



# Unlocking Resources



Eurasian Natural Resources  
Corporation PLC

Annual Report and  
Accounts 2010

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# Our Mission

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

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



## Our Business at a Glance

ENRC comprises six Divisions, integrating exploration, mining, processing, power generation, logistics and sales and marketing operations.

### 2010 Revenue by Division

**Ferroalloys**  
US\$2,988m



**45%**  
of total revenue

Produces and sells high-, medium- and low-carbon ferrochrome, ferrosilicomanganese and ferrosilicon, as well as chrome and manganese concentrate.

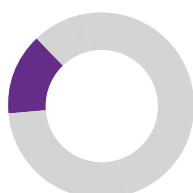
**Iron Ore**  
US\$1,875m



**29%**  
of total revenue

Produces and sells iron ore concentrate and pellet to steel producers.

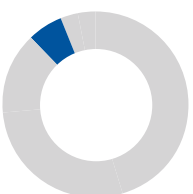
**Alumina and Aluminium**  
US\$906m



**14%**  
of total revenue

Produces and sells alumina to aluminium producers and also produces and sells the Group's own aluminium.

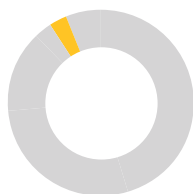
**Other Non-ferrous**  
US\$412m



**6%**  
of total revenue

Located in Africa, incorporates the copper and cobalt extraction and processing assets of CAMEC, Chambishi Metals (with processing capacity in Zambia), a 50.5% stake in Camrose Resources (with various mining licences) and a 14.35% stake in Northam Platinum.

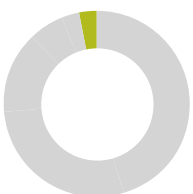
**Energy**  
US\$200m



**3%**  
of total revenue

One of the largest electricity providers in Kazakhstan, accounting for approximately 16.6% of the country's recorded electricity production in 2010.

**Logistics**  
US\$218m



**3%**  
of total revenue

Provides transportation and logistics services to the Group's principal Kazakhstan and African operating Divisions as well as to third parties.

## Key numbers

Revenue US\$ million

US\$6,605m 2010

US\$3,831m 2009

Average number of employees

74,098 2010

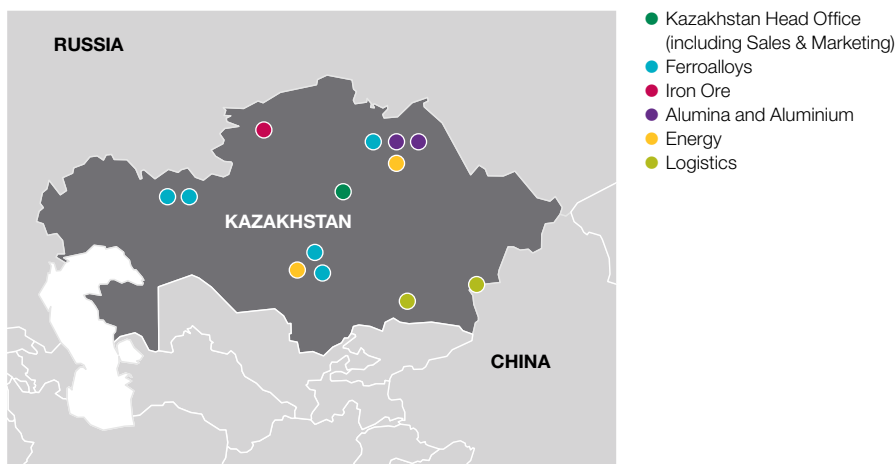
70,322 2009

## Global locations

### International



### Kazakhstan operations



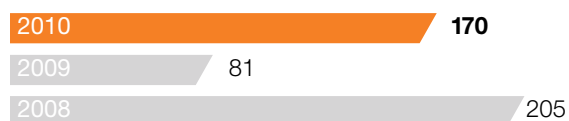
# Chairman's Statement



2010 was another successful year for ENRC. We continued to execute our growth and diversification strategy, including significant acquisitions in Africa and Brazil. Our operations in Kazakhstan continued to perform strongly throughout the year.

