alumina production was 1,608 kt, steady at its capacity run rate. Production volumes were supported by the long-term alumina contract with United Company RUSAL ('US RUSAL'). Aluminium production amounted to 127 kt (2008: 106 kt), with the smelter running at its full Phase 1 capacity (125 kt per annum) and with half of the Phase 2 smelter pots being charged with alumina and put into operation in December 2009. Also pleasing was that in 2009 the London Metal Exchange ('LME') approved the listing of our aluminium ingots.

The Energy Division was bolstered in 2009 by a recovery in demand and reinstated capacity, as well as the onset of adverse winter weather in Q4 2009. Coal extraction rose to 20,059 kt (2008: 19,790 kt) whilst electricity generation increased to 13,478 GWh (2008: 11,640 GWh). Logistics maintained its transportation tonnage broadly steady on 2008 (2009: 58,181 kt; 2008: 58,549 kt). In addition, we had the first-time contribution of copper and cobalt in the Other Non-ferrous Division.

2009 Financial performance

The Group's 2009 Underlying EBITDA (which excludes the benefit of the one-off Kazakhstani tenge devaluation gain, US\$210 million) declined 65% to US\$1,462 million (2008: US\$4,161 million). The decline was predominantly driven by significantly lower average commodity prices resulting in a fall in revenue of 44% to \$3,831 million (2008: US\$6,823 million), notably for ferrochrome, iron ore and aluminium.

The impact of the decline in revenue was partially offset by reductions in the Cost of sales, 7%, and total costs, 17%. The reductions were driven by management's cost saving initiatives, along with a reduction in Distribution costs and favourably impacted by the general weakening of the Kazakhstani tenge as some 75% of the Group's Cost of sales were denominated in the local currency.

Adversely impacting Underlying EBITDA were inventory destocking, with higher inventory costs carried over from 2008, losses incurred on foreign currency hedges and the introduction in 2009 of a Mineral Extraction Tax ('MET') in Kazakhstan.

Management maintained its ongoing focus on working capital and in 2009 achieved a reduction in inventories to levels that better matched the lower sales volumes, while managing credit risks such that we have had no material default among our customers. We had a strong balance sheet with gross available funds of US\$1,021 million as at 31 December 2009 (2008: US\$2,768 million), including cash and cash equivalents of US\$830 million (2008: US\$2,493 million). During 2009 we paid a total of US\$1,144 million for acquisitions, while property, plant and equipment expenditure amounted to US\$912 million (2008: US\$1,479 million). Outstanding debt as at 31 December 2009 amounted to US\$428 million (2008: US\$727 million), principally a trade finance facility to be repaid by December 2010. Operating cash flow was significantly impacted by market conditions, decreasing 56%, resulting in a net inflow of US\$1,209 million (2008: US\$2,766 million). We see our balance sheet and positive operating cash flow as key competitive advantages in the current environment and continue to manage this position prudently.

Health & safety

Health and safety is a key priority for the Group. In 2009 we intensified our efforts with the implementation of a new safety management system which has improved the quality and coverage of our reporting. The total number of fatalities unfortunately rose, totalling 12 in 2009 (2008: 9). Any deaths are regrettable to us and we express our condolences to the families involved. The number of work-related injuries decreased to 64 (2008: 74). The Lost Time Injury Frequency Rate ('LTIFR') declined to 0.63 (2008: 0.68) per one million hours worked. As the fatalities show, we still have some way to go before we can feel satisfied with our safety performance. The Group focused on improving its approach to health and safety based on its adoption, in 2008, of an aspiration of 'zero injuries' and in 2009 launched a Safety Culture Improvement project which will be rolled out in full through 2010.

Chief Executive Officer's Statement continued

Capital expenditure

Capital expenditure in 2009 was a little below 2008, amounting to US\$1,147 million (2008: US\$1,294 million). 2009 reflected the revision of our project plans in response to the changed market environment, with priority given to replacement and productivity capital expenditure.

Project highlights in 2009 included: Ferroalloys Division – a second 700 kt per annum pelletiser (operational July 2009); Alumina and Aluminium Division – the construction of the 125 kt per annum Phase 2 of the aluminium smelter, to be completed in Q2 2010; and Energy Division – the installation of overburden stripping equipment, completed in Q1 2010, and an additional power unit. In July 2009, for commercial reasons, we withdrew from the concession for the construction of the China Gateway Project.

In 2010 we reviewed our capital expenditure projects and reflected both our improved confidence in the future and the broadening range of opportunities. Only the ferroalloys expansion at Aksu currently remains a deferred project. Including new projects, mostly arising on acquisitions, total 'in progress' and 'under review' capital expenditure amounts to US\$5.8 billion. Projects include: Ferroalloys Division – expansion and replacement of smelting capacity at Aktobe; Iron Ore Division – pelletiser and DRI/HBI plant, a conveyor complex and a mine expansion; Alumina and Aluminium Division – Phase 2 of the aluminium smelter, an alumina expansion and an anode plant; Energy Division – construction/reconstruction of two power units and new generating capacity of 1,200 MW. In the Other Non-ferrous Division we have reviewed the capital expenditure following the completion of the acquisition and have increased the planned capital expenditure on the copper and cobalt operations to US\$455 million.

For the full year 2010, capital expenditure is expected to amount to approximately US\$1.5 billion, including US\$0.4 billion for capital repairs.

Acquisitions

Acquisitions are an important element of our strategy. By leveraging our knowledge of mineral extraction, as well as our integrated energy and logistics capacity where possible, the Group will look to diversify its presence into other natural resources, both in the Eurasian region and elsewhere in the world. The Group remains interested in its core products, ferrochrome and iron ore, but is also looking at opportunities in other industrial metals, certain precious metals and in the energy sector, with a focus on low cost opportunities and projects close to being cash generative. We continue to maintain our tight financial discipline in evaluating opportunities.

In February 2009, we completed the acquisition from a related party of a 25% interest in Shubarkol Komir JSC ('Shubarkol') for a cash consideration of US\$200 million less 25% of net debt. We believe that the acquisition of this stake strengthens the Group's integrated business model, through securing a reliable and cost effective supply of semi-coke and relatively high quality thermal coal, and also enhances the Group's position as a low cost producer. On 9 November 2009 the Group declared unconditional the acquisition of CAMEC for a cash consideration of US\$931 million. With CAMEC we acquired an African-focused emerging market mining company, with operations centred on copper and cobalt, a trucking and haulage businesses and a portfolio of potential development projects in coal, bauxite and fluorspar and platinum prospects.

On 18 February 2010, the Group announced a cash offer to related parties for the acquisition of Enya Holdings BV ('Enya') which holds a 90% interest in Chambishi Metals PLC ('Chambishi'), a Zambian copper and cobalt producer, together with Comit Resources FZE ('Comit'), a Dubai-based marketing and sales company. The aggregate cash consideration amounts to US\$300 million. The Chambishi acquisition was completed in early April and the transaction overall was expected to be completed in April.

Taxation

With effect from January 2009, the Republic of Kazakhstan introduced a new Tax Code including a reduction in the rate of Corporate Income Tax ('CIT') to 20% in 2009, the abolition of Royalties in conjunction with the introduction of MET and revisions to the basis of calculation of Excess Profits Tax ('EPT'). In November 2009, in response to the adverse changes in the global economic environment, the 2009 CIT and MET rates were extended for the period from 2010 to 2012. In 2009 the Group's Effective Tax Rate was 26.2% – including a dividend withholding tax and EPT – broadly in line with previous guidance.

Exchange rate

On 4 February 2009 the Government of the Republic of Kazakhstan announced that the tenge would be devalued against the US dollar by approximately 25% to about KZT150/US\$. On 30 December 2009 the Central Bank of Kazakhstan announced that, going forward, it would seek to maintain a wider currency range of KZT127.5/US\$ to KZT165/US\$. If the tenge were to appreciate this would add to the reported cost base of the Group, as it represents approximately 75% of the Group's Kazakhstani businesses Cost of sales.

Industry overview

The key driver of ferrochrome demand remains stainless steel production which in 2009 was believed to be 26.2 million tonnes

worldwide, below its 2007 peak of 28.5 million tonnes and around 1% lower than the 26.4 million tonnes in 2008. Around 65% of ferrochrome is consumed by the stainless steel industry. Like many other metals markets the largest growth in recent years, in terms of both consumption and production of stainless steel, has been China, with the country emerging as the world leader in stainless steel. With China's economic growth forecast to continue in 2010 and beyond this situation is set to remain. In 2007, the record year for stainless steel production, China accounted for some 7.5 million tonnes; in 2010 China is forecast to produce almost 11 million tonnes. Even with only a limited recovery in the traditional markets 2010 could emerge as a strong year for stainless steel production. Although fiscal stimulus packages are likely to be reduced during 2010, and as initiatives such as car scrappage schemes are ended, some recovery in developed world consumption is forecast to continue. We had said in the past that a sustainable recovery in prices will only be possible when demand results in a significant increase in capacity utilisation in the ferrochrome industry. The recent price increases and more confidence in the economic recovery again turned attention to supply side constraints, such as electricity and logistics in South Africa. Overall, with uncertainties remaining for both demand and supply, some volatility can be expected to continue, but the overall outlook is positive.

For iron ore, our major competitive advantage is our low cost access to Northwest China, which facilitated a doubling of our shipments in 2009 versus 2008. The ongoing industrialisation of our traditional markets in Northwest China, along with the improved access offered by the new China Gateway rail link in due course, will provide us with further opportunities to develop iron ore sales in China. In addition, the current improvement in the Russian steel industry is providing us with a recovery in iron ore sales volumes to The Magnitogorsk Iron and Steel Works Open Joint Stock Company ('MMK').

Also, due to our low cost logistics position, as well as steady demand, shipments of alumina to Rusal in Russia were not materially affected by market conditions in 2009. However, in 2010, proportionately more of our alumina production will be absorbed by our aluminium smelter with the launch of Phase 2.

In energy, our low cost position and market insight in electricity allowed us both to sell greater volumes into the region's recovering market and utilise our own secure power in value-added metals production. Our current position in copper and cobalt is limited. However, we believe that the longer term demand fundamentals of copper are sound. This is underpinned by a weakening longer term supply outlook in the face of increasing demand from emerging markets.

Outlook

Our confidence for 2010, in the sustainability of Chinese domestic demand growth and in the growth of other emerging markets, has improved, and is likely to offer a sustained increase in commodities demand. In addition, although signals remain mixed and short-term prospects are subdued, there are signs of stabilisation and even some growth emerging in the United States and Europe, whilst the outlook for Russia is better for 2010.

We anticipate that product prices for the full year 2010 will be ahead of the averages that prevailed in 2009. We expect that production in 2010 for our principal products will be at, or near capacity.

Into 2010, with near full capacity production restored across our Kazakhstani businesses, maintaining our 2009 cost level will be difficult. We would anticipate some increase in costs: labour costs are set to rise broadly in line with local inflation; raw material and other input costs are increasing more significantly as the industry and global economy recover; whilst there is also the potential negative impact of a tenge appreciation. We do, however, expect to retain our advantaged relative low cost position.

Save as set out in this report, there have been no material events, transactions or changes to the financial position of the Group since 31 December 2009.



Mr Felix Vulis
Chief Executive Officer

Senior Management



Mr Randal Barker
General Counsel and Company Secretary

Mr Barker joined ENRC as General Counsel and Company Secretary in September 2008. He was previously Group Legal Director and Group Company Secretary at Resolution plc. Prior to this, Mr Barker held positions at General Electric Company and Lovells LLP.



Ms Mounissa Chodieva
Head of Investor & Public Relations

Ms Chodieva has been Head of Investor and Public Relations since 2006, having previously held the position of Vice President of Corporate Finance. Prior to this Ms Chodieva acted as Vice President of Corporate Restructuring at CIM Global AG, and undertook a legal training contract at Nicholson Graham & Jones, now Kirkpatrick & Lockhart Preston Gates Ellis LLP.



Mr Jim Cochrane
Head of Sales & Marketing and Business Development

Mr Cochrane is CEO of ENRC Marketing AG, responsible for developing and implementing the sales and marketing strategy of the Group, and, from mid-2008, Head of Business Development, responsible for leading the Group's strategic planning, focusing on the organic development of the business and mergers and acquisitions. Prior to this, Mr Cochrane held positions with BHP Billiton, Samancor Chrome, Impala Platinum and Schlumberger.



Mr Jeff Couch
Head of Business Development

Mr Couch joined the Group in January 2009 as Head of Business Development. Formerly, he was a Director of Metals and Mining at Credit Suisse in London.



Mr Beat Ehrensberger
Head of Mergers & Acquisitions

Mr Ehrensberger is the Head of Mergers & Acquisitions and was appointed to this position in mid-2008. His role is to lead on and execute the Group's M&A transactions and be involved in the strategic planning, supporting the CEO and the Head of Business Development. Mr Ehrensberger originally joined ENRC as General Counsel in 2003 and until mid-2008 was responsible for the Group's legal affairs. He began his career as an Associate of the Tax and Legal Department at Ernst & Young in Switzerland. He later worked at a Zurich-based law firm (commercial and corporate law).



Mr Almaz Ibragimov
President of JSC Aluminium
Kazakhstan

Mr Ibragimov has been the President of JSC Aluminium of Kazakhstan since 2001. From 1994 until 2001 he held various positions at the JSC 'Pavlodar Alumina Plant'. Prior to that he was Chief Engineer at the collective farm 'Pervoye Maya' in Kyrgyzstan.



Mr Bereke Mukhametkaliev
President of JSC Zhairam GOK

Mr Mukhametkaliev started his career in the metals and mining industry as technical geologist at the JSC 'Karagaily' in 1994. He joined RU 'Kazamarganets' in 2000 as a geologist and by 2004 held the position of Chief Engineer. In 2004 he became the Chief Engineer at the JSC 'Zharemsky GOK' and in 2005 was appointed as the President.



Mr Abduzim Rustambayev
President of JSC Eurasian
Energy Corporation

Mr Rustambayev has been the President of JSC Eurasian Energy Corporation since 1999. Prior to assuming this role Mr Rustambayev held the position of General Director of the Yermakovskaya GRESS (State district power plant in Kazakhstan) for three years. Mr Rustambayev previously worked at The Regional Consumer Cooperation Society of Frunze, Kyrgyzstan as the Deputy Chief Manager for seven years.



Mr Victor Til
General Director of JSC
Kazchrome

Mr Til started his career at one of the Kazchrome mines 'Molodejnaya' in 1977 and worked in various positions within Kazchrome. In 2004 he was appointed as the General Director of JSC Kazchrome.



Mr Arif Shadiev
General Director of ENRC
Logistics

Mr Shadiev held the position of Deputy General Director at LLP 'Transistema' from 1999-2006. He was appointed as General Director of ENRC Logistics in 2007.

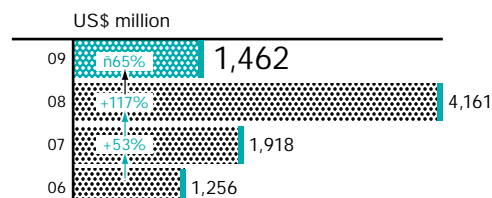


Mr Mukhamejan Turdakhunov
President of SSGPO

Mr Turdakhunov has held the position of President of SSGPO since 1999. He began his career in the metals and mining industry in 1995 as the Director of the Aksu Factory of the Ferroalloys Division in the Pavlodar Region in Kazakhstan. Mr Turdakhunov then spent two years as the General Director of the public corporation 'Khimfarm' in Shymkent City, Kazakhstan. He joined SSGPO as the First Vice President of SSGPO in 1997.

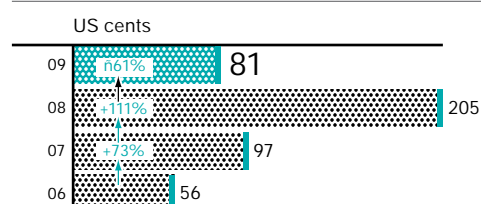
Key Performance Indicators

Underlying EBITDA



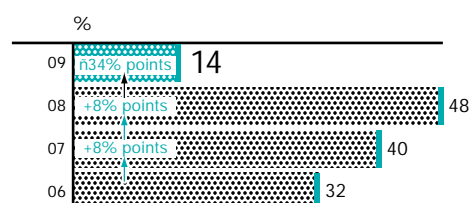
This is a measure of the underlying profitability of the business. In 2009 underlying EBITDA reduced sharply mostly due to significant falls in commodity prices from some record highs in 2008.

EPS (before exceptional items)



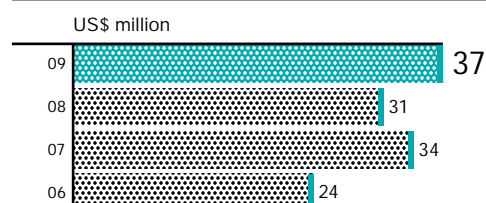
EPS tells us how much attributable profit per share is available for distribution to shareholders through dividends. Despite the impact of the economic downturn we were able to achieve an EPS which enabled us to maintain our dividend policy.

Return on Capital Employed (ROCE) (before exceptional items)



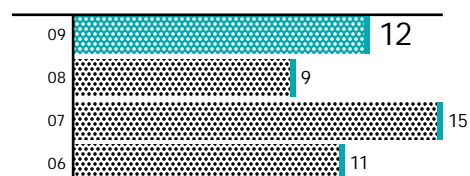
ROCE measures how efficiently the Group's capital is being used. Our 2009 ROCE was impacted by a combination of lower profits and our continuing significant capital investment programme which will deliver financial benefits in the long term.

Community Social Investment



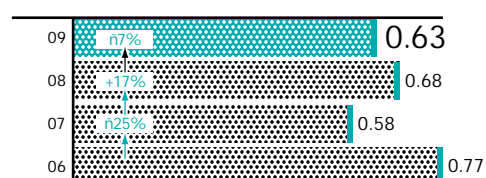
Our business is long term with operations often in remote areas where we are the principal employer. We recognise the key economic and social responsibilities that we have as a result. We have increased our community social investment despite the general economic pressures experienced by industry and the Group. This continued investment is part of our sustainable business model.

Safety Fatalities



We recognise that we operate in a dangerous industry but we aspire to a target of zero work related injuries. Despite the Group's endeavours in 2009, the number of fatalities regrettably increased. Many of the changes to work practices we are introducing require commitment over the long term and we have increased the accountability of senior management to ensure that focus on this important area is maintained.

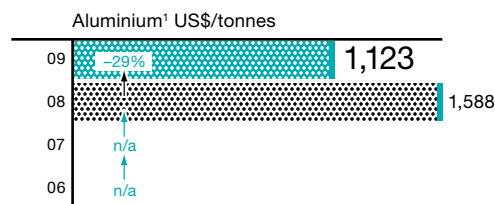
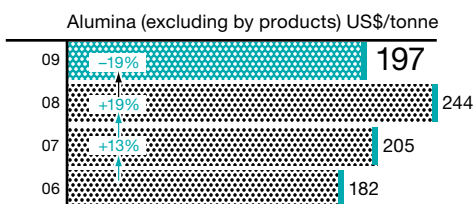
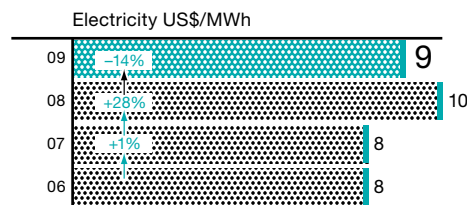
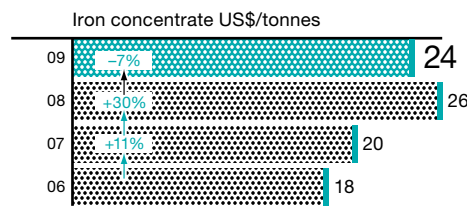
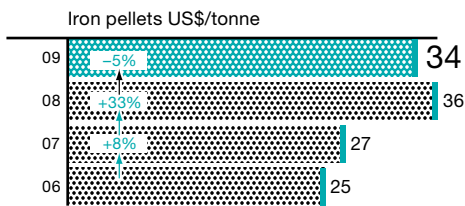
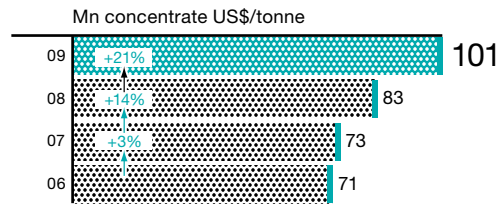
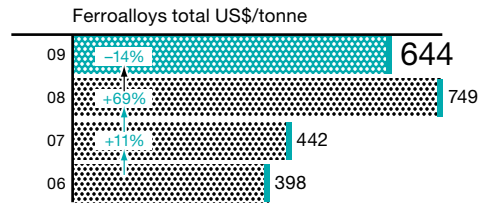
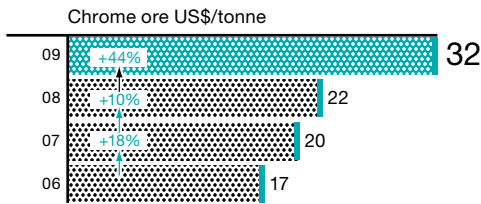
LTIFR



In 2008 we started to implement a new safety management system, which has improved the quality and coverage of our reporting. In 2009 the Group launched a safety culture improvement project, and had some success in reducing the incidence of injuries. We anticipate further improvements as it is rolled out in full throughout 2010.

Product costs

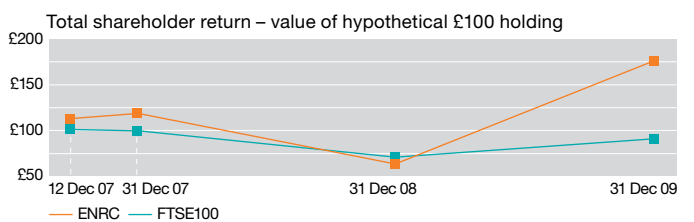
During 2009, cost reductions were achieved across most of our products due to the success of anti-crisis measures along with the effects of the Kazakhstani tenge devaluation against the US dollar. This achievement was in spite of the impact of the introduction of MET and domestic inflationary pressures. Savings were made in input material prices as well as lower labour and repairs and maintenance costs in comparison to 2008 (refer to the Financial Review on pages 29 to 35). With full capacity restored across the Kazakhstani business, management anticipate some erosion of the absolute cost position in 2010 as raw material and other input costs are rising at around the local level of inflation, whilst there is also the potential negative impact of Kazakhstani tenge appreciation. We do however expect to retain our relative low cost advantage.



1 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 stand-alone basis.

Total shareholder return ('TSR')

The graph charts the total shareholder return of ENRC compared with the FTSE 100 since 12 December 2007 (being the first date of trading for ENRC shares). The Company has a long-term incentive plan for Executive Directors, management and senior employees that is based on TSR. Hence the goals and rewards are aligned for management and shareholders.



Source: Bloomberg

Note: TSR based on end of year prices, shown since ENRC's listing on 12 December 2007

Risk Management

Introduction

The Board is responsible for the Group's systems of Risk Management and Internal Control and for reviewing their effectiveness in operation. Further details are presented in the Corporate Governance Report on pages 48 to 50.

Effective systems of Internal Control:

- play a key role in the management of risks that are significant to the fulfilment of the Group's business objectives;
- contribute to safeguarding the shareholders' interests and the Group's assets;
- facilitate the effectiveness and efficiency of operations;
- help ensure the reliability of internal and external reporting; and
- assist compliance with laws and regulations.

Key business risks and the responses by executive management

This section sets out the key business risks being faced by the Group. Key business risks are those risks which have a high overall impact and likelihood risk rating in terms of the potential to adversely affect the Group's ability to achieve its objectives. This section also includes a description of the ways in which executive management have responded to these risks.

Risks to the achievement of strategic objectives

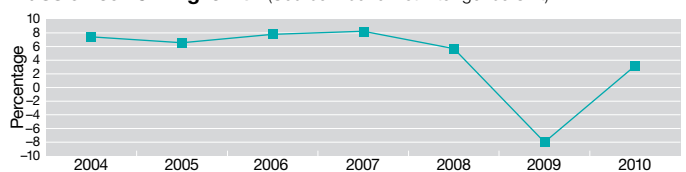
Slowdown in the growth of the economies of key customers

The Group's sales of products from some divisions continue to be predominantly to customers based in Russia and China, as set out in the table below.

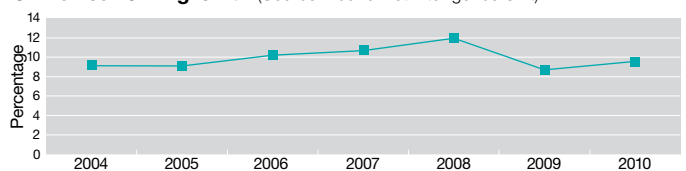
Percentage of Divisional Sales Revenue

	Russia		China	
	Years ended 31 December 2009	Years ended 31 December 2008	Years ended 31 December 2009	Years ended 31 December 2008
Ferroalloys	17.3	20.4	29.3	11.2
Iron Ore	52.7	64.0	44.4	29.1
Alumina and Aluminium	64.0	62.4	–	–

Russia real GDP growth (Source: Economist Intelligence Unit)



China real GDP growth (Source: Economist Intelligence Unit)



The GDP of the Russian economy contracted by about 8% in 2009 as a whole but grew in the last two quarters of the year. In 2010 growth is expected to be around 3%. The Chinese economy sustained a high rate of GDP growth in 2009 of almost 9%. A number of forecasters believe that broadly this level of growth can be maintained for the medium term.

The significant slowdown in the global economy as a whole and the consequential impact on the export-led growth of the economies

with which the Group trades brought about a decrease in demand for the Group's products and also created downward pressure on sales prices. The Group, however, was able to leverage its geographic proximity to the growth market of China and in so doing mitigate the impact of the economic global slowdown as can be seen in the preceding table which shows an increased proportion of sales to China in 2009. Market conditions progressively improved throughout 2009 and are now much better than those experienced at the beginning of the year.

Our confidence in the outlook for ENRC in 2010 is considerably stronger in relation to both the sustainability of growth in Chinese domestic demand, and to the growth prospects of the mature economies of Japan, Europe and the USA. We believe that there will continue to be commodity price volatility as a result of high levels of economic uncertainty and concern about the overall speed of global recovery. The medium to longer term fundamentals for commodities remain strong and the outlook is for China and the emerging economies to be the leaders on the road to sustainable recovery.

Response to the slowdown in the growth of the economies of key customers

Management responded rapidly and decisively to the severe reduction in demand for the Group's products in late 2008 and early 2009 by:

- cutting ferroalloys, iron ore and energy production to match customer demand;
- reducing inventories and actively concentrating on receivables;
- re-evaluating capital expenditure; and
- focusing on the control of costs in the face of significant pressure on product prices.

Progressively during 2009 management was able to advance production levels across those businesses and by the end of 2009 production had been restored to approximately full available capacity.

We remain positive on the medium- and long-term growth prospects for the metal-intensive and export growth of the Chinese and Russian economies, with the particular benefit to ENRC of its strategic location. In addition there is significant sustained growth in the demand for industrial metals elsewhere in the industrialising world which, as with China and Russia, is based on their demographics, urbanisation and infrastructure requirements. The prospects for ENRC in all of these markets are enhanced by structural capacity shortages, notably in China, and supply constraints that are expected to emerge with a global economic recovery. The Group, with its tier one assets and the advantage of low cost production, is well positioned to seize opportunities in China and Russia and elsewhere in the world whilst benefiting from the progressive improvement in the stability of its long-term contract customer base.

Country risks

The Group's businesses could be adversely affected by any new regulations which are introduced by the Governments of the key countries in which the Group operates and trades, such as:

- controls on imports, exports and sales prices;
- terms of mining and other licences;
- restrictions on foreign ownership of assets;
- restrictions on the remittance of funds; and
- new forms or rates of taxation, duties and royalties.

These risks are most relevant in relation to Kazakhstan, which continues to be the Group's principal country of operation, but also, to a lesser extent, Russia, China and the DRC.

In addition, any increased requirements relating to regulatory, environmental and social approvals, in countries in which the Group has mining or production activities, could result in significant delays in the construction of new investment projects, and may adversely impact the economics of those projects, the expansion of existing operations and the financial results of the Group's operations.

Response to country risks

Senior management of the Group's operations in Kazakhstan are engaged in an active dialogue with the Government of the Republic of Kazakhstan and with local authorities in many regions and towns within Kazakhstan, as well as directly with the Group's workforce, to fully reflect the Group's responsibilities to these stakeholders.

The Government of the Republic of Kazakhstan is also a significant shareholder in the Group and two representatives of the Government are non-executive Directors and attend Board meetings.

Through these different types of engagement with the Government of the Republic of Kazakhstan the Group is able to anticipate likely changes in regulations and to put in place plans to respond to changes whenever they may arise.

In DRC the management of the Group's businesses have met with key Government officials at both national and regional level, including those responsible for mining. Management plan to establish effective working relationships with these officials and keep them informed about our plans for investment and for the development of the businesses. These relationships are going to be based on a mutual desire to improve the economy of the countries whilst at the same time developing the natural resources opportunities which are available in the areas to the benefit of the local communities and the Group.

Integration of acquired businesses

Some of our future growth will stem from acquisitions. There are numerous risks which may be encountered in business combinations, and we may not be able to successfully integrate acquired businesses which could negatively impact our financial condition and results of operations.

Response to risks in the integration of acquired businesses

The Group has formed a Mergers and Acquisitions Committee, which is a sub-committee of the Board, to oversee all acquisition activity including the agreement of acquisition targets, setting policies for due diligence activity and overseeing the process of due diligence, acquisition and subsequent integration into the Group. The committee has received delegated authority from the Board to finalise and execute acquisitions following Board approval. The committee is chaired by an independent non-executive Director and includes two other non-executive members of the Board.

The Group also increased the number, seniority and experience of the in-house mergers and acquisitions team during 2009 and continues to employ external advice to supplement the in-house expertise. A strategic projects finance team has also been established in London. For each acquisition which the Group has made and for all prospective acquisitions a member of the Group's senior management team is appointed to take responsibility for the integration of the acquired business.

The Group has gained valuable experience in the acquisition and ongoing integration of CAMEC and this will be applied to all future acquisitions, including Chambishi. Many of the management team involved in the ongoing CAMEC integration will also be responsible for the delivery of the Chambishi integration plan.

Risk Management continued

CAMEC acquisition

The Group acquired CAMEC in November 2009. CAMEC operates principally in the DRC, where it mines copper and cobalt and processes the ore in a company in which the State owned Gécamines is a minority 30% partner.

The assimilation and integration of acquired businesses requires significant time and effort on the part of the Group's senior management. Integration of new businesses, particularly in emerging markets, can be difficult, and potential problems may include, but would not be limited to:

- Compliance with local and international regulations;
- Harmonisation of corporate culture differences;
- Alignment of HR policies and remuneration bases;
- Operating in a new geographical environment and in new commodity markets;
- Roll-out of financial reporting procedures and unification of accounting policies;
- Controlling acquired assets; and
- Dealing with legacy issues.

Response to risks in the integration and management of the CAMEC businesses

The Group has engaged a Chief Executive Officer for ENRC in Africa, with extensive experience of mining in Africa, to manage the integration of Camec. He is being supported by a senior member of the Group's Mergers and Acquisitions team who was involved in the due diligence process prior to acquisition.

Human resource talent pool

The Group's growth and future success depend significantly upon its continued ability to attract, retain and motivate employees and key members of management and to adequately resource a wide range of development projects. Failure to adequately maintain the quality of the Group's Human Resource pool could have an adverse impact on those projects or on existing operations. Despite the recent volatility in commodity prices and consequential impact on growth prospects in the industry there still exists an increasing demand for skilled personnel and contractors across a range of disciplines.

Response to human resource talent pool risks

We have continued to provide stimulating and challenging opportunities for all employees and this is attractive for both existing and prospective employees. The Group is committed to the recruitment of experienced staff across the Group, in London, Africa, Kazakhstan and in other countries in which the Group operates. In Kazakhstan the Group has developed a Succession Planning policy, a Talent Management Programme as well as planning to develop a Corporate Health Management Roadmap in 2010. Further details of the Group's commitment to the welfare, health and personal development of its employees is set out in detail in the Sustainability Review on pages 36 to 40.

Capital projects

The Group's mining operations are capital intensive. The development and exploitation of mineral reserves and the acquisition of machinery and equipment require substantial capital expenditure. Capital projects are subject to a number of risks:

- the project, whilst meeting the Group's hurdle rate for investment, may not be the most appropriate way to increase shareholder value;
- the assumptions about future commodity prices, on which the economic case for the investment was based, may prove to be too optimistic;
- planned funding for the project may not be available when required;

- the resources required to complete the project may not be available in the right volume or at the right quality or price;
- the implementation of the project may prove to be more complex or technically difficult than originally envisaged and, in extreme cases, may not be possible to complete; and
- the project may be completed but may be delivered late and/or at a significantly higher cost than planned.

Response to capital project risks

The Group has adopted policies and procedures which need to be applied before a capital project may obtain approval to proceed. In particular the technical and economic aspects of each significant project are subject to a detailed feasibility review and those projects that pass this review are then subject to further assessment by management.

All existing projects are subject to scrutiny by management at a quarterly review meeting to ensure that the bases and assumptions, on which the project was originally approved, continue to hold. The Group has recently re-evaluated both expansionary and sustaining projects, as described in the section on Capital Expenditure on pages 34 to 35.

The Group has engaged external advisors to assist in the development of an effective investment appraisal methodology which will include a systematic way of assessing the potential future value of each proposed project against alternative uses of the funding.

Risks to the achievement of operational objectives

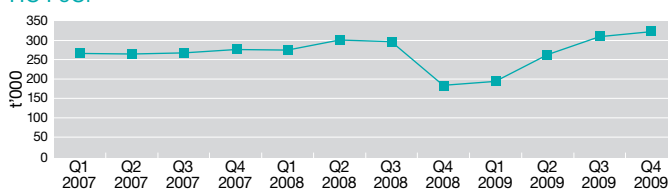
Maintaining cost competitiveness

Information on the unit costs of the Group's divisions in the years ended 31 December 2008 and 2009 is set out in the Financial Review on pages 29 to 35.

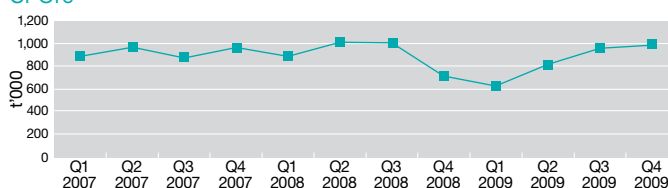
In Q4 2008 the Group significantly reduced production volumes, notably in the Ferroalloys and Iron Ore Divisions, to a level which was consistent with expectations of sales. Capacity utilisation was progressively restored through 2009. By Q4 2009, production volumes in the Ferroalloys and Iron Ore Divisions in Kazakhstan had been restored to effectively full available capacity.

Quarterly movements in production volumes in 2008/09

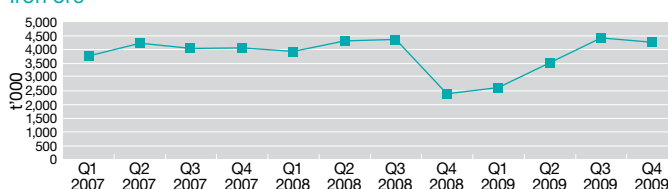
HC FeCr



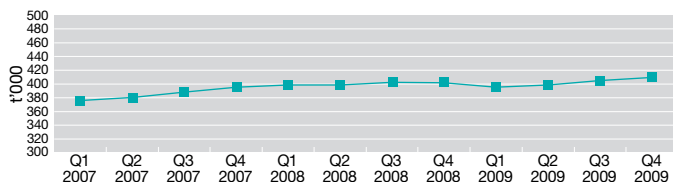
Cr Ore



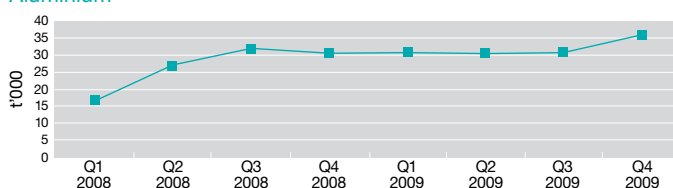
Iron ore



Alumina



Aluminium



These changes in production volumes led, in the early parts of 2009, to increased operating costs per tonne of product at existing operations, as well as impacting the costs and schedules of investment projects.

Whilst reduced production volumes during 2008 and 2009 were a specific risk to the Group's ability to operate a cost competitive business there continue to be other operational risks to the Group's ability to maintain its cost advantage over competitors.

The Group acquires a significant amount of goods and services from suppliers, contractors and other third parties for operational and capital expenditure purposes. In making these acquisitions the Group has the risk that goods or services may not be acquired on the most economical terms from suppliers and contractors.

Response to the risk of maintaining cost competitiveness

The Group's businesses remain relatively low cost typically occupying the lower third of the cost curve. This remains a key advantage that we are focused on maintaining and, where possible, reinforcing, through the downturn and beyond. Crucial to our success is that our businesses remain underpinned by the security of our logistics and low cost energy supply.

During 2009 the Group experienced a reduction in raw material input costs and many other costs of production and distribution, part of which related to the approximately 25% devaluation of the tenge against the US dollar in February 2009. In addition the Group entered into constructive discussions with employees to avoid compulsory redundancies but offset this by securing agreements on greater labour flexibility in terms of reduced working hours and lower levels of remuneration. As production returned to near-capacity levels, employment conditions were restored to pre-crisis levels.

During 2009 domestic consumer price inflation ('CPI') in Kazakhstan was 6.2%. Whilst the Group's businesses remain relatively low cost, cost control, and thus competitiveness, continues to be an area of great importance for the Group and one which will continue to be the subject of significant management focus throughout 2010.

The Audit Committee have formally approved a manual of Group Procurement policies which formalise earlier locally developed Policy Documents and control procedures to mitigate the risk of uneconomic procurement. These policies and procedures were rolled out to relevant employees in Kazakhstan and Russia during 2009 and will be rolled out in Africa in 2010.

In addition the Group engaged Boston Consulting Group during 2009 to carry out a wide ranging review of the Group's procurement procedures and to make recommendations for improvements. These recommendations, and a re-emphasis of the need to improve management's monitoring of compliance with the implementation of the Group Procurement procedures, will be the subject of training workshops in Kazakhstan during 2010.

Unexpected natural and operational catastrophes

Our operational processes and locations may be subject to operational accidents. Our operations may also be subject to unexpected natural catastrophes such as earthquakes and flooding. Existing insurance arrangements may not provide cover for all of the costs that may arise from such events. The impact of these events could lead to disruptions in production and loss of facilities adversely affecting our financial results.

Response to the risk of unexpected natural and operational catastrophes

We commissioned external consultants to complete a detailed review of the adequacy of the Group's insurance cover in Kazakhstan in terms of the value of insurable assets and also to undertake risk surveys of our Kazakhstani operations and advise on the implementation of more effective contingency plans to mitigate the potential impact of these risks.

In August 2009 the Group improved the insurance coverage and policy limits of the Group's Kazakhstani assets, in advance of the receipt of the reports from the external consultants. In March 2010 the Group implemented a new insurance programme based on significantly enhanced assets values, coverage and terms.

During 2010 the Group's operations will respond to the recommendations made by consultants in the risk surveys and the terms of the new insurance programme will be extended to the Group's operations outside Kazakhstan.

Risks to the achievement of compliance objectives

The Group is subject to laws and regulations in all the jurisdictions in which it operates and is committed to ensuring effective compliance with all its obligations; further details on the Group's approach to compliance is set out in the Corporate Governance section on pages 41 to 56.

Health, safety, environmental exposure and regulations

The nature of the industry in which we operate means our activities are highly regulated by health, safety and environmental laws. As regulatory standards and expectations are constantly developing, we may be exposed to increased compliance costs and unforeseen environmental remediation expenses.

Response to risks related to health, safety, environmental exposure and regulations

This is covered in the Sustainability Review which is set out on pages 36 to 40.

Taxation

The Group is subject to taxation in the jurisdictions in which it operates. There are inherent risks associated with the complexities of tax laws and regulations, potential differences in interpretation of the applicable legislation and continuous changes to tax laws and regimes. Cross border transactions also represent inherent risks as a result of being subject to different national tax rules which are not necessarily harmonised. An example of such inherent risk exposure is cross-border inter company transfer pricing.

Risk Management continued

Response to taxation risks

The Group management is committed to ensuring compliance with the tax requirements in every jurisdiction in which the Group operates and to both minimising and managing risks associated with taxation. The Group is also committed to building and maintaining good and constructive working relationships with the tax authorities in all countries in which the Group is subject to taxation.

In order to facilitate this approach the Group is developing its in-house team and seeking the advice of independent external consultants in complex and specialist areas.

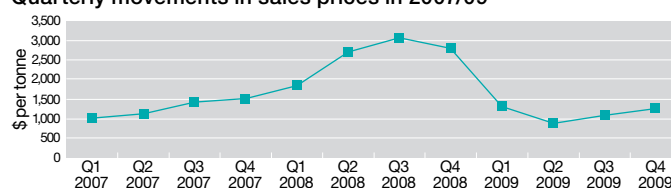
Risks to the achievement of financial objectives

Commodity prices

Commodity

HC FeCr

Quarterly movements in sales prices in 2007/09



US\$ impact

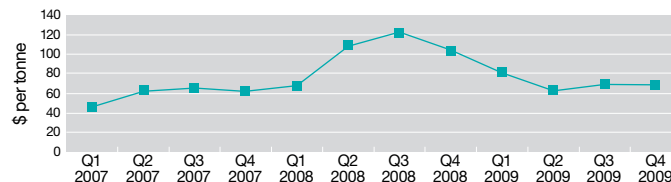
5% reduction in sales price, relative to the average price of US\$1,134 for 2009, would reduce underlying EBITDA by US\$55 million

Cr ore



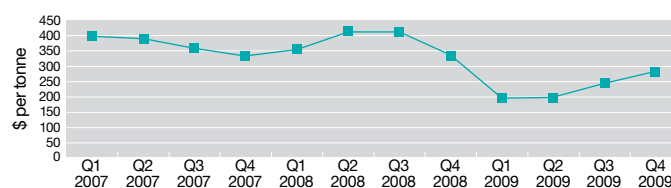
5% reduction in sales price, relative to the average price of US\$216 for 2009, would reduce underlying EBITDA by US\$6 million

Iron ore



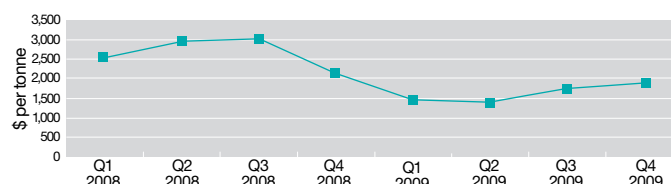
5% reduction in sales price, relative to the average price of US\$71 for 2009, would reduce underlying EBITDA by US\$53 million

Alumina



5% reduction in sales price, relative to the average price of US\$231 for 2009, would reduce underlying EBITDA by US\$16 million

Aluminium



5% reduction in sales price, relative to the average price of US\$1,626 for 2009, would reduce underlying EBITDA by US\$10 million

The Group generates most of its revenue from the sale of commodities, primarily ferrochrome, chrome ore, iron ore, alumina and aluminium. From November 2009 the Group will also generate revenue from sales of copper and cobalt as a result of the acquisition of CAMEC and Chambishi.

Historically, the prices for 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 cyclical in industries that purchase these products. This was particularly evident in the last quarter of 2008 and first quarter of 2009 when prices fell substantially. At the peak price in mid 2008 HC FeCr was selling at a benchmark price of US\$2.04 per lb of chrome but then fell as low as US\$0.69 per lb of chrome in the second quarter of 2009 before recovering to US\$1.03 per lb of chrome in the fourth quarter of 2009.