**Dr Johannes Sittard**, Chairman

## EPS US cents



## Dividends per share US cents



ENRC maintained its dividend policy and payouts throughout the economic downturn.

Our operations in Kazakhstan continued to perform strongly throughout the year with record levels of production and capacity utilisation which, along with improved markets and management's cost control measures, resulted in an increase in earnings per share of 110%.

The strength and focus of our management team has been critical for the implementation of our strategic plans. Kazakhstan has provided a stable platform on which to build the Group's wider ambitions, supported by the country's proximity to our main markets of Russia and China, its wealth of mineral resources and by the efforts of our employees. Our disciplined approach to acquisitions enabled us to make progress towards becoming a more diversified mining group. We believe that by extending our portfolio of commodities and products we are strengthening our business model.

The Group made significant progress in its diversification strategy during 2010, with material additions to the Group's scope in both central Africa and Brazil. These transactions hold considerable value potential, and balance the opportunities they offer with the demands that are placed on internal resources and the complexity of realising integration synergies. We place considerable emphasis on thorough financial and legal due diligence and risk assessment in order to ensure the optimal return for shareholders over the life of the projects.

We continued to invest in training and development and this helps ensure that our workforce is better able to meet the challenge of integrating and developing our suite of assets. The commitment of our employees, in Kazakhstan and elsewhere, was instrumental in enabling us to take advantage of improving global economic conditions to deliver good results. On behalf of the Board, I offer thanks to all our employees.

The continued extension of health and safety initiatives throughout the Group remained a key focus. Although we have seen a reduction in the number of fatalities, seven people lost their lives at work during 2010. Every fatality is investigated so that lessons are learned for the future. Our view remains that all fatalities can be avoided and are unacceptable.

Two new appointments were made to the Board in 2010. In January we announced the appointment of Professor Dr Dieter Ameling as an independent non-executive Director and in August, Mr Jim Cochrane, already the Group's Head of Sales and Marketing, joined the Board and was promoted to Chief Commercial Officer.

In February 2011, Mr Felix Vulis, our Chief Executive Officer, decided to step down for personal reasons. The Board fully understands his decision and is grateful for his commitment to serve until a new Chief Executive Officer is appointed in order to ensure a smooth management transition.

We are pleased to recommend to shareholders a final dividend of US 18.0 cents per ordinary share to be paid on 15 June 2011 to all shareholders on the register on 1 April 2011 making the full year dividend US 30.5 cents. Our dividend policy remains unchanged. Payment of the final dividend is subject to shareholder approval at the Annual General Meeting which will be held on Wednesday, 8 June 2011.

We believe that the global economic outlook is still improving and expect that 2011 will offer further opportunities for the Group to build on the success of 2010.

## Our people

We continue to invest in the training and development of our workforce to ensure that we successfully meet the challenges of integrating recently acquired assets.

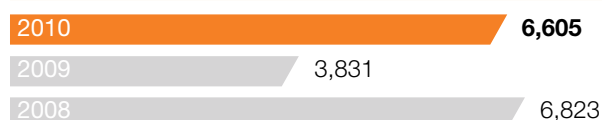


# Our Highlights

- Strong financial performance in 2010, as a result of record production volumes and the recovery in the markets for our products.
- Revenue up 72% to US\$6,605 million. Like-for-like revenue up 62%.
- Cost of sales up 46% to US\$2,847 million, as a result of increased volumes and rising costs, as well as the inclusion of the Other Non-ferrous Division. Like-for-like cost of sales rose 28%.
- Underlying EBITDA up 118%, to US\$3,194 million; underlying EBITDA margin of 48%.
- Earnings per share up 110%, to US 170 cents, including a one-off gain of US\$298 million related to the Brazilian acquisition and expensed acquisition-related costs of US\$73 million.
- An effective tax rate of 26.2%, including the impact of the above items.
- Final dividend of US 18.0 cents per share, US 30.5 cents for the full year. Payout ratio of 18%.
- Strong balance sheet maintained, with gross available funds of US\$1,672 million and borrowings of US\$1,632 million.
- Production of the Group's principal commodities – high-carbon ferrochrome, iron ore, alumina, aluminium and coal – all at record levels.
- Progress on cost control initiatives and productivity efficiency gains, partially offsetting cost pressures.
- Completion of Phase 2 of the aluminium smelter in May 2010; construction under way of the new 440 ktpa high-carbon ferrochrome plant at Aktobe.
- Further acquisitions completed to enhance the Group's asset portfolio: additional copper and cobalt assets in the DRC and Zambia; and expansion of the iron ore asset base in Brazil.