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. However, the cost base of the ferroalloy industry has systematically increased as a result of increased energy and reductant costs whilst also suffering from the impact of currency appreciation. This has meant that the Group, due to its low cost base and integrated structure, is in an advantageous position relative to its peers.

Response to commodity price risks

The Group monitors market prices, global sales volumes and internal levels of inventory of key commodities to help inform production and sales planning decisions and avoid surplus inventory.

The management of the Sales and Marketing business produce regular forecasts of the sales volumes and prices for each of the Group's commodities and discuss and agree appropriate production and distribution plans with the management of the Group's operating companies on a regular basis in order to optimise revenue and meet customer needs.

The Group does not hedge its exposure to the risk of fluctuations in the prices of its commodity products.

Credit default of key customers

The impact of the current economic downturn has been to place increased financial pressure on the Group's customers and on their ability to pay amounts due to the Group in accordance with agreed terms of trade. At the same time the Group's traditional markets for obtaining credit insurance have significantly reduced. With a high concentration of sales to a small number of customers in our main divisions this is a significant risk for us.

Response to the risk of a credit default by key customers

The Group's response to the risk of a credit default by key customers has been to:

- maintain close relationships with all its key customers but also to develop new customer relationships in Russia, China and elsewhere to diversify customer default risk;
- obtain credit insurance, where insurance cover is available, or letters of credit against the risk of default by major customers;
- review credit limits and payment terms for all major customers; and
- regularly monitor compliance with these terms and report periodically to the Chief Financial Officer on any developments in the amounts receivable from customers and average days outstanding.

Financial counterparty default

At 31 December 2009 the amounts invested with financial institutions were US\$1,006 million. In making these investments the Group runs the risk that a counterparty may default on the repayment of the invested funds when they fall due.

A number of financial institutions have been in default since the start of the global financial crisis but the Group had no exposure to these institutions and has not made any losses from its dealings with financial counterparties.

Response to financial counterparty default risk

To minimise the risk of the default of a financial counterparty with which the Group has invested funds strict criteria for investment have been adopted and were approved by the Board in December 2008. Investments may only be made with counterparties which are included on our Permitted Investment list. Individual counterparty exposure limits are based on published credit ratings or where these are not available, by an internal assessment of the counterparty's financial strength.

On a regular basis the Group Treasury Committee reviews the credit ratings of all approved counterparties and may propose adjustments to the maximum credit limits. Any changes to credit limits require the approval of the Chief Financial Officer.

A consolidated counterparty exposure report is recalculated on a weekly basis and a monthly report is produced by the Group Treasurer for review by the Chief Financial Officer and is also included in the Treasury report for each Board meeting.

Foreign exchange rate exposure

The presentational currency of the Group is the US dollar and the majority of sales are US dollar denominated. However, significant costs which are incurred in Kazakhstan are denominated in the Kazakhstani tenge and the Group has operational exposures to other foreign currencies.

Response to foreign exchange rate risks

The Group considers the exposure to the Kazakhstani tenge to be an ongoing economic risk. Although there were hedges in place in 2009 that were transacted in 2007, the Group is not currently entering into new contracts to actively hedge this exposure. Management review economic exposures on a regular basis.

Operating Review

Overview

ENRC is a leading diversified natural resources group, performing integrated mining, processing, energy, logistics and marketing operations. The operations of the Group comprise: the mining and processing of chrome, manganese and iron ore; the smelting of ferroalloys; the production of iron ore pellets; the mining and processing of bauxite for the extraction of alumina and the production of aluminium; coal extraction and electricity generation; the transportation and sales of the Group's products; and, the production of copper and cobalt. ENRC's production assets are largely located in the Republic of Kazakhstan; other assets, notably the Other Non-ferrous Division, are mainly located in Africa. In 2009, the Group accounted for approximately 3% of Kazakhstan's GDP. The Group currently sells the majority of its products to Russia, China, Japan, Western Europe and the United States. The Group's entities in 2009 employed approximately 70,300 (2008: 67,600) people. For the year ended 31 December 2009, the Group had revenue of US\$3,831 million (2008: US\$6,823 million) and profit attributable to equity shareholders of US\$1,045 million (2008: US\$2,642 million). ENRC has six key divisions: Ferroalloys, Iron Ore, Alumina and Aluminium, Energy, Logistics and Other Non-ferrous. ENRC is a UK company with its registered office in London. ENRC's shares are quoted on the London Stock Exchange ('LSE') and the Kazakhstan Stock Exchange ('KASE').

Production in the Ferroalloys Division was adversely affected by the much reduced demand for medium- and low-carbon ferrochrome and ferrosilicochrome and ferrosilicon. In contrast, high-carbon ferrochrome production in Kazakhstan remained broadly steady on 2008. Ferroalloys capacity utilisation at Kazchrome in 2009 was 83% (2008: 90%), rising to about 97% in Q4 2009 with only one furnace not in production at the year end. Serov was more affected in 2009 – as more capacity is committed to medium- and low-carbon ferrochrome – and had capacity utilisation of 51% for 2009 (Q2–Q4 2008: 79%). At the end of 2009 Serov had 11 (of 17) furnaces in operation, with a capacity utilisation in Q4 2009 of about 77%. Similarly, the higher cost Tuoli high-carbon ferrochrome facility remained closed until late Q2 2009 and capacity utilisation was 32% through 2009 (Q4 2008: 19%). At the end of 2009 three (of four) furnaces were in operation, with a capacity utilisation in Q4 2009 of about 75%.

Production of primary concentrate in the Iron Ore Division was broadly in line with 2008. Capacity utilisation in 2009 was 84% (2008: 86%). There was a switch in the production mix in H1 2009, as customer demand increased for the cheaper saleable concentrate product. In H2 2009 demand for pellet recovered and increased significantly with production more balanced in this period. In H2 2009 overall primary concentrate capacity utilisation for the Iron Ore Division was 99% (H1 2009: 70%).

Production in the Alumina and Aluminium Division increased, with the benefit of a build-up in production at the aluminium smelter, which attained its full Phase 1 run rate in Q2 2008, and with Phase 2 production partially initiated in late 2009.

The Energy Division saw increased coal production and much increased electricity generation. These particularly reflected the recovery in the Group's Kazakhstan-based production and greater third-party sales, and also increased power generation capacity being made available, having been taken off-line in late 2008 in response to the fall in demand.

Logistics Division shipments recovered progressively through the year to be broadly in line with 2008.

The Group also benefited from the first-time contribution of the Other Non-ferrous Division, formerly Central African Mining & Exploration Company PLC ('CAMEC'), in the last two months of 2009.

Description of ENRC's businesses

The Group has six (2008: five) operating Divisions:

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. For the year ended 31 December 2009, the Ferroalloys Division had revenue of US\$1,871 million (2008: US\$4,151 million), which represented 48.8% (2008: 60.8%) of the Group's consolidated revenue.

The Ferroalloys Division is vertically integrated, having its own chrome ore and manganese ore mines feeding its ferroalloy production in Kazakhstan, Russia and China. 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

In 2009 the Ferroalloys Division continued to have significant advantages over its major industry peers. Firstly, Kazakhstan – where the principal resource and production base is located – benefited from its proximity to China. Strong Chinese GDP growth in 2009, fuelled by the large stimulus package injected into the economy by the Chinese government, spurred demand from its stainless steel industry which grew by nearly 20% in 2009, partially compensating for the decline in the mature economies of Europe, the USA and Japan. The Ferroalloys Division also gained from its vertical integration, which enabled it to capture value from owning and operating its mines and processing plants, supported by an integrated Energy Division with its own energy resources and the Group's own logistics. The Division therefore continued to benefit from a secure and relatively low cost infrastructure, whilst many of its major peers saw energy costs increase considerably, particularly in South Africa. Kazakhstan ferrochrome is differentiated by its higher chrome content, typically about 69% as a function of the high quality ore, versus South African charge chrome with a chrome content of approximately 50% and higher silicon and iron contents. This limits the uses of charge chrome primarily to stainless steel smelting, against high-carbon ferrochrome which can be used universally for a wider range of alloy steels and castings produced in all types of furnaces. The ferrochrome quality of ENRC is more attractive to specialty steel producers as they prefer to limit trace elements, reduce the generation of slag and control the carbon content. This higher quality allows ENRC to maintain a more diverse customer base. Applications in the production of stainless steel, engineering and alloy steels, aerospace, foundry and powder metallurgy industries meant that ENRC was able to maintain comparatively high levels of capacity utilisation during 2009. The products used in these sectors include the full spectrum of high-, medium- and low-carbon ferrochrome, including sub speciality grades such as low-phosphorus, titanium and vanadium bearing ferrochrome.

Production summary

The following table sets out the production volumes for each of the Ferroalloys Division's principal saleable products (including Serov

from Q2 2008 and Tuoli from Q4 2008) for the years ended 31 December 2009 and 31 December 2008:

		Years ended 31 December		2009 vs
		2009	2008	2008
Chrome Ore¹				
Run-of-Mine ore extraction	'000 t	4,377	4,331	1.1%
Processing of low grade stockpile	'000 t	–	1,437	n/a
Saleable ore production	'000 t	3,398	3,629	(6.4)%
Internal consumption of saleable ore	'000 t	2,468	2,594	(4.9)%
– percentage		72.6%	71.5%	
Manganese Ore				
Run-of-Mine ore extraction	'000 t	2,252	2,290	(1.7)%
Processing of low grade stockpile	'000 t	754	1,035	(27.2)%
Saleable ore production	'000 t	904	1,024	(11.7)%
Internal consumption of saleable ore	'000 t	344	307	12.1%
– percentage		38.1%	30.0%	
Iron-Manganese Ore				
Run-of-Mine ore extraction	'000 t	83	328	(74.7)%
Processing of low grade stockpile	'000 t	149	484	(69.2)%
Saleable ore production	'000 t	61	433	(85.9)%
Ferroalloys²				
Ferrochrome	'000 t	1,161	1,196	(2.9)%
– High-carbon ferrochrome	'000 t	1,073	1,054	1.8%
– Medium-carbon ferrochrome	'000 t	26	69	(62.3)%
– Low-carbon ferrochrome	'000 t	62	73	(15.1)%
Ferrosilicochrome	'000 t	87	156	(44.2)%
Ferrosilicomanganese	'000 t	165	147	12.2%
Ferro-silicon	'000 t	33	52	(36.5)%
Total Ferroalloys	'000 t	1,446	1,551	(6.8)%
Internal Consumption of ferroalloys	'000 t	226	230	(1.7)%
– percentage		15.6%	14.8%	

1 Including Serov from Q2 2008.

2 Including Serov from Q2 2008 and Tuoli from Q4 2008.

Production

In response to the significant weakening in demand in H1 2009, production was cut back for the majority of ferroalloy products. In H1 2009 the rate of chrome ore extraction was lower than in H1 2008 (H1 2009: 1,931 kt; H1 2008: 2,307 kt), due to the reduced market demand for both ore and chrome ferroalloys. In H2 2009 production recovered to above the level of the comparable period in 2008 (H2 2009: 2,446 kt; H2 2008: 2,024), in response to improved demand and the fact that all low-grade ore stockpiles had been processed by the end of 2008. Chrome ore extraction in 2009 was broadly steady, rising 1.1% to 4,377 kt, or 4,273 kt excluding Serov (2008: 4,331 kt; or 4,207 kt excluding Serov). However, at the same time, saleable chrome ore production in 2009 decreased 6.4% to 3,398 kt (of which Serov: 65 kt) (2008: 3,629 kt; of which Serov: 77 kt). The internal consumption of saleable chrome ore increased to 72.6% (2008: 71.5%).

Manganese ore extraction declined 1.7% to 2,252 kt (2008: 2,290 kt). In response to a drop in demand there was a fall of 11.7% in saleable manganese ore production. Production recovered progressively through 2009 accompanying an improvement in the market.

Operating Review continued

In 2009 the Ferroalloys Division produced 1,161 kt of ferrochrome, 2.9% lower than in 2008 (2008: 1,196 kt); including Serov, 105 kt (Q2-Q4 2008: 118 kt) and Tuoli, 28 kt (Q4 2008: 4 kt). The main reductions were in medium-carbon (down 62.3%; 2009: 26 kt; 2008: 69 kt) and low-carbon (down 15.1%; 2009: 62 kt; 2008: 73 kt) ferrochrome production. At the same time production of the principal product – high-carbon ferrochrome – increased 1.8% (2009: 1,073 kt; 2008: 1,054 kt). Production of ferrosilicomanganese increased 12.2% (2009: 165 kt; 2008: 147 kt).

For 2009, there was a 6.8% decrease in total ferroalloys production to 1,446 kt (2008: 1,551 kt).

Supply and demand

The ferrochrome market faced significant oversupply as a result of the speed of the impact of the global recession with inventory having increased through the supply chain by more than 1 million tonnes. The industry responded with significant cutbacks in capacity utilisation with effective production levels as low as 35% for the industry being recorded in Q1 2009 before recovery started to feed through in Q2 2009. A progressive improvement in demand and declining inventory levels, as economies around the world recovered resulted in ferrochrome production increasing through the year. South Africa remained the world's largest geographic source of ferrochrome supply to the stainless steel industry, comprising approximately 37% of 2009 global production (2008: 45%) with an effective operating capacity rate of around 55%. ENRC remained the second largest supplier at 17% (2008: 14%) and continued operations in Kazakhstan at about 90% of available capacity for 2009. Whilst the relative prices of ferrochrome and charge chrome fluctuate according to the supply-demand balance, the quality and chemistry of Kazakhstani high-carbon ferrochrome has traditionally commanded a premium to charge chrome.

Sales and pricing

The slowdown in the stainless steel industry, the primary consumer of ferrochrome, coupled with a large inventory build-up for the industry globally, meant that the quarterly benchmark price, the mechanism by which the global ferrochrome price is set, declined US\$1.06 per pound of chrome for Q1 2009 and a further US\$0.10 per pound of chrome for Q2 2009, to US\$0.69 per pound of chrome. With major destocking in the ferrochrome industry having effectively ended by the end of Q2 2009, and an improved economic outlook in the mature economies, Q3 2009 saw a much tighter supply-demand situation as stainless production reached a level of 80% capacity utilisation. At the same time, scrap availability tightened, due to lower economic activity and, with increasing ferrochrome demand, this added to increased tightness in supply. In addition, South African charge chrome producers were hindered by rising costs, with the effect of raising the floor cost of ferrochrome. This supply-demand condition continued into Q4 2009, resulting in an increase in the contract price by US\$0.20 per pound of chrome in Q3 2009 and a further increase in Q4 2009 of US\$0.14 per pound of chrome to US\$1.03 per pound of chrome.

Demand for medium- and low-carbon ferrochrome was adversely affected by the economic slowdown, particularly as they are very much dependent on the automotive, engineering steel and capital project sectors. Similar to charge and high-carbon ferrochrome, prices fell in Q1 2009 from the high levels seen in mid-2008, returning to the levels seen at the end of 2007. Chrome ore demand, affected by ferrochrome production, as China reduced its purchases due to excess inventory build up, was estimated at over 2 million tonnes at the start of 2009. Demand was further impacted by reduced demand from the chemical industry. With excess supply, prices fell in Q1 2009 and only recovered from Q2 2009 as demand,

driven by China's ferrochrome industry, fed the stainless steel industry improving demand.

Manganese alloys, which are primarily used in the production of carbon steel and are particularly dependent on the construction and automotive sectors, were significantly affected by the economic downturn. This directly impacted on manganese ore sales due to reduced carbon steel production and a reduced demand for manganese alloys. With excess stocks, reduced demand and excess capacity, manganese and alloy products saw a significant decline in prices in the early part of the year with a recovery accompanying demand late in 2009.

In 2009, the Ferroalloys Division's top five customers accounted for 34.7% (2008: 26.8%) of the Division's third-party sales revenue. The following table sets out the Ferroalloys Division's volume of third-party sales by product for the years ended 31 December 2009 and 31 December 2008:

		Years ended 31 December		2009 vs
		2009	2008	2008
Ferroalloys:				
High-carbon ferrochrome	'000 t	971	859	13.0%
Medium-carbon ferrochrome	'000 t	30	55	(45.5)%
Low-carbon ferrochrome	'000 t	64	69	(7.2)%
Ferrosilicochrome	'000 t	39	59	(33.9)%
Ferrosilicomanganese	'000 t	167	141	18.4%
Ferrosilicon	'000 t	35	48	(27.1)%
Total ferroalloys	'000 t	1,306	1,231	6.1%
Chrome ore	'000 t	591	702	(15.8)%
Manganese ore	'000 t	572	753	(24.0)%
Iron-Manganese ore	'000 t	72	529	(86.4)%

Of the Ferroalloys Division's third-party sales in 2009; 29.3% (2008: 11.2%) were made to customers located in China; 20.7% (2008: 28.1%) in Western Europe; 17.3% (2008: 20.4%) in Russia; 12.8% (2008: 19.9%) in Japan; 7.9% (2008: 8.1%) in North America; 7.7% (2008: 7.0%) in South Korea and the Far East; and 4.3% (2008: 5.3%) in the rest of the world.

Key initiatives

The key objectives for the Ferroalloys Division are: to expand operations with substantial margins and returns on capital based on the low-cost, large scale and high-grade ore resources available to the Group; to reduce production costs by replacing outdated equipment; to further strengthen the Group's leading market position in ferroalloys worldwide; and to improve the environmental and safety performance of the Division.

In 2009, the Group completed the construction of a second chrome ore pelletising plant at Donskoy GOK with a capacity of 700 kt per annum. The project was completed on schedule and was operational from early July. The pelletising plant also produces saleable products from the output of an enrichment plant. The total investment amounted to US\$120 million.

A second enrichment plant at Donskoy GOK was put into operation in H2 2009. Construction of the blending depository is expected to be complete in Q3 2010. Total capital expenditure is approximately US\$40 million.

The investment programme of the Ferroalloys Division also includes the construction of new Direct Current ('DC') furnaces at the Aktobe plant at a cost of approximately US\$590 million, with completion planned for 2012. This project is expected to enhance productivity

and generate substantial cost savings, particularly for key input materials such as reductants, including coke. Further, the installation of modern smelting furnaces is expected to result in significant environmental and safety improvements.

Iron Ore Division

The Iron Ore Division operates the largest iron ore mining and processing enterprise in the Republic of Kazakhstan and produces and sells iron ore concentrate and pellets primarily to steel producers. On the basis of 2009 data the Group is believed to be a material exporter of iron ore and in the lowest third of the cost curve. The Iron Ore Division's operations include iron ore mines, crushing, beneficiation and pelletising plants and a thermal power station.

Competitive position

The Iron Ore Division has some significant strategic advantages over its major competitors. First, the location of the Group's large-scale iron ore reserves in northern Kazakhstan provides access to the important customer base of steel production plants in Russia, China and Kazakhstan, with relatively low transportation costs. In particular, the Group's facilities are located within 340 kilometres of its largest customer, MMK, and this proximity provides significant logistical and cost advantages. Second, the Division operates large-scale iron ore mines and processing plants with relatively low production costs. This cost advantage is largely driven by the relatively low cost of electricity, due to the Group's own power generation capacity.

Production summary

The following table sets out the production volumes for the Iron Ore Division's principal saleable products for the years ended 31 December 2009 and 31 December 2008:

		Years ended 31 December		2009 vs
		2009	2008	2008
Run-of-Mine ore extraction	'000 t	36,604	37,751	(3.0)%
Primary concentrate	'000 t	15,197	15,487	(1.9)%
Saleable concentrate	'000 t	8,541	7,835	9.0%
Saleable pellets	'000 t	6,182	6,952	(11.1)%

Production

For the year ended 31 December 2009, the Iron Ore Division had revenue of US\$1,093 million (2008: US\$1,498 million), which represented 28.5% (2008: 22.0%) of the Group's consolidated revenue.

Iron ore extraction improved steadily from the cutbacks initiated in Q4 2008, with Q3 and Q4 2009 volumes at full capacity. Total extraction for the full year 2009 fell 3.0% to 36,604 kt (2008: 37,751 kt), nonetheless a better result than we had expected at the beginning of 2009.

In response to recovering demand, primary iron ore concentrate production also increased through 2009. This enabled the Group to limit its production decline to 1.9%, producing 15,197 kt (2008: 15,487 kt) of primary concentrate. Primary concentrate is used for saleable concentrate and pellet production; saleable concentrate increased 9.0% from the prior year (2009: 8,541 kt; 2008: 7,835 kt), but there was a significant decline in saleable pellet of 11.1% (2009: 6,182 kt; 2008: 6,952 kt). The change in the mix of production reflected demand, with customers switching to less expensive concentrate in H1 2009; however, pellet recovered in H2 2009. As a result, the total annual saleable products (concentrate and pellet) volume in 2009 was broadly similar to 2008 (2009: 14,723 kt; 2008: 14,787 kt).

The customer sales mix for iron ore improved, reducing the Group's historic dependence on a single large customer (MMK), with the expansion of the Group's business in the Chinese market. For 2009 Chinese customers share of total sales volume increased to 42.9% (2008: 20.5%).

Supply and demand

The market for iron ore is primarily regional, as iron ore is a bulk commodity and, relative to its value, is expensive to transport. China, Brazil and Australia are the largest producers of iron ore, accounting for respectively, 39%, 17% and 16% of global output in 2009, based on crude ore. Other significant producers include the CIS and India. Global production of iron ore was 2,300 million tonnes in 2009, ahead 3.6% compared with 2008.

Typically, steel production and, as a result, demand for iron ore, follows the overall growth in industrial production. Depressed by weak steel production in late 2008 and H1 2009, leading iron ore producers reduced production and deferred expansions in H1 2009. Global demand for iron ore gradually recovered in H2 2009, and iron ore producers reported production increases in H2 2009.

Sales and pricing

With the economic downturn affecting the business of one of the Group's principal customers, MMK, the Group agreed to temporarily waive the minimum contractual volume of the long-term sales contract from Q4 2008 up to Q1 2010. Contractual sales are reviewed on a regular basis, taking into account developing market conditions. The MMK contract price is determined by reference to published world price benchmarks for iron ore concentrate and pellet. In 2009 MMK accounted for 52.6% (2008: 64.1%) of the Iron Ore Division's revenue and 8.8 million tonnes of saleable product.

Other iron ore markets for the Group are China and Kazakhstan. In 2009 the run rate of iron ore sales to China was approximately twice that of the comparable period in 2008, at approximately 6 million tonnes per annum, and close to our maximum logistics capacity ahead of the Government of Kazakhstan completing the China Gateway project. Sales in Kazakhstan were minimal in 2009.

Affected by the soft steel market between Q4 2008 and Q2 2009, when spot iron ore prices fell below contract prices, the benchmark for 2009–10 was not finalised until late June between the major iron ore producers and the principal European and Japanese steel makers. The benchmark price reduced on average by around 30% for fines and by around 48% for pellets. The global market subsequently improved, especially demand from China, which was very strong; the spot iron ore market saw a further marked recovery in Q4 2009. Consequently, leading iron ore producers have strong confidence of a marked increase in the prices for 2010–2011. The changes in the iron ore benchmark pricing system are being closely watched and the implications assessed.

The following table sets out the Iron Ore Division's volume of third-party sales by product for the years ended 31 December 2009 and 31 December 2008:

		Years ended 31 December		2009 vs
		2009	2008	2008
Saleable iron ore concentrate	'000 t	8,857	7,464	18.7%
Saleable iron ore pellet	'000 t	6,203	6,797	(8.7)%

Key initiatives

The Iron Ore Division's strategic objectives are: to maintain production capacities; to exploit the Group's access to low cost,

Operating Review continued

large-scale deposits of iron ore and low cost energy; and to further diversify the sales geography, product and customer mix.

The investment programme of the Division has been revised and feasibility studies are now being undertaken for the construction of a 5 million tonnes per annum pelletiser and a Direct Reduced Iron/Hot Briquetted Iron ('DRI/HBI') plant with a capacity of 1.4 million tonnes per annum. The total project cost is estimated to be US\$850 million. To support growing production the Division is planning an expansion of its ore base. Expansion includes six existing mines as well as the development of a new deposit. The estimated expenditure to increase iron ore extraction volumes by 10 million tonnes per annum amounts to US\$535 million.

Other expansion initiatives under review are:

- The construction of a cyclic conveyor complex at Karchasky pit at SSGPO. The investment would allow the Division to increase Karchasky's ore extraction capacity to 23 million tonnes per annum; and
- The expansion of the concentrating factory to 16 million tonnes per annum of iron ore.

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 2009 data, that the Alumina and Aluminium Division is the world's sixth largest supplier of traded alumina by volume and is at the lower end of the global industry cost curve for alumina and 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. The smelter allows the Alumina and Aluminium Division to process its own alumina into aluminium. Last year was the second year of operation of ENRC's aluminium smelter – the Kazakhstan Aluminium Smelter ('KAS') – which reached its run rate capacity of 125 kt per annum in Q2 2008. Construction of a further 125 kt annual capacity, bringing the total annual capacity to 250 kt per annum, is well underway and is expected to be completed no later than Q2 2010, well ahead of the original schedule.

Competitive position

The Division's focus on cost control, with the implementation of several cost-reduction programmes in 2009, enabled ENRC to retain its competitive cost position. The Group's bauxite reserves guarantee an on-going low-cost supply of raw materials for alumina production. Alumina and aluminium production benefit from the ability to buy low-cost energy from internal Group sources. As a result, ENRC's alumina and aluminium are both at the lower end of the industry cost curves.

Production summary

The following table sets out the production volumes for each of the Alumina and Aluminium Division's principal saleable products for the years ended 31 December 2009 and 31 December 2008:

		Years ended 31 December		2009 vs
		2009	2008	2008
Run-of-Mine bauxite extraction	'000 t	5,130	5,160	(0.6)%
Alumina	'000 t	1,608	1,600	0.5%
Internal alumina consumption	'000 t	249	209	19.1%
– percentage		15.5%	13.1%	
Aluminium	'000 t	127	106	19.8%
Gallium	kg	18,702	18,666	0.2%

Production

For the year ended 31 December 2009, the Alumina and Aluminium Division had revenue of US\$563 million (2008: US\$864 million) representing 14.7% (2008: 12.7%) of the Group's consolidated revenue.

The Alumina and Aluminium Division extraction of bauxite was broadly steady at 5,130 kt (2008: 5,160 kt), as was alumina production at 1,608 kt (2008: 1,600 kt).

The aluminium smelter achieved its Phase 1 run-rate production target of 125 kt per annum in Q2 2008. Since then the Division has been producing aluminium at the planned Phase 1 capacity rate, consuming its own alumina. In 2009 the smelter consumed 249 kt, or 15.5%, of the Group's alumina production (2008: 209 kt, or 13.1%). The increase in the internal consumption of alumina was due to half of the Phase 2 pots being charged with alumina and put into operation in December 2009. The increased production of aluminium in 2009 reflected the ramp-up in production in 2008 being effective in 2009.

Supply and demand

Global alumina production is estimated to have been approximately 74.8 million tonnes in 2009 (2008: 77.7 million tonnes). Total aluminium production in 2009 is estimated to have been 36.8 million tonnes (2008: 40.0 million tonnes) of which 13 million tonnes, or 35%, was from China.

After a weak start to the year, as a result of the global economic crisis, demand for aluminium started to pick up in mid-2009, although commentators have suggested that a significant proportion of physical aluminium stocks were tied up in financial transactions. Worldwide aluminium stocks at the London Metal Exchange ('LME') stood at 4.6 million tonnes at the end of 2009, double the 2.3 million tonnes at the beginning of the year, with total inventories at 10 weeks consumption. Stronger demand combined with reduced availability of physical metal drove up the LME aluminium cash price in 2009 from its February low of US\$1,254 per tonne to US\$2,208 per tonne at the end of the year. The average price in 2009 was US\$1,662 per tonne (2008: US\$2,574 per tonne). Consumption of aluminium is believed to have fallen in 2009 by about 2.9 million tonnes, or 8%, to 34.5 million tonnes. Production of aluminium is estimated to have fallen in 2009 by 2.6 million tonnes, or 6.5%. ENRC believes aluminium production in 2009 to have exceeded consumption by as much as 3 million tonnes. Many aluminium producers implemented significant cuts in production capacity. ENRC believes these cuts to be mostly permanent at Western smelters but anticipates lots of idled capacity, notably in China, to be restarted, driven by the LME aluminium price having risen to levels above US\$2,000 per tonne.

ENRC believes that in 2010 the aluminium production surplus will be more limited as consumption is expected to rise by as much as 10%. Restarting of idle capacity, LME-inventories becoming available for consumption and new capacity coming on-stream are factors which ENRC believes could negatively affect the LME aluminium price in 2010. Cost inflation of input materials, increased demand, and an ongoing influx of investors' funds into aluminium as an investment instrument are factors ENRC believes could positively affect the LME aluminium price in 2010.

Sales and pricing

In 2009, the Group sold 1.4 million tonnes (2008: 1.4 million tonnes) of alumina to United Company RUSAL ('UC RUSAL') of Russia under a long-term supply contract that expires in 2016. The pricing under this contract is linked as a percentage to the LME cash price of primary aluminium. In 2009 UC RUSAL, the Division's largest single customer accounted for 55.6% (2008: 60.2%) of the Division's sales

revenue. The balance of alumina production is consumed by the Group at its aluminium smelter.

The Group sold 125 kt of primary aluminium in 2009, of which 31 kt was delivered to new customers located in Russia, Kazakhstan, and the Ukraine. Other sales of aluminium were by way of a distribution agreement with Glencore International. The LME aluminium spot price serves as the basis for the pricing of all of ENRC's aluminium contracts.

In June 2009 the LME approved the listing of primary aluminium ingots produced at ENRC's aluminium smelter, KAS.

The following table sets out the Alumina and Aluminium Division's volume of third-party sales by product for the years ended 31 December 2009 and 31 December 2008:

		Years ended 31 December		2009 vs
		2009	2008	2008
Alumina	'000 t	1,359	1,393	(2.4)%
Aluminium	'000 t	125	104	(20.2)%

LME aluminium prices in 2009 fell to levels not seen since the beginning of 1999. The economic crisis drove prices lower, particularly in Q1 2009, as demand fell faster than the reduction in production capacity. The Division's average sales price for aluminium in 2009 was US\$1,605 per tonne (2008: US\$2,571 per tonne).

Key initiatives

The Alumina and Aluminium Division's principal strategic objectives are: to increase the capacity of aluminium production in Kazakhstan; to exploit the Group's low-cost electricity, bauxite and alumina; and to reduce costs.

The Phase 2 expansion of the aluminium smelter by an additional 125 kt per annum is ahead of schedule, and half of the Phase 2 pots were put into operation at the end of 2009. The new 250 kt per annum run rate capacity is expected to be operational in Q2 2010. The construction of an anode plant will allow the Group to be independent of third-party suppliers and to provide sufficient anodes for the increased aluminium production. The plant is planned to be commissioned in 2011. Total capital expenditure for Phase 2 of the aluminium smelter and the construction of the anode plant is US\$500 million.

To support the growing production of aluminium the Group made a decision to resume its deferred expansion of alumina production. By mid-2011 we expect to achieve an alumina capacity of 1.7 million tonnes per annum. This investment will allow the Division to maintain existing sales to customers and provide sufficient alumina for internal consumption.

Energy Division

The Energy Division is one of the largest electricity providers in the Republic of Kazakhstan, accounting for approximately 17.2% of the country's recorded electricity production in 2009 (2008: 14.5%). 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, the share of Kazakhstan's energy production was 23.5% in 2009 (2008: 20.2%).

The Energy Division provides a cost-effective energy supply to the Group's principal Kazakhstani operating divisions, as well as producing a surplus for sales to third parties in Kazakhstan. For the year ended 31 December 2009, the Energy Division had revenue of US\$402 million (2008: US\$436 million) – of which US\$196 million

was derived from third-party sales (2008: US\$203 million) – representing 5.1% (2008: 3.0%) of the Group's consolidated revenue.

Production summary

The following table sets out the production volumes for each of the Energy Division's principal saleable products for the years ended 31 December 2009 and 31 December 2008:

		Years ended 31 December		2009 vs
		2009	2008	2008
Run-of-Mine coal extraction	'000 t	20,059	19,790	1.4%
Energy Division consumption of coal	'000 t	8,338	7,148	16.6%
– percentage		41.6%	36.1%	
Sale of coal to other Group Divisions	'000 t	4,646	4,773	(2.7)%
– percentage		23.2%	24.1%	
Electricity generation	GWh	13,478	11,640	15.8%
Sale of electricity to Group Divisions	GWh	8,190	7,974	2.7%
– percentage		60.8%	68.5%	

Production

In 2009, the Energy Division extracted 20,059 kt (2008: 19,790 kt) of coal from the Vostochny mine, an increase of 1.4%. The Division's internal coal consumption increased 16.6% to 8,338 kt, or 41.6% of total extraction (2008: 7,148 kt; 36.1%), as higher volumes of electricity were produced. Sales of coal to other Group Divisions saw a limited decline, falling 2.7% to 4,646 kt, or 23.2% of total extraction, (2008: 4,773 kt; 24.1%). There was also a 9.5% decrease in external coal sales to 7,280 kt (2008: 8,044 kt), representing 36.3% (2008: 40.6%) of coal mined, reflecting a milder winter in 2008–2009 and reduced demand due to lower economic activity in 2009. Coal extraction during 2009 changed from quarter to quarter, based on the usual seasonal changes in demand.

Electricity generation increased sharply, ahead 15.8%, to 13,478 GWh (2008: 11,640 GWh), as more capacity was available; in 2008 a turbine block was out of service for planned refurbishment and other capacity was taken off-line in response to the reduced demand in H2 2008. The proportion of sales of electricity to other Group Divisions decreased to 60.8% of electricity generated (2008: 68.5%). Sales of electricity to other Group Divisions increased from quarter to quarter, reflecting improved activity, notably in the Ferroalloys and Iron Ore Divisions.

Sales and pricing

The following table sets out the Energy Division's volume of third-party sales by product for 2009 and 2008:

		Years ended 31 December		2009 vs
		2009	2008	2008
Coal	'000 t	7,280	8,044	(9.5)%
Electrical energy	GWh	4,309	2,825	52.5%

Sales and pricing – Coal

Weak demand from the industrial and power sectors affected coal output both in the Republic of Kazakhstan and Russia, each declining some 9% in 2009. In the Republic of Kazakhstan, ENRC sold 3.0 million tonnes of coal to third parties (2008: 3.1 million tonnes) at an average sales price of KZT850 (US\$5.76) per tonne (2008: KZT721 (US\$5.99) per tonne), an increase of 17.9% in local currency terms. Russian utilities reduced their coal imports from Kazakhstan. The decline in imports was prompted by a fall in electricity generation in Russia and also by the desire of utilities to diversify their supply sources. The Energy Division sold 4.3 million

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tonnes of coal to Russia (2008: 5.0 million tonnes). The average annual selling price to Russian customers in US dollars decreased 13.8% to US\$21.2 per tonne (2008: US\$24.6 per tonne).

Sales and pricing – Electricity

Domestic electricity consumption in Kazakhstan declined in 2009. Domestic power producers operated with idled capacity due to weak electricity demand in H1 2009. Improvements in economic conditions and industrial demand led electricity demand to recover in H2 2009. In 2009 electricity generation in Kazakhstan fell 2% to 78.4 billion kWh; total electricity consumption declined 3% to 77.9 billion kWh. In 2009 the Group's internal consumption of electricity was marginally ahead, however, Energy Division sales of electricity to third parties rose 52.5%, due to rising demand and to the increase in available capacity. The average sales price to third parties in local currency increased 11.3% to KZT2.95 (US 2.00 cents) per kWh (2008: KZT2.65 (US2.20 cents) per kWh). As the electricity market in Kazakhstan recovers, we anticipate growth in consumption. The Government of Kazakhstan has imposed restrictions on annual price increases for local sales until 2015.

Key initiatives

The Energy Division's principal strategic objectives are: to provide low-cost power and coal for the Group's existing operations, utilising its large scale coal reserves; and a progressive expansion of production in Kazakhstan. Additional energy capacity will ensure the power supply to the Group's Kazakhstan operating Divisions and allow the Group to maintain its presence in Kazakhstan's wholesale power market.

The investment programme of the Division included:

- Installation of overburden stripping equipment at a cost of US\$85 million was completed in Q1 2010. This investment consists of equipment for the continuous extraction, crushing, transportation and stockpiling of overburden with a processing capacity of 10 million cubic metres per annum. This should improve the efficiency of coal production; in addition the machinery and processes were selected to satisfy environmental requirements.
- Construction of a new power unit with an investment of approximately US\$230 million, Phase 1 will be completed by the end of 2010, and Phase 2 in early 2011. Total additional installed electricity generating capacity is expected to be 325MW.
- The reconstruction of power unit 6 at Aksu, upgrading its capacity to 325 MW, at an estimated cost of US\$230 million, is planned to be complete by the end of 2012. It is intended to achieve savings on fuel consumption, whilst environmental emissions will be reduced by the implementation of up-to-date filters.
- The Group has renewed feasibility work on the construction of two 600 MW power units. In addition the Group is undertaking feasibility work on expanding coal extraction by 5 million tonnes per annum, to maintain current coal sales volumes in addition to requirements for the new power units.

Logistics Division

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

Production summary

The following table sets out the principal volumes for the Logistics Division for the years ended 31 December 2009 and 31 December 2008:

	Years ended 31 December		2009 vs	
	2009	2008	2008	
Tonnage of products transported by railway	'000 t	58,181	58,489	(0.5)%
Percentage of products tonnage attributable to third parties		10.2%	19.2%	

Production

In 2009 the Logistics Division transported 58,181 kt (2008: 58,489 kt) of products by railway, broadly in line with volumes in 2008. The share of third-party freight forwarding declined to 10.2% (2008: 19.2%) due to increased logistics demand for the Group's own production. In 2009 the tonnage of the Group's products transported by railway grew 10.5% (2009: 52,223 kt; 2008: 47,241 kt).

External railroad repair service volumes decreased to 198 kilometres (2008: 408 kilometres), due to lower demand from the State railway company of Kazakhstan.

Key initiatives – Withdrawal from the China Gateway Project

In July 2009 ENRC agreed with the Government of Kazakhstan that it would not proceed with the China Gateway Project, a rail link with China. ENRC did not reach agreement with the Government on the sharing of risks, and the Group therefore felt unable to proceed with a project that was not offering sufficient value accretion to shareholders. On 23 October 2009 the Group signed an assignment agreement with the Ministry of Transport and Communication of the Republic of Kazakhstan and the National Railway Company Kazakhstan Temir Zholy ('KTZ') for ENRC to receive a total of US\$7 million to cover its initial project costs.

Other Non-ferrous Division

The Other Non-ferrous Division operates principally in the Democratic Republic of Congo ('DRC'), where it mines copper and cobalt and processes the ore at Luita, in a joint venture with the State-owned Gécamines as a minority (30%) partner. The Division was formed by the acquisition of CAMEC on 9 November 2009. The business is in the process of developing its large copper reserves and investment is planned that will increase copper oxide production to 75 kt per annum within approximately three years. In addition the Division is the world's largest independent cobalt concentrate producer, producing about 10% of global demand. On the basis of 2009 data it is believed that the Other Non-ferrous Division could become one of the world's most significant exporters of copper and cobalt and be in the lowest quartile of the copper industry cost curve. The Other Non-ferrous Division's copper and cobalt operations include open cast mines, crushing, beneficiation, concentrator plants and an electro-winning facility. A cobalt solvent extraction ('SX/EW') plant, for the production of cobalt metal, is expected to be commissioned in H2 2010. In addition, the Other Non-ferrous Division includes a road logistics business operating in Central and Southern Africa and a number of development prospects: Mozambique – coal; Mali – bauxite; Zimbabwe – platinum; and South Africa – fluorspar.

On 18 February 2010, the Group announced that it had entered into a conditional agreement for the acquisition from related parties of Enya Holdings BV ('Enya') which holds a 90% interest in Chambishi

Metals PLC ('Chambishi'), a Zambian copper and cobalt producer, together with Comit Resources FZE ('Comit'), a Dubai-based marketing and sales company that historically has handled Chambishi's copper and cobalt sales. The Chambishi acquisition was completed in early April and it will be integrated into the Other Non-ferrous Division.

Competitive position

The Other Non-ferrous Division's copper and cobalt capacity enjoys significant strategic advantages. The DRC contains a significant proportion of the world's copper resources outside of Chile. The copper rich deposits are well endowed with both readily exploitable oxide and sulphide ores. The business is in the process of developing its copper reserves, with an estimated contained copper resource of 1,478 kt at 2.6% copper content. It is expected that the available grades and volumes, and additional capital expenditure, will enable the growth of copper production very substantially ahead of the current production capacity of about 20 kt per annum and investment will enable the production of copper cathode Grade A – the Group is currently targeting production to reach 75 kt per annum over three years.

The DRC contains the world's largest cobalt reserves, almost half of the world's supply, with some of the highest grades available. The business is in the process of exploiting its large cobalt reserves with an estimated contained cobalt resource of 265 kt at 1.3% cobalt content. Current production capacity is about 8 kt per annum, a substantial proportion of the world's available capacity. The high grade cobalt concentrate product is sought after as a blend product for other lower grade products exported by local producers. A second significant advantage is that the cobalt production is independent of copper production and manufacture. The third advantage is that the cobalt grades and 'impurity loadings' in the ore are such that high quality cathode can be produced by the cost effective heap leach to SX/EW process, which will facilitate a bottom quartile cost position and greater protection against price volatility.

Logistics costs are a substantial component of overall remote mine development, comprising as much as a third of the overall mine development cost. The Other Non-ferrous Division is supported by an in-house freight and haulage company, which provides a secure and priority delivery capability with a positive impact on project time-line delivery and cost.

Production summary

The following table sets out the production volumes of the Other Non-ferrous Division and relates to the two months ended 31 December 2009. The acquisition of CAMEC and its consolidation as a subsidiary was effective from 9 November 2009:

		From November 2009
Copper		
Run of mine ore extraction	'000 t	215
Saleable copper cathode	t	2,771
Cobalt		
Run of mine ore extraction	'000 t	169
Saleable cobalt concentrate	t	1,297

Production – Copper

In the last two months of 2009 copper cathode standard grade production included the benefits of the commissioning of additional mining fleet vehicles and the recommencement of operations at the Disele Mine, one of several mines that feed the Luita processing facility. Preparations made for the 'rainy season' were successful and evident in the production results.

Production – Cobalt

In the two-months to end 2009 the level of production of cobalt concentrate reflected improved market demand.

Supply and demand – Copper

The demand for copper is largely driven by demand for construction and for electronic products. Industrial machinery, transportation and consumer products are other significant sources of demand. The highest grade copper is LME Grade A copper.

Global supply in 2009 amounted to 18.4 million tonnes; consumption fell to about 17.5 million tonnes, due to reduced industrial demand. The market balance is moving towards undersupply as forecast new production does not keep up with estimated future demand. The main source of copper is South America, specifically Chile, which accounts for approximately 34% of global production. Other key suppliers are: China, Russia and Kazakhstan. In addition scrap provides about 1 million tonnes per annum; about 5% of the global supply of copper. The main markets for copper are: China; rest of Asia; Europe; and North America.

In 2009 copper consumption and its price were driven by demand from China and emerging markets with some evidence of restocking and inventory build-up, although overall demand fell about 3.1%. For the short-term copper is expected to continue to maintain a supply surplus as an anticipated growth in Chinese demand is partly offset by expectations of weaker demand in the US and Europe. This condition is expected to persist until perhaps 2012, when the market is expected to move towards a deficit, caused by a recovery in demand whilst supply will be limited by aging mines and a lack of new replacement projects.