## Financial highlights

### Revenue US\$ million



### Underlying EBITDA<sup>1</sup> US\$ million



### Underlying EBITDA margin<sup>1</sup> %

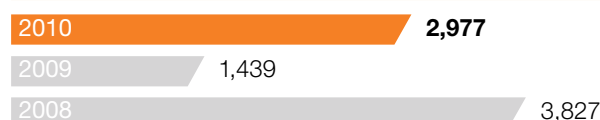


### Net cash generated from operations US\$ million

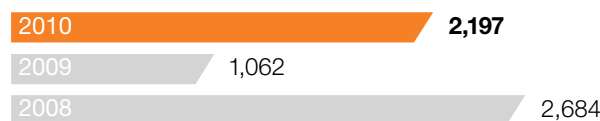


<sup>1</sup>Analysis and definition of Underlying EBITDA and other non-GAAP measures can be found at note 37 to the financial statements.

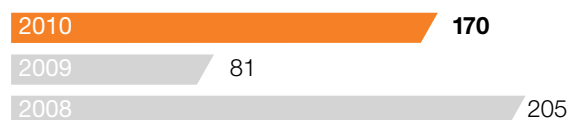
### Profit before tax US\$ million



### Profit after tax US\$ million



### EPS US cents



### Net available funds US\$ million



## Key Messages

- **A business with tremendous assets and an established track record**
- **Dynamic and growing business with the capacity for continued growth**
- **Specialist in emerging markets**
- **Commitment to Corporate Social Responsibility and Sustainable Development**



[www.enrc.com](http://www.enrc.com)

## A Business with Tremendous Assets and an Established Track Record

ENRC has interests in Kazakhstan, China, Russia, Brazil and Africa (the Democratic Republic of the Congo, Zambia, Mozambique and South Africa). The Group's strategy is to build on its long-established Kazakhstani operations to become a diversified natural resources group with world class assets.



**48** Years of chrome ore reserves





Since its inception, the Group has established a track record for enhancing existing assets and for organic and acquisitive growth.

Over the years ENRC has put together a portfolio of world class assets focused on the core products of ferroalloys, iron ore, alumina and aluminium, coal and energy.

This track record and asset portfolio was of fundamental importance to the successful listing of ENRC's shares on the London Stock Exchange in 2007 and the Kazakhstan Stock Exchange in 2008, and its entry into the FTSE 100 Index.

During the last two years management has taken advantage of opportunities arising from the economic downturn in order to boost and diversify the Group's asset portfolio. Management has built on the strength of the Group's low cost and integrated operations and its strong balance sheet to acquire a number of important assets in Africa and Brazil.

Today, ENRC is proud to be one of the world's largest producers of ferrochrome, a significant exporter of iron ore, one of the world's largest producers of traded alumina and one of the largest electricity providers in Kazakhstan. It is an important global resources group, currently selling the majority of its products worldwide.




## Dynamic and Growing Business with the Capacity for Continued Growth

A key strength of the Group is its large scale, scaleable and long-life assets in its principal commodities.

This has been an important factor in the dynamic growth of the Group's Kazakhstani businesses and is reinforced by the integral energy and logistics capacity of the Group in the region. Together these help maintain the advantageous low cost position of the Group in its key commodities.

**72%** Growth in Group revenue in 2010






The Group's commodities portfolio is well supported by the growth prospects of emerging markets and their commodity-intensive requirements.

In Kazakhstan, the mine reserves life of the Group's main commodities – chrome and iron ore, bauxite and coal – range between 32 and 48 years. With the addition of resources the mine life is potentially extended by between one and three times. This has enabled the Group to plan a capital expenditure programme that will grow the processing capacity of the domestic ferroalloys business by some 30% and the domestic iron ore business extraction capacity by approximately 25%. The growth potential in the region is further underpinned by the Group's strategic location, with its proximity to the longer-term, high-growth prospects of China and the potential of Russia, built on demographics, urbanisation, rising consumer demand and infrastructure needs. The Group's commodities suite is well supported by the growth prospects of emerging markets and their commodity intensive requirements.

The Group has also looked to increase its growth options by acquisition, broadening its commodity base and reinforcing its market position in its established commodities. The Group has sought assets that are or have the prospect of being large scale and scaleable, as well as the potential to be towards the lower end of the cost curve. To this end the Group has been willing to consider acquisition at a relatively early stage in the development of projects.

In the Democratic Republic of the Congo, acquisitions in 2010 have scaled up and broadened the established production base of the businesses. The options for the further development of the business from the joint venture with Camrose, with its various licence holdings, offer potential material synergies from the complementary and contiguous nature of the ore bodies relating to energy, logistics, processing and mine planning. We see opportunity for real scale in the business, even before considering the potential offered by other projects acquired as part of Central African Mining and Exploration Company ('CAMEC') Plc in 2009.

In Brazil, where the Group has been building the potential for iron ore capacity since its entry in 2008, the opportunity exists to enter the seaborne market and to supply a new group of customers in China, the Atlantic and the Middle East. The development builds on the Group's established technical knowledge base and marketing contacts. The capacity to grow the iron ore business, in combination with the growth in Kazakhstan, could make the Group one of the top iron ore producers in the world in the years ahead.



**The Group continues to build its asset resource capacity with the potential to be large scale and scaleable.**

## Specialist in Emerging Markets

The Group's successful development of its Kazakhstani operations has provided it with considerable emerging markets experience.

This has been important in ENRC's acquisitions activity, particularly in the Democratic Republic of the Congo, where we have sought to build on the skills and experience of operating in emerging market environments.

US\$ **63** million total community and social investment in 2010





The Group's senior management team possesses an extensive experience of operating in Eurasia, Africa and the developing world.

The Group believes that it is important to work in partnership with its host governments and to accommodate the wider development objectives of the countries in which it operates.

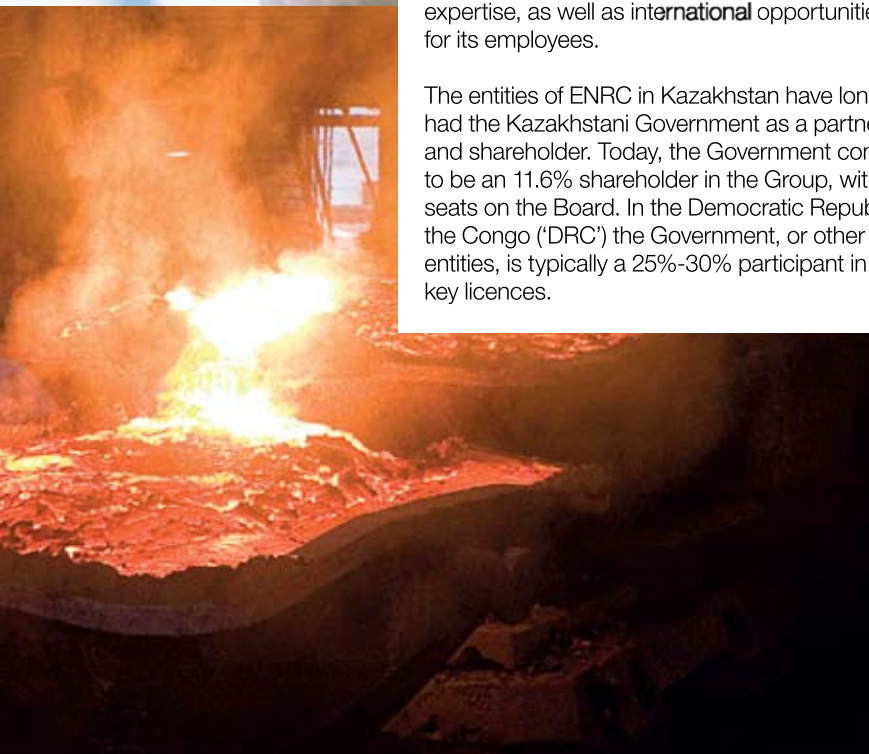
The Group's existing senior management team incorporates extensive experience of operating in Eurasia, in Africa and in the developing world more generally. In addition, in **emerging markets**, on-the-ground experienced **management** is often the important ingredient that **ensures that** the business model can be **integrated and then** can continue to operate **successfully**. The Group can provide additional **financial, technical** and marketing expertise, as well as **international** opportunities for its employees.