Supply and demand – Cobalt

The market for cobalt is driven by chemicals (including rechargeable batteries which comprise almost one-third of total usage). Other key sources of demand are superalloys (in the aerospace industry) and special steel, carbides and diamond tools, magnets and high speed steel applications. The market for cobalt is a global market, although as a producer and consumer China has emerged as the dominant participant.

Cobalt has multiple applications each requiring a detailed specification at the manufacturing stage, but the overall market is small in comparison with other base metals. In 2009 approximately 50% of the world's refined cobalt was a by-product of nickel whilst an additional 45% was produced as a by-product of copper operations, mainly in the DRC and Zambia. Cobalt is also a by-product of platinum operations whilst scrap is another important source of supply. The remaining 5% of cobalt refined production came from primary producers. The DRC is the largest single source of cobalt with almost half of the world's production; Zambia, Australia and Cuba possess the other major reserves. The main source of demand is China which is a significant buyer of concentrate and intermediate materials for further refining and consumption in China.

For 2009 estimated world demand was approximately 52 kt, a decrease of 9.1% from 2008, reflecting the impact of the global economic downturn. Supply amounted to approximately 55 kt in 2009 with a number of key producers announcing cutbacks. In 2009, demand from China, particularly from the rechargeable battery chemical sector, helped keep the market from oversupply. Most other applications, namely the superalloys, hard metal and magnet sectors, were well below 2008 consumption levels. Looking forward, with limited inventory available, estimates are that in the near-term cobalt production will remain steady, creating a short-term supply

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deficit as demand recovers. In the medium-term several new projects are sufficiently advanced to be expected to start production and to produce significant quantities of cobalt in late 2010 – typically as a by-product of nickel or copper.

It is expected that the cobalt chemical salts market will continue to dominate demand in the medium term and ENRC intends to position itself within this market, producing both high quality cobalt metals and chemical. Longer-term demand is set to grow from rechargeable batteries for electronics applications and rechargeable batteries for automobiles

Sales and Pricing

		From November 2009
Saleable copper cathode	t	2,778
Saleable cobalt concentrate	t	1,169

Sales and pricing – Copper

Prices and volumes for copper metal are typically negotiated on an annual basis, although with some contracts for quarterly commitments. While traditional Western markets are still large consumers of metal, Asia, particularly China, is the key growth market. Most copper products are priced based on LME prices. In the US, the Comex price is an alternative pricing mechanism.

By November 2009 metal exchange-related inventories were at their highest level since February 2004, reflecting weak demand from the US and Europe and some re-exporting of copper from China, where inventory levels remain high. Despite increased inventory levels, the price reached in excess of US\$7,000/tonne in December. The average price in Q4 2009 exceeded US\$6,640/tonne.

Sales and pricing – Cobalt

Prices and volumes for cobalt concentrate are typically negotiated on an annual basis, with some contracts covering multiple years. While there are weekly quotes available for cobalt concentrate, long term supply contracts are usually a formula linked to the cobalt metal price. Cobalt prices are quoted twice weekly by 'Metal Bulletin' and from late February 2010 cobalt prices were available on the LME.

Q4 2009 saw renewed demand and higher prices due to a combination of consumer restocking, Chinese buying and speculative buying in advance of the introduction of cobalt onto the LME. The cobalt metal price ended the year at \$19.75 per pound.

Key initiatives

The Other Non-ferrous Division's principal objectives are: to expand the existing copper and cobalt operations; and to provide a basis for future growth projects across the region. The copper and cobalt operations will be developed through investments in processing assets, supported by an extensive exploration campaign.

The Group reviewed its projects for the Other Non-ferrous Division in the DRC and elsewhere, following the completion of its acquisition of CAMEC. As a result of the review the scope and scale of the copper and cobalt investment projects were increased and the planned capital expenditure has risen to US\$455 million. The original investment projects, totalling US\$230 million, include:

- Expansion of the existing operations in the DRC to produce 75 kt per annum of copper (oxide) production and the completion of a new solvent extraction plant for copper in 2013;
- Commissioning of an SX/EW plant to start cobalt metal production in H2 2010; and
- Exploration and proving of the resources base.

Following the review the Group added new investment projects:

- Installation of 60 kt per annum production capacity for copper (sulphides) production concentrate at an estimated cost of US\$150 million; and
- Additional exploration in the DRC and for a number of the other potential development projects acquired with CAMEC.

Sales & Marketing

The Group's Sales & Marketing function provides ENRC's operating divisions with a fully integrated and centrally organised sales and marketing resource. This facilitates the efficient coordination of the Group's external sales, monitoring of key markets and general production strategy. The Sales & Marketing function performs several key functions: strategy and planning; commercial contract terms and customer relations; market research; and coordinating logistics. The centralisation of this function provides significant operational advantages to the Group, including the identification and exploitation of market synergies and improved operational efficiencies. In addition, as the markets in which the Group operates are geographically diverse and complex, the size, scope and expertise of the sales and marketing function enables it to gather significant market information that is not otherwise generally available.

Financial Review

Group Performance

The Group's financial results for the year ended 31 December 2009, whilst weaker than 2008, nonetheless reflected a resilient performance.

The Group's Underlying EBITDA for 2009 of US\$1,462 million (2008: US\$4,161 million) was significantly impacted by lower commodity prices in 2009 and fell 64.9%. The decline in revenue was partially offset by management's cost control initiatives, lower distribution costs, and the devaluation of the Kazakhstani tenge against the US dollar.

Revenue for 2009 decreased 43.9%, or US\$2,992 million, to US\$3,831 million (2008: US\$6,823 million) whilst like-for-like revenue decreased 41.9% to US\$3,507 million (2008: US\$6,040 million). Lower average commodity prices accounted for nearly all of the decline in revenue, with the Ferroalloys Division accounting for more than 75% of the decline in Group revenue, the Iron Ore Division 14% and the Alumina and Aluminium Division 10%.

Cost of sales decreased 6.8%, or US\$141 million, to US\$1,947 million (2008: US\$2,088 million), whilst like-for-like Cost of sales declined 13.1%, or \$232 million, to US\$1,539 million (2008: US\$1,771 million). Management's cost control initiatives and lower prices led to a fall in the costs of materials used, as well as savings on energy, labour, repair and maintenance costs. In addition, the Cost of sales decrease was enhanced by the devaluation of the Kazakhstani tenge against the US dollar, in which some 75% of the Group's Cost of sales are denominated. These reductions were partially offset by the destocking of inventory with a higher inventory cost carried over from 2008 and foreign currency hedging losses of US\$61 million. Included in cost of sales for the first time was MET of US\$166 million (Royalties 2008: US\$48 million).

Distribution costs decreased 15.1%, or US\$65 million, to US\$366 million (2008: US\$431 million). The decrease was mainly due to a fall in transportation costs as a result of the Ferroalloys Division selling greater quantities to neighbouring China, instead of the Group's traditional and more distant markets such as North America and Western Europe, coupled with the Energy Division's lower third-party coal sales volumes. Partially offsetting these reductions were increased transportation costs in the Iron Ore Division, driven by sales to China and the change in delivery terms from Delivered at Frontier ('DAF') to First Carrier ('FCA'). The devaluation of the Kazakhstani tenge and the weakening of the Russian rouble had a favourable effect on the Group's Distribution costs reducing Kazakhstan and Russian railway tariffs in US dollar terms.

Selling, general and administrative expenses declined 14.9%, or US\$63 million, to US\$359 million (2008: US\$422 million). This was principally due to savings in taxes other than income tax, professional and other services as well as lower provisioning for impairment of trade and other receivables.

Other operating income included a one-off foreign exchange gain resulting from the devaluation of the Kazakhstani tenge, amounting to US\$210 million for 2009.

The Group's Operating profit decreased 64.3% or US\$2,476 million, to US\$1,374 million (2008: US\$3,850 million) realising an operating profit margin of 35.9% (2008: 56.4%). The Ferroalloys Division contributed 77% of this fall, US\$1,908 million; the Iron Ore Division 15%, US\$382 million; and the Alumina and Aluminium Division 9%, US\$213 million.

Finance income increased 44.7% or US\$59 million, to US\$191 million (2008: US\$132 million), primarily due to the one-off foreign

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exchange gain of US\$104 million resulting from the devaluation of the Kazakhstani tenge against the US dollar, which is in addition to the foreign exchange gain recognised in Other operating income. Group Finance costs of US\$157 million (2008: US\$143 million), included foreign exchange losses of US\$75 million arising from the devaluation of the Kazakhstani tenge against the US dollar.

The share of profit of joint venture and associates was US\$31 million (2008: US\$12 million loss). This included a US\$7 million profit contribution from the Group's 25% interest in Shubarkol (2008: nil) and a profit realised by the BML joint venture of US\$24 million, derived from foreign exchange gains and fair value gains on non interest bearing loans advanced by the joint venture partners.

Ferroalloys Division

In millions of US\$	Years ended 31 December		2009 vs 2008
	2009	2008	
Revenue	1,874	4,156	(54.9)%
Third parties	1,871	4,151	(54.9)%
Inter-segment	3	5	(40.0)%
Cost of sales	(934)	(1,017)	(8.2)%
Gross profit	940	3,139	(70.1)%
Gross margin	50.2%	75.5%	
Distribution costs	(185)	(277)	(33.2)%
Selling, general and administrative expenses	(141)	(159)	(11.3)%
Net other operating income/ (expense)	167	(14)	(1,292.9)%
Operating profit	781	2,689	(71.0)%
Operating profit margin	41.7%	64.7%	
Depreciation, amortisation and impairment	(90)	(100)	(10.0)%
KZT devaluation	164	-	n/a
Underlying EBITDA	707	2,789	(74.7)%
Underlying EBITDA margin	37.7%	67.1%	

Key facts

		Years ended 31 December	
		2009	2008
Sales Volumes			
Ferroalloys – total	'000 t	1,306	1,231
Chrome ore	'000 t	591	702
Manganese concentrate	'000 t	572	753
Iron-manganese concentrate	'000 t	72	529
Prices			
Ferroalloys – total	US\$/tonne	1,252	2,815
Chrome ore	US\$/tonne	214	533
Manganese concentrate	US\$/tonne	142	342
Iron-manganese concentrate	US\$/tonne	27	60
Unit Costs¹			
Ferroalloys – total	US\$/tonne	644	749
Chrome ore	US\$/tonne	32	22
Manganese concentrate	US\$/tonne	101	83
Iron-manganese concentrate	US\$/tonne	17	10

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

The Ferroalloys Division's results were greatly impacted by a marked decline in prices, particularly for high-carbon ferrochrome and chrome ore.

Of the Division's 54.9%, or US\$2,280 million, decline in third-party revenue, US\$2,167 million was due to lower commodity prices, to which ferroalloys prices contributed US\$1,869 million and chrome ore prices contributed US\$187 million.

During the year, sales volumes steadily recovered from the impact of the global economic downturn with high-carbon ferrochrome and ferrosilicomanganese volumes increasing 13.0% and 18.4% respectively, whilst total ferroalloys volumes increased 6.1%. Although weaker market conditions resulted in significantly lower sales volumes for all other products within the Ferroalloys Division, with chrome ore experiencing a 15.8% decline in volume, signs of recovery were generally evident in H2 2009.

The 8.2%, or US\$83 million, reduction in Cost of sales was largely due to savings on the costs of materials, labour and energy costs, with the devaluation of the Kazakhstani tenge and lower overall sales volumes also being beneficial contributory factors. Savings in the costs of materials were achieved as a result of lower fuel and gas prices, along with an increased consumption of Russian coke rather than the more expensive Chinese coke. Included in Cost of sales for the first time was MET which amounted to US\$113 million (Royalties 2008: US\$24 million). Unit costs of sales for ferroalloys fell 21% on 2008 (excluding MET/Royalties).

The US\$92 million reduction in Distribution costs was mainly attributable to more products being shipped to China instead of the Group's traditional and more distant markets, of North America, Japan and Western Europe.

Selling, general and administrative expenses decreased US\$18 million, largely due to cost control measures.

The increase in other operating income reflected foreign exchange gains that arose on devaluation of the Kazakhstani tenge, amounting to US\$164 million.

The Division's Underlying EBITDA decreased 74.7%, or US\$2,082 million, to US\$707 million. Serov contributed US\$40 million and Tuoli US\$4 million to Underlying EBITDA. The total contribution of the Ferroalloys Division to the Group's Underlying EBITDA in 2009 was 48.3% (2008: 67.0%).

Iron Ore Division

In millions of US\$	Years ended 31 December		2009 vs 2008
	2009	2008	
Revenue	1,093	1,499	(27.1)%
Third parties	1,093	1,498	(27.0)%
Inter-segment	-	1	(100.0)%
Cost of sales	(486)	(468)	3.8%
Gross profit	607	1,031	(41.1)%
Gross margin	55.5%	68.8%	
Distribution costs	(151)	(113)	33.6%
Selling, general and administrative expenses	(50)	(74)	(32.4)%
Net other operating income/ (expense)	47	(9)	(622.2)%
Operating profit	453	835	(45.7)%
Operating profit margin	41.4%	55.7%	
Depreciation, amortisation and impairment	(79)	(84)	(6.0)%
KZT devaluation	47	-	n/a
Underlying EBITDA	485	919	(47.2)%
Underlying EBITDA margin	44.4%	61.3%	

Key facts

		Years ended 31 December	
		2009	2008
Sales Volumes			
Iron ore concentrate	'000 t	8,857	7,464
Iron ore pellet	'000 t	6,203	6,797
Prices			
Iron ore concentrate	US\$/tonne	64	80
Iron ore pellet	US\$/tonne	79	126
Unit Costs¹			
Iron ore concentrate	US\$/tonne	24	26
Iron ore pellet	US\$/tonne	34	36

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

The Iron Ore Division was significantly impacted by the fall in commodity prices and adverse market conditions, including an increased proportion of lower priced concentrate sales, resulting in a US\$405 million reduction in third-party revenue. In H2 2009 the sales volume mix saw a shift back towards the higher-priced pellet product.

The US\$18 million increase in Cost of sales was largely driven by higher sales volumes specifically the impact of inventory destocking of about US\$40 million along with realised losses on the cash flow hedges of US\$47 million. These were offset by savings on materials and labour costs, and with the devaluation of the Kazakhstani tenge being a large contributor for these cost reductions. Included in the cost of sales for the first time was MET of US\$43 million (Royalties 2008: US\$13 million). Unit cost of sales for saleable iron ore concentrate fell 15% in 2009 (excluding MET/Royalties).

The US\$38 million increase in Distribution costs resulted from a larger proportion of sales to China, which attracted higher tariffs, in comparison with sales to MMK.

Selling, general and administrative expenses decreased US\$24 million, largely due to savings on staff, sponsorship and consulting costs.

Other operating income increased US\$56 million to US\$47 million (2008: US\$9 million expense), of which US\$47 million was due to foreign exchange gains resulting from the devaluation of the Kazakhstani tenge.

The Division's Underlying EBITDA decreased US\$434 million to US\$485 million. The total contribution of the Iron Ore Division to the Group's Underlying EBITDA in 2009 was 33.2% (2008: 22.1%).

Alumina and Aluminium Division

In millions of US\$	Years ended 31 December		2009 vs 2008
	2009	2008	
Revenue	565	867	(34.8)%
Third parties	563	864	(34.8)%
Inter-segment	2	3	(33.3)%
Cost of sales	(484)	(551)	(12.2)%
Gross profit	81	316	(74.4)%
Gross margin	14.3%	36.4%	
Distribution costs	(36)	(42)	(14.3)%
Selling, general and administrative expenses	(37)	(60)	(38.3)%
Net other operating (expense)/ income	(3)	4	(175.0)%
Operating profit	5	218	(97.7)%
Operating profit margin	0.9%	25.1%	
Depreciation, amortisation and impairment	(65)	(77)	(15.6)%
KZT devaluation	(8)	-	n/a
Underlying EBITDA	78	295	(73.6)%
Underlying EBITDA margin	13.8%	34.0%	

Key facts

		Years ended 31 December	
		2009	2008
Sales Volumes			
Alumina	'000 t	1,359	1,393
Aluminium	'000 t	125	104
Prices			
Alumina	US\$/tonne	232	380
Aluminium	US\$/tonne	1,605	2,691
Unit Costs¹			
Alumina	US\$/tonne	197	244
Aluminium	US\$/tonne	1,335	1,728

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

The results of the Alumina and Aluminium Division were significantly impacted by a decline in commodity sales prices, resulting in a 34.8%, or US\$301 million, reduction in third-party revenue. Lower realised prices reduced revenue by US\$340 million. Overall, however, higher sales volumes were achieved by the Division, with the increase in aluminium sales leading to an increase in revenue of US\$54 million. This was partially offset by a decline in third-party sales volumes for alumina and gallium.

The US\$67 million reduction in Cost of sales was largely due to savings on materials and labour costs, partially offset by realised losses on cash flow hedges. Included in Cost of sales for the first time was MET which amounted to US\$10 million (Royalties 2008: US\$7 million). Unit cost of sales of alumina (excluding MET/Royalties) fell 20%. The unit cost of sales of aluminium (excluding MET/Royalties) fell 23%.

The US\$6 million reduction in Distribution costs was largely due to a greater volume of shipments made to Russia, in comparison to the more distant Baltic and Black Sea ports, along with the positive impact on Distribution costs of the devaluation of the Kazakhstani tenge.

Selling, general and administrative expenses decreased US\$23 million, due to savings on labour and travel costs.

Other operating expenses increased US\$7 million to US\$3 million (2008: US\$4 million income), of which US\$8 million was due to an adverse effect of the Kazakhstani tenge devaluation.

Financial Review continued

The Division's Underlying EBITDA decreased US\$217 million to US\$78 million. The total contribution of the Alumina and Aluminium Division to the Group's Underlying EBITDA in 2009 was 5.3% (2008: 7.1%).

Energy Division

In millions of US\$	Years ended 31 December		2009 vs 2008
	2009	2008	
Revenue	402	436	(7.8)%
Third parties	196	203	(3.4)%
Inter-segment	206	233	(11.6)%
Cost of sales	(152)	(194)	(21.6)%
Gross profit	250	242	3.3%
Gross margin	62.2%	55.5%	
Distribution costs	(52)	(71)	(26.8)%
Selling, general and administrative expenses	(20)	(21)	(4.8)%
Net other operating income/ (expense)	1	(4)	125%
Operating profit	179	146	22.6%
Operating profit margin	44.5%	33.5%	
Depreciation, amortisation and impairment	(41)	(31)	32.3%
KZT devaluation	7	-	n/a
Underlying EBITDA	213	177	20.3%
Underlying EBITDA margin	53.0%	40.6%	

Key facts

		Years ended 31 December	
		2009	2008
Sales volume			
Third-party coal	'000 t	7,280	8,044
Third-party electrical energy	GWh	4,309	2,825
Prices			
Coal	US\$/tonne	15	17
Electrical energy	US\$/MWh	20	22
Unit costs¹			
Coal	US\$/tonne	3	4
Electrical energy	US\$/MWh	9	10

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

The Energy Division's third-party revenue decreased 3.4%, or US\$7 million. The fall in coal sales to third-parties adversely impacted revenue by US\$32 million; a 9% fall in sales volumes and a 15% lower average US dollar price. These impacts were partially offset by a US\$24 million increase in electricity sales, due to higher demand and improved generation capacity to support third-party sales. The US\$27 million reduction in the Division's sales revenue to Group entities is due to the negative impact of the devaluation of the Kazakhstani tenge.

The US\$42 million decline in Cost of sales was driven by the impact of the devaluation of the Kazakhstani tenge on input material costs. Unit cost of sales for electricity fell 14%.

The US\$19 million decline in Distribution costs was largely a result of lower coal sales volumes.

The Division's Underlying EBITDA increased US\$36 million to US\$213 million. The total contribution of the Energy Division to the Group's Underlying EBITDA in 2009 was 14.6% (2008: 4.3%).

Logistics Division

In millions of US\$	Years ended 31 December		2009 vs 2008
	2009	2008	
Revenue	157	229	(31.4)%
Third parties	53	107	(50.5)%
Inter-segment	104	122	(14.8)%
Cost of sales	(106)	(152)	(30.3)%
Gross profit	51	77	(33.8)%
Gross margin	32.5%	33.6%	
Distribution costs	-	-	n/a
Selling, general and administrative expenses	(25)	(47)	(46.8)%
Net other operating (expense)/ income	(2)	2	(200.0)%
Operating profit	24	32	(25.0)%
Operating profit margin	15.3%	14.0%	
Depreciation, amortisation and impairment	(15)	(18)	(16.7)%
Underlying EBITDA	39	50	(22.0)%
Underlying EBITDA margin	24.8%	21.8%	

Key facts

		Years ended 31 December	
		2009	2008
Sales volume			
Third party freight forwarding	'000 t	5,950	9,942
Railway line repairs	km	198	408
Prices			
Freight forwarding	US\$/tonne	0.84	0.63
Railway line repairs	US\$/'000km	176	215
Unit cost¹			
Freight forwarding	US\$/tonne	0.26	0.31
Railway line repairs	US\$/'000km	161	204

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

The US\$54 million reduction in third-party revenue was driven largely by a reduced volume of railway repairs. The adverse effect of the devaluation of the Kazakhstani tenge resulted in a US\$18 million decline in revenue from sales to Group entities despite higher volumes.

Cost of sales decreased by US\$46 million mainly due to a lower volume of railway repairs.

Selling, general and administrative expenses decreased US\$22 million mostly due to lower labour costs and consulting services.

The Division's Underlying EBITDA decreased US\$11 million to US\$39 million. The total contribution of the Logistics Division to the Group's Underlying EBITDA in 2009 was 2.7% (2008: 1.2%).

Other Non-ferrous Division

In millions of US\$	From November 2009
Revenue	55
Third parties	55
Inter-segment	–
Cost of sales	(39)
Gross profit	16
Gross margin	29.1%
Distribution costs	(2)
Selling, general and administrative expenses	(11)
Net other operating expense	(3)
Operating profit	–
Operating profit margin	–
Depreciation, amortisation and impairment	(6)
Underlying EBITDA	6
Underlying EBITDA margin	10.9%

Key facts

		From November 2009
Sales Volumes		
Saleable copper cathode	'000 t	2,778
Saleable cobalt concentrate	'000 t	1,169
Prices		
Saleable copper cathode	US\$/tonne	6,521
Saleable cobalt concentrate	US\$/tonne	25,119
Unit Costs¹		
Saleable copper cathode	US\$/tonne	4,600
Saleable cobalt concentrate	US\$/tonne	20,587

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

The information for the Other Non-ferrous Division (formerly the businesses of CAMEC), relates to the two months ended 31 December 2009. The acquisition of CAMEC was effective from 9 November 2009.

In the period, the main revenue and Underlying EBITDA generating businesses of the Division were the copper and cobalt operations in the DRC and a logistics business.

The total contribution of the Other Non-ferrous Division to the Group's Underlying EBITDA in 2009 was less than 1%.

Corporate

Taxation

With effect from 1 January 2009 the Republic of Kazakhstan introduced a new Tax Code including, amongst other measures, a gradual reduction in the rate of Corporate Income Tax ('CIT') from 30% in 2008 to 20% in 2009, 17.5% in 2010 and 15% thereafter, the abolition of Royalties in conjunction with the introduction of MET, and revisions to the basis of calculation of Excess Profits Tax ('EPT'). In November 2009, in response to the adverse changes in the global economic environment, the reduction in the CIT rate was postponed and the 20% CIT rate was extended for the period from 2010 to 2012. MET rate increases were similarly postponed.

The Group's income tax expense for the year ended 31 December 2009 was US\$377 million (2008: US\$1,143 million), an Effective Tax Rate of 26.2% (2008: 29.9%).

The Group's Effective Tax Rate of 26.2% included the effects of changes to the applicable CIT rate and to the tax depreciation rules in Kazakhstan enacted in November 2009. Excluding the effect of these changes in the tax legislation, the Effective Tax Rate was 25.1%. This was higher than the applicable CIT rate in Kazakhstan of 20% mainly due to the effects of withholding taxes on dividends and of EPT in Kazakhstan.

Mineral Extraction Tax, not being a tax on profits, does not form part of the income tax expense and is reflected in Cost of sales.

Liquidity

Cash and cash equivalents reduced 66.7% during 2009 to US\$830 million (2008: US\$2,493 million). Gross Available Funds decreased by 63.1% in the same period to US\$1,021 million (2008: US\$2,768 million).

Overview

The following table provides a summarised cash flow statement for the years ended 31 December 2009 and 31 December 2008:

In millions of US\$	Years ended 31 December		2009 vs
	2009	2008	2008
Net cash generated from operating activities	1,209	2,766	(56.3)%
Net cash used for investing activities	(2,105)	(1,919)	9.7%
Net cash used for financing activities	(644)	(854)	(24.6)%
Net changes in cash and cash equivalents	(1,540)	(7)	21,900.0%
Cash and cash equivalents at beginning of year	2,493	2,548	(2.2)%
Exchange loss on cash and cash equivalents	(123)	(48)	156.3%
Cash and cash equivalents at end of year	830	2,493	(66.7)%

Net cash generated from operating activities

The Group generated cash of US\$1,209 million (2008: US\$2,766 million) from operating activities, a decrease of US\$1,557 million. The lower operating cash inflow is predominantly due to the lower average commodity prices which adversely impacted operating profit. This was partially offset by a significant reduction in taxes paid in 2009 of US\$464 million (2008: US\$1,163 million), a result of the decrease in the Group's operating profit and the reduction in Kazakhstani CIT rates.

Net cash used for investing activities

In 2009 the Group utilised US\$2,105 million for investing activities (2008: US\$1,919 million), an increase of US\$186 million, or 9.7%. Investing activities consisted largely of investments in subsidiaries and associates namely CAMEC for US\$917 million net of cash acquired and a 25% interest in Shubarkol Komir JSC for US\$200 million less 25% of net debt. Capital expenditure on property, plant and equipment amounted to US\$912 million, a reduction of 38.3%.

Net cash flow used for financing activities

The Group used cash resources of US\$644 million for its financing activities during the year ended 31 December 2009, primarily for the payment of dividends to shareholders of US\$322 million and net borrowings repayments of \$308 million.

Financial Review continued

Capital expenditure

During the year ended 31 December 2009 the Group's capital expenditure amounted to US\$1,147 million (2008: US\$1,294 million), a decrease of US\$147 million, or 11.4%.

'Capital expenditure' equates to additions of property, plant and equipment and intangible assets, excluding goodwill, which differs from the 'Capital expenditure spend', which represents the cash outflows to acquire property, plant and equipment and intangible assets.

We have enhanced the presentation of capital expenditure, designating it as either 'expansionary' or 'sustaining'.

'Expansionary' capital expenditure refers to investments made to drive future growth through increasing production capacities, and may include the construction or purchase of property, plant and equipment or the upgrade or expansion of existing facilities.

'Sustaining' capital expenditure refers to investments designed to keep existing operations running at their current levels and may include major cyclical capital repairs or the replacement of existing property, plant and equipment.

The table below shows the Group's capital expenditure:

In millions of US\$	Years ended 31 December	
	2009	2008
Ferroalloys	248	330
Expansionary	147	190
Sustaining	101	140
Iron Ore	225	278
Expansionary	141	187
Sustaining	84	91
Alumina and Aluminium	356	502
Expansionary	253	339
Sustaining	103	163
Energy	281	136
Expansionary	257	106
Sustaining	24	30
Logistics	24	48
Expansionary	22	33
Sustaining	2	15
Other Non-ferrous	6	-
Expansionary	6	-
Sustaining	-	-
Corporate	7	-
Expansionary	7	-
Sustaining	-	-
Total	1,147	1,294
Expansionary	833	855
Sustaining	314	439

In response to signs of a market recovery for its principal commodities the Group reappraised its previously deferred capital expenditure projects. The Group's major projects are detailed in the tables below. The Group anticipates that securing the necessary financing is a requirement for delivering its capital expenditure programme.

Capital expenditure projects

In millions of US\$	Date of project approval	Estimated total cost	Project status	Date of commissioning ¹
Ferroalloys				
Expansion/replacement of ferroalloy smelting capacity (Aktobe) ² – 440 ktpa	2008	590	In Progress	2012
Expansion of ferroalloys smelting capacity (Aksu) – 460 ktpa	2008	540	Deferred	TBD
Alumina and Aluminium				
Aluminium smelter – Phase 2: 125 ktpa	2006	260	In Progress	2010
Anode production plant	2008	240	In Progress	2011
Alumina production expansion by 300 ktpa ³	2007	305	In Progress	2011
Energy				
Overburden stripping equipment	2005	85	Completed	2010
Construction of power unit 2 – 325 MW	2007	230	In Progress	2011
Reconstruction of power unit 6 – 325 MW	2009	230	In Progress	2012
Other Non-ferrous				
Expansion of copper (oxide) production – 75 ktpa/cobalt	2009	190	In Progress	2013
Exploration	2009	115	In Progress	2013
Expansion of copper (sulphide) production – 60 ktpa copper contained concentrate	2009	150	In Progress	2013

¹ Completion of construction.

² Approximately 270 ktpa of ferroalloy smelting capacity may be retired after the new capacity is operational.

³ 100 ktpa completed – current capacity 1.6 mtpa; 100 ktpa in progress; 100 ktpa deferred.

Projects under review

In millions of US\$	Date of project approval	Estimated total cost
Iron Ore		
Pelletiser – 5 mtpa – and DRI/HBI plant – 1.4 mtpa	2008	850
Concentrating factory expansion – 16 mtpa ore	2008	440
Mine expansion – 10 mtpa ore	2008	535
Construction of a conveyor complex at Kachar	2009	180
Energy		
Construction of 2 x 600 MW power units	2008	1,260
Mine expansion – 5 mtpa coal	2008	230

The Group's capital expenditure programme (including the Other Non-ferrous Division) totals US\$5.8 billion comprising of expansionary and enhancement projects which are 'in progress' or 'under review'. Deferred projects amount to US\$0.5 billion.

For the full year 2010, total capital expenditure is expected to be approximately US\$1.5 billion, including sustaining capital expenditure of around US\$0.4 billion.

Capital expenditure on BML remains contingent on the project proceeding. This is dependent upon certain outstanding approvals and the Government of Brazil proceeding with the construction of a rail link.

With the announcement of the proposed acquisition of Chambishi Metals PLC, a Zambian copper and cobalt producer, the Group stated its plans for capital expenditure of about US\$80 million. The capital expenditure would be for new and upgraded production facilities, scheduled to be completed by the end of 2011, and increase Chambishi's copper production capacity to 55 kt per annum of LME Grade A copper cathode.

Contractual obligations

Long-term supply agreements

The Group has the following key long-term supply agreements:

- Alumina – ENRC has a contract with UC RUSAL, a large aluminium producer, to supply a minimum of 1.2 million tonnes of alumina per annum. The contract expires on 31 December 2016. Pricing is determined by a formula linked to the LME aluminium price; and
- Iron ore – ENRC has a contract with MMK, a large Russian steel producer to supply up to 15 million tonnes per annum of saleable iron ore concentrate and pellet. This contract expires in 2017. Pricing is determined by reference to published price indices for iron ore concentrates and pellets.

Across a number of customer contracts some reduction in contractual volumes has taken place to date, and this may continue depending on market conditions.

Sustainability Review

Introduction

At ENRC, sustainability is about managing the total impact of the business for the long term.

We aim to grow our business while maintaining our commitment to respecting the environment, providing safe and healthy workplaces and making a positive contribution to the societies where we operate.

As ENRC grows, sustainability is a pathway that enables us to transform our business and build true competitive advantage. We recognise that successful businesses of tomorrow are addressing key sustainability challenges today, from resource efficiency to community health. Such vision protects our business going forward, and allows us to contribute to stronger economies and communities in the emerging markets where we operate. Investment in sustainability initiatives brings long-term benefits including improved management of risk, efficiencies in operating costs, and attracting and retaining the best employees.

Our five key Sustainable Development ('SD') priorities are:

- To consume less to produce more;
- To integrate SD into investment decision-making;
- To make reputation and brand one of the Group's principal assets;
- To build key stakeholder relationships in all countries in which we operate; and
- To create leadership and embed the behaviours of SD values across the Group.

ENRC has committed to improving sustainability performance over the long term. We already operate to the standards consistent with best practice in Kazakhstan, and as we develop our international presence, we strive to achieve best practice international standards across our operations, including safety, health and environment.

The Group reports SD performance in compliance with local legislation and international best practice. In 2009 we continued to develop a transparent reporting system based on the Global Reporting Initiative ('GRI') Metals and Mining Supplement and the ICMM SD Framework. Internal reporting in compliance with GRI environmental indicators expanded by 60% in 2009. We plan to issue SD reporting which adopts GRI indicators and is subject to external assurance in 2011.

Working with stakeholders

Fortunately we are not alone in meeting the challenges of sustainable development. In all regions where we operate ENRC is committed to working in partnership with local government, public NGO's and community representatives. Our flexibility and ability to engage with diverse stakeholders creates competitive advantage and brings benefits to society. We plan to develop a more organised approach to stakeholder engagement.

For several years ENRC has engaged with local and international SD initiatives. We were the first Kazakhstani company to sign up to the UN Global Compact and have joined the Extractive Industry Transparency Initiative. In 2003 the Group became a founder member of the Kazakhstan Business Council for Sustainable Development ('KBCSD'), a regional partner of the World Business Council for Sustainable Development ('WBCSD').

Our extensive experience in working with governments focuses on supporting the development of a strong legal framework and sharing industry best practice with our partners. For example, through membership of the International Chromium Development Association ('ICDA'), we are able to bring international expertise and

skills to the environment of Kazakhstan. In recognition of our contribution to state development, ENRC's Kazakhstan ferroalloys business was awarded Best Industrial Enterprise in 2009.

ENRC's collaboration with local government and administrations in Kazakhstan is a model of successful public-private partnership development. In 2009 we renewed our cooperation memoranda with regional governments aimed at improving the welfare of the community.

In our engagement with all stakeholders, including government, we are committed to transparency and respecting human rights. In 2009 ENRC was placed second in the Standard & Poor's Kazakhstan Corporate Transparency Index.

In 2009 we implemented a revised procurement policy, purchasing policy and procedure framework, which aims to create a more transparent purchasing policy for our business partners and suppliers.

Governance

The Group believes it is important to have a high standard of governance with clear line-of-sight objectives in order to achieve its SD strategy. We are implementing gradual changes in our governance system to effectively manage the sustainability agenda. We are working to build an integrated SD management system that provides a unified approach, while also taking into account specific aspects at each of our sites across Kazakhstan, Russia, China, Brazil and Africa. Corporate safety and environmental standards are a non-negotiable part of the integration process.

The Health, Safety, Environment and Sustainability ('HSES') Committee of the Board of Directors, which includes the Chairman and CEO, is responsible for sustainability strategy and performance. In 2009 the Committee met twice, and focused on:

- Safety management and performance, including a new Safety Improvement Programme.
- New Environmental Strategy for 2010–2012.
- HSES Risks and Action Plans.

The Committee's work is supported by the HSES Working Group which comprises the Divisional Heads of Environment, Health and Safety, Human Resources and Social Policy. The Working Group has responsibility for monitoring HSES programme implementation, changing regulatory requirements, the development of action plans and proposals for operational improvements.

In 2009 sustainability risk management was incorporated into the Group's central risk management governance structure. The focus is to establish procedures to effectively manage SD risks at the divisional level.

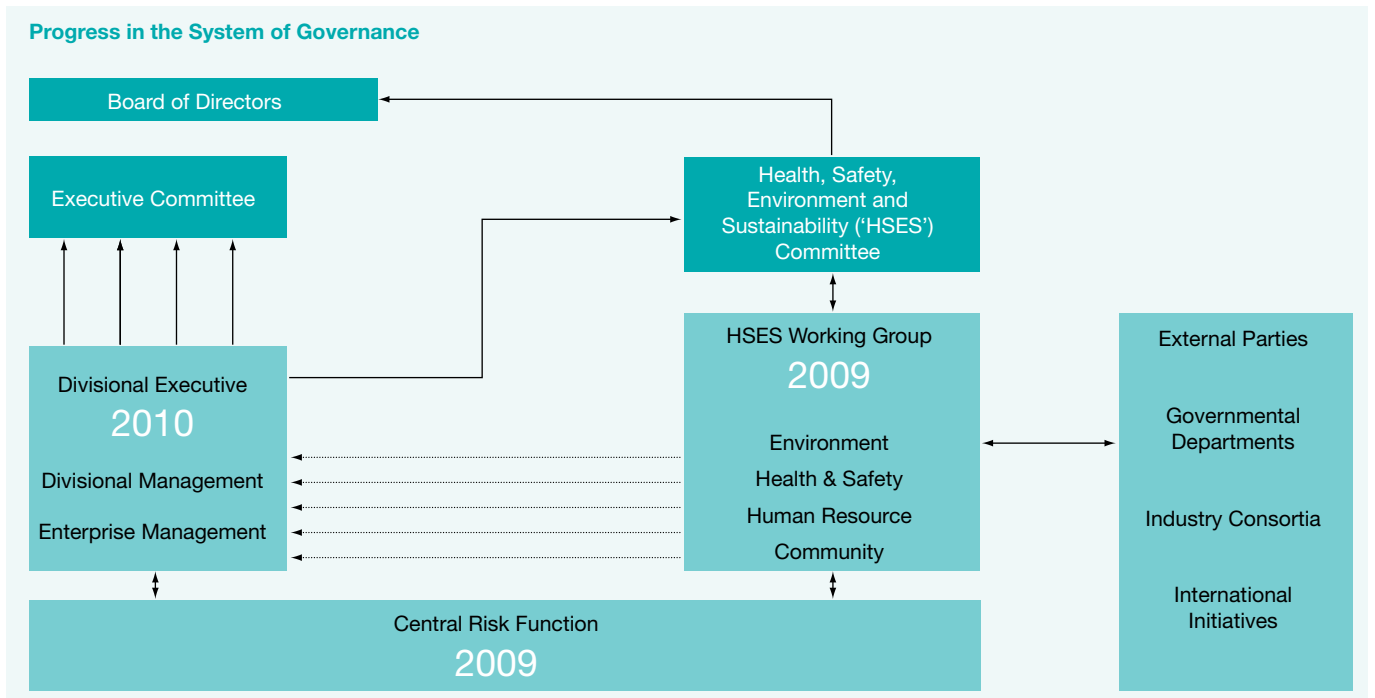
The HSES Committee has approved several policies and procedures to set controls for material SD risks. In 2009 we developed and approved a new Environmental Strategy and launched a new Safety Improvement Programme. A Human Resource Management Policy, a Succession Planning Policy and a Climate Change Policy were also developed and implementation is currently in progress.

Our goals for 2010 are to:

- Set formal SD functions and accountability at divisional level;
- Develop sound data and reporting practice in line with international best practice;
- Strengthen the SD management team with professionals with SD expertise;
- Incorporate new SD site management system into overall corporate governance system; and
- Integrate sustainability governance into acquisition process by identifying environmental, social and governance risks ahead of investments in new assets.

Health and Safety Safety

Safety has continued to be a key area of focus during 2009. ENRC has adopted a vision of zero injuries, based on the belief that all injuries are preventable. We continually seek new safety improvement opportunities to enable us to fulfil our ambitious safety policy, and to set a sustainable safety system integrating all company operations in achieving mutual goals.



Sustainability Review continued

Safety is a priority to the business and a Key Performance Indicator as detailed on page 12. As it is a business priority key management are compensated on safety performance.

Regrettably, there were 12 fatal accidents at ENRC sites during 2009 (2008: 9). We have investigated each of these incidents, learned lessons and implemented changes to how we operate. ENRC remains committed to reducing to zero the number of lives lost at ENRC operations.

Safety performance

	2009	2008
Lost Time Injury Frequency Rate ('LTFIR') ¹	0.63	0.68
Fatal accidents	12	9
Fatal Injury Frequency Rate ('FIFR') ¹	0.12	0.08

¹ Measured per million hours worked.

Analysis of the causes of fatal accidents showed the following:

Fatal accidents	2009	2008
Falling	2	3
Moving machinery	4	3
Electric current	2	2
Falling objects	2	1
Blasting operations	1	0
Road accidents	1	0

ENRC's Board and top management continue to champion the strategic safety project initiated in 2008 in partnership with DuPont. Following an initial full safety management evaluation, we introduced new commitments and will develop new safety management systems. In 2009 we started a pilot project at Kazchrome, which aims to establish a culture of safe working, including developing a formal safety performance appraisal system with specific, measureable objectives for all managers. Based on learning from the pilot, we will start to roll out a new corporate safety programme across the Group's operational sites in 2010. It is anticipated that it will take three more years to complete full implementation.

In 2009 ENRC implemented an internal corporate accident investigation procedure. This led to the introduction of a special accident investigation team consisting of safety professionals and technical experts. Independent corporate investigation enables us to find the root causes of each accident, to develop efficient non-compromising preventative measures and to monitor action taken. We believe these new procedures will support improvements in prevention and reoccurrence of accidents.

ENRC has always believed in equal safety standards for all our sites, regardless of the country or the nature of the operations there. This approach unites ENRC at operational and corporate levels.

Looking ahead

Goals for safety in 2010 will include:

- Ongoing roll out of the new safety management system across the Group.
- Involving employees and contractors to share responsibility for safety based on honesty, openness and mutual trust.
- Development of safety performance appraisal systems and implementation of developed and approved corporate safety standards. Further develop reporting procedures to align against international norms.
- Implementing the ENRC safety vision at our newly acquired operations in Africa. Our first step should be to ensure standardised reporting and that local legal standards are being met. Our strategy will be to use progressive improvement at each

site through implementation of effective safety tools such as our Fifteen Corporate Safety Standards, behavioural audits and our Internal Accident Investigation Procedure.

Health

A key aspect of our safety management system is a focus on injury and illness prevention, to keep employees safe and healthy in the workplace. In addition, for many years ENRC has provided employees with health and medical programmes on a voluntary basis, and we believe the programmes we operate are amongst best practice in the Republic of Kazakhstan. Our health care provision includes disease prevention centres as well as sporting and other recreational facilities.

In Kazakhstan we have worked closely with local communities to develop an effective HIV/AIDS programme based on preventative care, detection, support and treatment.

Looking ahead

Goals for occupational health improvement in 2010 will include:

- Evaluation of achievements to date of health and medical programmes.
- Development of a new Corporate Health Management Roadmap.
- Drawing on our experience in Kazakhstan, and building on existing local programmes, to deliver locally relevant health care to our new employees in regions of Africa.

Social Policy

The Group has a solid reputation in the Republic of Kazakhstan for being a socially orientated and responsible business. It works closely with the Kazakhstani Government to implement governmental agreements, programmes and initiatives related to implementing the Law of the Republic of Kazakhstan 'On Social Partnership'.

Our Whistle Blowing Policy, adopted in 2007, aims to provide early indications of possible corruption.

We recognise the importance of respecting and protecting human rights, which becomes more challenging as we move into diverse locations. Open dialogue with local communities, employment procedures, preventing discrimination – all these will contribute significantly to our addressing human rights issue in the long term.

The social policy focuses on two key areas: Employees and Communities.

Employees

ENRC is one of the largest employers in the Republic of Kazakhstan. During 2009 the Group employed an average of 70,320 employees. As a consequence, our success as a Group depends significantly on our ability to attract, retain and motivate key management and employees and this is an area of focus for senior management.

As part of the development of a corporate culture throughout the organisation, members of senior management regularly visit the Republic of Kazakhstan to meet with employees at the operational sites.

The Group benefits from good labour relations and has not experienced any material strikes or stoppages at any of its operating sites since it acquired its operating assets. The majority of our employees in the Republic of Kazakhstan are members of trade unions and the Group makes significant efforts to engage and work with the trade unions. As a result, the Group has well-balanced industrial agreements and these serve as a basis for the collective agreements each Group company has signed with employees. In

addition to the social rights and benefits guaranteed by the Kazakhstani Labour Code, these agreements provide for free medical treatment, loans at favourable mortgage rates, training of employees and their children and preferential packages to sanatoriums, recreation centres and children's recreation camps. Special social programmes are developed for both young people and pensioners.

Throughout the current economic downturn, ENRC has worked hard to preserve job security at our operations. Some changes had to be made, for example to working hours and holidays, but we managed to adapt to the economic environment without reducing our workforce, and we commit to keeping this goal at the forefront of our minds. We have continued to provide the same standard of social package for employees, including our housing programme which provides interest free loans to employees.

A highly qualified and skilled workforce is at the heart of any successful business. Over the past five years ENRC has launched a number of educational and training projects. ENRC implemented a long-term Talent Management Programme ('TMP'). Within the framework of the TMP, ENRC started the Personnel Reserve Programme for 2009–2012. The main aim is to ensure continuity, attract and retain talented staff, and train staff for different levels within the Company, including top management. Components of the programme are Replacement Planning, Succession Planning and Talent Management.

The ENRC training programme includes: short-term, long-term and executive MBA studies; courses to support cost-effective operations, such as training for second and allied skills improvement upgrades; and courses to support corporate goals such as leadership and communication training. Cutting edge courses such as the UK National Examination Board on Occupational Safety and Health ('NEBOSH'), International Environmental Management and Assessment ('IEMA') certification study are also an important part of HSES staff development, and in addition we support educational institutions and provide scholarships for employers and the community.

In 2009 an estimated 40% of the total workforce was involved in the training programme (2008: 30%). Our efforts were recognised when the ENRC programme on employee development was named as the best HR project in Kazakhstan for the last five years.

As Kazakhstan draws strength from its diversity, we draw strength from our aptitude at capitalising on the skill, knowledge and qualities of the highly diverse nationalities and cultures that today form ENRC. The Group is committed to attracting a globally mobile, culturally diverse workforce to its African operations while developing widely applicable skills and technical capabilities of employees at all levels. As a leader in the mining sector of Kazakhstan, ENRC has a pool of talent available to run its international operations safely and effectively. The combination of talent from our Kazakhstan operations and the regional knowledge and experience of the existing management teams, will enable the Group to run its international operations effectively and safely.

Looking ahead

During 2010 the areas of focus will include:

- Continuation of the Talent Management Programme, including a rotation scheme aimed at enhancing employees' skills.
- Improvements to business processes in the personnel management system, including enhanced systems for recruitment and remuneration planning, and development of a Corporate University.

- Development of new Industrial Agreements within the framework of collaboration of industrial commissions with the trade unions of the mining and metallurgy industry, coal and electric power industry in Kazakhstan.
- Ongoing work to improve feedback on the Code of Conduct, to improve identification and prevention of Code violation.

Communities

ENRC operating sites are often located in remote areas of the Republic of Kazakhstan and frequently the Group is the only industry operating in that area. Maintenance of a responsible social contract with these communities in Kazakhstan is an established practice in ENRC because many of the towns and cities rely on the infrastructure development provided by the Group. Each year the Group signs agreements with regional Governors in the Republic of Kazakhstan and provides financial support.

In 2008 ENRC established the ENRC Komek Corporate Foundation, a non-commercial charitable organisation which finances cultural, educational and other social programmes in Kazakhstan.

The Foundation's long-term focus is on the implementation of programmes aimed at supporting ENRC's own workforce, such as improvements to housing conditions, professional staff training and education, as well as programmes aimed at improving the welfare of the general public, such as development of scientific, technical and artistic creativity, protection of public health, supporting children's homes, schools and higher education institutions, as well as environmental protection.

The Group expenditure for Community Social Investment in 2009 amounted to US\$37 million (2008: US\$31 million).

Environment

ENRC management is committed to reducing any negative impacts of Group operations on water, air and land and to the efficient use of resources.

In 2009 the Group continued to make progress in raising environmental standards towards international norms. ISO14001 certification was completed for the main divisions in Kazakhstan and Russia. All new operations are required to be certified to ISO 14001 within three years of joining the Group.

A new environmental strategy has been developed for 2010. This new approach links closely to the core business development plans. It will include investment in installation of modern equipment, which is expected to enhance productivity, improve energy efficiency and to generate substantial cost savings, particularly for key input materials. The new equipment will also bring significant environmental and safety improvements.

A new framework for measuring our performance in relation to waste management, air emissions and water discharges is currently being completed. This includes a new environmental database with new performance indicators, benchmarks and targets, in a move towards common international approaches for reporting.

We have identified seven key areas of our environmental performance to report on: climate change, energy, emissions, water, waste, toxics and biodiversity.

Climate Change

ENRC recognises the importance of the global issue of climate change, and the role that our industry has in responding to the challenges it brings. As one of the largest producers of energy in Kazakhstan, ENRC appreciates its responsibility to meet challenges of doing business in a carbon-constrained future.

Sustainability Review continued

For several years ENRC has worked to improve the energy efficiency of operations, and during the past year specific steps were taken towards ensuring that a carbon strategy is embedded into core business activities. In 2009 a full Greenhouse Gas ('GHG') footprint was conducted of the Kazakhstan businesses and for 2010 the aim is to develop a carbon roadmap with the goal of emission reduction through energy saving and efficiency. As a Group committed to growth, we are unlikely to be using less energy in the foreseeable future, therefore we need to focus on energy efficiency initiatives that will allow us to do more with less.

In March 2009 Kazakhstan ratified the Kyoto Protocol as an Annex 1 country under the United National Framework Convention on Climate Change ('UNFCCC') and has reconfirmed its intention to become an Annex B country under the Kyoto Protocol. Although the Kyoto Protocol expires at the end of December 2012, we expect the post Kyoto period (2013–2020) to present challenging emissions reduction targets for Kazakhstan organisations. Our Group is fully engaged in the process to support Kazakhstan in meeting its obligations towards the international community in this regard.

Energy

In 2009 ENRC's Kazakhstan and Russian operations consumed 275,000 tera joules of energy, of which about 75% was sourced from coal. This considerable energy requirement represents both a demand on natural resources and a significant operational cost.

In response, ENRC has begun developing an energy management policy, to include an energy consumption inventory. For 2010 we are planning initiatives on energy efficiency improvements for machinery and on conserving energy currently lost during industrial processes.

Emissions

While we foresee the Group's production levels continuing to grow, ENRC recognises the need to reduce emissions, so our focus is on reducing the intensity of our operations' emissions. The Group's strategy for reducing emissions is a two-part approach: gradually replacing older technology with new technology that complies with international air emissions standards, and, for older technology, maintaining lower levels, reducing incrementally where possible.

Examples from 2009 include the upgrade of baking equipment in iron pellets production, which enabled production to increase by 25% while reducing nitrogen oxide emissions by 15%, and dust emissions by 12%. At the Pavlodar Power plant, a technology upgrade to near BAT ('Best Available Technology') standards led to a

Three examples of new technology boosting environmental performance

New facility	Date	Impact
New aluminium smelter ('KAS')	2007–2009	In full compliance with BAT Gas cleaning efficiency = 99.9%
New Smelter at Aktobe, TNC Kazchrome	2008–2012	In full compliance with BAT Emissions reduction is 2.4 times, in comparison with existing furnace
New energy capacities, EEC	2009–2012	Ash emissions reduction of up to 14 thousand tonnes per year

drop in nitrogen oxide emissions of 30%, and a reduction in dust emissions of 66%.

Water

With sites operating in the dry deserts of Kazakhstan, ENRC is mindful of water scarcity challenges. We are committed to maximising water use efficiency and minimising pollution. Water recycling is an effective way to save water and to minimise our impact on the environment. ENRC has water conservation programmes which allowed us to further increase recycling and to decrease fresh water intake.

For ENRC operations in Kazakhstan and in Russia fresh water intake is only 3% out of the total amount of water used. 59% of water is returned into natural sources, and 38% of the water is recycled.

Waste

ENRC is committed to reducing overall costs of production and reducing our environmental footprint by reducing and recycling waste produced by our operations.

In 2009 we completed the waste reduction programme for the ferroalloy production cycle at Kazchrome. Following a five year investment of US\$165 million, 14m tonnes of waste was processed, and approximately 45 hectares of land saved. At the site, 100% of newly produced slag (a by-product of smelting ore) is processed; and a programme is in place to process historical slag stored at waste land fields.

Toxics

ENRC adopted a new Chemical Policy in 2009. Our strategic approach is to develop and implement a specific Toxic Pollutants Reduction action plan. Part of this work was an inventory of Polychlorinated Biphenyls ('PCBs') and other toxic chemicals. The Republic of Kazakhstan has committed to cease utilising equipment with PCBs by 2025, and to eliminate PCBs by 2028. ENRC is working closely with the government to achieve these goals.

Biodiversity

ENRC is committed to active stewardship of biodiversity. Our strategy is to involve local stakeholders in developing and implementing specific biodiversity action plans at each site.

Looking ahead

In 2010 we will implement our new environmental strategy and strive to continuously improve our environmental performance. The strategy focuses on new investment and modernisation projects' eco-efficiency, including evaluating such aspects as energy, resource consumption and overall impact on climate change.

In 2010 we will focus on:

- Improving the transparency of environmental disclosures including development of quantitative targets for environment performance;
- Developing appropriate capacity and capabilities within the organisation and establishing levels of responsibility on HSES reporting;
- Implementing a carbon road map and action plan, and undertaking an energy efficiency study;
- Incorporating eco-efficiency indicators and assessment including GHG emissions into investment decision making; and
- Making commitments for new construction projects to achieve improvements in environmental performance and specifically in energy efficiency, taking into consideration both economic and environmental aspects.

Directors' Report

The Directors have pleasure in presenting the Annual Report and Accounts of Eurasian Natural Resources Corporation PLC (the 'Company' and, together with its subsidiaries, the 'Group') for the year ended 31 December 2009.

Principal activities

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

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 Company 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 as follows:

Chairman's Statement on pages 02 and 03
 Chief Executive's Review on pages 06 to 09
 Key Performance Indicators on pages 12 and 13
 Risk Management on pages 14 to 19
 Operating Review on pages 20 to 28
 Financial Review on pages 29 to 35
 Sustainability Review on pages 36 to 40

Dividends

The Company paid an interim dividend of 6 US cents per ordinary share (2008: 12 US cents) in October 2009. The Directors recommend a final dividend of 6 US cents per ordinary share in respect of the year ended 31 December 2009, making a total for the year of 12 US cents per ordinary share (2008: 31 US cents) payable on 16 June 2010 to shareholders on the register at the close of business on 6 April 2010. The default payment currency of the final dividend is US dollars, but registered shareholders may elect to receive their dividend in pounds sterling by notifying the Registrars before each dividend announcement.

Annual General Meeting

The 2010 Annual General Meeting ('AGM') will be held on Wednesday 9 June 2010 in London. A separate circular containing the Notice of Meeting, together with an explanation of the items of special business, is enclosed with this Annual Report.

Directors

Details of the current Directors of the Company and their biographies are set out on pages 04 to 05.

Miguel Perry stepped down as Chief Financial Officer and executive Director with effect from 30 June 2009.

On 20 August 2009, Sir David Cooksey resigned as Chairman of the Group. Dr Johannes Sittard stepped down as Chief Executive Officer of the Group and accepted the role of non-executive Chairman. Mr Felix Vulis was promoted to Executive Director and Chief Executive Officer.

On 30 September 2009, Ms Zaura Zaurbekova was appointed as an Executive Director and Chief Financial Officer.

On 6 October Mr Michael Eggleton resigned as an Independent non-executive Director to take up the position of Chief Executive Officer of Eurasian Bank, a related party.

On 26 January 2010, Professor Dr Dieter Ameling was appointed as an Independent non-executive Director.

At the forthcoming AGM, Dr Johannes Sittard, Mr Roderick Thomson and Mr Abdraman Yedilbayev, will retire by rotation in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election. All Directors are subject to election at the first Annual General Meeting after their appointment and to re-election at intervals of no more than three years in accordance with the Combined Code and the Company's Articles of Association. Mr Felix Vulis, Ms Zaura Zaurbekova and Professor Dr Dieter Ameling offer themselves for election as this is the first AGM since their appointments on 20 August 2009, 30 September 2009 and 26 January 2010 respectively.

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.

The Board believes that each Director seeking re-election is an effective member of the Board and demonstrates commitment to their respective role. Further details and biographical information can be found in the Notice of Meeting accompanying this document.

Directors' interests

The number of ordinary shares of the Company in which the Directors were beneficially interested at the date of this report is as follows:

	As at		
	12 April 2010	31 December 2009	31 December 2008
Mr Gerhard Ammann	22,222	22,222	22,222
Prof Dr Dieter Ameling	-	-	-
Mr Marat Beketayev	-	-	-
Sir David Cooksey	-	-	560,185
Mr Mehmet Dalman	112,500	212,500	92,500
Mr Michael Eggleton	-	-	-
Sir Paul Judge	-	-	-
Mr Kenneth Olisa	-	-	-
Mr Miguel Perry	-	-	601,832
Sir Richard Sykes	18,471	18,471	18,471
Dr Johannes Sittard	600,000	1,600,000	1,850,000
Mr Roderick Thomson	-	-	-
Mr Eduard Utegov	-	-	-
Mr Felix Vulis	700,000	700,000	700,000
Mr Abdraman Yedilbayev	-	-	-
Ms Zaura Zaurbekova	550,000	550,000	550,000

Share capital

As at 31 December 2009 the Company's authorised share capital was US\$400,000,000 divided into 2,000,000,000 ordinary shares of 20 US cents each. The issued share capital of the Company at 31 December 2009 was 1,287,750,000 ordinary shares of 20 US cents each. The ordinary shares are listed on the London Stock Exchange and the Kazakhstan Stock Exchange.

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, a copy of which can be obtained from the General Counsel and 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 and to exercise all voting rights and to participate in distributions of income or capital.

At the 2009 AGM shareholders authorised the Company to make market purchases of up to 128,775,000 ordinary shares (representing

Directors' Report continued

10% of the issued share capital of the Company as at 12 April 2010). 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 authority for the Company to make purchases of its own shares through the market. The Board will also be seeking authority to allot shares in the Company or rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal value of US\$25.8 million (representing 10% of the issued share capital of the Company as at 12 April 2010). The Board will also be seeking to dis-apply statutory pre-emption rights in relation to rights issues and other pre-emptive offerings and generally up to an aggregate nominal amount of US\$12.9 million (representing 5% of the issued share capital of the Company as at 12 April 2010).

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. A special resolution proposing further amendments to the Articles of Association required as a result of the implementation of the Shareholder Rights Directive that took effect on 3 August 2009 in the UK, will be proposed at the forthcoming AGM.

Conflicts of interest

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 Nomination 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. The annual review of conflicts was carried out in December 2009.

Major interests in shares

As at 31 March 2010, the following shareholders had been notified to the Company as holding major interests in shares amounting to more than 3% of the issued share capital of the Company.

	Number of voting rights	%
Kazakhmys PLC together with Kazakhmys Eurasia BV	334,824,860	26.00
Mr Chodiev	187,836,250	14.59
Mr Ibragimov ¹	150,836,250	11.71
Mr Machkevitch	187,836,250	14.59
The State Property & Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan	150,047,116	11.65

¹ Mr Ibragimov's total holdings amount to 187,836,250 shares however some are held on a discretionary basis by a fund management vehicle owned and operated by, among others, Mr Ibragimov's family. A TR1 has been received in respect of the shares notified above.

Relationship agreements

On 7 December 2007, Mr Chodiev, Mr Ibragimov and Mr 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 pages 44 to 50. As at the date of this Report, only Mr Ibragimov has exercised this right.

Employees

Detailed information about employees is disclosed in the Sustainability Review on pages 36 to 40.

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 excluding CAMEC as at 31 December 2009 was 42 days (2008: 34 days). The average creditor days outstanding as at 31 December 2009 for the Company was nil days (2008: nil days).

Post balance sheet events

Purchase of the minority shareholding in CAMEC

In 2010, the Group completed a partial buyout of minority interests in CAMEC for a cash consideration of US\$9 million. Details can be found in note 40 to the Consolidated Financial Statements on page 109.

Acquisition of Chambishi Metals and Comit Resources

On 18 February 2010, the Group announced that it had entered into a conditional agreement with International Mineral Resources BV ('IMR'), a company owned by the Founder Shareholders to acquire Enya Holdings BV ('Enya'). On 6 April 2010, the acquisition was effectively completed and control obtained by the Group. Details can be found in note 40 to the Consolidated Financial Statements on page 109.

Export Credit Facility Agreement

On 16 February 2010, the Group entered into an export credit facility agreement for the amount of €47.6 million. Details can be found in note 40 to the Consolidated Financial Statements on page 109.

Political and charitable donations

No political donations were made during the year. Sponsorship and charitable donations amounted to US\$37 million (2008: US\$31 million). During the year, the Group provided US\$30 million of its charitable financial support through ENRC Komek, a corporate foundation established in Kazakhstan during 2008. Komek is a non-commercial and charitable organisation which finances cultural, educational and other social activities in Kazakhstan. The foundation's programme aims include improvements to housing conditions, professional staff training and education, development of scientific, technical and artistic creativity, protection of public health, supporting children's homes, schools and higher education institutions, as well as environmental protection. The Group regards the provision of charitable donations as an important part of its strategy to maintain good working relationships with local authorities.

A further description of donations is in the Sustainability Review on pages 36 to 40.

Financial instruments

Details of the Group's financial risk management, objectives and policies, together with details of financial instruments are described in the Risk Management Report on pages 14 to 19 and in note 34 to the Consolidated Financial Statements on pages 100 and 104.

Significant agreements and other potential legal impediments

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 71 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 71 of the Kazakhstan Subsurface Law 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.

Structured Trade Finance Agreement: On 15 December 2006, ENRC Marketing AG entered into a Structured Trade Finance Facility with ABN AMRO Bank NV, Barclays Capital and Deutsche Bank AG Amsterdam Branch as Arrangers and Original lenders, Deutsche Bank AG Amsterdam Branch as Agent and Deutsche Bank AG Amsterdam as Security Trustee to borrow up to US\$1,000 million from a syndicate of lenders. By a Supplemental Agreement dated 12 April 2007 the Facility was increased to US\$1,480 million. If one of the following events occurs:

- i) the Founder Shareholders together no longer have Shareholder Control or Effective Control; or
- ii) a person or persons acting in concert had Effective Control or Shareholder Control or owns more shares in the relevant holding company of the Group than are held by the Founder Shareholders at the date of the Facility; or
- iii) ENRC Marketing and Kazchrome cease to be subsidiaries of the same holding company,

then any Lender may decline to fund a drawdown and any Lender may cancel its commitment under the Facility and require its portion of any outstanding loans be due and payable in full at the end of the then current interest period.

For these purposes, 'Shareholder Control' means holding directly or indirectly shares in the issued share capital of ENRC Marketing carrying the rights to exercise more than 30% of the votes exercisable at a general meeting of the shareholders of ENRC Marketing, and 'Effective Control' means the ability to give directions with respect to the operating and financial policies of a company with which the directors or equivalent officers of such company are obliged to comply (ignoring, for the avoidance of doubt, the powers of any sub-committee of the board of directors or equivalent to which the board of directors have delegated certain of their powers).

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:

- 1) so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- 2) the Director has taken all the steps that he ought to have taken as a Director to make himself 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.

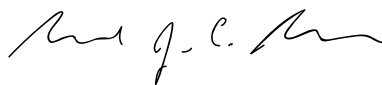
Corporate Governance

The Group's statement on Corporate Governance is included in the Corporate Governance Report on pages 44 to 50 of these financial statements.

Electronic access to ENRC publications

A copy of the 2009 Annual Report and Accounts, along with other corporate publications, reports and press releases, is available on the Company's website at www.enrc.com.

By order of the Board



Randal Barker
General Counsel and Company Secretary
12 April 2010

Corporate Governance Report

Compliance with the Combined Code

ENRC is committed to high standards of corporate governance. This report details how the Company has applied the principles and provisions of the Combined Code on Corporate Governance (the 'Code') which was published in June 2008. Throughout the year ended 31 December 2009, the Company has been in full compliance with the provisions of the Code with the exception of Provision A.2.2, which states that: 'The Chairman should on appointment meet the independence criteria set out in A.3.1. A Chief Executive should not go on to be Chairman of the same company. If exceptionally a Board decides that a Chief Executive should become Chairman, the Board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report'.

On 14 August 2009 we announced a number of Board changes which took effect on 20 August 2009. Sir David Cooksey resigned as Chairman in order to focus on his appointment as Chairman of UK Financial Investments Limited. Dr Johannes Sittard accepted the position of non-executive Chairman in his place and Felix Vulis was promoted to Executive Director and Chief Executive Officer. Sir Richard Sykes was appointed as non-executive Deputy Chairman of the Group.

The Board did consult with its major shareholders during the period leading up to the announcement on 14 August 2009. The shareholders supported the view that Dr Sittard's extensive knowledge of both ENRC and the mining industry and his successful leadership during the Company's IPO justified his elevation to Chairman and that the retention of his expertise was of significant importance in the Group's continuing success and development. As a result of this support it was not considered necessary to appoint an external search consultancy to assist with the appointment of the new Chairman.

In addition, it was agreed that Sir Richard Sykes, Senior Independent Director of the Company, should be made Deputy Chairman so as to utilise his extensive experience of UK listed companies in the metals and mining sector and provide additional support to the new Chairman and Chief Executive Officer.

Role of the Board

The Board is responsible for promoting the long-term success of the Company and ensuring that its principal goal is to enhance the Company's long-term value for the benefit of shareholders, whilst having regard to the interests of other stakeholders. At its regular meetings the Board reviews the Company's long-term strategic direction, capital expenditure and budget plans and monitors on a regular basis the Company's operating and financial performance and its approach to risk management and Corporate Governance. The Board also reviews management performance and succession planning and assesses whether the Company has the necessary resources in place to meet its objectives. The Board has established a formal schedule of matters which are reserved for its attention and which are published on the Company's website.

Board composition

During the period under review, the composition of the Board changed several times. This is shown in the table below

Period	Description of Change	Balance of Board
1 January – 31 May 2009	No change	Non-executive Chairman 2 Executive Directors 10 non-executive Directors
1 June – 30 June 2009	Resignation of Mr Miguel Perry – 30 June 2009	Non-executive Chairman 1 Executive Director 10 non-executive Directors
1 July – 31 August 2009	Resignation of Sir David Cooksey – 20 August 2009 Appointment of Dr Johannes Sittard – 20 August 2009 Appointment of Mr Felix Vulis – 20 August 2009	Non-executive Chairman 1 Executive Director 10 non-executive Directors
1 September – 30 September 2009	Appointment of Ms Zaura Zaurbekova – 30 September 2009	Non-executive Chairman 2 Executive Directors 10 non-executive Directors
1 October – 31 December 2009	Resignation of Mr Michael Eggleton – 6 October 2009	Non-executive Chairman 2 Executive Directors 9 non-executive Directors
1 January 2010 – 12 April 2010	Appointment of Professor Dr. Dieter Ameling – 26 January 2010	Non-executive Chairman 2 Executive Directors 10 non-executive Directors

The Board currently comprises, in addition to the Chairman, two Executive Directors and 10 non-executive Directors, seven of whom are independent according to the definition in the Code.

The roles of Chairman and Chief Executive Officer are clearly separated and their responsibilities have been set out in writing. The Board is chaired by Dr Johannes Sittard and he is responsible for leading the Board and ensuring it functions effectively. Mr Felix Vulis is the Chief Executive Officer and he is responsible for the operational management of the Group and the execution of the Group's strategy.

In order to further strengthen the balance of independent and non-independent Directors on the Board, the Nomination Committee decided to seek the appointment of a further independent non-executive Director and in January 2010 recommended the appointment of Professor Dr Dieter Ameling whom the Board subsequently approved.

Miguel Perry left the Company on 30 June 2009 and Ms Zaura Zaurbekova was subsequently appointed as Executive Director and Chief Financial Officer on 30 September 2009 after a period as acting Chief Financial Officer.

On 6 October 2009, Michael Eggleton resigned as a non-executive Director in order to take up the position of Chief Executive Officer of Eurasian Bank, a related party.

Mr Utepov and Mr Beketayev are representatives of The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan, and as such are not considered by the Board to be independent under the provisions of the Code.

Under the relationship agreements between the Company and each of the Founder Shareholders (as disclosed in the Directors' Report on pages 41 to 43), each of the Founder Shareholders has the right to appoint one Director to the Board, so long as his shareholder group controls 10% or more of the voting rights exercisable at general meetings of the Company. Pursuant to this right, Mr Ibragimov has appointed Mr Yedilbayev to the Board. He is not considered to be independent under the Code.

Sir Richard Sykes has been appointed as Senior Independent Director and Deputy Chairman and his principal duty in this capacity is to evaluate the performance of the Chairman and address any shareholders' concerns that have not been resolved through the normal channels of communication with the Chairman, Chief Executive Officer or Chief Financial Officer, or in cases when such communications would be inappropriate.

Details of the individuals' skills and experience are contained within the Directors' biographies on pages 04 and 05.

Directors' attendance at Board and Committee Meetings during 2009

During 2009 there were eight formal scheduled Board meetings. The attendance of individual Directors at these Board meetings and the Board Committee meetings is shown in the table below:

	Independent	Scheduled Board Meetings Attended 2009	Audit Committee	Remuneration Committee	Nomination Committee	HSES Committee	M&A Committee
Gerhard Ammann	Yes	8/8	5/5		12/12		
Marat Beketayev	No	7/8			2/2		1/1
Sir David Cooksey ⁴	Yes	5/5			9/9		
Mehmet Dalman	Yes	8/8		9/9	10/10		1/1
Michael Eggleton ⁵	Yes	6/6	4/4		10/10		
Sir Paul Judge	Yes	8/8	5/5	8/9	10/10		
Kenneth Olisa	Yes	7/8	4/5	8/9	8/10		
Miguel Perry ³	No	4/4					
Dr Johannes Sittard	No	8/8			2/2	2/2	
Sir Richard Sykes	Yes	8/8		9/9	11/12		1/1
Roderick Thomson	Yes	8/8	5/5		11/12		
Eduard Utepov	No	6/8				1/2	
Felix Vulis ¹	No	3/3				2/2	
Abdraman Yedilbayev	No	8/8				2/2	
Zaura Zaurbekova ²	No	2/2					

Ten ad hoc meetings of the Board were also held throughout the year to approve matters such as the Preliminary and Interim Results announcements and the approval of the Annual Report and Accounts 2008.

- 1 Felix Vulis appointed on 20 August 2009.
- 2 Zaura Zaurbekova appointed on 30 September 2009.
- 3 Miguel Perry resigned 30 June 2009.
- 4 Sir David Cooksey resigned 20 August 2009.
- 5 Michael Eggleton resigned 6 October 2009.

Board responsibility and accountability

The Board is provided with regular, timely and relevant information in a form that enables it to discharge its duties. Board papers are generally distributed five days in advance of meetings to enable Directors to obtain a thorough understanding of the matters to be discussed. The Board also holds at least one formal meeting per year in Kazakhstan to enable Directors to gain a greater understanding of the Group's operating environment. In September 2009, the Board held a Board meeting in Astana. Whilst there, they visited Shubarkol Komir, Kazmarganets and Zhairam GOK open cast mines. Following the acquisition of CAMEC in November 2009, it is anticipated that the Board will also hold one of its annual meetings in Africa.

All Directors have access to the advice and services of the General Counsel and Company Secretary, who is responsible for advising the Board on corporate governance matters and ensuring that Board procedures and applicable laws and regulations are followed. The General Counsel and Company Secretary provides regular updates to the Board on the legal and regulatory environment and is responsible for ensuring that any other training needs are identified and met. The Company ensures that related party transactions are identified, disclosed and managed and a regular report is presented to the Board for approval. All Directors declare their interests in other businesses on appointment to the Board and a review of situational conflicts is carried out annually. On appointment, Directors are provided with adequate information to ensure that they fully understand the business of the Group and their legal and regulatory responsibilities as a Director of the Company. The appointment and removal of the General Counsel and Company Secretary is a matter for the Board.

Corporate Governance Report continued

The Board has put in place a procedure whereby all Directors have access, through the General Counsel and Company Secretary, to independent professional advice at the expense of the Company. The Company also maintains an appropriate level of Directors' and Officers' liability insurance. An indemnity 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 Directors' and Officers' liability insurance does not afford protection.

Board evaluation

In 2008 an external consultant was appointed to carry out the first annual Board Evaluation. In 2009 the decision was taken to conduct the annual Board evaluation process internally via the use of online questionnaires. Each Director was asked to complete detailed questionnaires about the Board, the Board Committees of which they were a member at the time of the evaluation and their personal assessment of Directors' individual contributions. The results and any comments were amalgamated into a single report which was then discussed collectively by the Board.

The Board was satisfied that progress had been made and that the Board had worked well together over the course of the year. Areas of additional focus were identified and these will be addressed during 2010. These include furthering the Board's knowledge of operating environments as the Group expands globally, particularly Sub-Saharan Africa, as well as increased focus on corporate strategy.

The non-executive Directors, led by Sir Richard Sykes as Senior Independent Director, would ordinarily have carried out an evaluation of the Chairman. However, in light of Dr Johannes Sittard's recent appointment as Chairman, it was decided that a full review of his performance would be carried out during the next evaluation process.

Re-election of Directors

Under the current Articles of Association, a minimum of one-third of the Directors retire by rotation each year. This ensures that each Director is re-elected at least every three years. Dr Johannes Sittard, Mr Roderick Thomson and Mr Abdraman Yedilbayev will be offering themselves for re-election at the forthcoming AGM.

Additionally, those Directors appointed by the Board since the AGM held in June 2009 are required to be formally elected for the first time by the shareholders in general meeting. Accordingly, Professor Dieter Ameling, Mr Felix Vulis and Ms Zaure Zaurbekova will all offer themselves for election at the AGM to be held in June 2010.

The Board remains satisfied that each Director proposed for election and re-election is competent to carry out his or her responsibilities as a member of the Board.

Board Committees

The Board has established five principal Committees. During September 2009, the Nomination Committee undertook a review of the membership of all the Board Committees and made a number of recommendations to the Board. As a result of this, the membership of the Audit and Remuneration Committees was unchanged but changes were made to the membership of the Nomination and HSES Committees. In addition, the Nomination Committee recommended and the Board approved the formation of a new Mergers and Acquisitions Committee.

Audit Committee	Remuneration Committee	Nomination Committee	Health, Safety, Environment & Sustainability Committee	Mergers & Acquisitions Committee
Gerhard Ammann Sir Paul Judge Kenneth Olisa Roderick Thomson	Sir Richard Sykes Mehmet Dalman Sir Paul Judge Kenneth Olisa	Gerhard Ammann Marat Beketayev Sir Richard Sykes Dr Johannes Sittard Roderick Thomson	Felix Vulis Professor Dr Dieter Ameling Dr Johannes Sittard Eduard Utepov Abdraman Yedilbayev	Mehmet Dalman Marat Beketayev Professor Dr Dieter Ameling Sir Richard Sykes

Audit Committee

The Audit Committee is chaired by Mr Gerhard Ammann, who is considered to have recent and relevant financial experience. The other members of the Audit Committee are Sir Paul Judge, Mr Kenneth Olisa and Mr Roderick Thomson, all of whom are independent non-executive Directors. Each member is considered to have extensive commercial and business leadership experience.

Under its terms of reference, which are available on the Company's website, the Audit Committee is required to meet at least four times a year at appropriate times in the reporting and audit cycle. Meetings are timed so as to enable the Committee to review the Group's key financial announcements prior to release. The Audit Committee Chairman provides a verbal update on the Committee findings and recommendations at the next Board meeting, identifying any matters in respect of which action or improvement is required.

Invitations to attend Audit Committee meetings are extended to the Chief Financial Officer, the Head of Internal Audit, the General Counsel and Company Secretary, Chief Executive Officer and the Chairman, none of whom attend by right. In addition, the external auditors attend each Committee meeting and also meet separately with the Committee to facilitate discussions without the presence of management.

The primary responsibilities of the Audit Committee include the following:

- to monitor the integrity of the Company's financial reporting;
- to review the Group's internal control and risk management systems;
- to monitor the effectiveness of the Group's internal audit function; and
- to oversee the relationship with the Group's external auditors.

Committee activities

The Committee met five times during 2009. During the year the Committee considered the following issues:

- Company's Preliminary and Interim Results announcements, financial statements and the Annual Report and Accounts.
- Received regular reports from the internal audit function and the external auditors.
- Completed an annual review of internal control.
- Considered areas of high risk and were provided with updates relating to compliance and risk management reporting frameworks.
- Implemented a revised procurement policy, purchasing policy and procedure framework.
- Received regular updates detailing the net risk assessment of the Group and a summary of inherent risk matrices.
- Reviewed Project Arrow: a Business Transformation Programme which includes the design and implementation of new processes and the necessary IT systems.
- Reviewed financial reporting procedures to be operated by the Group.

External audit

The overall performance of the external auditors is reviewed annually by the Audit Committee. 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 PricewaterhouseCoopers LLP, as external auditors, are adequately resourced so as to enable the delivery of an objective audit to the shareholders. The Audit Committee is also responsible for making formal recommendations each year to the Board in respect of the continuation of the external auditors in office. PricewaterhouseCoopers LLP have been the Company's auditors since before it was listed on the London Stock Exchange in December 2007. The Audit Committee remains satisfied with their effectiveness and independence. Accordingly, the Committee has not considered it necessary to date, to require the firm to tender for its audit work. The external auditors are required to rotate the audit partner responsible for the Group and subsidiary audits every five years and the current lead partner has been in place for three years.

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 external auditors are precluded from engaging in non-audit services that would compromise their independence and objectivity or violate any laws or regulations affecting their appointment as external auditors.

Internal Audit

The Head of Internal Audit reports to the Audit Committee at each of its meetings and provides assurance, independent of the assurance provided by the Chief Financial Officer, that control activities, which have been subject to audit by his team, are operating effectively.

The implementation of an Internal Audit Charter, approved by the Committee in December 2008, has improved the effectiveness and efficiency of the Group's operations. The basis of the Internal Audit

Charter states that the Head of Internal Audit is accountable to the Audit Committee and is to provide Group management with the following:

- An independent, objective, positive assurance on effectiveness of internal controls in mitigating inherent risks of audited processes or significant projects or initiatives.
- To provide value-adding consulting services to the ENRC Group management designed to improve the effectiveness and efficiency of the Group's operations, and to safeguard both the assets and the integrity of the Group.

Whistleblowing

The whistleblowing policy enables employees to raise any concerns they may have about workplace fraud or mismanagement with local management on a confidential basis. The complaint is then investigated in the first instance and a decision taken about further steps. Feedback is provided to the person making the complaint. Written records are kept of all whistleblowing incidents and a regular status report is presented at each Board meeting.

Health, Safety, Environment & Sustainability Committee (HSES Committee)

Following a review by the Board in September 2009, it was agreed that Mr Felix Vulis should become Chairman of the Committee following his appointment as CEO of the Group. Up until then the HSES Committee had been chaired by Dr Johannes Sittard. Dr Sittard remains a member of the Committee. The other members are Mr Abdraman Yedilbayev and Mr Eduard Utepov who are both non-executive Directors of the Company and Professor Dr Dieter Ameling an independent non-executive Director who was appointed to the Committee on 19 March 2010.

The role of the HSES Committee is to assist the Board in its oversight of the following:

- health, safety, environment and community risks;
- the Group's compliance with applicable legal and regulatory requirements associated with health, safety, environment and community matters;
- the Group's performance in relation to health, safety, environment and community impact and monitoring sustainable development; and
- the preparation of a report by the Committee to be included in the Annual Report.

Further details of the work of the HSES Committee are set out in the Sustainability Review on pages 36 to 40.

Nomination Committee

The Nomination Committee was chaired by Sir David Cooksey until his resignation as Chairman of the Company in August 2009. The Board appointed Dr Johannes Sittard as Chairman of the Committee in September 2009. At that time the Board reviewed the Committee membership and decided that in order to achieve a more effective Committee, the number of members be reduced. The other Committee members are Mr Gerhard Ammann, Sir Richard Sykes, Mr Roderick Thomson, and Mr Marat Beketayev.

The role of the Nomination Committee is as follows:

- reviewing the size, structure and composition of the Board, taking into account the skills, knowledge and experience of Directors and for recommending to the Board any new candidates; and
- giving full consideration as to whether non-executive Directors have sufficient time to devote to the proper performance of their duties and make recommendations in relation to the retirement and re-election of Directors at the Company's AGM and succession planning.

Corporate Governance Report continued

In addition, the Committee has assumed day to day responsibility for monitoring Directors' conflicts of interest or potential conflicts of interest in accordance with the Companies Act 2006. The Committee carried out an annual review of situational conflicts which was presented to the Board. As a result of this review, a number of additional situational conflicts were approved by the Board.

The Committee is required to meet at least twice a year and during 2009 it met 12 times. The majority of these meetings were to consider and make recommendations in respect of the various Board changes and succession planning as part of the process. The Committee considered both internal and external candidates with relevant knowledge of the mining industry or experience of working in emerging markets. The Committee's terms of reference are available on the Company's website.

Remuneration Committee

The Remuneration Committee is chaired by Sir Richard Sykes and the other members are Mr Mehmet Dalman, Sir Paul Judge and Mr Kenneth Olisa all of whom are independent non-executive Directors. The Company complies with the Code recommendations regarding membership of the Remuneration Committee. The Committee's terms of reference are available on the Company's website.

The main roles of the Remuneration Committee are as follows:

- to determine and recommend to the Board the broad policy for the remuneration of Executive Directors and members of the senior management team;
- to determine the policy and scope for pension rights for each Executive Director;
- approve the design of any performance-related pay schemes operated by the Group and determine the relevant performance targets as well as approving annual payments made under such schemes;
- to review the design of any share incentive plans for approval by the Board and shareholders and to determine the performance targets and the appropriate level of annual awards to be made; and
- to ensure that any compensation payments made in respect of termination of contracts are fair to the individual but do not reward failure and that the duty to mitigate loss is fully recognised.

The remuneration of the Chairman and non-executive Directors is a matter for decision by the full Board.

During 2009 the Remuneration Committee met nine times. The Committee met:

- to approve the bonus payments awarded in respect of performance in 2008;
- to determine and approve the performance targets for bonus arrangements in respect of 2009; and
- to determine the performance targets for the Long Term Incentive Plan and to approve the awards made under the Plan in April 2009.

As a result of the changes made at Board level, the Committee also considered a number of issues in relation to remuneration, including the approval of termination payments and early settlement of LTIP awards made to Dr Sittard and Miguel Perry. The Committee also considered and recommended the remuneration packages offered to Felix Vulis and Zaura Zaurbekova as new Executive Directors.

Further details are included in the Directors' Remuneration Report, which is set out on pages 51 to 55. A resolution to approve the Remuneration Report will be proposed at the forthcoming AGM.

Mergers and Acquisitions Committee

The Board decided in September 2009 that a Mergers and Acquisitions Committee should be formed to consider and scrutinise mergers and acquisition opportunities which may be of benefit to the Group. It is chaired by Mr Mehmet Dalman. The other members are Sir Richard Sykes, Mr Marat Beketayev and Professor Dr Dieter Ameling who was appointed to the Committee on 19 March 2010.

The main roles of the Committee are as follows:

- to review and discuss with management all necessary due diligence on prospective mergers and acquisition projects;
- to receive detailed analysis of prospective mergers and acquisitions projects;
- to oversee the post-acquisition integration of target acquisitions; and
- to oversee the structuring and implementation of mergers and acquisitions projects.

The Mergers and Acquisitions Committee meets on an ad hoc basis, as and when required. The Committee's terms of reference are available on the Company's website.

The Group's approach to Risk Assessment, Management and Internal Control

The Board is responsible for the Group's approach to Risk Management as described in the Risk Management section on pages 14 to 19.

Risk assessment

A systematic assessment of the risks which may adversely affect the achievement of the Group's objectives operates throughout the Group. Management review the Key Business Risk Assessment on a regular basis which included a formal review in July 2009. The risk assessment was further reviewed by senior management as part of the process of producing this Annual Report and Accounts. Reports on Risk Management have been provided to the Audit Committee at each meeting during 2009. As part of the risk assessment process the Group has consistently adopted the following approach:

Management considers risks to the Group under the headings of:

- Strategic Objectives – these relate to the Group's long-term business objectives.
- Operational Objectives – these relate to the effectiveness and efficiency of the Group's operations, including performance and profitability goals and safeguarding resources against loss.
- Compliance Objectives – these relate to the adherence of laws and regulations to which Group companies are subject; and
- Financial Objectives – these relate to the financial status of the Group and Group companies and their arrangements for financial reporting, including the prevention of fraudulent public financial reporting.

This approach considers the potential impact of each risk and the likelihood of the risk materialising at an 'inherent' level, i.e., before considering any controls which may be in place to manage or mitigate the risk.

Response to key business risks

The output of each risk assessment meeting of management is an updated list of Key Business Risks which are those risks which have a high overall risk rating and therefore most critically require an appropriate response; this requires control procedures to be implemented to manage or mitigate those risks to a level which is consistent with the Group's overall risk appetite.

The Group Risk Manager coordinates the process of responding to Key Business Risks and reports on these matters to the Chief Financial Officer and the Audit Committee. Each significant Group Company has appointed a Business Risk Manager to be the principal point of contact on matters of risk and control within that business. ENRC Africa will appoint a Business Risk Manager during 2010. BML, the Group's Joint Venture, has not appointed a Business Risk Manager at this stage in its development.

A list of the Key Business Risks arising from the assessment process, and the responses to those risks, is maintained by the Business Risk Managers. The Group risk matrices are tabled annually for review and adoption by the Audit Committee and the Committee receives quarterly reports on the risk management activities.

Evolution of the Group's approach to risk management

During 2009 the Group has continued to develop its approach to Risk Management and Internal Control. We have further strengthened the Group's Risk Management team by the appointment of a Risk Manager in ENRC Management KZ to be responsible for monitoring the roll out of the Risk Management policy across all Kazakhstani and Russian operations.

The Group's Key Business Risks were further sub-analysed by management into those risks which were High Manageability, i.e. direct action by management is able to significantly reduce the potential impact of the risk arising, and Low Manageability, where management action is usually limited to monitoring external events. The Audit Committee agreed that management should concentrate on High Manageability risks during 2009 and 2010.

Independent consultants performed an assessment of our operational risk management procedures for the Kazakhstani and Russian businesses, and during 2010 plants will implement the recommendations which were raised by this review. A semi-annual monitoring of the implementation of these recommendations will be completed by the Group's Risk Management team.

We engaged external consultants to assist us in the production of a detailed analysis of risks, including documentation of a detailed description of each risk and the development of Risk Action plans for High Manageability Key Business Risks.

Management also re-designed the Risk Reporting framework, based on industry best practice, and this now clearly defines and formalises roles and responsibilities for risk reporting within the Group. The Risk Reporting framework will be implemented across the Group during 2010.

The plan for further development in 2010 includes:

- regular monitoring of the implementation of Risk Action plans;
- the development of Key Risk Indicators to facilitate more effective monitoring and analysis of risks which have materialised;
- quarterly monitoring of risk assessment;
- regular reporting to management on the implementation of Risk Action plans; and
- regular Risk Reporting to the Audit Committee.