The entities of ENRC in Kazakhstan have long had the Kazakhstani Government as a partner and shareholder. Today, the Government continues to be an 11.6% shareholder in the Group, with two seats on the Board. In the Democratic Republic of the Congo ('DRC') the Government, or other State entities, is typically a 25%-30% participant in our key licences.

In emerging markets the role of central government in the provision of social welfare is **at an early stage** of development. In addition, the **Group often** operates in isolated areas where it **is the major** employer and where it can be **difficult to attract** and retain employees. As a consequence, taking on responsibilities for housing, healthcare, education and facilities, as well as supporting local, regional and central government social infrastructure initiatives becomes key to our success.

The expenditure on community social investment in Kazakhstan and Russia in 2010 amounted to US\$58 million (2009: US\$37million). This increase was largely a result of increased funding towards cultural development through Komek. The community investment spend in Africa was of the order of US\$5 million in 2010.

In the DRC the Group has undertaken a number of projects and in 2011 will continue the roll-out of its welfare programme.



# Commitment to Corporate Social Responsibility and Sustainable Development

A commitment to high standards of corporate responsibility, particularly health and safety, is one of the core principles of ENRC's strategy.

The Group aims to grow its business while maintaining its commitment to respecting the environment, providing safe and healthy workplaces and making a positive contribution to the societies in which it operates.

The Group believes that investment in this area brings long-term benefits, helping it to improve efficiency and reduce operational costs, better manage risk practices, and attract and retain the best employees.



# 18

New standards for safety risk management approved in 2010



ENRC works extensively with the communities involved with the Group, undertaking significant charitable projects via the ENRC Komek Corporate Foundation.

In 2010 our values and an awareness of ENRC's responsibilities were further embedded into every area of the business, starting with the safety of employees. The Group continued the implementation of the entity-wide 'Project Ray', launched in April 2009, which is aimed at improving the workplace safety culture, aspiring to a zero injury rate – a priority objective for the Group. The Group's housing programme also continued, with the intention of providing Kazakhstani employees with housing and preferential mortgage rates and enhancing the quality of their lives.

ENRC works extensively with the communities involved with the Group, undertaking significant charitable projects via the ENRC Komek Corporate Foundation. The Foundation provides cultural, educational and other social support in Kazakhstan and beyond. Working with regional governments, the Foundation has invested in both their economic and social development, including the construction of infrastructure facilities, environmental initiatives and the creation and preservation of jobs for local communities.

Environmental awareness is also central to the Group and ENRC is committed to the efficient use of resources and to reducing any negative impacts of operations on water, air and land. The priority areas of environmental investment in 2010 included the improvement of energy efficiency and reduction of greenhouse gas emissions, waste generation and disposal, as well as a reduction in the use of hazardous chemicals.

ENRC was the first company in Kazakhstan to introduce an environmental management system which met the international standard ISO 14001. All ENRC operations in Kazakhstan met this standard by the end of June 2010. In 2010 the construction of new gas cleaning facilities continued at Kazchrome, Eurasian Energy Corporation and SSGPO. These are the leading facilities of their kind in Kazakhstan, and have helped the Group in its objectives to reduce pollutant emissions.



# Chief Executive Officer's Statement



We remain positive on the Group's prospects for 2011, although the control of costs growth and the development of our assets in Africa will be important issues for management, as will be the continued near-term risk of commodity market volatility.

We made further progress with our strategy by establishing the foundations for growing businesses in Africa and Brazil, with major benefits to be realised in the years ahead.

**Felix Vulis**, Chief Executive Officer

In 2010 the Group delivered a strong operating and financial performance, with production volumes at record levels. This performance was built on the robust core businesses of the Group in Kazakhstan, as well as the continued strength of the Chinese economy, the growth evident in emerging markets generally and greater stability in the developed economies.