Assurance on the operation of systems of internal control

The Board considers risk assessment and internal control to be fundamental to achieving the Group's business objectives and has put in place an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process, which is consistent with the Turnbull guidance in the Combined Code, has been in place during the year under review and has continued up to the date of approval of the Annual Report and Accounts.

The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable assurance against the risk of material misstatement or loss.

Key elements of the internal control process are as follows:

- The Board regularly reviews and updates the Group's strategy and those of its operating companies.
- The Board reviews performance through a monthly system of reporting, measured against an annual budget, supplemented by quarterly business reviews of actual results.
- The Board seeks assurance that effective control is being maintained and deficiencies addressed through regular reports from the Audit Committee.

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 – the way in which management communicates principles and policies, delegates authority and reports on compliance;
- Risk Management – the way in which management identifies the critical risks and decides on the most effective response to those risks;
- Control Activities – the way in which management uses preventative and detective controls to minimise the risk of error; and
- Monitoring – the way in which management oversees the above activities.

Control environment

The Group's Code of Conduct has been presented throughout the Group to key members of management and is the subject of annual confirmation on compliance from the management of all significant Group companies. New employees are provided with a copy of the code as part of their induction to the Group.

The Group's Accounting Methodology Manager ('AMM') is responsible, on the basis of delegated authority from the Chief Financial Officer, for designing and communicating accounting policies, practices and procedures to all Group companies, working closely with the Group's Corporate Reporting Group ('CRG'). The AMM also provides technical interpretation and advice to members of the Group's finance teams. A Group Finance Manual was approved by the Audit Committee in December 2008 and circulated to all the Group's finance teams. Updates to the manual are issued whenever it is necessary.

CRG issue a monthly set of instructions and timetable for the completion of internal financial reporting forms including the requirement to follow up on any issues which were identified during the closure of the previous period. The accuracy and timeliness of receipt of those forms is monitored by the Systems Support Manager ('SSM'). CRG also host a monthly teleconference of Group finance teams to discuss and resolve financial reporting issues immediately prior to each month-end.

The consolidation of financial performance and assets and liabilities is performed on a software system which has appropriate access controls and which is maintained by a Systems Support team who are independent of the teams inputting and reviewing data. All significant movements and unusual items in data which is submitted are reviewed by a senior member of CRG. Key consolidation journals relating to data submitted by Group companies are reviewed within

Corporate Governance Report continued

CRG in accordance with their significance. A reconciliation and analysis of consolidation journals is reviewed by the Group Financial Controller. Consolidated Profitability and Net Assets are reconciled back to original data inputs.

Internal financial reports are produced monthly by CRG and the Budget and Analysis team ('B&A') and reviewed by senior members of the Group finance team and then distributed to management and the Board.

B&A produce quarterly instructions and a timetable to be followed by Group companies in the preparation of quarterly forecasts and the annual budget. B&A monitor compliance with the instructions and timetable and follow up any cases of non-compliance.

Risk management

As part of the Group's overall approach to Risk Management the risks relating to Financial Reporting are identified and ownership of these risks is taken by the Chief Financial Officer. A subsequent Risk action plan is prepared to ensure that there are adequate controls in place to manage the risks.

Control activities

The Risk action plan for risks relating to Financial Reporting is designed to identify the control activities which need to take place in different parts of the Group to minimise the risk of error in the Group's internal and external financial reports. Responsibility for the implementation of these control activities is documented and communicated to relevant members of finance teams. All members of finance teams receive appropriate training, including updates whenever there are any significant proposed changes in procedures.

Monitoring

Senior members of finance teams are delegated responsibility for monitoring compliance with the instructions issued by CRG and B&A and for ensuring that Control Activities are effectively implemented. Any cases of non-compliance are identified and escalated for resolution.

Approach to the annual review of internal control

For 2009 the Group continued to improve the process for reviewing the systems of Internal Control and reviewed the existing key controls which were managing the Group's High Manageability Key Business Risks. The basis of the review for 2009 included:

- An assessment of the results of Internal Audit reviews of High Manageability Key Business Risks where Internal Audit had performed testing in 2009; and
- Controls over Financial Reporting and Consolidation were reviewed in the context of coverage from reviews by external advisors.

As CAMEC was only purchased in November 2009, the Group is in the process of doing further work to assess the control environment in, and rolling out risk management policies to, the acquired companies. This further work is supplemental to the pre-acquisition due diligence work that was conducted.

For key controls relating to High Manageability Key Business Risks which were not covered by Internal Audit or external advisor's reviews, the Risk Management team performed walkthrough tests to see whether the control is in place and is in compliance with required policies and procedures.

The conclusions arising from the 2009 Annual Review of Internal Control were that:

- The Group has adopted a range of policies and procedures which constitute the Group's systems of Internal Control and these policies and procedures are being effectively operated within the Group's businesses but there needs to be a greater level of consistency within these policies and procedures across the Group;
- The Group needs to adopt a more effective approach by management to the monitoring of compliance with the Group's policies and procedures; and
- During 2010 the Group intends to reinforce the policies and procedures which have already been adopted and to roll out a set of consistent policies throughout the Group, including non-Kazakhstan operations, BML, the Group's Joint Venture, and the recently acquired businesses.

The Audit Committee has reviewed a report from the Chief Financial Officer setting out the contents and findings of the above approach which explains the basis on which she has obtained assurance as to the operation of the Group's systems of internal controls.

Relations with shareholders

During 2009 the Group met with a large number of investors in the United Kingdom, continental Europe and the United States of America.

As part of its investor relations programme, the Group aims to provide a high level of transparency and communication to investors and analysts on a regular and 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 to understand their sentiments and concerns. The Group has a comprehensive investor relations website which has up to date information available to all shareholders and investors. All shareholders have the opportunity to attend and raise questions at the Company's Annual General Meeting.

The Group aspires to have an investor relations programme that is ranked highly amongst its peers for its accessibility, responsiveness and disclosure. The Chief Executive Officer and Chief Financial Officer aim to meet all major shareholders at least twice a year and, with other senior management, to meet with a wide range of shareholders and prospective investors in the United Kingdom, continental Europe, Russia and the United States of America during the year. These discussions will focus on the results and businesses of the Group but will also seek to learn of any concerns amongst investors. The Group will also seek to meet with sell-side analysts to raise the Group's profile and to build the research coverage.

Information on investor relations activity and analysts' and brokers' reports are regularly circulated to the Board. The Chairman and non-executive Directors are free to attend investor relations meetings or to request meetings with investors or analysts independent of the Group's management.

The third Annual General Meeting is due to be held on 9 June 2010 and the Board welcomes the opportunity to answer questions put forward to them by shareholders of the Company.

Going concern

After making enquiries, the Directors have reasonable expectations that the Company and the Group have 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

Introduction

As required by Section 420 of the Companies Act 2006, the Directors present their report on Directors' remuneration for the year ended 31 December 2009.

Role of the Remuneration Committee

The Remuneration Committee is a formal committee of the Board. Its remit is set out in terms of reference formally adopted by the Board in 2007 and which were reviewed and amended in December 2009. The terms of reference are designed to enable the Committee to comply with the requirements relating to remuneration policy set out in the Code. A copy of the terms of reference can be found on the Company's website.

The principal responsibilities of the Remuneration Committee are:

- To determine and recommend to the Board a broad framework for the remuneration of the Executive Directors, the Chairman, the General Counsel and Company Secretary and other senior executives of the Group;
- To monitor the effectiveness 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 during the year.

Membership of the Remuneration Committee

The members of the Committee, all of whom are independent non-executive Directors and were appointed on 6 December 2007, are as follows:

- Sir Richard Sykes (Chairman)
- Mehmet Dalman
- Sir Paul Judge
- Kenneth Olisa

The General Counsel and Company Secretary acts as Secretary to the Committee. The Chief Executive Officer and the Head of Human Resources also attend Committee meetings by invitation, but none is present when the Committee discusses issues relating to their own remuneration.

Advisors to the Remuneration Committee

During the year, Kepler Associates were retained by the Committee to carry out a review of the senior executive remuneration and to provide advice in relation to the Long Term Incentive Plan ('LTIP'). Other than as described above, no other service was provided by Kepler Associates to the Group during the year.

Remuneration policy

The Group's remuneration policy is focused upon providing a level of remuneration which attracts, retains and motivates Directors and senior executives of sufficient calibre to achieve the Group's strategic goals and enhance shareholder value, whilst ensuring that remuneration is consistent with best practice and provides an appropriate alignment with personal and business performance. The Committee recognises that there is a competitive market for successful executives with experience in the mining industry and that the provision of appropriate rewards for superior performance is important for the continued growth of the business. The Committee's aim in formulating remuneration policy is to assess relevant benchmark data from sources such as other FTSE 100 companies of a similar size and complexity, international mining companies and the market generally. In setting remuneration within this framework, the Committee aims to give senior executives every

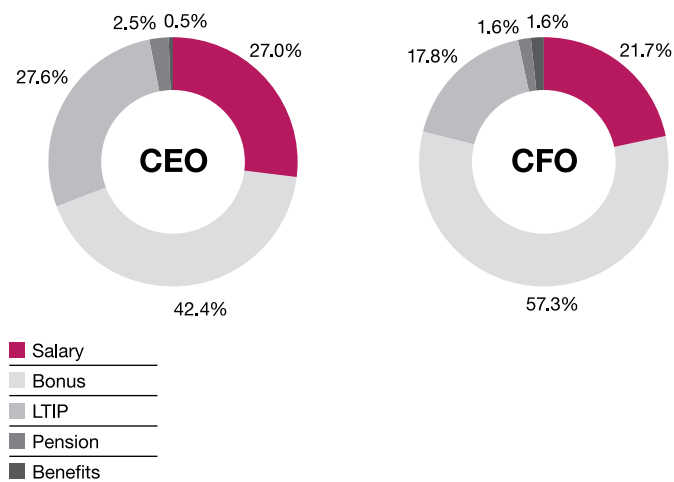
encouragement to enhance the Group's performance whilst ensuring that they are fairly, but responsibly, rewarded for their personal contributions.

As a result of the economic downturn and its impact on our operations in Kazakhstan, it was agreed in January 2009 that both Executive Directors and all Executive Committee members would accept a temporary 10% reduction in their remuneration for a period of six months, ending 30 June 2009.

The Committee believes that it is important to benchmark the remuneration packages of senior executives, particularly during periods of economic turmoil. Accordingly, at the beginning of 2009, the Committee instructed Kepler Associates to carry out a full review of senior executive remuneration packages. As a consequence of this review, the Committee decided to make some changes for 2009 to the Annual Performance Bonus as disclosed in the relevant section below.

Components of Executive Directors' remuneration

Remuneration packages are structured to provide an appropriate balance between fixed and variable elements. The main components of the two Executive Directors' remuneration and the percentage of each element as part of the total package are detailed below.



These charts have been calculated on amounts paid as CEO and CFO; the LTIP award value is however a pro rata amount to cover their time in their respective roles as CEO and CFO. The LTIPs were granted earlier in the year based on their senior management roles and not Executive Director roles. In the future the LTIP amount is likely to form a greater proportion of total remuneration as the maximum award for CEO is 200% of salary and the maximum award for CFO is 175% of salary. Maximum awards for senior managers are 100% of salary.

Base salary

Base salaries are reviewed annually by the Committee and take account of the relevant benchmark data (as described above), pay quantum and structure more generally throughout the Group.

Annual bonus

For the year ended 31 December 2009, the performance measures for the annual bonus arrangements were amended slightly so that they were based on Group financial performance (75% of bonus potential), health and safety performance (15% of bonus potential) and personal performance (10% of bonus potential).

Specific financial targets have not been disclosed as they are considered to be commercially confidential but they are deemed to be appropriately challenging by the Committee and will only pay out in full for exceptional performance.

Remuneration Report continued

The maximum bonus potential for 2009, payable for exceptional levels of performance, was set at 200% of base salary for the Chief Executive Officer and 175% of base salary for the Chief Financial Officer. Half of the maximum bonus potential was payable at target performance levels. Details of the actual amounts paid for 2009 are set out in the Directors' emoluments table on page 53.

Long Term Incentive Plan ('LTIP')

The LTIP allows the Committee to make awards which are a conditional right to receive shares in the Company for nil consideration. Annual awards may not exceed an amount equal to two times base salary. An award will normally vest (i.e become exercisable) on the third anniversary of its grant to the extent that the applicable performance conditions have been satisfied.

The extent to which awards may vest will be subject to the Company's total shareholder return ('TSR') performance over a three year period relative to the TSR performance of a specified comparator group of companies. These share awards will vest in full only if the Company's TSR performance is ranked at upper quartile or above within the comparator group and the following vesting schedule will apply:

TSR	Proportion of LTIP award exercisable
Below median	Nil
Median	25%
Median to upper quartile	Pro rata between 25%–100%
Upper quartile	100%

The TSR comparator group are:

BHP Billiton	Rio Tinto
Xstrata	Alcoa
Freeport-McMoRan Copper & Gold	Teck Cominco
Vedanta Resources	Mount Gibson
Antofagasta	Cameco
Kazakhmys	Peabody Energy
Fortescue Metals	Cliffs Natural Resources
Vale SA	Group Mexico
Ferrexpo	Aluminium Corp of China
Mitsubishi Materials Corp	Outokumpo OYJ

The performance condition for all awards under the LTIP provides for the exclusion from the comparator group of those companies that cease to be listed and the exclusion of those companies that have been subject to a recommended takeover offer and are therefore in the process of delisting. Where companies are excluded from the comparator group, the median/upper quartile rankings are recalculated using the reduced number of companies in the comparator group.

Although there has been a reduction in the number of comparator companies from 22 to 20, the Committee still views them as effective comparators. The comparator companies that were removed were Portland which was acquired by Cleveland Cliffs Inc (now known as Cliffs Natural Resources) on 11 December 2008 and Aricom which was acquired by Peter Hambro on 22 April 2009.

In addition to the above, the awards will not vest unless the Remuneration Committee is satisfied that the Company's TSR over the performance period reflects the underlying financial performance of the Group.

The Committee considers that TSR remains the most appropriate measure of long-term Company performance, providing alignment of interests between management and shareholders, and therefore the 2010 LTIP awards will be subject to the same performance condition.

In 2009, the maximum level of award under the LTIP was set at 200% of base salary for the Chief Executive Officer, based on the average market value of the shares over the five days preceding the date of grant.

As announced on 25 March 2009, Miguel Perry decided to step down as CFO of the Group with effect from 30 June 2009. Accordingly, no LTIP award was made to him in April 2009.

Long Term Incentive Plan

Director	Share awards held at 1 January 2009	Share awards granted during the year ¹	Share awards settled during the year	Share awards forfeited during the year	Share awards held at 31 December 2009
Dr Johannes Sittard	249,792	546,548	167,815	628,525	–
Miguel Perry	74,938	–	20,060	54,878	–
Felix Vulis	66,005	192,455	–	–	258,460
Zaure Zaurbekova	35,437	96,921	–	–	132,358

¹ The average market value of the Company's ordinary shares over the five days preceding the date of grant was £5.49.

Pensions and benefits

Both Executive Directors are members of the ENRC Personal Pension Plan, a defined contribution pension scheme. An employer contribution of 10% of base salary is made to the Plan on behalf of each Executive Director, subject to the UK Government's annual cap on such contributions.

Benefits comprise life assurance, private healthcare, travel insurance and income protection insurance. Both Executive Directors also received cash for relocation and housing expenses. The taxable value of these benefits is included in the emoluments table below.

Directors' remuneration for the period 1 January 2009 to 31 December 2009

The following table gives details of Directors' remuneration for the period 1 January to 31 December 2009:

Stated in £'000 sterling	Base salary and fees	Annual performance bonus	Value of LTIP award	Benefits in kind	Pension contributions	Total 2009	Total 2008
Executive Directors							
Dr Johannes Sittard ^{1†}	1,075	–	3,000	19	100	4,187	5,925
Felix Vulis ^{2*}	376	626	1,056	46	34	2,138	–
Zaure Zaurbekova ^{3*}	163	247	532	51	17	1,010	–
Miguel Perry ^{4†}	311	–	–	5	30	346	2,173
Non-executive Directors							
Dr Johannes Sittard ^{1*}	160	–	–	–	–	160	–
Sir David Cooksey ^{5†}	319	–	–	–	–	319	500
Gerhard Ammann	120	–	–	–	–	120	120
Marat Beketayev	100	–	–	–	–	100	84
Mehmet Dalman	100	–	–	–	–	100	100
Michael Eggleton ^{6†}	75	–	–	–	–	75	100
Sir Paul Judge	100	–	–	–	–	100	100
Kenneth Olisa	100	–	–	–	–	100	100
Sir Richard Sykes	250	–	–	–	–	250	250
Roderick Thomson	100	–	–	–	–	100	100
Eduard Utepov	100	–	–	–	–	100	100
Abdraman Yedilbayev	100	–	–	–	–	100	100
Daulet Yerghozin	–	–	–	–	–	–	16
Total	3,549	873	4,588	121	181	9,305	9,768

* Figures in table are shown from date of appointment.

† Figures in table are shown until date of resignation.

1 Dr Johannes Sittard resigned as CEO and was appointed as non-executive Chairman on 20 August 2009.

2 Felix Vulis was appointed as an Executive Director on 20 August 2009.

3 Zaure Zaurbekova was appointed as an Executive Director on 30 September 2009.

4 Miguel Perry resigned as an Executive Director 30 June 2009.

5 Sir David Cooksey resigned as non-executive Chairman on 20 August 2009.

6 Michael Eggleton resigned as non-executive Director on 6 October 2009.

On 30 June 2009, Miguel Perry stepped down as Chief Financial Officer and as a Director of the Company. Under the terms of his service agreement, he was entitled to receive a payment in lieu of notice of 12 months' salary. He was paid a termination sum of £670,000 to take account of his contractual entitlements and by way of compensation for loss of office in return for entering into a compromise agreement with the Company. In addition, Mr Perry had in 2008 been granted an award under the LTIP. Under the Rules of the Plan, the Remuneration Committee were permitted to exercise their discretion in deciding whether to release any shares to Mr Perry as an early leaver. The Remuneration Committee assessed the performance condition within the Plan to the date of termination of Mr Perry's employment and the time served since the award was made and approved the release of 20,060 shares. This equated to a cash equivalent payment of £186,347 in lieu of a transfer of shares.

On 20 August 2009, Sir David Cooksey stepped down as non-executive Chairman of the Board and Dr Johannes Sittard accepted the position of Chairman. In March 2009, Dr Johannes Sittard had entered into a new service agreement as Chief Executive Officer. Under this service agreement he was entitled to a payment in lieu of notice of 12 months' salary in the event that his contract was terminated by the Company. After consultation with the Company's major shareholders it was agreed that Dr Johannes Sittard was the preferred choice to become non-executive Chairman following Sir David Cooksey's departure. As a result, his service agreement was terminated and it was agreed that a mitigated payment of £1,000,000 would be paid to him in lieu of notice.

In addition, Dr Johannes Sittard had in 2008 and 2009 been granted awards made under the LTIP. The Remuneration Committee were permitted to exercise their discretion as to the release of shares to Dr Sittard as an early leaver. The Committee assessed the performance condition within the Plan to the date of termination of Dr Sittard's employment and the time served since the awards were made and subsequently approved the release of 107,087 shares from the 2008 award and 60,728 shares from the 2009 award. The Committee also determined that a cash payment would be made to Dr Sittard in lieu of a transfer of these shares. As the Company was, during the remainder of the financial year, in a prohibited period under the UKLA's Model Code on share dealings, the Rules of the Plan provided that no transfer of shares (or, as a result, payment in lieu of shares) to Dr Sittard could take place. The Remuneration Committee also agreed to

Remuneration Report continued

determine the amount of the cash payment in lieu of shares as soon as it was able following the date on which the Company was no longer in a prohibited period. At its meeting on 25 March 2010, immediately after the announcement of the Company's preliminary results which marked the end of the prohibited period, the Remuneration Committee determined that the cash payment in lieu of shares be made at £12.01 per share (resulting in an aggregate payment of £2,015,458) being the closing share price on the date of the announcement of the Company's preliminary results.

Directors' contracts

Executive Directors

Both Executive Directors have service agreements which can be terminated by either the Group or the Executive Director giving 12 months' notice. Under the terms of the agreements, the Group 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 Remuneration Committee would determine the level of any compensation to be paid, normally by reference to fixed elements of remuneration and the notice period. Any annual bonus payment or vesting of shares under the LTIP would be at the discretion of the Remuneration Committee. Payments would normally be pro-rated and subject to the performance conditions under which the awards were granted.

Dates of the service agreements are:

Name	Date	Notice period
Felix Vulis	20 August 2009	12 months
Zaure Zaurbekova	1 October 2009	12 months

Subject to Board approval, Executive Directors are permitted to accept outside appointments on external boards or committees so long as these are not deemed to interfere with the business of the Company. Any fees in respect of those appointments are retained by the Executive Directors concerned. During 2009, Dr Johannes Sittard whilst in his capacity as the Chief Executive Officer received no earnings in respect of external directorships or committees (2008: US\$200,000).

Non-executive Directors

Non-executive Directors do not have service agreements with the Company, but each has a Letter of Appointment. Details of the Letters of Appointment are summarised below.

Non-executive Director	Effective date of appointment	Unexpired term
Dr Johannes Sittard	20 August 2010	3 years 2 months ¹
Gerhard Ammann	8 November 2007	1 year 2 months
Marat Beketayev	20 February 2008	1 year 2 months
Mehmet Dalman	6 December 2007	1 year 2 months
Sir Paul Judge	6 December 2007	1 year 2 months
Kenneth Olisa	6 December 2007	1 year 2 months
Sir Richard Sykes	6 December 2007	1 year 2 months
Roderick Thomson	6 December 2007	1 year 2 months
Eduard Utepov	9 November 2007	1 year 2 months
Abdraman Yedilbayev	6 December 2007	1 year 2 months
Sir David Cooksey (resigned 20 August 2009)	12 November 2007	n/a
Michael Eggleton (resigned 6 October 2009)	6 December 2007	n/a

1 Subject to election at the forthcoming AGM to be held on 9 June 2010.

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. 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.

The fees payable to the Deputy Chairman are determined by the Remuneration Committee and following a review, the level of fees remain unchanged for 2010.

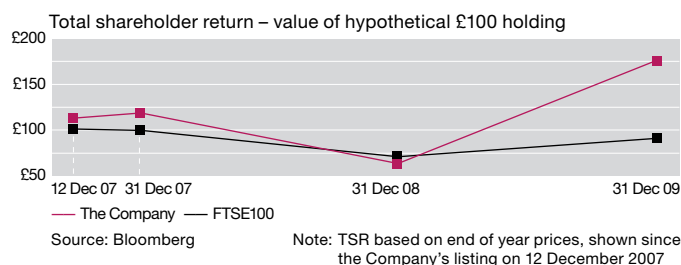
During 2009 the base fee for non-executive Directors was £100,000 per annum. There was no increase in this fee for 2010.

Additional fees of £20,000 per annum are payable to Gerhard Ammann as chairman of the Audit Committee and additional fees of £150,000 per annum are payable to Sir Richard Sykes in relation to his chairmanship of the Remuneration Committee, his role as Senior Independent Director and as Deputy Chairman. There was no increase in these fees for 2010.

As members of the Kazakhstani Government, neither Mr Beketayev nor Mr Utepov are permitted to receive their fees personally. The fees for Mr Beketayev were donated to the London School of Economics and Political Science. As part of a larger and already ongoing engagement with Kazakhstan to facilitate the training and development needs of its Government, the School kindly offered to support two study visits for small groups of government officials from Kazakhstan in 2009. Mr Utepov has donated his fees for 2008 and 2009 to the Nursultan Nazarbaev Educational Foundation.

Performance graph

The Company's TSR performance is shown against a recognised share index. The Company became a constituent of the FTSE 100 index on 28 March 2008 and this index is considered to be the most appropriate. The following graph charts the total cumulative shareholder return of the Company compared with the FTSE 100 since 12 December 2007 (being the first date of trading for the Company shares).



The mid-market price of the Company's shares at 31 December 2009 was 915 pence and between 31 December 2008 and 31 December 2009, the lowest and highest share price was 300 pence and 964 pence respectively.

Auditors

This Report contains both audited and non-audited information. As required under Large & 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 the base salaries and Annual Performance bonus, non-monetary benefits and the disclosure of Directors' defined contribution pension costs within the Directors' remuneration section including the footnotes and accompanying narrative on pages 53 and 54.
- The awards made during 2009 under the Long Term Incentive Plan on page 52.

Annual General Meeting

The Committee Chairman is available at the Company's AGM to answer any questions on the Committee's activities and shareholders will be asked to vote on this Remuneration Report at the AGM.

Signed on behalf of the Board of Directors

Sir Richard Sykes

Chairman of the Remuneration Committee

12 April 2010

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the 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 elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards ('IFRSs') 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 and the Company 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 IFRSs 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group'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 Directors' Remuneration Report comply with the Companies Act 2006 and, as regards 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 04 and 05 confirm that, to the best of their knowledge:

- the consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the parent company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' Report and Business Review 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 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 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) 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 56, 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 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.

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 2009 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs 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, set out on page 50, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Eurasian Natural Resources Corporation PLC for the year ended 31 December 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.

Charles Joseland (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London
12 April 2010

Consolidated Income Statement

In millions of US\$	Note	Years ended 31 December	
		2009	2008
Revenue	7	3,831	6,823
Cost of sales	8	(1,947)	(2,088)
Gross profit		1,884	4,735
Distribution costs	9	(366)	(431)
Selling, general and administrative expenses	10	(359)	(422)
Other operating income	11	253	42
Other operating expense	11	(38)	(74)
Operating profit		1,374	3,850
Finance income	13	191	132
Finance cost	14	(157)	(143)
Share of profit/(loss) of joint venture and associates	19	31	(12)
Profit before income tax		1,439	3,827
Income tax expense	15	(377)	(1,143)
Profit for the year		1,062	2,684
Profit attributable to:			
Equity holders of the Company	16	1,045	2,642
Minority interests		17	42
Earnings per share – basic and diluted (US cents)	16	81	205

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	
		2009	2008
Profit for the year		1,062	2,684
Other comprehensive income and expense:			
Fair value gains/(losses) on available-for-sale financial assets, net of tax		6	(8)
Cash flow hedges, net of tax		21	(4)
Currency translation differences	34	(1,241)	(23)
Total comprehensive (expense)/income for the year		(152)	2,649
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		(147)	2,610
Minority interests		(5)	39
		(152)	2,649

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	
		2009	2008
Assets			
Non-current assets			
Property, plant and equipment	17	5,470	4,282
Goodwill and intangible assets	18	610	495
Investments in joint venture and associates	19	615	313
Other financial assets	20	65	3
Loans receivable	21	158	70
Deferred tax assets	15	43	32
Other non-current assets	22	187	426
Total non-current assets		7,148	5,621
Current assets			
Current assets held for sale		6	3
Inventories	23	607	724
Trade and other receivables	24	959	1,090
Other financial assets	20	50	81
Loans receivable	21	17	2
Cash and cash equivalents	25	830	2,493
Total current assets		2,469	4,393
Total assets		9,617	10,014
Equity			
Share capital and share premium	26	3,257	3,257
Reserves		4,456	4,915
Attributable to equity holders of the Company		7,713	8,172
Minority interests		291	126
Total equity		8,004	8,298
Liabilities			
Non-current liabilities			
Borrowings	27	68	372
Deferred tax liabilities	15	457	183
Asset retirement obligations	28	108	69
Employee benefit obligations	29	46	37
Other non-current liabilities		4	5
Total non-current liabilities		683	666
Current liabilities			
Borrowings	27	360	355
Trade and other payables	31	417	411
Derivative financial instruments	30	-	54
Current income tax payable		63	181
Other taxes payable	32	90	49
Total current liabilities		930	1,050
Total liabilities		1,613	1,716
Total liabilities and equity		9,617	10,014

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

These consolidated financial statements and the accompanying notes, were authorised for issue by the Board of Directors on 12 April 2010 and were signed on its behalf by:



Felix Vulis
Chief Executive Officer



Zaure Zaurbekova
Chief Financial Officer

Consolidated Cash Flow Statement

In millions of US\$	Note	Years ended 31 December	
		2009	2008
Cash flow from operating activities			
Profit before income tax for the year		1,439	3,827
Adjustments for:			
Depreciation, amortisation and impairment		298	311
Loss on disposal of property, plant and equipment		2	6
Share of (profit)/loss from joint venture and associates	19	(31)	12
Share-based payments	33	10	3
Net finance cost/(income)		3	(31)
Net foreign exchange (gain)/loss		(78)	67
		1,643	4,195
Changes in inventories		53	(218)
Changes in trade and other receivables		(7)	7
Changes in trade and other payables		(122)	(6)
Changes in asset retirement obligations		3	(8)
Changes in employee benefit obligations		12	(44)
Changes in other taxes payable		47	(41)
Cash generated from operating activities		1,629	3,885
Interest paid		(8)	(70)
Interest received		52	114
Income tax paid		(464)	(1,163)
Net cash generated from operating activities		1,209	2,766
Cash flow from investing activities			
Purchase of property, plant and equipment		(912)	(1,479)
Proceeds from sales of property, plant and equipment		17	5
Acquisition of subsidiaries, net of cash acquired	6	(936)	(86)
Purchase of intangible assets		(4)	-
Purchase of joint venture and associates	19	(198)	(317)
Purchase of minority interests		(10)	-
Payments of pre-acquisition dividends on subsidiaries acquired		-	(61)
Sale/(purchase) of financial assets at fair value through profit or loss		62	(76)
Purchase of available-for-sale financial assets		(35)	(15)
Purchase of financial assets held to maturity		(46)	(4)
Cash deposited as guarantee		(11)	-
Loans and deposits granted to related parties		(138)	(54)
Loans and deposits granted		(65)	(150)
Proceeds from repayment of loans and deposits by related parties		3	144
Proceeds from repayment of other loans and deposits		168	174
Net cash used for investing activities¹		(2,105)	(1,919)
Cash flow from financing activities			
Bank borrowings – proceeds		41	24
Bank borrowings – repayments		(349)	(704)
Bond repayments		(2)	(21)
Dividends paid to equity holders of the Company		(322)	(148)
Dividends paid to minority interests		(12)	(5)
Net cash used for financing activities¹		(644)	(854)
Net changes in cash and cash equivalents		(1,540)	(7)
Cash and cash equivalents at beginning of year		2,493	2,548
Foreign exchange loss on cash and cash equivalents		(123)	(48)
Cash and cash equivalents at end of year	25	830	2,493

- ¹ Investing and financing transactions that did not require the use of cash and cash equivalents were excluded from the consolidated cash flow statement. Non-cash transactions consisted of:
- The acquisition of property, plant and equipment in exchange for inventory of US\$2 million for the year ended 31 December 2009 (2008: US\$3 million).
 - In May 2008, the Group completed the acquisition of a 50% interest in BML for a consideration of US\$306 million which included US\$6 million of interest income on a pre-acquisition loan.
 - In April 2008, the Group acquired a controlling interest in Serov and subsequently US\$21 million of loans issued by the Group were eliminated on consolidation.

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\$	Attributable to equity holders of the Company						Total	Minority interests	Total equity
	Share capital	Share premium	Retained earnings	Translation reserve	Hedge reserve	Revaluation reserve of financial assets available-for-sale			
Balance as at 1 January 2008	258	2,999	2,097	377	(17)	–	5,714	75	5,789
Profit for the year	–	–	2,642	–	–	–	2,642	42	2,684
Fair value losses on available-for-sale financial assets, net of tax	–	–	–	–	–	(8)	(8)	–	(8)
Cash flow hedges, net of tax	–	–	–	–	(4)	–	(4)	–	(4)
Currency translation differences	–	–	–	(20)	–	–	(20)	(3)	(23)
Total comprehensive income/ (expense) for the year	–	–	2,642	(20)	(4)	(8)	2,610	39	2,649
Transactions with the owners:									
Dividends paid	–	–	(155)	–	–	–	(155)	(4)	(159)
Share-based payments	–	–	3	–	–	–	3	–	3
Other changes in minority interests	–	–	–	–	–	–	–	16	16
Balance as at 31 December 2008	258	2,999	4,587	357	(21)	(8)	8,172	126	8,298
Profit for the year	–	–	1,045	–	–	–	1,045	17	1,062
Fair value gains on available-for-sale financial assets, net of tax	–	–	–	–	–	6	6	–	6
Cash flow hedges, net of tax	–	–	–	–	21	–	21	–	21
Currency translation differences ¹	–	–	–	(1,219)	–	–	(1,219)	(22)	(1,241)
Total comprehensive income/ (expense) for the year	–	–	1,045	(1,219)	21	6	(147)	(5)	(152)
Transactions with owners:									
Dividends paid	–	–	(322)	–	–	–	(322)	(16)	(338)
Share-based payments	–	–	10	–	–	–	10	–	10
Other changes in minority interests ²	–	–	–	–	–	–	–	186	186
Balance as at 31 December 2009	258	2,999	5,320	(862)	–	(2)	7,713	291	8,004

¹ The significant decrease in the translation reserve is a result of the devaluation of the Kazakhstani tenge against the US dollar.

² Includes the acquisition of Serov and CAMEC minority interests as well as other minor amounts.

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

Notes to the Consolidated Financial Statements

1. Principal accounting policies

a) Basis of preparation

Eurasian Natural Resources Corporation PLC (the 'Company') was incorporated and registered under the laws of England and Wales on 8 December 2006. The address of the Company's registered office is 16 St. James's Street, London, SW1A 1ER, United Kingdom. The consolidated financial statements as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (the 'Group') and the Group's interest in a joint venture and associates.

The accounting policies used in preparing these consolidated financial statements ('financial statements') are described below and are based on International Financial Reporting Standards ('IFRS'), as adopted by the European Union ('EU'), the Listing Rules of the United Kingdom Financial Services Authority ('FSA'), the Companies Act 2006 applicable to companies reporting under IFRS and Article 4 of the European Union IAS Regulation. These standards are subject to interpretations issued from time to time by the International Financial Reporting Interpretation Committee ('IFRIC'). These consolidated financial statements have also been prepared under the historical cost convention as modified for the revaluation of certain financial instruments.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also necessitates management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

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 2008 except where new policies have been applied. New accounting policies and pronouncements and the effects of these policies have been outlined in note 3.

b) Basis of consolidation

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.

c) 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 and are initially recognised at cost. The Group's investment in joint ventures includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its joint venture's post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in other 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.

d) Minority interests

Minority interests are that part of the profit or loss and of the net assets, which are attributable to interests which are not owned, directly or indirectly, by the Company. Minority interests form a separate component of the Group's equity.

The Group has adopted the 'parent company method' and applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Gains or losses arising from disposals of minority interests are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

e) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. When the Group's share of losses in an associate equals or exceeds its interest in that associate the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements

continued

1. Principal accounting policies *continued*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated to the extent of the Group's interest in the associates unless the transaction provides evidence of an impairment of the asset transferred.

f) Functional and presentational currency

All amounts in these financial statements are presented in millions of US\$, unless otherwise stated.

The functional currency of the significant operating entities is either the Kazakhstani tenge ('KZT') or the Russian rouble ('RUB'), whilst for the Sales and Marketing entities it is the US dollar ('US\$'). The functional currency for major entities in the Group is determined as the currency of the primary economic environment in which it operates. 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.
- 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 for the Company is the US\$.

The following table shows, for the years indicated, the principal rates of exchange used for the Kazakhstani tenge, expressed in Kazakhstani tenge per US\$1.00.

Period	Rate	
	Year end	Average
Year ended 31 December 2009	148.46	147.50
Year ended 31 December 2008	120.77	120.30

The following table shows, for the years indicated, the principal rates of exchange used for the Russian rouble, expressed in Russian roubles per US\$1.00.

Period	Rate	
	Year end	Average
Year ended 31 December 2009	33.06	31.42
Year ended 31 December 2008	29.38	24.86

g) 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. 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.

h) 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.
- 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.

1. Principal accounting policies *continued*

i) Revenue recognition

A significant portion of production is sold under contracts of sale of goods. Revenue from sales 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 sales of many products is subject to adjustment based on an inspection of the product by the customer. In such cases, revenue is initially recognised on a provisional basis using the Group's best estimate of the quantity/quality of the product. Any subsequent adjustments to the initial estimate of quantity/quality of the product is recorded in revenue once they have been determined;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold has been retained;
- the amount of revenue 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.

Revenues from sales of services are recognised in the accounting period in which the services are rendered by reference to the stage of completion of the specific transaction, assessed on the basis of the actual services provided, as a proportion of the total services to be provided.

Revenues are 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.

j) Finance income and cost

Finance income comprises interest income on funds invested and gains and income on investment and trading securities. Finance cost comprise interest expense on borrowings, the accumulation of interest on provisions, interest expense from the unwinding of the 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 cost include foreign exchange gains and losses that relate mainly to loans receivable, borrowings, 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 construction of property, plant and equipment in which case they are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

k) 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 that case, tax is also recognised in other comprehensive income or directly in equity, respectively. Kazakhstani Excess Profits Tax, being a tax on income, forms part of the income tax expense.

Current tax expense is the expected tax payable on the taxable income for the year. It is calculated on the basis of the tax laws and rates enacted or substantively enacted at the balance sheet date, and including any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates – and laws – that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax 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 assets to be utilised.

Deferred income tax is provided on temporary differences arising on 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 income tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements

continued

1. Principal accounting policies continued

l) Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they have been approved before or on the balance sheet date. Dividends are disclosed when they have been proposed before the balance sheet date or when declared after the balance sheet date but before the financial statements are authorised for issue.

m) Finance leases and hire purchase commitments

Finance leases, which transfer to the Group substantially all the risks and rewards of ownership of the leased items, are capitalised at the commencement of the lease term. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The capital elements, net of finance charges, of future obligations under finance leases and hire purchase contracts are included as current or long-term payables in the balance sheet, as appropriate. Lease payments are apportioned between the finance charge and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Capitalised lease assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.

n) Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease. For operating leases of facilities used in the process of production activity, the rental expense is recognised in the cost of sales. For operating leases relating to the use of administrative facilities, the rental expense is recognised in the selling, general and administrative expense in the income statement.

Where the Group is a lessor under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

o) Exploration and evaluation

Exploration and evaluation 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. Selling, 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.

The following facts and circumstances, among others indicate that exploration and evaluation assets must be tested for impairment:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped with 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.

p) Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is recorded over the useful life of the asset, or over the expected remaining life of the mine if shorter, as follows:

- Buildings and mining constructions: 20 to 50 years on a straight-line basis.
- Mining assets: on a units of production basis.
- Plant and equipment: 4 to 15 years on a straight-line basis.
- Motor vehicles: 5 to 15 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.

1. Principal accounting policies *continued*

Estimates of residual values and useful lives are reassessed annually, and any change in estimate is taken into account in the determination of future depreciation charges.

The individual significant parts of an item of property, plant and equipment (components), whose useful lives are different from the useful life of the asset as a whole, are depreciated individually, applying depreciation rates reflecting their anticipated useful lives. The cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Specialised spare parts and servicing equipment with a significant initial value and a useful life of more than one year are recognised as items of property, plant and equipment. Other spare parts and servicing-related equipment are recognised as inventories and accounted for in the income statement on utilisation.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

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 expenditure incurred to establish or expand productive capacity, costs to conduct mining-construction and mining-capital works, as well as costs arising from mining preparation works during the development or mine reconstruction phase.

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises 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 construction' of property, plant and equipment.

ii) Assets under construction

Assets under construction are capitalised as a separate component of property, plant and equipment. Self-constructed assets include the cost of materials, direct labour and an appropriate proportion of production overheads.

On completion, the cost of construction is transferred to the appropriate category. Assets under construction are not depreciated. Depreciation commences on the earlier of the date when the assets are brought into service or the assets are available for use.

iii) Stripping costs

Stripping costs comprise the removal of overburden and other waste products from a mine. Stripping costs incurred in the development of mines and open pits before production commences are capitalised as part of the cost of constructing the mines and open pits, 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 form part of the cost of inventory.

q) 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. Goodwill is tested for impairment annually.

When a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash-generating unit) and 'fair value less costs to sell' (the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal). Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Group could receive for the cash-generating unit in an arm's length transaction. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Notes to the Consolidated Financial Statements

continued

1. Principal accounting policies *continued*

The estimates used for impairment reviews to determine 'value in use' are based on detailed mine plans and operating budgets, modified as appropriate to meet the requirements of IAS 36 'Impairment of Assets'. Future cash flows are based on:

- estimates of the quantities of the reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; 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.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount in the balance sheet to its recoverable amount. A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

r) Business combinations and goodwill

The purchase method of accounting is used to account for business combinations. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree, represents goodwill. Any excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over the cost of acquisition ('excess of acquirer's interest' or 'negative goodwill') is recognised immediately in the income statement.

Goodwill acquired through business combinations has been allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination. These cash-generating units or groups of cash-generating units represent the lowest level within the Group at which goodwill is monitored for internal management purposes and these groups 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 in the note above. Goodwill is measured at cost less accumulated impairment losses.

s) Intangible assets

Intangible assets, which are acquired by the Group and have finite useful lives, are stated at cost less accumulated amortisation and impairment losses. Intangible assets acquired 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.

t) 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.

i) Loans and receivables

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise mainly '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 are also categorised as held for trading unless they are designated as hedges.

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.

1. Principal accounting policies *continued*

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. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be reclassified as available-for-sale.

Recognition and measurement

Purchases and sales of financial instruments are recognised on the relevant settlement date, which is the date that an asset is delivered to or by the Group. The change in value between the trade date and settlement date is not recognised for assets carried at cost or amortised cost. The change in value between the trade date and settlement date is recognised in the income statement for financial assets as 'at fair value through profit or loss'.

Loans and receivables are recognised initially at fair value plus 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 remeasured 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 using the effective interest method.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are 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 other 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 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.

Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

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 debtors 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.

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 assets 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 an allowance account.

Notes to the Consolidated Financial Statements

continued

1. Principal accounting policies *continued*

ii) Assets classified as available-for-sale

The decline in the fair value of an available-for-sale financial asset is recognised in other comprehensive income. When there is an 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.

u) Derivative financial instruments and hedging activities

The Group holds derivative financial instruments, such as forward currency contracts, to hedge its foreign currency exposure in relation to operating costs.

Derivative financial instruments are initially recognised at fair value and attributable transaction costs are recognised in the income statement when incurred on the date a derivative contract is entered into. Derivative financial instruments are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the exposure to changes in the fair value of recognised assets or liabilities or unrecognised firm commitment (fair value hedge);
- hedges of the exposure to variability in cash flows that is either attributable to particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Management policy has been to hedge a proportion of foreign exchange risk associated with highly probable forecast transactions denominated in foreign currencies, refer note 34 for details.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other operating income/expense'. Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss, in the same line of the income statement as the recognised hedged item.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Movements on derivatives not designated as hedge derivatives are taken to 'other operating income/expense' in the income statement.

Refer note 34 for disclosure of derivatives and financial risk management.

v) Inventories

Inventories are recorded 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 is purchase price or extraction cost and for work in progress and finished goods is the cost of production, including the appropriate proportion of depreciation and overheads based on normal operating capacity, 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.

1. Principal accounting policies *continued***w) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, which is the present value of expected cash flows, discounted at the original effective interest rate. The movement in the provision from the previous reporting period is recognised in the income statement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Subsequent recoveries of amounts previously written off are credited against 'selling, general and administration expenses' in the income statement.

x) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Balances restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date are included in other 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 for the purpose of the cash flow statement.

y) Borrowings

Borrowings are initially recorded at fair value net of transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds net of transaction cost 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 remeasured 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 balance sheet date.

z) 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.

aa) 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 to the income statement through depreciation of the asset and unwinding of the discount on the provision. Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

ab) Employee benefit obligations**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 and Russia. The agreements 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.

Notes to the Consolidated Financial Statements

continued

1. Principal accounting policies *continued*

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. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the Group's benefit obligations. The calculation is performed 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. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the income statement, including current service cost, any past service cost and the effect of any curtailments or settlements.

Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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 bonus awards

The Group has introduced an equity-settled, share-based compensation plan, 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, due to the employees leaving the Group 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.

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 (ie 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.

ac) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

ad) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

ae) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Financial guarantees are recognised when premiums are paid or in the case of premium-free guarantees when the borrower received the money from the financing entity. When the Group issues premium-free guarantees or guarantees at a premium different from the market premium, the fair value is determined using valuation techniques (eg market prices of similar instruments, interest rate differentials, etc). Losses at initial recognition of financial guarantee liabilities are recognised in the income statement within 'net other operating expenses'. Financial guarantee liabilities are amortised on a straight-line basis over the life of the guarantee with the respective income presented within 'net other operating expenses'. At each balance sheet date, the guarantees are measured at the higher of: (i) the unamortised balance of the amount at initial recognition; and (ii) the best estimate of expenditure required to settle the obligation at the balance sheet date.

af) 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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Taxation

Taxation represents an area of inherent risk due to complexities of tax laws, frequent changes in tax rules, interaction between different taxes and interaction between tax rules of different jurisdictions. Significant judgement is required in determining the position for income taxes across the different countries in which the Group operates.

Tax provisions are recognised by the Group in accordance with tax laws enacted or substantively enacted by the taxing jurisdictions, and in accordance with requirements of the applicable accounting standards.

Note 15 contains information on current tax charges, prior period adjustments, current and deferred tax assets and liabilities including, where appropriate, provisions against uncertain tax positions.

b) Ore reserve estimates

Ore reserve estimates may change from period to period. This may impact the Group's financial results. Such changes in reserves may impact depreciation charges, asset carrying values, and asset retirement obligation provisions.

The Group's ore reserves are based on its best estimate of product that can be economically and legally extracted from the relevant mining properties. Estimates are developed after taking into account a range of factors including quantities, ore grades, production techniques and recovery rates, forecast commodity prices and production costs.

The Group's estimates are normally supported by geological studies by independent mining engineering consultants and drilling samples to determine the quantity and grade of each ore body. Significant judgement is required to generate an estimate based on the geological data available.

Ore reserve estimates are mostly 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.

c) Life of mines

Contracts for subsurface use expire between 2013 and 2041. Management expects that the subsurface use contracts will be extended at nominal cost until the end of the lives of the related mines, which range between 12 and 52 years. Any change to this assumption may impact the Group's financial results by affecting depreciation charges, asset carrying values and asset retirement obligations, as these have been recorded on the assumption that the subsurface use contracts will be extended until the end of the mine life.

If the contracts are not renewed at their current expiry dates, the carrying amount of property, plant and equipment in Kazakhstan and Russia existing at the expiry date to be written off at the date of expiry is US\$612 million as at 31 December 2009 (2008: US\$757 million).

d) Provision for asset retirement obligations

Provision is made for asset retirement obligations when the related environmental disturbance takes place. Provisions are recognised at the net present value of future expected costs as outlined in note 28.

The provision recognised represents management's best estimate of the costs that will be incurred but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine. Estimates are reviewed annually and are based on management's interpretation of compliance with current environmental legislation in the 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 inflation rate currently applied in the calculation is 5.6%–6.2% as at 31 December 2009 (2008: 7%–8.6%) being the estimate of the rate of inflation over the mine lives. The discount rate currently applied in the calculation is 6.0%–8.9% at 31 December 2009 (2008: 10.6%–11.4%) being the estimate of the risk-free pre-tax interest rate for long-term government securities. Rehabilitation expenditure is largely expected to take place at the end of the respective mine lives, which varies from 12 to 52 years.

Notes to the Consolidated Financial Statements

continued

2. Critical accounting estimates and judgements in applying accounting policies continued

e) Impairment

As stated in note 2 (f) below, 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.

The recoverability of the value of current assets is addressed through the Group's usual procedures (refer note 1), for example the assessment of counterparty default risk, both customer and financial counterparties, and is not part of this impairment review.

Long-term non-financial assets require there to be a reasonable expectation of recoverability of the carrying value of those assets through profitability and cash flow. Accordingly, an impairment indicator exists, the Group's approach is to consider the ability of its groups of cash-generating units, which have no goodwill or other intangible assets in their financial statements, to generate future economic benefits which exceed the value of the related tangible assets in the financial statements.

The Group's strategic planning models, which are on a life-of-mines basis, are used to calculate an appropriate value of the future economic benefits for each of these cash-generating units in terms of discounted future cash flows. Cash flows have been projected for a maximum of 37 years as of 31 December 2009.

The key assumptions which formed the basis of forecasting future cash flows in the models as of 31 December 2009 are:

- commodity prices, which are based on internal forecasts by the management of the Group's sales and marketing business. These internal forecasts are consistent with 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 115 to 121;
- the long-term US inflation rate will average 2.5% 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 assumption on an external advisor report. The rate used was 13.9%–16.3%, which is the advisors' opinion on the Weighted Average Cost of Capital for the Group.

The impairment reviews as at 31 December 2009 and 31 December 2008 concluded that no impairment provisions are required for long-term non-financial assets.

f) Business combinations and goodwill

The Group made a number of acquisitions during the year. Where necessary, the Group hired external valuation consultants to advise on the fair value and asset lives of acquired assets, otherwise these were estimated internally.

The portion of the purchase price not allocated to specific assets and liabilities as identified by management has been attributed to goodwill.

The Group considers, at least annually, the recoverability of the values of goodwill recognised in its financial statements.

For groups of cash-generating units that were allocated goodwill the Group's strategic planning models were used to calculate discounted future cash flows ('Value in Use' per IAS 36) and thus assess the recoverability of the carrying value of the goodwill. These models are prepared on a life-of-mines basis as this period properly reflects the long-term nature of the Group's assets. The key assumptions which form the basis of forecasting future cash flows are the same as listed in section 2e) above.

The impairment reviews as at 31 December 2009 and 31 December 2008 concluded that no impairment provisions are required for goodwill.

g) Fair value of financial instruments

In determining fair value of financial instruments the Group uses its judgement to select a variety of methods and verify assumptions that are mainly based on market conditions existing at each balance sheet date, as well as obtains fair value measurements from other parties.

Effective 1 January 2009, for the financial instruments measures in 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 of 31 December 2009, the Group's available-for-sale financial instruments (note 20) are included in level 1 of the hierarchy. As of 31 December 2009, the Group does not hold financial instruments at fair value through profit or loss.

As of 31 December 2009, the group does not hold financial instruments that are included in level 2 or 3 of the hierarchy.

As of 31 December 2008, the fair values of the Group's available-for-sale financial instruments and financial instruments at fair value through profit or loss were value based on quoted market prices.

2. Critical accounting estimates and judgements in applying accounting policies *continued*

The fair value of financial instruments carried at amortised cost is based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and maturity.

The investments in unquoted options, disclosed in note 20, are carried at cost, because the fair value can not be reliably measured.

3. New accounting pronouncements

(i) Standards, amendments and interpretations effective in 2009 and are relevant to Group's operations

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – IFRS 1 and IAS 27 Amendment (effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in the income statement rather than as a recovery of the investment. The amendment does not have a material impact on the Group's financial statements.

Vesting Conditions and Cancellations – Amendment to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Group's financial statements.

Improving Disclosures about Financial Instruments – Amendment to IFRS 7, Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. No changes in segment aggregation occurred.

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IAS 23, Borrowing Costs (effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The amendment to the standard did not have impact on the Group's financial statements, as the Group previously capitalised interest and other costs on borrowings used to finance the construction of property, plant and equipment during the time required to complete and prepare asset for its intended use (note 1).

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. (IFRIC 14 as adopted by the EU is effective for annual periods beginning on or after 31 December 2008, with early adoption permitted). The interpretation contains guidance on when refunds or reductions in future contributions may be regarded as available for the purposes of the asset ceiling test in IAS 19, Employee Benefits. The amendment does not have a material impact on the Group's financial statements.

Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The amendment does not have a material impact on the Group's financial statements.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards, such as IFRS 5, IAS 1, 7, 16, 19, 20, 23, 27, 28, 31, 36, 38, 39, 40, 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The amendments do not have any material effect on Group's financial statements.

Notes to the Consolidated Financial Statements

continued

3. New accounting pronouncements *continued*

(ii) Standards, amendments and interpretations effective in 2009 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but they are not relevant to the Group's operations:

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008 for financial statements prepared under IFRS; adopted by the EU with an effective date postponed to annual periods beginning after 31 December 2008; early adoption permitted).

(iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, and the Group has not early adopted them:

Group Cash-settled Share-based Payment Transactions – Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010, not yet adopted by the EU).

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).

IFRS 9, Financial Instruments (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted; not yet adopted by the EU).

IAS 24, Related Party Disclosures (amended November 2009, effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU).

The Group is currently assessing the impact of the listed above amendments and new standards on disclosures in its financial statements.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009).

Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation (effective for annual periods beginning on or after 1 February 2010).

Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009).

Embedded Derivatives – Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009; amendments to IFRIC 19 and IAS 39 as adopted by the EU are effective for annual periods beginning after 31 December 2009, with early adoption permitted).

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted).

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU).

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010; the improvements have not yet been adopted by the EU). The Group does not expect the amendments to the standards listed above to have a material effect on its financial statements.

3. New accounting pronouncements *continued*

(iv) Standards, amendments and interpretations to existing standards that are not yet effective and are not relevant to the Group
IFRIC 12, Service Concession Arrangements (IFRIC 12 as adopted by the EU is effective for annual periods beginning on or after 30 March 2009, with early adoption permitted).

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, with early adoption permitted).

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted).

IFRIC 18, Transfers of Assets from Customers (effective prospectively to transfers of assets from customers received on or after 1 July 2009, earlier application permitted; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted).

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted).

Additional Exemptions for First-time Adopters – Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU).

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU).

Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU).

4. Segment information

Management has determined the operating segments based on the reports reviewed by the Group Chief Executive Officer ('CEO') and used 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 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 location.

Segment Underlying EBITDA, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories and receivables and mainly exclude investments in joint venture and associates, other financial assets, loans receivable, unallocated cash and cash equivalents, term deposits and deferred and current income tax assets. Segment liabilities comprise primarily trade and other payables and mainly exclude borrowings and deferred and current income tax liabilities. Capital expenditure comprises additions to property, plant and equipment and intangible assets. The Group is organised on the basis of six (2008: five) 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 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.
- Energy – comprises coal mining and power generation.
- Logistics – the Republic of Kazakhstan's main freight forwarder and railroad operator, providing international logistics for all Eurasian based ENRC operations; also rail construction and repair services for the Kazakhstani state rail company.
- Other Non-ferrous – comprises the exploration and extraction, processing and manufacturing of copper and cobalt products, the exploration of other minerals and logistics operations in Africa acquired as part of the acquisition of CAMEC in 2009 (refer note 6).

Notes to the Consolidated Financial Statements

continued

4. Segment information continued

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 from external parties reported to the CEO is measured in a manner consistent with that in the consolidated income statement.

2009 Segment information In millions of US\$	Ferroalloys Division	Iron Ore Division	Alumina and Aluminium Division	Energy Division	Logistics Division	Other Non- ferrous Division	Corporate	Intra Group eliminations	Total
Revenue	1,871	1,093	563	196	53	55	–	–	3,831
Inter-segment revenue	3	–	2	206	104	–	–	(315)	–
Segment revenue	1,874	1,093	565	402	157	55	–	(315)	3,831
Segment operating profit/(loss)	781	453	5	179	24	–	(68)	–	1,374
Finance income									191
Finance cost									(157)
Share of profit of joint venture and associates									31
Profit before income tax									1,439
Income tax expense									(377)
Profit for the year									1,062
Depreciation, amortisation and impairment	(90)	(79)	(65)	(41)	(15)	(6)	(2)	–	(298)
Underlying EBITDA (refer note 38)	707	485	78	213	39	6	(66)	–	1,462
Capital expenditure	248	225	356	281	24	6	7	–	1,147
Segment assets	2,574	1,544	1,840	807	217	1,426	610	(488)	8,530
Segment liabilities	(605)	(196)	(115)	(59)	(31)	(105)	(44)	488	(667)
									7,863
Unallocated term deposits									128
Investments in joint venture and associates									615
Other financial assets									115
Loans receivable									175
Borrowings									(428)
Deferred and current income tax assets									56
Deferred and current income tax liabilities									(520)
Total equity									8,004
Average number of employees	23,892	17,652	14,115	6,589	2,642	5,166	266	–	70,322

4. Segment information continued

2008 Segment information In millions of US\$	Ferroalloys Division	Iron Ore Division	Alumina and Aluminium Division	Energy Division	Logistics Division	Corporate	Intra Group eliminations	Total
Revenue	4,151	1,498	864	203	107	–	–	6,823
Inter-segment revenue	5	1	3	233	122	–	(364)	–
Segment revenue	4,156	1,499	867	436	229	–	(364)	6,823
Segment operating profit/(loss)	2,689	835	218	146	32	(70)	–	3,850
Finance income								132
Finance cost								(143)
Share of loss of joint venture								(12)
Profit before income tax								3,827
Income tax expense								(1,143)
Profit for the year								2,684
Depreciation, amortisation and impairment	(100)	(84)	(77)	(31)	(18)	(1)	–	(311)
Underlying EBITDA (refer note 38)	2,789	919	295	177	50	(69)	–	4,161
Capital expenditure	330	278	502	136	48	–	–	1,294
Segment assets	3,151	1,628	1,935	702	268	99	(45)	7,738
Segment liabilities	(292)	(127)	(146)	(28)	(37)	(44)	45	(629)
								7,109
Unallocated cash and cash equivalents and term deposits								1,756
Investments in joint venture								313
Other financial assets								81
Loans receivable								72
Borrowings								(727)
Deferred and current income tax assets								58
Deferred and current income tax liabilities								(364)
Total equity								8,298
Average number of employees	24,681	17,905	14,094	6,658	2,998	231	–	66,567

Geographical information

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

In millions of US\$	Revenue from external customers		Non-current assets ¹	
	Years ended 31 December 2009	2008	As at 31 December 2009	2008
Eurasia ²	1,651	2,947	4,887	5,175
Asia Pacific ³	1,480	2,022	22	24
Europe and Middle East	527	1,456	4	4
Africa	11	–	1,354	–
Rest of world	162	398	–	–
	3,831	6,823	6,267	5,203

1 Non-current assets excluding investments in joint venture and associates, other financial assets, loans receivable, and deferred tax assets.

2 Eurasia comprises the Republic of Kazakhstan, Russia and other countries of the former Soviet Union.

3 Asia Pacific comprises China, Korea, and Japan.

Major customers

Included in revenues arising from iron ore sales of US\$1,093 million (2008: US\$1,498 million) are revenues of approximately US\$570 million (2008: US\$961 million) which arose from sales to the Group's largest customer, MMK.

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continued

5. Balances and transactions with related parties

During the years ended 31 December 2009 and 31 December 2008, the Group entered into the following transactions in the ordinary course of business with related parties:

In millions of US\$	Founder Shareholders ¹		The Republic of Kazakhstan		Joint venture and associates ³		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from sale of goods	5	39	3	5	–	–	8	44
Revenue from the provision of services	1	13	–	89	–	–	1	102
Purchases of goods	(25)	(115)	–	–	(19)	–	(44)	(115)
Purchases of services	(65)	(71)	–	–	–	–	(65)	(71)
Finance income	8	11	–	–	4	–	12	11
Finance cost	(2)	(3)	–	–	(23)	–	(25)	(3)
Purchase of property, plant and equipment ²	4	–	–	–	–	–	4	–

1 Includes all entities under control of the Founder Shareholders.

2 Refer to the acquisition of property, plant and equipment section within this note.

3 Transactions with associates represent purchases of goods in the amount of US\$19 million. Finance income and finance cost disclosed relate to transactions with BML joint venture.

The outstanding balances with related parties as at 31 December 2009 and 31 December 2008 are as follows:

In millions of US\$	Founder Shareholders ¹				Joint venture		Total	
	Eurasian Bank JSC		Other		2009	2008	2009	2008
	2009	2008	2009	2008				
Non-current assets								
Loans receivable	–	–	3	6	60	45	63	51
Other financial assets ²	4	3	–	–	–	–	4	3
Other non-current assets	8	23	–	3	–	–	8	26
Current assets								
Trade and other receivables ³	123	8	36	21	–	3	159	32
Loans receivable ⁴	–	–	2	2	–	–	2	2
Cash and cash equivalents	135	319	–	–	–	–	135	319
Current liabilities								
Borrowings	1	–	–	–	–	–	1	–
Trade and other payables	–	–	14	13	–	–	14	13

1 Includes all entities under control of the Founder Shareholders.

2 Other financial assets with Eurasian Bank JSC includes term deposits of US\$4 million (2008: US\$3 million) for the retirement of assets in accordance with the requirements of contracts on subsurface use.

3 Trade and other receivables with Eurasian Bank JSC include letters of credit of US\$14 million (2008: US\$7 million) and term deposits of US\$109 million (2008: US\$1 million).

4 Net of provisions for impairment of nil (2008: US\$1 million).

Founder Shareholders

The Group was formed from a collection of entities jointly controlled by the three Founder Shareholders, Mr Patokh Chodiev, Mr Alijan Ibragimov and Mr Alexander Mashkevitch. The Founder Shareholders continue to be major shareholders of the Company and collectively own 43.8% of the Group as at 31 December 2009 (2008: 43.8%). For the years ended 31 December 2009 and 31 December 2008, the Group undertook significant related party transactions with entities controlled by the Founder Shareholders. In 2009, all transactions with related parties over US\$1 million had to be and were approved by the Board.

Revenues from the sales of goods to entities controlled by the Founder Shareholders were recognised in the following segments:

In millions of US\$	Years ended 31 December	
	2009	2008
Revenue from the sale of goods		
Ferrous alloys	1	37
Iron ore	1	2
Other Non-ferrous	3	–
	5	39

5. Balances and transactions with related parties *continued*

The purchase of goods and services from entities controlled by the Founder Shareholders included the following transactions:

In millions of US\$	Years ended 31 December	
	2009	2008
Purchases of goods		
Purchases of raw materials	(25)	(115)
	(25)	(115)
Purchases of services		
Insurance	(18)	(27)
Services	(21)	(16)
Rental expenses	(7)	(10)
Sponsorship and donations	(4)	-
Bank charges	(3)	(7)
Other	(12)	(11)
	(65)	(71)

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 2009 of 6.9% (2008: 8.4%). Cash and cash equivalents held at Eurasian Bank JSC bear nil interest rate (2008: nil).

There were no restrictions on the balance of US\$135 million (2008: US\$319 million) in cash and cash equivalents at 31 December 2009.

TransRemMach LLP

During 2008, the Group granted a loan to TransRemMach LLP, a company controlled by the Founder Shareholders. The fair value of this loan at 31 December 2009 was US\$4 million (2008: US\$7 million). This loan bears interest at the rate of 12.0% per annum (2008: 12.0%).

The Republic of Kazakhstan

The Group conducted transactions with entities controlled by the Republic of Kazakhstan, one of the Company's shareholders. The principal activities with the government departments and agencies were as follows:

- provision of railway repair services through Company Zhol Zhondeushy LLP;
- supply of electricity through Eurasian Energy Corporation JSC; and
- purchases of goods and services disclosed within operating costs, including general Kazakhstani taxes.

All transactions between the Group and government departments and agencies are considered to be related party transactions, unless they meet all of the following criteria:

- they were carried out in the normal course of the government departments and agencies dealings;
- there is no choice of suppliers; and
- they have terms and conditions (including prices, privileges, credit terms, regulations etc) that are consistently applied to all entities, public or private.

The Group did not have any non-standard or privileged transactions with entities controlled by the Republic of Kazakhstan.

Acquisitions from related parties**Acquisitions – business combinations**

During 2009, the Group acquired ASEK Reinsurance AG and ENRC PMZ LLP from entities controlled by the Founder Shareholders. Refer note 6 for further detail.

Notes to the Consolidated Financial Statements

continued

5. Balances and transactions with related parties continued

Acquisitions – associates

During 2009, the Group acquired a 25% interest in Shubarkol Komir JSC, from a company controlled by the Founder Shareholders of the Group. Refer note 19 for further detail.

Acquisitions – options

On 8 January 2009 the Group purchased an option for a cash consideration of US\$10 million, from a company owned by Mr Abdraman Yedilbayev, one of the Group's non-executive Directors, to acquire a 70% interest in Masalskoe GOK LLP. Masalskoe GOK LLP is a company with rights for the exploration and production of iron ore of the Masalskoe deposit in the Republic of Kazakhstan.

Acquisitions – property, plant and equipment

The Group acquired buildings and land in Petropavlovsk, the Republic of Kazakhstan for cash consideration of US\$4 million from Eurasian Finance – Industrial Company JSC, a company controlled by the Founder Shareholders. The consideration for these assets was paid on 24 February 2010.

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.

Compensation for key management personnel is set out in the table below:

In thousands of US\$	Years ended 31 December	
	2009	2008
Salaries and other short-term employee benefits, including bonuses	25,136	23,341
Post-employment benefits	444	758
Termination benefits	2,908	–
Share-based payments	9,227	10,799
Total	37,715	34,898

Balances outstanding with key management arising from key management compensation were as follows:

In thousands of US\$	As at 31 December	
	2009	2008
Receivable ¹	–	5,985
Payable ²	(13,847)	(9,651)

1 Receivables represent IPO loans to key management which were fully repaid in 2009.

2 Payables represent accrued bonuses and LTIP settlements.

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 51 to 55.

6. Business combination

Central African Mining & Exploration Company PLC

On 18 September 2009, the Group made a £0.20 per share cash offer for all outstanding shares in Central African Mining & Exploration Company PLC ('CAMEC'), at which time the Group held 28.73% of CAMEC and accounted for the investment as an associate using the 'equity method'. On 9 November 2009, upon the offer becoming unconditional following the receipt of acceptances in respect of 88.28% of CAMEC's share capital, the Group obtained control of CAMEC. As at 31 December 2009 the Group held 96.05% of CAMEC's share capital for a total cash consideration of US\$931 million.

CAMEC, which was previously quoted on AIM, is an Africa-focused emerging mining company with operations centred around copper and cobalt mining and exploration, trucking and logistics, coal, bauxite and fluorspar exploration as well as platinum prospects.

6. Business combination *continued*

The fair values of the identifiable asset and liabilities of CAMEC as at the date of acquisition were provisionally estimated as follows:

In millions of US\$	Carrying values at acquisition date ¹	Provisional fair values adjustments	Provisional fair values at acquisition date
Property, plant and equipment	1,016	134	1,150
Investments in associates	33	42	75
Loans receivable (current and non-current)	154	(100)	54
Deferred tax assets	32	–	32
Inventories	23	–	23
Trade and other receivables	21	–	21
Other financial assets	2	–	2
Total assets	1,281	76	1,357
Deferred tax liabilities	(264)	(43)	(307)
Asset retirement obligations	(1)	–	(1)
Employee benefit obligations	(2)	–	(2)
Borrowings	(4)	–	(4)
Trade and other payables	(112)	–	(112)
Current income tax payable	(21)	–	(21)
Total liabilities	(404)	(43)	(447)
Net assets	877	33	910
Minority interest ²			(193)
Goodwill			200
Net attributable assets			917
Consideration:			
Purchase consideration settled in cash			931
Cash and cash equivalents in subsidiary acquired			(14)
Cash outflow on acquisition			917

1 The carrying values at acquisition date include certain adjustments relating to the alignment of balances with ENRC accounting policies.

2 Includes minority interests of subsidiaries wholly owned by CAMEC.

The goodwill balance is the result of the requirement to recognise a deferred tax liability on the acquired mineral rights (within property, plant and equipment). This deferred tax liability is recognised within the carrying values at the acquisition date with an additional amount included within the provisional fair value adjustments.

Acquisition costs of US\$14 million have been expensed to the 31 December 2009 income statement. The treatment of such costs will be determined upon the completion of the fair value review.

The Group's share of CAMEC's profit from the date of acquisition to 31 December 2009 was nil. 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\$240 million, whilst the impact to profit after tax would have been a loss of US\$100 million. This is pro forma unaudited information provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations of the combined companies.

ASEK Reinsurance AG

On 30 June 2009 the Group acquired ASEK Reinsurance AG ('ASEK'), an unlisted captive insurance company, for cash consideration of US\$12 million from CIM Global Investments NV, a company controlled by the Founder Shareholders.

The fair value of ASEK's net assets at the date of acquisition was US\$12 million, consisting of cash and cash equivalents of US\$13 million and deferred tax liabilities of US\$1 million.

The Group's share of ASEK's loss from the date of acquisition to 31 December 2009 amounted to US\$2 million. Had the acquisition taken place at the beginning of the year, the impact to the Group's revenue would have been nil, whilst the impact to profit after tax would have been a loss of US\$2 million.

This is pro forma unaudited information provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations of the combined companies.

ENRC PMZ LLP

On 8 January 2009 the Group acquired ENRC PMZ LLP ('PMZ') from the Founder Shareholders of the Group for a cash consideration of US\$20 million. PMZ, an unlisted company based in the Republic of Kazakhstan, owns 100% interest in Pavlodar Machinery Plant JSC which is a producer of overhead factory cranes.

Notes to the Consolidated Financial Statements

continued

6. Business combination continued

The fair values of the identifiable assets and liabilities of PMZ acquired are as follows:

In millions of US\$	Carrying values at acquisition date	Fair values	Fair values at acquisition date
Property, plant and equipment	3	17	20
Inventories	3	–	3
Trade and other receivables	1	–	1
Total assets	7	17	24
Deferred tax liabilities	–	(3)	(3)
Borrowings	(1)	–	(1)
Trade and other payables	(3)	–	(3)
Total liabilities	(4)	(3)	(7)
Net assets	3	14	17
Goodwill	–	3	3
Net attributable assets	3	17	20
Consideration:			
Purchase consideration settled in cash			20
Cash outflow on acquisition			20

Goodwill on acquisition of US\$3 million is attributable to cost saving synergies as overhead factory cranes are used extensively in the operating activities of the Group.

The Group's share of PMZ's profit from the date of acquisition to 31 December 2009 was nil. If the acquisition had taken place at the beginning of the year, the impact to the Group's revenue would have been US\$4 million, whilst the impact to profit after tax would have been nil.

This is pro forma unaudited information provided for comparative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations of the combined companies.

Serov minority interests buy out

On 3 April 2008 the Group acquired a controlling interest in the Serov group and certain related entities ('Serov') from companies controlled by the Founder Shareholders. The total consideration was US\$212 million (of which US\$100 million was incurred in 2007). Serov's principal activity comprises the mining of chrome ore, processing and sale of ferroalloys.

In January, March and April 2009 the Group completed a buy out of minority interests in the Serov Ferroalloy Plant and Saranovskaya Mine 'Rudnaya' for a cash consideration of US\$5 million and US\$5 million respectively.

As at 31 December 2009, the Group holds the following ownership interests in Serov:

	Ownership interest as at 31 December 2008	Acquired minority interest	Ownership interest as at 31 December 2009
Serov Ferroalloy Plant JSC	95.25%	4.19%	99.44%
Saranovskaya Mine 'Rudnaya' JSC	88.17%	10.63%	98.80%

Fair value estimates

The provisional values of assets, liabilities and contingent 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 all business combinations, the Group either undertook or is in the process of undertaking a detailed review to determine the fair value of assets, liabilities and contingent liabilities recognised at the date of acquisition. Such reviews may include engaging third party advisors to determine the fair values of the cash-generating units of the entities acquired.

7. Revenue

In millions of US\$	Years ended 31 December	
	2009	2008
Sale of goods, net of discounts	3,691	6,618
Logistics	53	107
Sales of by-products and other revenue	87	98
Total revenue	3,831	6,823

8. Cost of sales

In millions of US\$	Years ended 31 December	
	2009	2008
Materials and components used	(735)	(1,172)
Staff costs	(370)	(423)
Depreciation, amortisation and impairment	(288)	(296)
Mineral extraction taxes, royalties and other taxes	(195)	(88)
Power and energy	(69)	(108)
Realised (loss)/gain on the cash flow hedges	(61)	17
Repairs and maintenance	(53)	(58)
Changes in inventories of finished goods and work-in-progress	(51)	160
Insurance	(17)	(25)
In-plant carriage costs	(4)	(6)
Rent	(3)	(5)
Other	(101)	(84)
Total cost of sales	(1,947)	(2,088)

9. Distribution costs

In millions of US\$	Years ended 31 December	
	2009	2008
Transportation costs	(302)	(342)
Agency and commission fees	(12)	(32)
Taxes and duties	(9)	-
Staff costs	(5)	(5)
Insurance	(4)	(7)
Other	(34)	(45)
Total distribution costs	(366)	(431)

10. Selling, general and administrative expenses

In millions of US\$	Years ended 31 December	
	2009	2008
Staff costs	(151)	(154)
Professional and other services	(39)	(50)
Sponsorship and donations	(37)	(31)
Taxes other than on income	(28)	(42)
Travel and entertainment	(15)	(24)
Rent	(12)	(14)
Depreciation, amortisation and impairment	(10)	(15)
Impairment loss provision	(7)	(24)
Utilities and telecommunication services	(6)	(6)
Repairs and maintenance	(6)	(10)
Bank charges	(5)	(9)
Insurance	(3)	(3)
Other	(40)	(40)
Total selling, general and administrative expenses	(359)	(422)

11. Other operating income and expense

In millions of US\$	Years ended 31 December	
	2009	2008
Foreign exchange gains	225	9
Profit on sale of materials	-	4
Other	28	29
Total other operating income	253	42
Foreign exchange losses	(18)	(38)
Loss on sale of property, plant and equipment	(2)	(6)
Other	(18)	(30)
Total other operating expense	(38)	(74)
Net other operating income/(expense)	215	(32)

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12. Employee benefit expense

In millions of US\$	Note	Years ended 31 December	
		2009	2008
Wages and salaries		(455)	(547)
Compulsory social security contributions		(42)	(49)
Contributions to defined contribution plans		(2)	(2)
(Expense)/income related to defined benefit plans	29	(14)	19
Share-based payments	33	(13)	(3)
Total employee benefit expense		(526)	(582)

13. Finance income

In millions of US\$	Years ended 31 December	
	2009	2008
Foreign exchange gains	125	13
Interest income on bank deposits	41	54
Gain on disposal of financial assets at fair value through profit or loss	8	–
Interest income on loans receivable	10	10
Interest income on short-term deposits	7	55
Total finance income	191	132

14. Finance cost

In millions of US\$	Years ended 31 December	
	2009	2008
Foreign exchange losses	(88)	(55)
Fair value loss on origination of loans granted	(23)	–
Interest expense on borrowings	(11)	(41)
Unwinding of asset retirement obligation discount	(7)	(7)
Amortisation of financial instruments discount	(5)	(3)
Other interest expense – related parties	(5)	(3)
Fair value loss on financial assets at fair value through profit or loss	(2)	(6)
Unwinding of employee benefits obligations discount	(2)	(5)
Other	(16)	(24)
	(159)	(144)
Less capitalised borrowing costs	2	1
Total finance cost	(157)	(143)

15. Income taxes

Income tax expense comprises the following:

In millions of US\$	Years ended 31 December	
	2009	2008
Current tax		
Corporate income tax – current period	(322)	(1,241)
Corporate income tax – prior periods	9	(12)
Withholding taxes	(51)	(14)
Total current tax	(364)	(1,267)
Deferred tax		
Deferred income tax – current period	(9)	(53)
Deferred income tax – prior periods	12	–
Deferred income tax – effect of changes in tax legislation	(16)	177
Total deferred tax	(13)	124
Total income tax expense	(377)	(1,143)

Factors affecting future tax charges

Future tax charges are affected by changes to the applicable laws and regulations, 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.

15. Income taxes *continued*

The Republic of Kazakhstan has announced a phased reduction in the applicable rate of CIT from 30% in 2008 to 20% for 2009–2012, 17.5% for 2013 and 15% thereafter. Changes to the applicable CIT rates enacted in November 2009 resulted in remeasurement of the deferred tax assets and liabilities as at 31 December 2009 and a debit to the income tax charge of US\$16 million. Changes enacted in December 2008 resulted in a credit to the income tax charge for 2008 of US\$177 million.

MET is being phased in to broadly offset the reduction in the applicable CIT rate for subsurface users. However, MET, not being a tax on profits, forms part of 'cost of sales' and is not reported as part of the income tax expense.

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	
	2009	2008
Profit before income tax	1,439	3,827
Notional tax charge at 20% (2008: 30%)	288	1,148
Effect of change in tax rate	16	(177)
Items not deductible for tax purposes	37	44
Withholding taxes	51	14
Effects of different tax rates in other countries	(13)	(7)
Income not chargeable for tax purposes	(15)	(30)
Excess profits tax – current year	31	90
Recognition or utilisation of previously unrecognised losses	(6)	(23)
Losses not recognised for tax purposes	18	69
Prior year adjustment	(21)	12
Other	(9)	3
Income tax expense for the year	377	1,143

In addition to the amount charged to the income statement, the aggregate amount of income tax related to items recognised in other comprehensive income was US\$4 million (2008: US\$2 million).

Deferred taxation

Deferred tax movements for the year are summarised below as follows:

In millions of US\$	31 December 2008	Additions on acquisitions	Charged/ (credited) to income statement	Charged to other comprehensive income	Exchange differences	31 December 2009
Gross deferred tax assets						
Temporary timing differences	(81)	(32)	(6)	–	11	(108)
Less offsetting with deferred tax liabilities	49	–	16	–	–	65
Recognised deferred tax assets	(32)	(32)	10	–	11	(43)
Tax effect of taxable temporary differences						
Property, plant and equipment	227	311	19	–	(43)	514
Other temporary timing differences	5	–	–	4	(1)	8
Gross deferred tax liability	232	311	19	4	(44)	522
Less offsetting with deferred tax assets	(49)	–	(16)	–	–	(65)
Recognised deferred tax liabilities	183	311	3	4	(44)	457

In millions of US\$	31 December 2007	Additions on acquisitions	Transfer from current tax	Charged/ (credited) to income statement	Charged to other comprehensive income	Exchange differences	31 December 2008
Gross deferred tax assets							
Temporary timing differences	(108)	–	–	22	2	3	(81)
Less offsetting with deferred tax liabilities	100	–	–	(51)	–	–	49
Recognised deferred tax assets	(8)	–	–	(29)	2	3	(32)
Tax effect of taxable temporary differences							
Property, plant and equipment	381	–	–	(147)	–	(7)	227
Other temporary timing differences	14	21	(31)	1	–	–	5
Gross deferred tax liability	395	21	(31)	(146)	–	(7)	232
Less offsetting with deferred tax assets	(100)	–	–	51	–	–	(49)
Recognised deferred tax liabilities	295	21	(31)	(95)	–	(7)	183

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continued

15. Income taxes continued

The Group has unrecognised deferred tax assets in respect of deductible temporary differences of US\$77 million (2008: US\$65 million). Of this amount, US\$11 million (2008: US\$3 million) relates to losses which expire within 10 years, and US\$66 million (2008: US\$62 million) relates to losses which have no expiry date.

Deferred tax is not recognised in respect of the Group's investments in subsidiaries, branches, associates and interests in joint ventures where remittance is not contemplated or where no additional tax is expected to arise. The aggregate amount of temporary differences associated with such investments is US\$4,686 million (2008: US\$4,354 million).

16. Earnings per share

	Note	Years ended 31 December	
		2009	2008
Profit attributable to equity holders of the Company (in millions of US\$)		1,045	2,642
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:			
Net shares granted under Long-Term Incentive Plan	33	1,950,925	489,628
Weighted average number of ordinary shares for diluted earnings per share		1,289,700,925	1,288,239,628
Basic and diluted earnings per share (US cents)		81	205

17. Property, plant and equipment

Movements in the carrying amount of property, plant and equipment are as follows:

In millions of US\$	Freehold land	Buildings and mining construction	Plant and equipment	Vehicles	Assets under construction	Total
Cost at 1 January 2009	47	1,414	2,519	713	945	5,638
Additions	1	32	53	17	1,041	1,144
Additions on acquisitions	5	930	146	49	40	1,170
Transfers	–	194	432	79	(705)	–
Transfer to disposal group classified as held for sale	–	–	–	–	(7)	(7)
Disposals	–	(22)	(9)	(11)	(11)	(53)
Exchange differences	(9)	(252)	(471)	(134)	(177)	(1,043)
At 31 December 2009	44	2,296	2,670	713	1,126	6,849
Accumulated depreciation at 1 January 2009	–	(302)	(778)	(276)	–	(1,356)
Disposals	–	4	19	10	–	33
Depreciation charge	–	(60)	(192)	(62)	–	(314)
Exchange differences	–	58	147	53	–	258
At 31 December 2009	–	(300)	(804)	(275)	–	(1,379)
Net balance sheet amount at 31 December 2009	44	1,996	1,866	438	1,126	5,470
Property, plant and equipment pledged as security (refer note 36)	–	–	45	6	–	51

In millions of US\$	Freehold land	Buildings and mining construction	Plant and equipment	Vehicles	Assets under construction	Total
Cost at 1 January 2008	45	1,224	1,978	567	496	4,310
Additions ¹	1	(16)	69	84	1,156	1,294
Additions on acquisitions	2	88	25	5	28	148
Transfers	–	136	493	70	(699)	–
Transfer to disposal group classified as held for sale	–	–	–	–	(22)	(22)
Disposals	–	(6)	(19)	(9)	(7)	(41)
Exchange differences	(1)	(12)	(27)	(4)	(7)	(51)
At 31 December 2008	47	1,414	2,519	713	945	5,638
Accumulated depreciation at 1 January 2008	–	(239)	(598)	(220)	(21)	(1,078)
Disposals	–	1	15	8	–	24
Depreciation charge	–	(62)	(195)	(65)	–	(322)
Impairment (charge)/reversal	–	(4)	(3)	–	1	(6)
Transfer to disposal group classified as held for sale	–	–	–	–	20	20
Exchange differences	–	2	3	1	–	6
At 31 December 2008	–	(302)	(778)	(276)	–	(1,356)
Net balance sheet amount at 31 December 2008	47	1,112	1,741	437	945	4,282
Held under finance leases (refer note 27)	–	–	1	–	–	1
Property, plant and equipment pledged as security (refer note 36)	–	–	56	8	–	64

1 Negative additions in buildings and mining construction result from a revision of discount rates applied to calculate the asset retirement obligations (refer note 28).

17. Property, plant and equipment *continued*

Additions to assets under construction include US\$2 million of capitalised borrowing costs (2008: US\$1 million). The average capitalisation rate was 1.0% for the year ended 31 December 2009 (2008: 3.1%).

During the year, there was no impairment charge with respect to property, plant and equipment (2008: nil).

18. Goodwill and intangible assets

In millions of US\$	Notes	Goodwill	Intangible assets	Total
Carrying amount at 1 January 2008		384	6	390
Additions		102	3	105
Carrying amount at 31 December 2008		486	9	495
Acquisition through business combinations	6	203	–	203
Additions		–	3	3
Exchange differences		(91)	–	(91)
Carrying amount at 31 December 2009		598	12	610

The carrying amount of goodwill is allocated to groups of cash-generating units as follows:

In millions of US\$	As at 31 December	
	2009	2008
Ferroalloys Division	225	275
Alumina and Aluminium Division	3	–
Iron Ore Division	144	179
Energy Division	26	32
Other Non-ferrous Division	200	–
Total carrying amount of goodwill	598	486

Goodwill is allocated according to the Group's operating segments.

Goodwill and intangible assets are tested for impairment in accordance with the policy disclosed in note 1 (q). As at 31 December 2009, and 31 December 2008 there is no impairment of goodwill (refer note 2 (f)).

19. Investments in joint venture and associates

A summary of the Group's investments in joint venture and associates is set out in the following table:

In millions of US\$	2009	2008
Carrying amount as at 1 January	313	–
Acquisitions of joint venture and associates (a)	198	323
Acquisitions through business combinations (b)	75	–
Share of profit/(loss) of joint venture and associates	31	(12)
Exchange differences	(2)	2
Carrying amount at 31 December	615	313

a) Acquisitions of joint venture and associates**Shubarkol Komir Joint Stock Company ('Shubarkol')**

On 16 February 2009 the Group acquired a 25% interest in Shubarkol, a major semi-coke and thermal coal producer incorporated in the Republic of Kazakhstan, for a cash consideration of US\$200 million less 25% of net debt.

Shubarkol is majority owned by EFIC, a private company controlled by the Founder Shareholders of the Group.

In connection with the acquisition, the Group has entered into an off-take agreement with Shubarkol, secured a seat on Shubarkol's board and entered into a shareholders agreement with EFIC. In addition the Group has a right of first refusal, combined with a call option, over all or part of the remaining shares in Shubarkol held by EFIC. The call option is exercisable (at the Group's discretion) at any time until 31 January 2011 which, if exercised will be subject to required regulatory approvals having been obtained and is expected to be subject to the approval of the Group's shareholders. The price payable on any exercise of the call option is the aggregate value of the shares to be transferred, assuming Shubarkol has a total value of US\$800 million on a fully diluted basis, less any net debt at the time of the transfer.

Because the call option is subject to the approvals noted above, it is not readily exercisable or convertible and hence the possession of the call option does not contribute to control over Shubarkol, the Group accounted for its investment in Shubarkol using equity accounting in accordance with the Group's accounting policy.

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19. Investments in joint venture and associates continued

b) Acquisitions through business combinations

Société Minière of Kabolela and Kipese sprl ('SMKK') and Earth Centre Investments (Pty) Limited were acquired on 9 November 2009 as part of the CAMEC acquisition.

Investments in joint venture and associates consisted of the following:

Investment	Associate/ joint venture	Country of incorporation	Principal activities	2009		2008	
				Carrying value in millions of US\$	Ownership interest	Carrying value in millions of US\$	Ownership interest
Bahia Minerals BV	Joint venture	Netherlands	Development of iron ore deposit	336	50%	313	50%
Shubarkol Komir JSC ¹	Associate	The Republic of Kazakhstan	Semi-coke/ thermal coal production	204	25%	–	–
Société Minière of Kabolela and Kipese sprl ¹	Associate	Democratic Republic of Congo	Mineral exploration	75	50%	–	–
Earth Centre Investments (Pty) Limited ^{1,2}	Associate	Namibia	Property investment	–	50%	–	–

1 While the Group legally holds a 50% interest in SMKK and Earth Centre Investments (Pty) Limited, both investments are deemed associates as management can only influence, rather than control, the decision making processes of both entities.

2 The financial reporting date of Earth Centre Investments (Pty) Limited is 31 March. Whilst this is different to the Group's reporting date, financial information was obtained at 31 December in order to report on a consistent basis with the Group's reporting date.