The Group continued to make significant strategic progress during the year. In Kazakhstan, we focused on plans to enhance our existing asset base and increase investment in capacity. In May, Phase 2 of the aluminium smelter commenced operations on time and on budget. The progress that we have made in recent and ongoing capex projects – for example, the Aktobe ferroalloys expansion, Phase 2 of the aluminium smelter and the increasing power generation capacity – gives us confidence in the Group's prospects.

In addition, we continued to grow through acquisitions, notably expanding our presence in copper, cobalt and iron ore. Acquisitions during the year have enhanced our assets in Africa – primarily in the DRC. We are undertaking an extensive exploration programme to scale up the level of resources and to prove the reserves base. Whilst we remain in the initial stages of the development of the DRC assets, the exploration programme has given us greater confidence in the scale of our ambitions. 2010 has also seen us complete the initial phase of integration of CAMEC into the Group.

We made an investment in Northam Platinum to give us strategic optionality in a commodity which we believe has very good prospects. With this acquisition, along with our copper and cobalt assets, and with the potential coal and platinum projects, we expect Africa to be a more important geography in the future of the Group.

2010 also saw the Group enhance its presence in iron ore with acquisitions in Brazil. The Group's Brazilian assets are all projects around the development of the Brazilian Government's East-West rail link to open up the Bahia region to economic development. These projects will provide the Group with entry to the world's one billion tonne seaborne iron ore trade and will enable us to offer products to new customers in the Asia-Pacific, Americas, Europe and Middle East regions. With the additional capacity offered by Brazil, along with the expansion in Kazakhstan, we have positioned the Group to emerge later in the decade as a leading global iron ore player and, as a result, this will shift the balance of our business.

## Ferroalloys

Third-party sales volumes

High-carbon ferrochrome:

**1.12 mt**

Total ferroalloys:

**1.53 mt**



## Iron Ore

Third-party sales volumes

Iron ore concentrate:

**8.58 mt**

Iron ore pellet:

**8.03 mt**



## Alumina and Aluminium

Third-party sales volumes

Alumina:

**1.19 mt**

Aluminium:

**0.22 mt**



The Group's management extends its thanks to all of its employees for their continued efforts in 2010 and for their loyalty and commitment.

In February of this year I made the decision to step down from the Group for personal reasons. I am pleased to have been associated with the Group for so many years, through the development of the business, with its emergence as a public company and to have had the opportunity to lead its expansion as Chief Executive Officer over the last two years.

### 2010 production performance

In 2010 the Group achieved a record production performance, reflecting effective full available capacity of the Group's principal Kazakhstani businesses throughout 2010. Management's success was built on leveraging of low cost production, the Group's location and the retained workforce, in addition to a rebuild of sales volumes, notably for ferroalloys, in traditional markets as well as into China.

- Ferroalloys: ore extraction amounted to a record 4.82 mt, whilst total gross ferrochrome production was 1.44 mt, of which 1.31 mt was high-carbon ferrochrome; total gross ferroalloys production rose to 1.86 mt. Throughout 2010 the Division's Kazakhstani operations were running at effectively full available capacity and exceeded the record volumes of 2007. Production recovered at Serov and Tuoli to effective full available capacity at the end of 2010.

- Iron Ore: ore extraction amounted to some 43.61 mt, ahead of the prior high of 40.22 mt in 2007. Saleable product amounted to 8.94 mt of concentrate and 8.02 mt of pellet.
- Alumina and Aluminium: bauxite extraction reached a record 5.31 mt, exceeding the previous high in 2008. Alumina volumes rose to 1.64 mt as part of the expansion in alumina capacity. Aluminium production was at its full available capacity run rate (250 ktpa) from May and totalled 227 kt for the year.

**0.41** LTIFR<sup>1</sup> against  
**0.63** in 2009

<sup>1</sup>Lost Time Injury Frequency Rate, excluding Africa

# Chief Executive Officer's Statement continued

- Other Non-ferrous: total production of copper cathode and sludge was 20.27 kt whilst that of cobalt contained reached 9.65 kt in both metal and concentrate.
- Energy: coal extraction reached a record 20.10 mt, exceeding the previous high of 2009. Power generation reached 13,711 GWh, again a new high, and reflected efforts to maximise available capacity to take advantage of the new electricity price regime and to meet the Group's growing internal power requirements. Internal power consumption reached 73.9% of total production.