Summary financial information for the Group's joint venture and associates for the years ending and as at 31 December 2009 and 31 December 2008, adjusted for the percentage ownership held by the Group, is as follows:

In millions of US\$	Associates		Joint Venture	
	2009	2008	2009	2008
Non-current assets	28	–	44	22
Current assets	6	–	75	46
Non-current liabilities	(8)	–	(58)	(22)
Current liabilities	(11)	–	(70)	(71)
Group's share of net assets	15	–	(9)	(25)
Revenue	26	–	–	–
Total costs	(11)	–	(9)	(6)
Finance income	–	–	39	–
Finance cost	(2)	–	(5)	(6)
Income tax expense	(7)	–	–	–
Group's share of profit for the financial year	6	–	25	(12)

20. Other financial assets

In millions of US\$	As at 31 December	
	2009	2008
Non-current		
Investments held to maturity (a)	50	–
Other (b)	15	3
Total non-current financial assets	65	3
Current		
Short-term financial assets at fair value through profit or loss (c)	–	71
Investments in quoted equity shares (d)	15	6
Investments in unquoted options (e)	35	–
Short-term investments held-to-maturity	–	4
Total current financial assets	50	81
Total financial assets	115	84

(a) Investments held to maturity comprise US dollar denominated Euro Medium-term notes, maturing in January 2011. These notes were issued by HSBC bank during 2009, with a coupon of three months US dollar LIBOR plus 0.48%.

(b) Other non-current financial assets comprise US\$11 million (2008: nil) deposit with Industrial and Commercial Bank of China as cash collateral for the Chinese renminbi working capital facility for Xinjiang ENRC Taihang Chrome Co. Ltd. ('Tuoli') and US\$4 million of other related party non-current financial assets (2008: US\$3 million).

(c) At 31 December 2008 US\$71 million, short-term financial assets at fair value through profit or loss comprised Ministry of Finance government bonds of the Republic of Kazakhstan which were sold during 2009 for a gain of US\$8 million (refer note 13).

(d) Investments in listed equity shares represent short-term available-for-sale equity securities. In 2009, a US\$6 million gain (2008: US\$8 million gain) has been recognised in other comprehensive income in respect of the short-term available-for-sale equity securities.

20. Other financial assets *continued*

(e) Investments in unquoted options comprise of the following acquired options:

- An option to purchase assets contiguous to its existing operations in the DRC. A cash consideration of US\$25 million was paid for the option.
- An option to acquire a 70% interest in Masalskoe GOK LLP. The option, whose value at 31 December 2009 was US\$10 million, was purchased from one of the Company's non-executive Directors, refer note 5.

Both options are valued at cost.

All changes in fair value of financial assets are attributable to changes in market conditions.

Other financial assets are denominated in the following currencies:

In millions of US\$	As at 31 December	
	2009	2008
Kazakhstani tenge	4	75
Canadian dollar	12	6
US dollar	99	3
Total financial assets	115	84

21. Loans receivable

In millions of US\$	Note	As at 31 December	
		2009	2008
Non-current			
Loans receivable from related parties	5	63	51
Loans receivable		95	19
Total non-current loans receivable		158	70
Current			
Loans receivable from related parties	5	2	3
Loans receivable		15	-
Less impairment loss provision		-	(1)
Total current loans receivable		17	2
Total loans receivable		175	72

The Group's loans mature as follows:

In millions of US\$	2009	2008
Less than 1 year	17	3
Between 1 and 5 years	137	19
Greater than 5 years	21	50
Total loans receivable	175	72

The Group's loans receivable are denominated in currencies as follows:

In millions of US\$	2009	2008
US dollar	128	57
Kazakhstani tenge	11	15
Russian rouble	1	-
British pound	35	-
Total loans receivable	175	72

The effective interest rates at balance sheet date for interest bearing loans receivable were as follows:

In millions of US\$	Loan currency	Maturity	Effective interest rate		As at 31 December	
			2009	2008	2009	2008
Non-current						
Loans receivable from related parties	KZT	2012	12%	12%	2	5
Loans receivable	KZT	Various	1-10%	3-10%	7	8
Loans receivable	US\$	2011	LIBOR + 4.5%	LIBOR + 4.5%	40	11
Loans receivable	GBP	Various	LIBOR + 2%	n/a	35	-
Current						
Loans receivable from related parties	KZT	2012	12%	12%	2	3
Less impairment loss provision	n/a	n/a	-	-	-	(1)

All other loans are non interest bearing.

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21. Loans receivable *continued*

The fair values of the Group's loans receivable are as follows:

In millions of US\$	Carrying values		Fair values	
	2009	2008	2009	2008
Loans receivable	110	19	110	19
Loans receivable from related parties	65	53	65	53
Total loans receivable	175	72	175	72

No loans receivable are past due other than those provided for as at 31 December 2009 and 31 December 2008. 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 2009 and 31 December 2008.

22. Other non-current assets

In millions of US\$	Note	As at 31 December	
		2009	2008
Prepayments for property, plant and equipment and related services		147	394
Long-term inventory		22	23
Other advances and non-current assets		12	6
Other advances and non-current assets – related parties	5	6	3
Total other non-current assets		187	426

Prepayments for property, plant and equipment and related services are for machinery and equipment, in particular vehicles and power generating units required by the plants. Included in the prepayments are letters of credit with Eurasian Bank JSC pertaining to purchases of property, plant and equipment, totalling US\$2 million (2008: US\$23 million) (refer note 5).

Long-term inventory consists the slag dump of chrome ore which was recorded at fair value of US\$25 million at the date of the Serov acquisition. During 2009, US\$1 million of the slag dump was processed (2008: US\$1 million). At 31 December 2009, the total balance of the slag dump is US\$25 million (2008: US\$25 million), of which US\$3 million (2008: US\$2 million) is recorded within current inventory.

23. Inventories

In millions of US\$	As at 31 December	
	2009	2008
Finished goods	201	335
Raw materials	214	215
Consumable stores	114	128
Work-in-progress	83	77
Other inventory	3	3
Less provision for obsolete and slow-moving inventory	(8)	(34)
Total inventories	607	724

24. Trade and other receivables

In millions of US\$	Note	As at 31 December	
		2009	2008
Trade receivables		487	461
Trade receivables from related parties	5	3	11
Term deposits		17	193
Term deposits with related parties	5	109	1
Letters of credit with related parties	5	14	7
Restricted cash		54	50
Other receivables		27	13
Other amounts due from related parties	5	25	–
Less impairment loss provision		(14)	(15)
Total financial assets		722	721
VAT recoverable		115	234
Advances to suppliers		64	56
Prepaid expenses		37	49
Income tax prepayment		13	26
Prepaid expenses to related parties	5	6	12
Advances to related parties	5	2	1
Less impairment loss provision		–	(9)
Total non-financial assets		237	369
Total trade and other receivables		959	1,090

24. Trade and other receivables *continued*

The fair value of trade and other receivables (financial assets) approximates their carrying value. As at 31 December 2009, trade and other receivables of US\$36 million (2008: US\$186 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

In millions of US\$	As at 31 December	
	2009	2008
Current and not impaired	686	535
Less than 3 months overdue	28	165
Between 3 to 6 months overdue	3	14
Between 6 to 12 months overdue	2	4
Over 12 months overdue	3	3
Total past due but not impaired	36	186
Individually determined to be impaired – gross	14	15
Total individually impaired	14	15
Total trade and other receivables (financial assets)	736	736
Less impairment loss provision	(14)	(15)
Total trade and other receivables (financial assets) – net	722	721

Movements on the Group's provision for impairment of trade and other receivables (financial assets) during the year is as follows:

In millions of US\$	2009	2008
Balance as at 1 January	15	5
Impairment loss recognised in income statement	3	16
Amounts written off as uncollectable	(1)	(3)
Unused amounts reversed	(6)	(2)
Acquisition of subsidiary	6	–
Exchange differences	(3)	(1)
Balance as at 31 December	14	15

The Group's trade and other receivables (financial assets) are denominated in various currencies as follows:

In millions of US\$	As at 31 December	
	2009	2008
US dollar	512	535
Russian rouble	67	94
Kazakhstani tenge	58	67
British pound	48	4
European euro	28	20
Other	9	1
Total	722	721

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	
	2009	2008
Fixed interest rate	169	215
Floating interest rate	11	30

All other trade and other receivables are non-interest bearing.

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25. Cash and cash equivalents

In millions of US\$	As at 31 December	
	2009	2008
Short-term deposits	502	1,836
Cash at bank and in hand	328	657
Total cash and cash equivalents	830	2,493

The Group's cash and cash equivalents are denominated in currencies as follows:

In millions of US\$	As at 31 December	
	2009	2008
US dollar	592	1,868
Kazakhstani tenge	145	252
Russian rouble	63	53
British pound	21	6
European euro	4	313
Other	5	1
Total cash and cash equivalents	830	2,493

The interest rate profile of the Group's interest-bearing cash and cash equivalents is as follows:

In millions of US\$	As at 31 December	
	2009	2008
Fixed interest rate	704	470
Floating interest rate	55	1,807

All other cash and cash equivalents are non-interest bearing.

26. Capital and dividends

Share capital and share premium

	Number (issued and fully paid)	Ordinary shares US\$000	Share premium US\$000
At 31 December 2008	1,287,750,000	257,550	2,999,023
At 31 December 2009	1,287,750,000	257,550	2,999,023

As at 31 December 2009 and 31 December 2008 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 2008 and 31 December 2009, the following dividends were declared and paid by the Group:

	2009		2008	
	US cents per share	In millions of US\$	US cents per share	In millions of US\$
Prior year final dividend	19	245	–	–
Interim dividend	6	77	12	155
Total dividends		322		155

For 2009 the Board recommended a final dividend of 6 US cents per share, to give a full year dividend of 12 US cents per share. The dividend has not been provided.

27. Borrowings

In millions of US\$	Note	As at 31 December	
		2009	2008
Non-current			
Bank borrowings		52	350
Bonds		13	17
Term loans		3	4
Finance lease liabilities	17	–	1
Total non-current borrowings		68	372
Current			
Bank borrowings		351	351
Term loans		8	4
Other financial liabilities		1	–
Total current borrowings		360	355
Total borrowings		428	727

Total borrowings include secured liabilities (bank and collateralised borrowings) of US\$22 million at 31 December 2009 (2008: US\$15 million).

The carrying values and fair values of borrowings are as follows:

In millions of US\$	Carrying values		Fair values	
	2009	2008	2009	2008
Bank borrowings	403	701	403	702
Bonds	13	17	13	17
Term loans	11	8	11	8
Other financial liabilities	1	1	1	1
Total borrowings	428	727	428	728

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values of current and non-current borrowings are determined using discounted cash flows at the interest rates prevailing as at 31 December 2009.

The Group's borrowings mature as follows:

In millions of US\$	As at 31 December	
	2009	2008
Less than 1 year	360	355
Between 1 and 5 years	43	371
After 5 years	25	1
Total borrowings	428	727

The Group's borrowings are denominated in currencies as follows:

In millions of US\$	As at 31 December	
	2009	2008
US dollar	348	693
European euro	46	9
Chinese renminbi yuan	17	7
Kazakhstani tenge	14	18
British pound	3	–
Total borrowings	428	727

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27. Borrowings continued

The effective interest rates at balance sheet date for interest bearing borrowings were as follows:

In millions of US\$	Loan currency	Maturity	Effective interest rate		As at 31 December	
			2009	2008	2009	2008
Non-current borrowings						
Bank borrowings (a)	US\$	2010	n/a	LIBOR + 1.35%	–	342
Bank borrowings	CNY	2011	PBC plus margin ¹	n/a	10	–
Bank borrowings (b)	EUR	2020	EURIBOR + 0.5%	EURIBOR + 0.5%	42	8
Bonds	KZT	2013	8–10%	9.8–10%	13	17
Current borrowings						
Bank borrowings (a)	US\$	2010	LIBOR + 1.35%	LIBOR + 1.35%	342	344
Bank borrowings	CNY	2010	8%	8%	7	7
Bank borrowings (b)	EUR	2020	EURIBOR + 0.5%	n/a	2	–

¹ The effective interest rate applicable is the People's bank of China official rate plus a margin of 10% per annum.

(a) Structured Trade Finance Facility

On 15 December 2006, ENRC Marketing AG entered into a US\$1,000 million Structured Trade Finance Facility (the 'Facility'). By a Supplemental Agreement dated 12 April 2007, the Facility was increased to US\$1,480 million.

The Facility is secured principally by grants of security over certain sales contracts entered into by ENRC Marketing AG and third party buyers (and all receivables thereunder). The associated accounts receivable balance at 31 December 2009 was US\$214 million (2008: US\$178 million). All monies payable by the end purchasers under the sales contracts are required to be paid into bank accounts which are also used to secure the Facility. Withdrawals from these bank accounts are subject to restrictions imposed under the terms of the Facility Agreement. The Group agreed to certain restrictive covenants in respect of Kazchrome, as guarantor of the loan, which prohibit Kazchrome from lending more than US\$100 million and having total debt of greater than US\$1,500 million outstanding at any time during the duration of the Facility. In addition, the guarantee provides for other restrictions on Kazchrome including on payment of dividends, giving guarantees or indemnities, creating security interests or changing its business.

During 2009, the Group made accelerated repayments of the Facility for a total of US\$353 million. As at 31 December 2009, US\$342 million of the Facility was drawn down (2008: US\$686 million). Repayment of the balance occurs in equal and consecutive monthly instalments, with final payment scheduled for December 2010.

The interest rate applicable to the loan is one-month LIBOR plus 1.35% per annum.

(b) ECA Facility

On 30 November 2007, Eurasian Energy Corporation entered into an unsecured €32.5 million Export Credit Facility ('ECA Facility'). The ECA Facility has an applicable interest rate of EURIBOR plus 0.5% per annum and matures on 20 February 2020.

The purpose of the Facility is to finance an export contract with Takraf GmbH. As at 31 December 2009 US\$44 million of the Facility was drawn down (2008: US\$8 million).

28. Asset retirement obligations

The Group has a legal obligation to complete landfill site restoration during the mining operations and to decommission its mining property after its expected 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.

In millions of US\$	Note	As at 31 December	
		2009	2008
Current provision for asset retirement obligations	31	1	4
Non-current provision for asset retirement obligations		108	69
Total provision for asset retirement obligations		109	73

28. Asset retirement obligations continued

Movements in asset retirement obligations are as follows:

In millions of US\$	Note	Site restoration	Landfill decommissioning	Total
As at 1 January 2009		30	43	73
Acquisition of subsidiary		1	–	1
Changes in estimate		24	16	40
Production costs		(4)	7	3
Unwinding of discount	14	3	4	7
Utilisation		–	(2)	(2)
Exchange differences		(5)	(8)	(13)
As at 31 December 2009		49	60	109
As at 1 January 2008		43	43	86
Capitalisation		–	1	1
Acquisition of subsidiary		6	2	8
Change in estimate		(20)	–	(20)
Production costs		(1)	(6)	(7)
Unwinding of discount	14	3	4	7
Utilisation		–	(1)	(1)
Exchange differences		(1)	–	(1)
As at 31 December 2008		30	43	73

In accordance with the contracts on subsurface use, the Group makes annual obligatory contributions to form a deposit fund for the closure costs which will take effect upon exhaustion of the mineral deposits at the end of respective mine lives, which varies between 12 to 52 years.

The amount of the provision for asset retirement obligations is determined using the nominal prices effective at the reporting dates by applying the forecasted rate of inflation for the expected period of the life of the mines. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the level of discount and inflation rates.

Principal assumptions made in calculations of asset retirement obligations are presented below:

	2009		2008	
	Kazakhstani entities	Russian entities	Kazakhstani entities	Russian entities
Discount rate	6.0%	8.9%	11.4%	10.6%
Inflation rate	5.6%–6.0%	6.2%–11.7%	8.6%	7.0%

The increase in the asset retirement obligations for the year ended 31 December 2009 was mainly due to the reduction in the discount rate for both Kazakhstani and Russian entities.

29. Employee benefit obligations

The Group provides long-term employee benefits to employees in, 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	2009	2008
Present value of unfunded defined benefit obligation as at 1 January		37	52
Business acquisitions		2	4
Interest cost	14	2	5
Benefits paid		(2)	(3)
Curtailment gains		(7)	–
Current service cost		2	3
Actuarial losses/(gains)		19	(22)
Exchange differences		(7)	(2)
Present value of unfunded defined benefit obligation as at 31 December		46	37
Net liability arising from defined benefit obligations as at 31 December		46	37

The present value of unfunded defined benefit obligations as at 31 December 2007, 2006 and 2005 was US\$52 million, US\$48 million and US\$32 million, respectively.

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29. Employee benefit obligations continued

Amounts recognised in the income statement in respect of the defined benefit plan are as follows:

In millions of US\$	Note	Years ended 31 December	
		2009	2008
Interest cost ¹	14	2	5
Curtailement gains ²		(7)	–
Current service cost ²		2	3
Actuarial losses/(gains) ²		19	(22)
Expense/(income) recognised in the income statement		16	(14)

1 The interest cost is recognised in the finance cost line in the income statement.

2 The curtailment gains, current service cost and actuarial losses/(gains) are recognised in the following line items in the income statement:

In millions of US\$	Note	Years ended 31 December	
		2009	2008
Cost of sales		13	(18)
Selling, general and administrative		1	(1)
Total expense/(income)	12	14	(19)

No curtailment gains, current service cost and actuarial losses/(gains) were capitalised as part of the property, plant and equipment during 2009 and 2008.

Principal actuarial assumptions used at the balance sheet date were as follows:

	As at 31 December	
	2009	2008
Discount rate	6.0%	6.0%–11.0%
Future salary increases	7.0%–10.0%	8.0%–10.0%
Average labour turnover rate of production personnel	6.0%–20.0%	6.0%–20.0%
Average labour turnover rate of administrative personnel	6.0%–14.0%	1.0%–12.0%

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:

	2009	2008
Male	11	11
Female	16	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:

	2009	2008
Male	12	12
Female	16	16

30. Derivative financial instruments

Forward foreign exchange contracts were entered into in order to mitigate foreign exchange currency risk arising from highly probable forecast transactions. The foreign exchange contracts were designated as cash flow hedge instruments and their fair value recognised in the cash flow hedge reserve within equity.

All forward foreign exchange contracts expired during the year ended 31 December 2009, reducing the financial instruments liability as at December 2009 to nil (2008: US\$54 million). Fair value losses recognised in the cash flow hedge reserve were taken to 'Cost of sales' in the income statement during year ended 31 December 2009.

31. Trade and other payables

In millions of US\$	Note	As at 31 December	
		2009	2008
Trade payables		224	149
Payable to related parties	5	14	13
Distributions payable		7	5
Total financial liabilities		245	167
Advances received from customers		54	123
Accruals relating to employee entitlements		83	81
Asset retirement obligations	28	1	4
Other		34	36
Total non-financial liabilities		172	244
Total trade and other payables		417	411

The fair value of financial liabilities equals their carrying amounts as the impact of discounting is insignificant.

32. Other taxes payable

In millions of US\$	As at 31 December	
	2009	2008
Mineral extraction tax, royalties and other taxes	78	26
Value added tax	6	18
Social taxes	6	5
Total other taxes payable	90	49

With effect from 1 January 2009 MET replaced the previous system of royalties. Both MET and royalties are reflected in 'Cost of sales'.

Also with effect from 1 January 2009 the scope of rental tax has been extended to include coal exports replacing royalties on coal extraction. Rental tax is included in 'Distribution expenses'.

Other taxes payable include property, environmental and other taxes.

33. Share-based payments

The Group has established a LTIP 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 which vest on the third anniversary of the grant date subject to achievement of performance targets. The LTIP performance target is based on the Group's total shareholder return, ranked against a comparator group of other international mining companies over a three year period. Further information on the LTIP is disclosed in the Remuneration Report on pages 51 to 55.

In circumstances where an employee ceases to be employed prior to the vesting date 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 are set out in the table below:

	Grant 1	Grant 2
Grant date	7 May 2008	20 April 2009
Fair value per share (in British pounds)	8.47	3.97
Share price at grant date (in British pounds)	12.10	5.489
Estimated average volatility ¹	42%	70%
Estimated dividend yield ²	1.01%	3.82%
Risk free interest rate ³	2.55%	1.27%
Vesting period	3 years	3 years

1 The Group's estimated share price volatility 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. The increase in volatility for Grant 2 was due to the changes in market conditions over an historical period similar to the life of the awards.

2 The estimated dividend yield for Grant 2 was based on the Group's historical dividend payments. For Grant 1, the expected dividend yield was deemed to be the average of the comparator group of mining companies as ENRC had not paid any dividends prior to grant date of Grant 1.

3 The risk-free interest rate is a government bond rate of the country in whose currency the exercise price is expressed, over a period similar to the life of the awards. The decrease in the risk free rate in 2009 was due to market fluctuations.

The estimated fair value of each share granted under the LTIP is calculated by applying a Monte Carlo simulation model.

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33. Share-based payments *continued*

Recognition of services received

An expense of US\$13 million (2008: US\$3 million) for share-based payments was recognised during the year ended 31 December 2009 within employee benefits in the income statement. During 2009 payments of US\$3 million (2008: nil) were made to LTIP participants.

The table below sets out the movement in shares granted under the LTIP:

	Grant 1	Grant 2	Total
2009			
As at 1 January 2009	747,327	–	747,327
Granted	–	2,221,980	2,221,980
Forfeited	(205,518)	(599,627)	(805,145)
Settled	(131,540)	(60,728)	(192,268)
As at 31 December 2009	410,269	1,561,625	1,971,894
2008			
As at 1 January 2008	–	–	–
Granted	756,506	–	756,506
Settled	(9,179)	–	(9,179)
As at 31 December 2008	747,327	–	747,327

34. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group may use derivative financial instruments to partially hedge foreign exchange exposure.

Financial risk management is the responsibility of the treasury function which identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. 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 non-derivative financial instruments, and investment of excess liquidity.

Credit risk

The Group does not require collateral in respect of financial assets. The Group has credit insurance for the majority of its sales. Credit limits are set by the Group in accordance with limits provided by the Credit Insurance Company.

Credit insurance is no longer available in respect of the Group's Russian customers. The development of the Group's relationship with its two largest Russian customers, MMK and UC Rusal, is described in the Operating Review. The Group undertakes rigorous credit control procedures which are closely monitored by the Head of Sales 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 to diversify credit risk. 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, liquidity funds, asset management funds and sovereign debt were used within the Group's investment portfolio to manage credit exposure.

Individual counterparty exposure limits are based on entity credit ratings published by at least one of the major credit rating agencies where available. Our policy is to invest cash and cash equivalents with highly rated banks and with AAA rated liquidity funds. The Group's Treasury policy prescribes the maximum limits that are available for investment purposes with any individual counterparty.

For operational and investment purposes in Kazakhstan, there are a limited number of counterparties with an independent credit rating. The process of evaluating Kazakhstani counterparty credit limits is based on the results of synthetic ratio calculations derived from relevant financial data for each counterparty. The resultant counterparty credit limits are reviewed frequently and amended as appropriate to meet the changing business environment in which the Group operates.

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	
		2009	2008
Cash and cash equivalents	25	830	2,493
Trade and other receivables (excluding prepaid expenses and taxes)	24	722	721
Loans receivable	21	175	72
Financial assets	20	115	84
Total maximum credit risk exposure		1,842	3,370

34. Financial risk management *continued*

The maximum exposure to credit risk for Trade receivables (excluding prepaid expenses and taxes), cash and cash equivalents, loans receivable and other financial assets by geographic region is as follows:

In millions of US\$	Years ended 31 December 2009			
	Cash and cash equivalents	Trade receivable	Loans receivable	Other financial assets
Eurasia	668	278	27	14
Europe and Middle East	146	159	–	61
Asia Pacific	–	241	–	–
Rest of the world	16	44	148	40
Total	830	722	175	115

In millions of US\$	Years ended 31 December 2008			
	Cash and cash equivalents	Trade receivables	Loans receivable	Other financial assets
Eurasia	717	355	15	78
Europe and Middle East	1,776	207	–	–
Asia Pacific	–	153	–	–
Rest of the world	–	6	57	6
Total	2,493	721	72	84

In 2009 the top 10 customers as a proportion of the outstanding balance of the Group's trade receivables accounted for 65 % (2008: 51%).

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due by up to 60 days. The top 10 customers have a good payment record with the Group.

Foreign currency risk

The majority of the Group's production costs are denominated in Kazakhstani tenge and Russian roubles while sales are denominated in US dollars. The Group is therefore exposed to the risk that movements in exchange rates will affect both its operating profit and cash flows.

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.

Foreign currency risks were partially mitigated through forward foreign exchange contracts which were deemed to be effective hedges on highly probable forecast transactions that achieved an average exchange rate. All forward exchange contracts expired at 31 December 2009.

There were no additional foreign exchange hedges transacted during the year.

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	Other
At 31 December 2009						
Kazakhstani entities (KZT)	n/a	1,117	(178)	(24)	3	–
Marketing and holding entities (US\$)	388	n/a	10	20	19	8
Marketing Russian entities (RUB)	–	(66)	n/a	–	–	–
UK management entities (GBP)	–	(50)	–	–	n/a	–
Russian Serov entities (RUB)	–	1	n/a	–	–	–
Chinese entities (CNY)	–	(2)	–	–	n/a	–
African entities (US\$)	–	n/a	–	–	(23)	(18)
	388	1,000	(168)	(4)	(1)	(10)
At 31 December 2008						
Kazakhstani entities (KZT)	n/a	1,140	13	(12)	–	–
Marketing and holding entities (US\$)	(10)	n/a	–	321	4	6
UK management entities (GBP)	–	(20)	–	–	n/a	–
Russian entities (RUB)	–	(34)	n/a	–	–	–
Chinese entities (CNY)	–	–	–	–	–	–
	(10)	1,086	13	309	4	6

In 2009 and 2008 inter-company balances are included to fully reflect the Group's exposure to foreign currency risk.

The principal exchange rate used for the Kazakhstani tenge and Russian rouble are presented in note 1f.

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34. Financial risk management continued

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	Other
At 31 December 2009						
Total foreign exchange risk	388	1,000	(168)	(4)	(1)	(10)
Shift in the US exchange rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Increase/(decrease) in profit/equity due to appreciation of US\$	(19.4)	50.0	8.4	0.2	–	0.5
Increase/(decrease) in profit/equity due to depreciation of US\$	19.4	(50.0)	(8.4)	(0.2)	–	(0.5)
At 31 December 2008						
Total foreign exchange risk	(10)	1,086	14	309	4	6
Shift in the US exchange rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Increase/(decrease) in profit/equity due to appreciation of US\$	(0.5)	54.3	0.7	15.4	0.2	0.3
Increase/(decrease) in profit/equity due to depreciation of US\$	0.5	(54.3)	(0.7)	(15.4)	(0.2)	(0.3)

The above tables exclude the impact of forward foreign exchange contracts which have been hedged.

Devaluation of Kazakhstani tenge

The devaluation of the Kazakhstani tenge in early February 2009 gave risk to significant one-off foreign exchange movements on the revaluation of US dollar denominated balances in the Kazakhstani operations, primarily inter-company receivables and loans, and term deposits. Consequently, the Group recognised net foreign exchange gains of US\$210 million and US\$104 million included in 'net other operating income' (note 11) and 'finance income' (note 13), respectively, and a foreign exchange loss of US\$75 million included in 'finance costs' (note 14).

Separately, in the Group's balance sheet the devaluation impact on net assets was reflected in a significant one-off reduction of about US\$1.3 billion in the currency translation reserve within equity.

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily ferrochrome, chrome ore, iron ore, alumina and aluminium. 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 cyclicity 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:

The 5% reduction in sales price, relative to the average for the year, would reduce Underlying EBITDA by:

In millions of US\$	2009	2008
High carbon ferrochrome	55	112
Chrome ore	6	18
Iron ore	53	72
Alumina	16	26
Aluminium	10	13

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 cash flow interest rate risk or fair value interest rate risk depending on whether they are subject to variable or fixed rates of interest.

The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters, while optimising the return. The Group's policy is to manage its interest cost using a mix of fixed and variable interest rate borrowings.

The Group's significant interest bearing assets and liabilities are disclosed in notes 20, 21, 24, 25, and 27.

34. Financial risk management *continued*

An increase/(decrease) of 1% in interest rates at the reporting date would have increased/(decreased) profit before tax for the year ended 31 December 2009 by US\$7 million (2008: US\$17 million). 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.

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:

In millions of US\$	Note	As at 31 December	
		2009	2008
Borrowings	27	428	727
Share capital and share premium Reserves ¹	26	3,257	3,257
Total capital		4,456	4,915
		8,141	8,899

1 Reserves include retained earnings, translation reserve, hedge 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.

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, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below summarises the Group's non-derivative financial assets and liabilities which will be settled on a gross basis and derivative financial liabilities which will be settled on a net 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 year end exchange rates.

Non-derivative financial assets and liabilities

In millions of US\$	As at 31 December 2009				
	Carrying amount	Total contractual cash flows	Less than 1 year	Between 1 and 5 years	After 5 years
Borrowings	(428)	(431)	(363)	(43)	(25)
Other non-current liabilities	(4)	(4)	-	-	(4)
Trade and other payables	(250)	(250)	(250)	-	-
Cash and cash equivalents	830	830	830	-	-
Loans receivable	175	193	17	155	21
Other financial assets	80	80	15	61	4
Trade and other receivables	722	722	722	-	-
Net position	1,125	1,140	971	173	(4)

In millions of US\$	As at 31 December 2008				
	Carrying amount	Total contractual cash flows	Less than 1 year	Between 1 and 5 years	After 5 years
Borrowings	(727)	(748)	(374)	(369)	(5)
Other non-current liabilities	(5)	(5)	-	-	(5)
Trade and other payables	(167)	(167)	(167)	-	-
Cash and cash equivalents	2,493	2,493	2,493	-	-
Loans receivable	72	78	4	22	52
Other financial assets	84	84	81	-	3
Trade and other receivables	721	721	721	-	-
Net position	2,471	2,456	2,758	(347)	45

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34. Financial risk management continued

Derivative financial assets and liabilities

In millions of US\$	As at 31 December 2009		As at 31 December 2008	
	Carrying amount	Cash flow less than 1 year	Carrying amount	Cash flow less than 1 year
Forward foreign exchange contracts – cash flow hedge				
Outflow	–	–	(54)	(480)
Inflow ¹	–	–	–	481
Investment in unquoted options				
Inflow	35	–	–	–
Net position	35	–	(54)	1

1 Undiscounted cash inflow translated at forward exchange rates prevailing at year end is nil (2008: US\$426 million).

Undrawn loan commitments

As at 31 December 2009 the Group had an unused credit facility of nil (2008: US\$38 million) (refer note 27).

35. Auditors' remuneration

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor as detailed below:

In millions of US\$	Years ended 31 December	
	2009	2008
Audit services		
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	1.4	1.5
The audit of the Company's subsidiaries pursuant to legislation	3.1	3.4
Other services pursuant to legislation – interim review	0.4	0.5
Non-audit services		
Fees payable to the Company's auditors and its associates for other services:		
Other services related to taxation	1.0	0.7
Services relating to corporate finance transactions	–	2.2
All other services	0.3	0.6

36. Commitments

Capital expenditure commitments

In millions of US\$	As at 31 December	
	2009	2008
Property, plant and equipment	268	526

Operating leases

The table below sets out minimum payments for non-cancellable operating leases:

In millions of US\$	As at 31 December	
	2009	2008
Less than 1 year	27	24
Between 1 and 5 years	37	31
After 5 years	38	16
Total	102	71

Rental expenses relating to the operating leases of mining facilities and administrative facilities are recognised in 'cost of sales' and 'selling, general and administrative expenses' respectively within the income statement.

Assets pledged and restricted

The Group has the following assets pledged as collateral:

In millions of US\$	Note	As at 31 December			
		2009		2008	
		Asset pledged	Related liability	Asset pledged	Related liability
Property, plant and equipment	17	51	15	64	15
Long-term deposits and restricted cash	5,20	15	23	23	–
Restricted cash ¹	24	54	352	30	686
Accounts receivable	27	214		178	
Total assets pledged and restricted		334	390	295	701

1 Restricted cash represents US\$43 million relating to the remaining purchase of CAMEC ordinary shares held by minority shareholders along with US\$11 million funds allocated for repayment of the Structured Trade Finance Facility (2008: US\$30 million).

37. Contingencies

At the end of 2009, the Kazakhstani 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 are confident that the Company was fully compliant with the transfer pricing legislation prevailing at the time, have appealed against the assessment, and will be defending the adopted filing position. No provision against additional tax is considered to be necessary.

38. Reconciliation of non-GAAP measures

1. Underlying EBIT, EBITDA and EBITDA margin

In millions of US\$ (unless stated otherwise)	Years ended 31 December	
	2009	2008
Profit for the year	1,062	2,684
Add:		
Finance cost	157	143
Income tax expense	377	1,143
Less:		
Share of (profit)/loss of joint venture and associates ¹	(31)	12
Finance income	(191)	(132)
Foreign exchange gain resulting from devaluation of Kazakhstani tenge	(210)	-
Underlying EBIT	1,164	3,850
Add back:		
Depreciation, amortisation and impairment	298	311
Underlying EBITDA²	1,462	4,161
Divide by:		
Revenue	3,831	6,823
Underlying EBITDA margin	38.2%	61.0%

1 Includes BML (joint venture) from 19 May 2008, Shurbakol (associate) from 16 February 2009 and SMKK (associate) from 9 November 2009.

2 Underlying EBITDA: profit before finance income, finance cost, income tax expense, depreciation, amortisation and impairment, net gains and losses on derivatives not qualifying for hedge accounting, share of profit or loss of joint venture and associates and the impact of the devaluation of the Kazakhstani tenge.

2. Return on capital employed

In millions of US\$ (unless stated otherwise)	Years ended 31 December	
	2009	2008
Underlying EBIT	1,164	3,850
Divide by:		
Capital employed weighted average¹		
Borrowings	580	1,019
Equity including minority interest	7,847	7,088
Total capital employed weighted average	8,427	8,107
Return on capital employed	13.8%	47.5%

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.

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38. Reconciliation of non-GAAP measures continued

3. Like-for-like reconciliation

In millions of US\$	Years ended 31 December		2009 vs. 2008	
	2009	2008	US\$ million	%
Like-for-like revenue				
Revenue	3,831	6,823		
Less:				
Serov revenue	(165)	(496)		
Tuoli revenue	(11)	(6)		
CAMEC revenue	(55)	–		
Other entities acquired or established in 2008 and 2009	(6)	(1)		
Aluminium smelter revenue	(87)	(280)		
Like-for-like revenue	3,507	6,040	(2,533)	(41.9)%
Like-for-like cost of sales				
Cost of sales	1,947	2,088		
Less:				
Royalties	(1)	(48)		
MET	(166)	–		
Serov cost of sales	(99)	(155)		
Tuoli cost of sales	(24)	(11)		
CAMEC cost of sales	(40)	–		
Other entities acquired or established in 2008 and 2009	(3)	–		
Aluminium smelter cost of sales	(75)	(103)		
Like-for-like cost of sales	1,539	1,771	(232)	(13.1)%
Like-for-like total costs				
Total costs				
Cost of sales	1,947	2,088		
Distribution costs	366	431		
Selling, general and administrative expenses	359	422		
Other operating income	(253)	(42)		
Other operating expense	38	74		
Total costs	2,457	2,973		
Less:				
Royalties	(1)	(48)		
MET	(166)	–		
Devaluation of Kazakhstani tenge	210	–		
Serov total costs	(130)	(186)		
Tuoli total costs	(9)	(26)		
CAMEC total costs	(55)	–		
Other entities acquired or established in 2008 and 2009	(7)	(1)		
Aluminium smelter total costs	(91)	(140)		
Like-for-like total costs	2,208	2,572	(364)	(14.2)%

38. Reconciliation of non-GAAP measures continued

In millions of US\$	Years ended 31 December		2009 vs. 2008	
	2009	2008	US\$ million	%
Like for like cost of sales – principal operating Divisions¹				
Cost of sales – principal operating Divisions	2,098	2,229		
Less:				
Royalties	(1)	(48)		
MET	(166)	–		
Serov cost of sales	(99)	(155)		
Tuoli cost of sales	(24)	(11)		
CAMEC cost of sales	(40)	–		
Other entities acquired or established in 2008 and 2009	(3)	–		
Aluminium smelter cost of sales	(75)	(103)		
Like-for-like cost of sales – principal operating Divisions	1,690	1,912	(222)	(11.6)%

1 The principal operating Divisions comprise of Ferroalloys, Iron Ore, Alumina and Aluminium, Energy and Other Non-ferrous operating segments.

4. Gross available funds and net cash

In millions of US\$	As at 31 December	
	2009	2008
Gross available funds		
Cash and cash equivalents	830	2,493
Term deposits	126	194
Other financial assets	115	84
Less:		
Investments in unquoted options	(35)	–
Other restricted financial assets	(15)	(3)
Total gross available funds	1,021	2,768
Borrowings – current	(360)	(355)
Borrowings – non-current	(68)	(372)
Total net available funds	593	2,041
Net cash		
Cash and cash equivalents	830	2,493
Borrowings – current	(360)	(355)
Borrowings – non-current	(68)	(372)
Total net cash	402	1,766

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39. Principal subsidiaries

A list of the principal subsidiaries is set out below:

Subsidiary	Principal activity	Country of incorporation	As at 31 December 2009		
			Proportion % of Ordinary shares held by parent	Proportion % of Ordinary shares held by the Group	Proportion % of Preference shares held by the Group
Aluminium of Kazakhstan JSC	Mining and processing of raw materials	Kazakhstan	–	98.12	82.78
Kazsoda LLP	Processing of raw materials	Kazakhstan	–	100.00	–
Rudnenskiy Cement Plant LLP	Processing of raw materials	Kazakhstan	–	100.00	–
Serov Ferroalloy Plant JSC	Metals processing	Russian Federation	–	99.44	–
Xinjiang Tuoli ENRC Taihang Chrome Co. Ltd	Metals processing	China	–	50.00	–
Kazakhstan Aluminium Smelter JSC	Metals processing	Kazakhstan	–	100.00	–
Serov Metalconcentrate Works JSC	Metals processing	Russian Federation	–	100.00	–
TNC Kazchrome JSC	Mining	Kazakhstan	–	99.56	86.52
SSGPO JSC	Mining	Kazakhstan	–	100.00	81.47
Zhaireskiy GOK JSC	Mining	Kazakhstan	–	100.00	37.18
Saranovskaya Mine 'Rudnaya' JSC	Mining	Russian Federation	–	98.91	–
Boss Mining sprl	Mining	DR Congo	–	67.24	–
Eurasian Energy Corporation JSC	Power generation	Kazakhstan	–	100.00	76.67
ENRC Leasing BV	Leasing	Netherlands	–	100.00	–
Corporate Fund ENRC Komek	Charity	Kazakhstan	–	100.00	–
Company Zhol Zhondeushy LLP	Transportation	Kazakhstan	–	100.00	–
MEK Transsystema LLP	Transportation	Kazakhstan	–	100.00	–
TransCom LLP	Transportation	Kazakhstan	–	100.00	–
TransRem Wagon LLP	Transportation	Kazakhstan	–	100.00	–
RemPut Ltd. LLP	Transportation	Kazakhstan	–	100.00	–
Universal Service LLP	Transportation	Kazakhstan	–	100.00	–
RemZholService LLP	Transportation	Kazakhstan	–	100.00	–
Bereke 2004 LLP	Transportation	Kazakhstan	–	100.00	–
ENRC Logistics LLP	Transportation	Kazakhstan	–	100.00	–
Zhana Temir Zhol LLP	Transportation	Kazakhstan	–	100.00	–
Sabot Management Limited	Transportation	Seychelles	–	96.05	–
ENRC Marketing AG	Sales and marketing	Switzerland	–	100.00	–
ENRC Marketing LLP	Sales and marketing	Kazakhstan	–	100.00	–
ENRC Marketing LLC	Sales and marketing	Russian Federation	–	100.00	–
DDK Trading AG	Sales and marketing	Switzerland	–	100.00	–
Metallurg LLP	Sales and marketing	Kazakhstan	–	100.00	–
ENRC NV	Holding company	Netherlands	–	100.00	–
Central African Mining & Exploration Company PLC	Holding company	United Kingdom	–	96.05	–
ENRC Africa 1 Limited	Holding company	United Kingdom	100.00	–	–
ENRC Finance Limited	Treasury and holding company	United Kingdom	100.00	–	–
ENRC Management (UK) Limited	Group management company	United Kingdom	100.00	–	–

40. Events after the balance sheet date

Purchase of the minority shareholding in CAMEC

In 2010, the Group completed a partial buyout of minority interests in CAMEC for a cash consideration of US\$9 million. As a result, the Group's interest in CAMEC as at 18 March 2010 increased to 96.88% of CAMEC's issued share capital.

Acquisition of Chambishi Metals and Comit Resources

On 18 February 2010, the Group announced that it had entered into a conditional agreement with International Mineral Resources BV, a company owned by the Founder Shareholders (denoted in note 5) to acquire Enya Holdings BV ('Enya') for a consideration of US\$300 million less net debt. Enya holds a 90% interest in Chambishi Metals PLC ('Chambishi'), a Zambian copper and cobalt producer, together with a 100% interest in Comit Resources FZE, a Dubai based marketing and sales company that historically has handled Chambishi's copper and cobalt sales.

On 6 April 2010, the acquisition of Enya was effectively completed and control obtained by the Group. The consideration paid was wholly funded from the Group's cash resources.

Export credit facility agreement

On 16 February 2010, the Group entered into an export credit facility agreement for the amount of €47.6 million. The facility is a 10 year draw-down facility and bears an interest rate of six-month EURIBOR plus 1.5%. Euler Hermes Kreditversicherungs AG has provided credit insurance to support the facility. The facility will be used to finance some of the Group's capital expenditure.

2009 final dividend

For 2009 the Board has recommended a final dividend of US 6 cents per share amounting to US\$77 million, which will be paid on Wednesday 16 June 2010, to shareholders on the register at the close of business on 6 April 2010.

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 2009 which comprise the Balance Sheet and 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 56, 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 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.

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 2009;
- 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 2009.

Charles Joseland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
 Chartered Accountants and Statutory Auditors
 London
 12 April 2010

Balance Sheet

In millions of US\$	Notes	As at 31 December	
		2009	2008
Assets			
Fixed assets			
Investments	5	1,216	1,203
Current assets			
Amount owed by ENRC Finance Limited	6	2,652	2,299
Accrued interest		69	13
Other debtors		1	-
Cash at bank and in hand		-	-
Total current assets		2,722	2,312
Creditors – amounts falling due within one year			
Amounts owed to ENRC Management (UK) Limited	6	(44)	(22)
Other creditors		(2)	-
Total creditors – amounts falling due within one year		(46)	(22)
Net current assets		2,676	2,290
Total assets less current liabilities		3,892	3,493
Capital and reserves			
Called up share capital	7	258	258
Share premium account	8	2,999	2,999
Other reserves	8	13	3
Profit and loss account	8	622	233
Total capital employed		3,892	3,493

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

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.

These financial statements and the accompanying notes were authorised for issue by the Board of Directors on 12 April 2010 and were signed on its behalf by:



Mr Felix Vulis
Chief Executive Officer



Ms Zaure Zaubekova
Chief Financial Officer

Notes to the Parent Company Financial Statements

1. Principal accounting policies

Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards and generally accepted accounting principles in the United Kingdom ('UK GAAP').

The functional and presentation currency of the Company is US dollars. At 31 December 2009, the exchange rate was £1 = US\$1.6139 (2008: £1 = US\$1.450) and the average rate for the year was £1 = US\$1.5664 (2008: £1 = US\$1.855).

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 if the carrying amount of the investment exceeds the higher of net realisable value and the discounted future earnings from the investment.

Financial assets and liabilities

Interest and non-interest bearing amounts owed by Group companies are initially recorded at fair value and subsequently re-measured at amortised cost using the effective interest method. Finance income and expense are accounted for on an accruals basis using the effective interest method.

Foreign currencies

Transactions denominated in currencies other than US dollars, including the issue of shares, 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.

Taxation including deferred tax

Full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date, except that deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered. Deferred tax is recognised on an undiscounted basis.

Share-based payments

The Company has adopted a LTIP designed to reward senior management employees 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 fair value was calculated by applying a Monte Carlo model.