## 2010 financial performance

The Group's strong financial performance in 2010 was underpinned by a rapid response to the market's recovering appetite for commodities, its strategic location and its low cost position. These factors were partially offset by increased costs in relation to the build out of the Other Non-ferrous Division.

For the Group, margins rose as like-for-like revenue growth of 62% outstripped the increase in like-for-like total costs of 27%. Total revenue rose 72% to US\$6,605 million, due to both higher prices and significantly higher sales volumes, including new sales of aluminium and copper and cobalt. Total costs growth reflected both higher volumes and rising unit costs, which was a feature for the industry as well as the Group in 2010, and the inclusion of the Other Non-ferrous Division. Underlying EBITDA rose 118% to US\$3,194 million, with the Underlying

EBITDA margin increasing to 48%. Earnings per share was ahead 110% to US 170 cents, including a one-off gain of US\$298 million arising in relation to the accounting for the Brazilian acquisition (Bahia Minerals BV ('BMBV')) in September 2010 and acquisition related costs of US\$73 million. The Group's effective tax rate for the year was 26.2%, which included the impact of these two items.

The Group saw a substantial increase in operating cash flow during the year, rising to US\$2,303 million (2009: US\$1,209 million). At the year end the Group maintained a strong balance sheet position, with net debt of US\$37 million, having secured additional funding from international banks, export credit agencies, the Chinese Development Bank and the Kazakhstan Sovereign Wealth Fund 'Samruk-Kazyna'.

## Health & safety

Health and safety remains a key priority for the Group. In 2010 we undertook a number of major initiatives to raise engagement and compliance with health and safety standards. This was in response to the challenging environment of 2009 and our desire to improve performance across the Group. We continued with the implementation of our safety management system, with improved reporting and with a rollout of our new Safety Culture Improvement Project across our businesses in Kazakhstan and Russia. The project will enable us to build an integrated organisational structure, provide managerial leadership and establish effective safety

procedures and performance standards. We introduced new communication tools and an improved incentive system for line managers, raising the priority of health and safety, and undertook behavioural audits across all of the Divisions. A special site visit was conducted to the African operations and we developed a safety management system integration plan. Corporate safety standards and reporting procedures are being applied to all operations in Africa.

For the Group, the number of fatalities in 2010 was seven (2009: 12), with three out of eight of the principal operations in Kazakhstan and Russia avoiding any fatalities in both 2010 and 2009. All deaths are regrettable to us and we express our condolences to the families involved. The number of work-related injuries (excluding Africa) for 2010 was 45 (2009: 64). The Lost Time Injury Frequency Rate ('LTIFR') (excluding Africa) was 0.41 (2009: 0.63) per one million hours worked. Africa had zero fatalities, 52 injury cases and an LTIFR of 2.88. In 2011 the Group will integrate the reporting of health and safety statistics of Africa into those of the Group as a whole.

The Group remains focused on improving its delivery of health and safety based on the adoption, in 2008, of an aspiration to zero injuries.

## Other Non-ferrous

Third-party sales volumes  
Copper cathode and  
sludge:

**19.70 kt**

Cobalt contained:

**9.40 kt**

## Energy

Third-party sales volumes  
Coal:

**6.96 mt**

Electricity:

**2,565 GWh**



## Acquisitions

In 2010 the Group accelerated its growth strategy in its targeted commodities. The underlying aim is to build a portfolio of tier one assets, which are large scale and scaleable, having extended mine lives, and with the potential to be towards the lower end of the cost curve. Our recent activity has focused on Africa, which has an outstanding mineral resource base, where we have established an operational platform for copper and cobalt, and on Brazil, where we are looking to build a presence in the seaborne iron ore market and aspire to emerge as a major player. The Group's acquisitions strategy is unchanged and remains interested in its major core products, ferrochrome and iron ore, but will also consider looking at opportunities to enhance our recently acquired copper, cobalt and platinum assets, as well as the potential of thermal coal.