In accordance with UITF 44 and FRS 20, where a parent company grants rights to its equity instruments 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.

Further details on the share-based payments can be found in the Directors' Remuneration Report section of this Annual Report on pages 51 to 55 and note 33 to the consolidated financial statements.

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. Cash flow statement, related party and financial instruments disclosures

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised) and presenting financial instruments disclosures under the terms of FRS 29. A consolidated cash flow statement has been presented in the consolidated financial statements of the Company.

The Company is also exempt under the terms of FRS 8 which states that disclosure of related party transactions is not required in parent company financial statements when those statements are presented together with its consolidated financial statements.

3. Directors' emoluments and employee information

The Company had an average of two employees during 2009 (2008: two employees), who were also Directors of the Company. Emoluments of all the Directors are borne by ENRC Management (UK) Limited. Full details of the remuneration and share interests of the Directors for the year ended 31 December 2009 are set out in the Directors' Remuneration Report section of this Annual Report and Accounts.

4. Tax

The Company has unrecognised deferred tax assets in respect of deductible temporary differences of \$3 million (2008: \$3 million).

5. Investments

In millions of US\$	Country of incorporation	As at 31 December	
		2009	2008
Cost and net book value			
ENRC Finance Limited	United Kingdom	1,200	1,200
ENRC Management (UK) Ltd	United Kingdom	12	3
Aluminium of Kazakhstan JSC	Kazakhstan	1	–
Eurasian Energy Corporation JSC	Kazakhstan	1	–
ENRC Marketing AG	Switzerland	1	–
ENRC Management (KZ) LLP	Kazakhstan	1	–
ENRC Logistics	Kazakhstan	–	–
Kazakhstan Aluminium Smelter JSC	Kazakhstan	–	–
OAO Serov Ferrochrome Factory	Russian Federation	–	–
SSGPO JSC	Kazakhstan	–	–
TNC Kazchrome	Kazakhstan	–	–
Zhairesky Gok JSC	Kazakhstan	–	–
ENRC Africa Limited	United Kingdom	–	–
Total investments		1,216	1,203

In accordance with UITF 44 and FRS 20, the cost of investments in ENRC Finance Limited, ENRC Management (UK) Ltd, Aluminium of Kazakhstan JSC, Eurasian Energy Corporation JSC, ENRC Marketing AG, ENRC Management (KZ) LLP, ENRC Logistics, Kazakhstan Aluminium Smelter JSC, OAO Serov Ferrochrome Factory, SSGPO JSC, TNC Kazchrome, and Zhairesky Gok JSC increased during 2009 and 2008 to reflect the cost of the conditional awards of shares granted to their respective employees. Information on the fair value calculations is given in the notes to the consolidated financial statements.

In September 2009, ENRC Africa 1 Limited, a company incorporated in the UK, was established. This company is wholly owned by the Company.

6. Receivables and payables to Group companies

The amount owed by ENRC Finance Limited bears interest at LIBOR plus 2.056%. It is repayable on demand.

The balance payable to ENRC Management (UK) Limited at 31 December 2009 and 2008 relates to management recharges. It is repayable on demand and is not interest bearing.

7. Share capital

In millions of US\$	As at 31 December	
	2009	2008
Authorised:		
2,000,000,000 ordinary shares of US\$0.20 each	400	400
Issued and fully paid:		
1,287,750,000 ordinary shares of US\$0.20 each	258	258

Notes to the Parent Company Financial Statements

continued

8. Movement in shareholders' funds

In millions of US\$	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total
At 31 December 2007	258	2,999	–	293	3,550
Profit for the year	–	–	–	95	95
Dividends paid	–	–	–	(155)	(155)
FRS 20 share-based payment cost	–	–	3	–	3
At 31 December 2008	258	2,999	3	233	3,493
Profit for the year	–	–	–	711	711
Dividends paid	–	–	–	(322)	(322)
FRS 20 share-based payment cost	–	–	10	–	10
At 31 December 2009	258	2,999	13	622	3,892

The Company has recognised a net amount of US\$10 million increase in other reserves in relation to the share-based payments. Details of the share-based payments are disclosed in the notes to the consolidated financial statements.

The profit and loss account includes a foreign exchange loss on dividends of US\$2 million for the year ended 31 December 2009 (2008: profit of US\$7 million).

9. Guarantees and commitments

On 17 July 2009, the Company provided a guarantee to a third party bank in relation to the hedge contracts of ENRC Marketing AG, amounting to US\$20 million.

On 31 March 2009, the Company provided a guarantee under the loan facility, to a third party bank in relation to payment obligations of ENRC Finance Limited, amounting to US\$11 million.

On 29 October 2008, the Company provided a guarantee to a third party contractor, in relation to supply of equipment to Kazakhstan Aluminium Smelter, amounting to a total of EUR33 million.

On 14 October 2008, the Company provided a guarantee to a third party contractor in relation to the supply of materials to ENRC Marketing AG.

At 31 December 2009 and 2008, the Company has an investment agreement with Eurasian Energy Corporation JSC ('EEC'), its subsidiary, to finance the expansion of its production capacity, including that of its operating divisions, amounting to a total of US\$309 million until 2011.

10. Events after the balance sheet date

A final dividend of US\$0.06 per share has been recommended by the Board of Directors amounting to US\$77 million, giving a total dividend in respect of 2009 of US\$0.12 per share or US\$155 million in aggregate.

ENRC Finance Ltd paid ENRC PLC in January 2010 an amount of US\$90 million as partial settlement of its loan payable to the Company.

Independent Expert Ore Reserves Report for the year ended 31 December 2009

SRK Consulting (UK) Ltd. ('SRK') has reviewed the GKZ 'reserve' statements of the mining assets of Eurasian Natural Resources Corporation plc ('ENRC') as prepared in accordance with the local regulatory requirements of Kazakhstan, as of 31 December 2009. SRK has restated these as Mineral Resources and Ore Reserves in accordance with the terms and definitions given in the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy. SRK has modified and translated ENRC's GKZ 'reserve' statements for reporting in accordance with the JORC Code without recourse to fundamental recalculation.

In 2007, SRK prepared an independent mineral experts' report ('MER') on the mining, processing, smelting and power generating assets of ENRC. An abridged version of this MER was included in the prospectus published by the Company in connection with the admission of the ordinary shares of the Company to trading on the London Stock Exchange plc's market for listed securities in December 2007 (the 'IPO'). The MER contained Mineral Resource and Ore Reserve Statements in accordance with the JORC Code, dated 1 July 2007.

In 2008, SRK carried out a desktop review of the Mineral Resources and Ore Reserves, and provided an updated statement in line with the JORC Code, based on a review of the depletion of the reserves from the annual submissions to the Kazakhstan Government, the actual production figures from the mines and any information on significant changes to the operations provided to SRK by ENRC. No site visits were undertaken.

In 2009 and 2010, the auditing of the Mineral Resources and Ore Reserves has been carried out in significantly more detail than the 2008 review, with site visits being undertaken on a two to three year basis. Visits to Kazchrome's Donskoy GOK ferrochrome operations and Zhairmsky GOK's iron/manganese operations were undertaken in February 2009. Visits to Eurasian Energy Corporation's ('EEC') Vostochny Open Pit Coal Mine and the SSGPO iron ore mines were undertaken in February 2010. The Mineral Resource and Ore Reserve Statements as of 31 December 2008, as prepared by SRK during the 2009 review, form the basis for the current update.

SRK has reviewed the Ore Reserve Statements in conjunction with the current consensus market forecast commodity prices where appropriate. These prices are derived from the median of annual price assumptions as reported by various analysts during Q1 2010. ENRC's forecasts used to support the current Ore Reserve declarations are:

- Chromite at US\$257/tonne and HCFeCr at US¢102.5/lb.
- Manganese concentrate products between US\$62/tonne and US\$182/tonne and iron-manganese concentrate products at US\$33/tonne. Iron concentrate prices have been based on SRK's CMF price of US\$0.85/dmtu ('dry metric tonne units').
- Iron ore at US\$1.12/dmtu for pellets, US\$0.85/dmtu for concentrates, and US\$355/tonne for HBI briquettes.
- Alumina at US\$338/tonne.
- SRK has relied on ENRC and its technical representatives to ensure all technical information provided to SRK is accurate. A detailed information request list was submitted by SRK and ENRC provided data during January and February 2010.

The Mineral Resource and Ore Reserve Statements for 31 December 2009 are based on the following assumptions, assessments, recommendations and material changes:

Ferroalloys Division

Kazchrome Donskoy GOK

In 2009 the group produced 4.3 Mt of ore. Molodezhnaya underground mine produced 2.5 Mt and has a mine life of 16 years, producing between 2.2 and 2.5 Mtpa for the next 10 years. 10th Anniversary underground mine produced 1.6 Mt and has a mine life of 39 years, with an average 2.5 Mtpa from Phase 1. The deeper Phase 2 commences production in 2021, where production builds up to around 5.5 Mtpa in 2036. Yuzhniy open pit mined 0.2 Mt and is due to produce 2.9 Mtpa ore between 2013 and 2018. However, approximately 80 Mt of waste are planned to be stripped within the next five to eight years, which represents an unusually high stripping ratio of 28:1 (t waste:t ore). A significant portion of the Ore Reserve 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. The investment 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. The Mineral Resource has marginally decreased in line with depletion from the 2009 production. The Ore Reserves for Yuzhniy and Molodezhnaya have not materially changed. However, the Ore Reserves for the 10th Anniversary mine have increased due to an increase in the mine life from 2041 to 2048.

Kazmarganets

The Ore Reserve for Tur is based on a Life of Mine Plan ending in 2020. The current mining Contract for Tur expires on 7 October 2021. The Vostochny Kamys Ore Reserve is based on a Life of Mine Plan ending in 2012. The current mining Contract for Vostochny Kamys expires on 28 June 2018. No operational changes are planned for. Kazmarganets product is consumed by the Aksu smelter. Hence, the Ore Reserve has been reported on an integrated Kazchrome company basis, adopting the same approach as for Donskoy.

Overall comment on Kazchrome

The production levels planned for the mines, process plants and smelters, and the respective operating costs, are considered to be realistic. The 10th Anniversary mine and the Aktobe smelter have substantial expansion plans and these appear to have been adequately investigated, planned and costed. The Ore Reserves for Donskoy and Kazmarganets are supported by the overall profitability of Kazchrome. Whilst minor recommendations have been made to ENRC, SRK finds all other requirements to be in place, including the mining Contracts.

Independent Expert Ore Reserves Report continued for the year ended 31 December 2009

Zhaimensky GOK

The 2009 period has resulted in a marginal decrease of Mineral Resources (1.7 Mt) and Ore Reserves (1.2 Mt) from mining activities and stockpile depletion. SRK recognises that the long-term demand and commodity price forecasts of the various products should allow production to increase in the near future.

The current mining Contract for Ushkatyn III expires in June 2015 and for Zhomart in June 2013. The Reserves for the Zhaimensky deposit are based on a Life of Mine Plan to the end of 2024. SRK has declared the Reserves on the understanding that Zhaimensky GOK can extend these licences under similar terms for periods that match their Life of Mine plans.

Iron Ore Division – SSGPO

In 2009 SSGPO produced 36.6 Mt of iron ore at 32.5% iron, from four open pits and one underground mine. The current mining Contract expires in May 2015. SRK has declared the Ore Reserves on the assumption that SSGPO will apply for, and be granted, at least one 25-year extension of this Contract until 2040 under similar terms and conditions. The Ore Reserves are based on an overall 'Life of Mine' plan for SSGPO until 2040. The Mineral Resources can support operations continuing beyond 2040.

Aluminium Division – AoK

In 2009 the two divisions of AoK produced 5.1 Mt of bauxite, 4.8 Mt from 13 operating open pits in four areas of KBRU and 0.36 Mt from four operating open pits of TBRU. All mining Contracts expire on 21 January 2017, with the exception of the mining licence for Vostochno-Ayatskoye, which expires on 26 July 2031. SRK has declared the Ore Reserves on the understanding that AoK can extend these licences 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 2046. SRK notes that the economic viability of TBRU is dependent on the production from KBRU.

Energy Division – EEC

Vostochny Open Pit Coal Mine produced 20 Mt coal in 2009. The current mining Contract expires on 18 March 2022. The Coal Reserves are based on a Life of Mine Plan to the end of 2045 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 2045.

For and on behalf of SRK Consulting

Competent Persons for Ore Reserves

Donskoy GOK and Kazmarganets:
Jurgen Fuykschot

Zhaimensky GOK
Chris Bray

SSGPO:
Richard Skelton

AoK:
Chris Bray

EEC:
Jon Woolliscroft

Competent Persons for Mineral Resources

Dr Lucy Roberts

Mark Campodonic

Dr Lucy Roberts

Mark Campodonic

Paul Bright

Ore Reserves/Mineral Resources Estimates

Summary of Ore Reserve of ENRC

Minerals type	Reserves as of 31 December 2009						Reserves as of 31 December 2008		Reserves' life at 2009 mining volumes
	Proved		Probable		Total		Total		
	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	
Ferroalloys Division									
Chrome ore	77.2	Cr ₂ O ₃ 42.3	148.6	Cr ₂ O ₃ 41.1	225.8	Cr ₂ O ₃ 41.5	184.2	Cr ₂ O ₃ 41.5	52 years
Manganese ore	–	Mn –	28.1	Mn 21.0	28.1	Mn 21.0	31.3	Mn 21.1	12 years
Iron-manganese ore	–	Fe/Mn –	6.8	Fe/Mn 38.6/4.0	6.8	Fe/Mn 38.6/4.0	6.8	Fe/Mn 38.6/4.0	n/a ³
Iron Ore Division									
Iron ore	270.2	Fe 38.5	1,141.7	Fe 33.1	1,411.9	Fe 34.2	1,439.4	Fe 36.6	38 years
Alumina and Aluminium Division									
Bauxite	57.4	Al ₂ O ₃ 43.3	100.7	Al ₂ O ₃ 43.4	158.1	Al ₂ O ₃ 43.3	156.7	Al ₂ O ₃ 43.3	36 years
Energy Division									
Coal ²	723.0	*	–	*	723.0	*	742.8	*	36 years

1 The Reserves mine life has been calculated using 2009 mining volumes, from all relevant mine sites, and does not take into account any mine expansion plans.

2 Coal Reserve quality parameter: Calorific value = 3,990kcal/kg (net as received); 0.56% S (air dried); 42.5% ash (air dried).

3 Iron manganese ore reserves life is not calculated due to immaterial mining activity for this product in 2009.

Summary of Mineral Resources of ENRC

(Mineral Resources are inclusive of Ore Reserves)

Minerals type	Resources as of 31 December 2009							Resources as of 31 December 2008		
	Measured		Indicated		Inferred		Total		Total	
	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Ferroalloys Division										
Chrome ore	76.7	Cr ₂ O ₃ 50.8	196.6	Cr ₂ O ₃ 48.8	48.9	Cr ₂ O ₃ 48.4	322.2	Cr ₂ O ₃ 49.2	325.5	Cr ₂ O ₃ 49.3
Manganese ore	–	Mn –	46.4	Mn 18.6	176.5	Mn 25.5	222.9	Mn 24.1	225.8	Mn 24.0
Iron-manganese ore	–	Fe/Mn –	10.5	Fe/Mn 41.6/1.9	5.2	Fe/Mn 43.0/1.3	15.7	Fe/Mn 42.0/1.7	15.8	Fe/Mn 42.0/1.7
Iron Ore Division										
Iron ore	345.1	Fe 44.3	3,069.4	Fe 38.3	841.7	Fe 38.9	4,256.2	Fe 38.9	4,341.1	Fe 39.0
Alumina and Aluminium Division										
Bauxite	61.5	Al ₂ O ₃ 43.7	106.9	Al ₂ O ₃ 43.7	2.6	Al ₂ O ₃ 46.0	171.0	Al ₂ O ₃ 43.8	169.4	Al ₂ O ₃ 43.7
Energy Division										
Coal ¹	1,025.5	*	195.3	*	–	*	1,220.8	*	1,237.6	*

1 Coal Resource quality parameter: Calorific value = 4,580kcal/kg (net as received); 0.57% S (air dried); 36% ash (air dried).

Ferroalloys Division

Mining facilities of the Ferroalloy Division produce chrome ore, manganese ore and iron-manganese ore. These facilities are represented by Joint Stock Company (JSC) Kazchrome and JSC Zhairesky GOK. JSC Kazchrome in turn consists of Donskoy GOK and Kazmarganets Mining Unit.

Ore Reserves – Chromite Deposits

Enterprise and mine name	Type of mine	Reserves as of 31 December 2009						Reserves as of 31 December 2008	
		Proved		Probable		Total		Total	
		Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Donskoy GOK									
10th Anniversary	U/G	61.7	42.7	115.0	42.5	176.7	42.6	132.9	42.8
Molodezhnaya	U/G	15.4	40.5	12.3	40.5	27.7	40.5	30.6	40.4
Yuzhny	O/P	0.1	42.4	2.7	42.4	2.8	42.4	3.0	42.4
Stockpiles		–	–	18.6	32.3	18.6	32.3	17.7	32.8
Donskoy GOK total		77.2	42.3	148.6	41.1	225.8	41.5	184.2	41.5

Reserves

Ore Reserves/Mineral Resources Estimates continued

Mineral Resources – Chromite Deposits

(Mineral Resources are inclusive of Ore Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2009								Resources as of 31 December 2008	
		Measured		Indicated		Inferred		Total		Total	
		Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Donskoy GOK											
10th Anniversary	U/G	61.4	50.7	163.3	50.5	48.9	48.4	273.6	50.2	275.0	50.2
Molodezhnaya	U/G	15.2	51.0	12.2	51.0	–	–	27.4	51.0	30.1	51.0
Yuzhny	O/P	0.1	48.8	2.5	48.8	–	–	2.6	48.8	2.7	48.8
Stockpiles		–	–	18.6	32.3	–	–	18.6	32.3	17.7	32.8
Donskoy GOK total		76.7	50.8	196.6	48.8	48.9	48.4	322.2	49.2	325.5	49.3

Ore reserves – Manganese Deposits

Enterprise and mine name	Type of mine	Reserves as of 31 December 2009						Reserves as of 31 December 2008			
		Proved		Probable		Total		Total			
		Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %		
Kazmarganets											
			Mn		Mn		Mn		Mn		Mn
Tur	O/P	–	–	5.3	22.3	5.3	22.3	5.6	23.0		
Vostochny Kamys	O/P	–	–	0.7	16.0	0.7	16.0	1.0	16.4		
Kazmarganets total		–	–	6.0	21.6	6.0	21.6	6.6	22.0		
Zhairemsky GOK											
Ushkatyn-I	O/P	–	–	–	–	–	–	–	–	–	–
Ushkatyn-III	O/P	–	–	10.1	21.1	10.1	21.1	11.0	21.1		
Ushkatyn-III	U/G	–	–	8.7	21.7	8.7	21.7	8.9	21.7		
Zhomart	O/P	–	–	1.7	19.5	1.7	19.5	1.7	19.5		
Zapadny Zhomart	O/P	–	–	1.3	18.4	1.3	18.4	1.4	18.4		
Perstenevsky	O/P	–	–	–	–	–	–	–	–	–	–
Stockpiles		–	–	0.3	13.9	0.3	13.9	1.7	19.5		
Zhairemsky GOK total		–	–	22.1	20.9	22.1	20.9	24.7	20.9		
Grand total		–	–	28.1	21.0	28.1	21.0	31.3	21.1		

Mineral Resources – Manganese Deposits

(Mineral Resources are inclusive of Ore Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2009								Resources as of 31 December 2008	
		Measured		Indicated		Inferred		Total		Total	
		Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Kazmarganets											
			Mn		Mn		Mn		Mn		Mn
Tur	O/P	–	–	5.3	23.8	2.6	20.5	7.9	22.7	8.4	21.5
Vostochny Kamys	O/P	–	–	0.7	18.5	1.2	19.3	1.9	19.0	2.3	18.2
Kazmarganets total		–	–	6.0	23.1	3.8	20.1	9.8	22.0	10.7	20.8
Zhairemsky GOK											
Ushkatyn-I ¹	O/P	–	–	18.7	11.9	0.4	11.8	19.1	11.9	19.3	11.9
Ushkatyn-III	O/P	–	–	9.4	24.0	0.5	24.0	9.9	24.0	10.9	24.0
Ushkatyn-III	U/G	–	–	8.2	24.1	49.2	21.5	57.4	21.9	57.6	21.9
Zhomart	O/P	–	–	1.7	21.4	3.8	22.2	5.5	22.0	5.5	22.0
Zapadny Zhomart	O/P	–	–	1.3	20.2	3.0	20.2	4.3	20.2	4.4	20.2
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		–	–	1.1	15.0	–	–	1.1	15.0	1.6	14.3
Zhairemsky GOK total		–	–	40.4	17.9	172.7	25.6	213.1	24.1	215.1	24.1
Grand total		–	–	46.4	18.6	176.5	25.5	222.9	24.1	225.8	24.0

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 resources.

Ore Reserves – Iron-Manganese Deposits

Enterprise and mine name	Type of mine	Reserves as of 31 December 2009						Reserves as of 31 December 2008	
		Proved		Probable		Total		Total	
		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		–	–	0.4	35.8/3.8	0.4	35.8/3.8	0.4	37.7/3.7
Zhairemsky GOK total		–	–	6.8	38.6/4.0	6.8	38.6/4.0	6.8	38.6/4.0

Mineral Resources – Iron-Manganese Deposits

(Mineral Resources are inclusive of Ore Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2009						Resources as of 31 December 2008			
		Measured		Indicated		Inferred		Total		Total	
		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	23.8/0.6	0.1	23.8/0.6	0.1	23.8/0.6
Ushkatyn-III	U/G	–	–	3.6	40.1/1.5	–	–	3.6	40.1/1.5	3.6	40.1/1.5
Zhomart	O/P	–	–	0.3	43.4/1.3	5.1	43.4/1.3	5.4	43.4/1.3	5.4	43.4/1.3
Stockpiles		–	–	1.0	32.9/4.9	–	–	1.0	32.9/4.9	1.1	33.0/5.0
Zhairemsky GOK total		–	–	10.5	41.6/1.9	5.2	43.0/1.3	15.7	42.0/1.7	15.8	42.0/1.7

Iron Ore Division

Mining facilities of the Iron Division consist of SSGPO mines.

Ore Reserves – Iron Deposits

Enterprise and mine name	Type of mine	Reserves as of 31 December 2009						Reserves as of 31 December 2008	
		Proved		Probable		Total		Total	
		Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
SSGPO			Fe		Fe		Fe		Fe
Sokolovsky	U/G	16.7	38.3	225.5	31.2	242.2	31.7	245.0	31.9
Sokolovsky	O/P	–	–	27.8	32.8	27.8	32.8	28.0	32.8
Sarbaisky (main)	O/P	30.1	36.9	70.8	32.1	100.9	33.5	109.3	35.4
Sarbaisky (southern)	O/P	59.2	40.3	83.7	40.2	142.9	40.2	142.9	44.4
Kacharsky	O/P	164.2	38.2	663.4	32.4	827.6	33.5	841.4	36.9
Korzhinkol'skoye	O/P	–	–	70.5	39.2	70.5	39.2	72.8	36.4
SSGPO total		270.2	38.5	1,141.7	33.1	1,411.9	34.2	1,439.4	36.6

Mineral Resources – Iron Deposits

(Mineral Resources are inclusive of Ore Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2009						Resources as of 31 December 2008			
		Measured		Indicated		Inferred		Total		Total	
		Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
SSGPO			Fe		Fe		Fe		Fe		Fe
Sokolovsky	U/G	57.4	48.2	990.3	39.1	267.3	42.3	1,315.0	40.2	1,317.8	40.2
Sokolovsky	O/P	–	–	26.3	33.6	1.2	26.6	27.5	33.3	32.4	32.6
Sarbaisky (main)	O/P	45.4	37.6	796.3	37.4	159.2	38.8	1,000.9	37.6	1,008.5	37.6
Sarbaisky (southern)	O/P	59.2	46.3	170.1	44.5	62.2	48.1	291.5	45.6	345.5	46.0
Kacharsky	O/P	183.1	44.0	982.7	36.7	278.4	33.2	1,444.2	37.0	1,458.2	37.0
Korzhinkol'skoye	O/P	–	–	103.7	42.2	73.4	40.1	177.1	41.3	178.7	41.6
SSGPO total		345.1	44.3	3,069.4	38.3	841.7	38.9	4,256.2	38.9	4,341.1	39.0

Ore Reserves/Mineral Resources Estimates continued

Alumina and Aluminium Division

Mining facilities of the Alumina and Aluminium Division are represented by JSC Aluminium of Kazakhstan ('AoK') mines. AoK in turn consists of Krasno-Oktyabrskoye Mining Unit ('KBRU') and Torgayskoye Mining Unit ('TBRU').

Ore Reserves – Bauxite

Enterprise and mine name	Type of mine	Reserves as of 31 December 2009						Reserves as of 31 December 2008	
		Proved		Probable		Total		Total	
		Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Aluminium of Kazakhstan									
KBRU			Al ₂ O ₃		Al ₂ O ₃		Al ₂ O ₃		Al ₂ O ₃
Krasnooktyabrs'koye	O/P	32.8	43.3	63.0	43.0	95.8	43.1	93.1	43.1
Belinskoye	O/P	9.2	41.9	1.9	41.8	11.1	41.9	12.5	41.8
Ayatskoye	O/P	6.1	44.8	–	–	6.1	44.8	6.4	44.8
Vostochno-Ayatskoye	O/P	5.9	43.5	35.2	44.2	41.1	44.1	40.3	44.1
KBRU total		54.0	43.3	100.1	43.4	154.1	43.3	152.3	43.3
TBRU									
Amangel'dinsky	O/P	3.4	44.1	0.6	41.5	4.0	43.7	4.4	43.6
TBRU total		3.4	44.1	0.6	41.5	4.0	43.7	4.4	43.6
Grand total		57.4	43.3	100.7	43.4	158.1	43.3	156.7	43.3

Mineral Resources – Bauxite

(Mineral Resources are inclusive of Ore Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2009								Resources as of 31 December 2008	
		Measured		Indicated		Inferred		Total		Total	
		Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Aluminium of Kazakhstan											
KBRU			Al ₂ O ₃		Al ₂ O ₃		Al ₂ O ₃		Al ₂ O ₃		Al ₂ O ₃
Krasnooktyabrs-koye	O/P	34.8	43.8	66.6	43.4	–	–	101.4	43.5	98.5	43.5
Belinskoye	O/P	9.7	42.0	2.0	41.9	–	–	11.7	42.0	13.3	42.0
Ayatskoye	O/P	6.4	45.1	–	–	–	–	6.4	45.1	6.8	45.1
Vostochno-Ayatskoye	O/P	6.2	43.7	37.3	44.4	0.1	42.2	43.6	44.3	42.7	44.3
KBRU total		57.1	43.6	105.9	43.7	0.1	42.2	163.1	43.7	161.3	43.7
TBRU											
Amangel'dinsky	O/P	4.4	45.0	1.0	42.0	2.5	46.2	7.9	45.0	8.1	44.8
TBRU total		4.4	45.0	1.0	42.0	2.5	46.2	7.9	45.0	8.1	44.8
Grand total		61.5	43.7	106.9	43.7	2.6	46.0	171.0	43.8	169.4	43.7

Energy Division

Mining facilities of Energy Division are represented by the Vostochnyi open pit of JSC Eurasian Energy Corporation (EEC).

Coal Reserves

Enterprise and mine name	Type of mine	Reserves as of 31 December 2009						Reserves as of 31 December 2008	
		Proved		Probable		Total		Total	
		Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
EEC									
Vostochny	O/P	723.0	*	–	*	723.0	*	742.8	*
Grand total		723.0	*	–	*	723.0	*	742.8	*

Coal Resources

(Coal Resources are inclusive of Coal Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2009						Resources as of 31 December 2008			
		Measured		Indicated		Inferred		Total		Total	
		Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
EEC											
Vostochny	O/P	1,025.5	*	195.3	*	–	*	1,220.8	*	1,237.6	*
Grand total		1,025.5	*	195.3	*	–	*	1,220.8	*	1,237.6	*

Glossary

Al₂O₃	Aluminium oxide
AoK	Aluminium of Kazakhstan
BAT	Best Available Techniques International Practices
BRIC	Fast growing developing economies of Brazil, Russia, India and China
CAMEC	Central African Mining & Exploration Company PLC
CIS	Commonwealth of Independent States
CIT	Corporate Income Tax
CR₂O₃	Chromium oxide
DRC	Democratic Republic of Congo
EEC	Eurasian Energy Corporation
ENRC	Eurasian Natural Resources Corporation PLC
Fe₂O₃	Iron oxide
GAAP	Generally Accepted Accounting Practices
GDP	Gross Domestic Product
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
JSC	Joint Stock Company
KAS	Kazakhstan Aluminium Smelter
KASE	Kazakhstan Stock Exchange
KBRU	Krasno Oktyabrskoye bauxite mine
KZT	Kazakhstani tenge
LME	London Metal Exchange
LSE	London Stock Exchange
LTIP	Long Term Incentive Plan
MET	Mineral Extraction Tax
MMK	The Magnitogorsk Iron and Steel Works Open Joint Stock Company
n/a	Not applicable
OJSC	Open Joint Stock Company
O/P	Open pit
PBT	Profit before tax
RUB	Russian roubles
SRK	SRK Consulting (UK) Limited
SSGPO	Sokolovsko Sarbaiskoye Ore Mining and Processing Association
TBRU	Torgay bauxite mine
UC RUSAL	United Company Rusal
UK	United Kingdom
US	United States of America
U/G	Underground mine

alumina	Any of several forms of aluminium oxide, Al_2O_3 , occurring naturally as corundum, or obtained by refining of bauxite ore.
aluminium smelter	An electrolysis process plant used to convert alumina to aluminium metal.
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 process used to remove unwanted material from mined ore, in order to increase the proportion of useful metal compounds (minerals).
bentonite	A soft rock type composed mainly of the clay material montmorillonite. When in contact with water it has the characteristic ability to swell to many times its dry volume.
blast furnace	A pyrometallurgical process plant which employs hot air (blast) as an aid to reduce the mineral ore (usually iron oxides, hematite or magnetite) to its metallic element (Fe).
brownfield	A development project that is close to existing industrial operations with proximity to existing infrastructure, often an extension and with known geological conditions.
calcite	A common rock forming mineral, calcium carbonate $CaCO_3$.
capacity	Means the design number of units that can be produced in a given time period based on operations with a normal number of shifts and maintenance interruptions.
capital expenditure	Expenditures incurred during the process of commencing, expanding or sustaining production.
carbide tools	Tools employing cutting surfaces such as carbon or stainless steel for machining through materials. Also used in situations such as high-quantity production runs, where other tools would wear excessively.
charge chrome	A ferrochrome alloy where the percentage of chromium is between 50%–55%. This is a material charged to a steel production furnace.
chromite	Chromium spinel $(Fe, Mg)O \cdot (Fe, Al, Cr)_2O_3$, the principal chromium ore mineral, chromium content 43%–68%.
chromium	Chemical element with symbol Cr, commonly used in steel industry to procure stainless steel.
cobalt	A 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.
cobalt solvent extraction (SX/EW) plant	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 a Cobalt Electro Winning (EW) Plant where the cobalt is deposited in metal form through electrolysis.
coke	Bituminous coal from which the volatile components have been removed. Is used as a fuel and as a reducing agent in smelting.
community social investment	The total value of donations and gifts in kind devoted to communities in which ENRC operates and includes donations to public funds.
concentrate	A material that has been processed to increase the content of the contained valuable component or mineral relative to the contained waste.
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.
corundum	A mineral with the ideal composition Al_2O_3 , natural alumina.
crushing	Size reduction into relatively coarse particles by stamps, crushers, or rolls.
dilution	The contamination of ore with barren wall rock leading to lower grade in the mined product than in the in situ ore itself.
dip	The angle at which a bed, stratum, or vein is inclined from the horizontal, measured perpendicular to the strike.
dolomite	A mineral, magnesium calcium carbonate, and the rock composed thereof. Used as flux in steel industry.
drill hole	Technically, a circular hole drilled by forces applied percussively or rotationally. Loosely and commonly the name applies to a circular hole drilled in any manner.
enrichment	The process of removing impurities from mined ore, resulting in an increase in the proportion of the valuable mineral or metal component (similar to beneficiation and concentration).
EPS	Earnings per share before the Exceptional Items and their resulting tax and minority Interest impact.
excavator	Mobile machine used in open pit mining for the digging of ore and waste from the mine and loading it onto vehicles for transportation.
exceptional items	Exceptional items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the Group. Exceptional items in 2007 relate solely to the IPO.
fault	A fracture or a fracture zone along which there has been displacement of one side relative to the other. The displacement may be a few inches or many miles.

Glossary continued

ferroalloys	Group of alloys having iron (Fe) as one of the defining elements. These alloys form the feed material for various finishing processes eg steel making. The Group, in particular, produces high, medium and low carbon ferrochrome, ferrosilicochrome and ferrosilicomanganese.
ferrochrome	An alloy of iron and chromium primarily used as an input to stainless steel making. Comprising charge chrome, high carbon, medium carbon and low carbon ferrochrome.
ferrosilicochrome	An alloy with iron, chrome and silicon as the main elements.
ferrosilicomanganese	An alloy with iron, manganese and silicon as the main elements.
ferrosilicon	An alloy with iron and silicon as the main elements.
fluorspar	A halide mineral composed of calcium fluoride, CaF ₂ . Used for making steel and aluminium amongst other purposes.
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	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.
hematite	Common iron oxide mineral, Fe ₂ O ₃ .
impurity loadings	Impurities in the product or chemical process.
JORC Code	The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
limestone	Sedimentary rock comprised mostly of calcium carbonate (calcite).
LTIFR	Lost time injury frequency rate defined as the number of lost time injuries per million hours worked.
magnetite	A mineral of iron, Fe ₃ O ₄ , a common ore forming mineral with characteristic magnetic properties.
metallurgy	The science that deals with procedures used in extracting metals from their ores, purifying and alloying metals.
mill	Commonly used to describe a plant where ore is ground and undergoes physical or chemical treatment to extract and produce a concentrate of the valuable minerals.
mineral resources	A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into Inferred, Indication and Measured categories.
mineralisation	The process by which minerals are introduced into a rock. More generally, a term applied to accumulations of economic or related minerals in quantities ranging from weakly anomalous to economically recoverable.
open pit mining	Method of mining in which the ore is extracted from an excavation open to the sky.
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, eg iron ore.
ore reserves	The economically mineable part of a Measured and/or Indicated mineral resource. It includes, diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and proved ore reserves.
overburden	In an open pit mine, the unwanted material that must be stripped away to reveal the ore beneath.
oxide ore	Ore that was originally deposited as a sulphide but due to the action of the elements (air, water etc) over a long period of time has become oxidised (weathered).
pelletising	The process of agglomerating fine product and moulding it into the shape of a pellet (a ball of 8 to 16mm in diameter), which is more favourable in size and strength for more efficient down stream 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 down stream processing, including crushers, mills, smelters.

probable ore reserves	The economically mineable part of an Indicated, and in some circumstances, a Measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Probable Ore Reserve has a lower level of confidence than a proved ore reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.
product cost per tonne	The total operating costs, as presented in the income statement, over the volume of product sold. The product cost per tonne measures the performance of ENRC in maintaining its low cost base.
proved ore reserves	The economically mineable part of a Measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A proved ore reserve represents the highest confidence category of reserve estimate. The style of mineralisation or other factors could mean that Proved Ore Reserves are not achievable in some deposits.
refinery	An electrolytic or chemical facility producing pure metals or metal compounds.
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) less IPO proceeds.
saleable product	Products that have been upgraded into a form that may be sold to customers.
scrap	A term used to describe recyclable materials left over from any manner of product consumption, such as parts of vehicles, building supplies, and surplus materials.
sediment	Particulate matter that can be transported by fluid flow, glaciers or wind and which eventually is deposited as a layer of solid particles.
silicomanganese smelting	A ferroalloy composed principally of manganese, silicone and iron, used in steel production. A thermal process whereby molten metals (or amalgamated metals) are liberated from beneficiated ore or concentrate with impurities speared as lighter slag.
spot price	The current price of a metal for immediate delivery.
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.
strike	A geological term which describes a horizontal line on the surface of a dipping stratum. The strike is 90° to the dip of the stratum.
sulphide ore	A sulphur bearing ore containing appreciable levels of metals that ideally can be extracted and recovered profitably through various process techniques.
super alloys	An alloy that exhibits excellent mechanical strength, good surface stability, corrosion and oxidation resistance.
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 percentage of the average price of an ordinary share at the beginning of the relevant period. (Dividends includes regular dividend payments, but also may include cash payments to shareholders or special/one-time dividends or share buybacks.)
turbines	A rotating machine for producing electricity, driven by steam or gas.
underlying EBITDA	Profit before finance income, finance costs, income tax expense, depreciation, amortisation and impairment, net gains and losses of derivatives not qualifying for hedge accounting, share of profit or loss of joint venture and associates and the impact of the devaluation of the Kazakhstani tenge. Non-GAAP measures are defined in note 38.
vein	An epigenetic mineral filling of a fault or other fracture in a host rock, in tabular or sheet like form, often with associated replacement of the host rock, a mineral deposit of this form and origin.
waste	Rock lacking sufficient metal grade and/or other characteristics to be a source of economic revenue.

Units

%	per cent
°	degree
GWh	gigawatt hour
kcal/kg	thousand calories per thousand grammes
kg	kilogramme
kt	thousand metric tonnes
KWh	kilowatt hour
KZT	Kazakhstani tenge
Mt	million metric tonnes
MWh	megawatt hour
m ³	cubic metres

Shareholder Information

General information

ENRC's shares are quoted on the London Stock Exchange and the Kazakhstan Stock Exchange (KASE). Information on the Company's current share price together with copies of the Group's annual reports, interim results and interim management statements and major presentations to analysts and institutional shareholders are available on the ENRC website, www.enrc.com.

Dividends

As noted in the Directors' Report on page 41, and in the AGM Notice, the Board proposes a final dividend of 6 US cents per share, subject to shareholder approval being given at the AGM to be held on 9 June 2010. If the proposed final dividend is approved, it will be paid on 16 June 2010 to all ordinary shareholders on the register of members on 6 April 2010.

As the Group's financial results are reported in US dollars, the dividend will be paid in US dollars. Registered shareholders may elect to receive their dividend in pounds sterling by submitting a currency election form to the Company's Registrars. Shareholders who have not submitted a currency election form, but who wish to do so, may lodge their form at anytime. However, in order for the submission to be effective for a dividend payment, the form must be lodged with the Registrars by the close of business on the day immediately preceding the date of the dividend announcement. For the final dividend 2009, this date was 23 March 2010.

Any currency election form lodged with the Company's Registrar 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 payment system

The Global payment system allow shareholders resident in certain countries to receive their dividend payment to their local bank and in their local currency (over 100 currencies are catered for). Shareholders wishing to make use of the Global Payment System should register for 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 Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Tel: +44 (0) 870 707 1680

Via the internet: 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 manage their shareholding, after a brief registration process, via our 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.

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 at the address opposite.

Shareholders may also contact the General Counsel and Company Secretary at the Company's Registered office:
16 St James's Street, London, SW1A 1ER. Tel: +44 (0) 207 389 1440;
Fax: +44 (0) 207 389 1441.

For other enquiries, please contact the Investor Relations department at the registered office on +44 (0)20 7389 1440

Analysis of ordinary shareholders

As at 31 March 2010

	Number of holders	%	Number of shares
1 to 1,000 shares	435	0.01	170,256
1,001 to 5,000	190	0.04	464,039
5,001 to 50,000	328	0.50	6,424,332
50,001 to 100,000	87	0.49	6,341,157
100,001 to 500,000	155	2.79	35,932,631
500,001 and over	98	96.17	1,238,417,585
	1,293		1,287,750,000

Events Calendar

Wednesday, 24 March 2010	Preliminary Results Announcement
Wednesday, 31 March 2010	Ex-dividend date
Tuesday, 6 April 2010	Final dividend record date
Thursday, 13 May 2010	2010 First-half Interim Management Statement/2010 Q1 Production Report
Wednesday, 9 June 2010	Annual General Meeting
Wednesday, 16 June 2010	Final dividend payment date
Wednesday, 4 August 2010	2010 Q2 Production Report
Wednesday, 18 August 2010	2010 Half Year Results
Thursday, 11 November 2010	2010 Second-half Interim Management Statement/2010 Q3 Production Report
Wednesday 3 February 2011	2010 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
Facsimile: +44 (0)20 7389 1441
Website: www.enrc.com

Registered in England and Wales
Company No: 6023510

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

Legal Advisers (English & US law)**Jones Day**

21 Tudor Street
London EC4Y 0DJ
United Kingdom

Legal Advisers (Kazakhstani law)**Denton Wilde Sapte**

Ken Dala Business Centre
8th Floor
38 Dostyk Avenue
Almaty 050010
Republic of Kazakhstan

Auditors**PricewaterhouseCoopers LLP**

1 Embankment Place
London WC2N 6RH
United Kingdom

Financial PR**M: Communications**

1 Ropemaker Street, 34th Floor
London EC2Y 9AW
United Kingdom

Notes

Financial Summary 2004–2009

In millions of US\$	2009	2008	2007	2006	2005	2004
Results						
Revenue	3,831	6,823	4,106	3,256	2,950	2,691
Depreciation, amortisation and impairment	(298)	(311)	(303)	(253)	(237)	(230)
Profit before income tax	1,439	3,827	1,321	971	1,098	1,255
Profit for the year	1,062	2,684	814	686	777	1,022
Profit attributable to equity holders of the Company	1,045	2,642	798	550	580	884
Underlying EBITDA	1,462	4,161	1,918	1,256	1,363	1,502
Underlying EBITDA margin	38.2%	61.0%	46.7%	38.6%	46.2%	55.8%
Underlying EBIT	1,164	3,850	1,421	997	1,126	1,272
Effective tax rate	26.2%	29.9%	38.4%	29.4%	29.2%	18.6%
Earnings per share – basic and diluted (US\$ cents)	81	205	79	55	58	88
Earnings per share before exceptional item (US\$ cents)	81	205	97	56	58	88
Dividends per share (US\$ cents)	12	31	49	–	–	–
Balance sheet						
Non-current assets	7,148	5,621	3,959	3,008	2,294	2,025
Current assets	2,469	4,393	4,229	1,595	1,108	1,008
Borrowings	428	727	1,424	1,484	239	227
Non-current liabilities (excluding borrowings)	615	294	484	372	318	336
Current liabilities (excluding borrowings)	570	695	491	475	497	289
Net assets	8,004	8,298	5,789	2,272	2,348	2,181
Minority interests	291	126	75	61	681	582
Attributable to equity holders of the Company	7,713	8,172	5,714	2,211	1,667	1,599
Net cash/(net debt)	402	1,766	1,124	(1,148)	(74)	(44)
Gross available funds	1,021	2,768	2,921	395	247	304
Capital expenditure	1,147	1,294	911	563	507	356
Net cash generated from operating activities	1,209	2,766	1,079	744	1,070	1,146
Return on capital employed	13.8%	47.5%	40.3%	31.6%	45.1%	60.4%
Divisional underlying EBITDA						
Ferroalloys	707	2,789	1,140	547	606	669
Iron Ore	485	919	470	323	479	576
Alumina and Aluminium	78	295	214	277	182	186
Energy	213	177	107	77	67	66
Logistics	39	50	44	54	47	19
Other Non-ferrous	6	n/a	n/a	n/a	n/a	n/a
Corporate	(66)	(69)	(57)	(22)	(18)	(14)



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