In April–May 2010 the Group completed the US\$300 million acquisition of Enya Holdings BV ('Enya') which holds a 90% interest in Chambishi, a Zambian copper and cobalt producer. In April the Group purchased a 12.2% interest in Northam Platinum, a major platinum producer in South Africa and subsequent purchases increased the holding to 14.35%; the total consideration paid was US\$345 million. In June the Group completed the US\$75 million purchase of the outstanding 50% of the issued share capital of SMKK. SMKK has exploration permit assets contiguous to the Group's existing operations in the DRC. The acquisition of the outstanding 50% of SMKK allows the Group

to reinforce its resource and production capacity in the DRC. In August the Group purchased 50.5% of Camrose Resources Limited and its subsidiaries ('Camrose') for US\$175 million. The primary assets of the Camrose joint venture are high-quality copper and cobalt exploitation licences located in the DRC.

In September the Group completed the purchase of the outstanding 50% of the BML Project, an iron ore resource in Brazil, for a net cash consideration of US\$670 million. In October the Group announced the purchase of MIBA and subscribed for 51% of MPB for up to US\$304 million. MIBA and MPB own iron ore licences in Brazil proximate to the East-West rail link and the BML Project.

In January 2011 the Group announced the extension of a call option originally granted in February 2009 in conjunction with the acquisition of a 25% interest in Shubarkol, one of Kazakhstan's largest thermal coal producers. The call option gives ENRC the right to acquire the outstanding 75% of the ordinary shares of Shubarkol for a consideration of some US\$600 million. The call option extension, which has been granted for nil consideration, extends the expiry date of the call option to 31 January 2012.

## Capital expenditure

For 2010 capital expenditure amounted to US\$1,187 million (2009: US\$1,147 million), approximately US\$300 million below our initial expectations, due to the timing of certain investments and management's decision to revise the planned development and defer expenditure on a number of projects in Africa. Management prioritised a review of the assets of the Other Non-ferrous Division to provide a better basis for determining the optimal capital expenditure for the development of the businesses.

Project highlights in 2010 included:

- Ferroalloys – construction of four furnaces with 440 ktpa gross capacity at Aktobe is still in progress. Design engineering has been completed and preparatory works for the construction commenced in 2010 and are planned to be finished in 2011. Advance payments for primary equipment such as furnaces, transformers, rectifiers and automatics have been made; these will be built within 13 months and are expected to be delivered in 2012.
- Iron Ore – the completion in June of a metal casting plant and ongoing feasibility studies for the expansion of iron ore extraction and the development of new high quality concentrate, high quality pellet and Hot Briquetted Iron capacity.

## Progress in Africa

### Copper and cobalt

As 2010 progressed we completed the acquisitions of: processing capability – Chambishi Metals in Zambia; additional resource – SMKK in the DRC; and a mine management capability – Congo Cobalt Corporation in the DRC. We also established the Camrose joint venture in the DRC, giving us access to additional copper and cobalt resource. The collection of these businesses and resources establishes a compelling copper and cobalt business.

The acquisition of CAMEC in 2009 also marked the potential expansion into the export coal business, through our Mozambique project, and a potential platinum opportunity.

We achieved more than just acquisitions during 2010, especially in terms of exploration and the definition of indicated resource:

- 103,000 metres of exploration and infill drilling in 2010 in the DRC; 92,000 metres still to be analysed at end 2010
- 1,180 kt contained copper JORC-compliant resource as at January 2011
- Ongoing work to convert resource to reserves
- Significant drilling programme planned for 2011
- 2011 production target: 33 kt copper cathode; 10 kt contained cobalt

### Platinum

In 2010, the Group acquired an investment in Northam Platinum in South Africa of 14.35%. The Group continued to work to resolve the sanctions issues relating to its Zimbabwean project.

### Exploration for African coal

- Drilling commenced on North Shore
- In-house inferred resource estimate (non-JORC compliant) for North Shore of 1.35 billion tonnes
- Project Estima (Licence 871) has a historic JORC-compliant resource of 1.03 billion tonnes
- Feasibility study commissioned for Project Estima (Licence 871) – completion expected in 2011

We continued drilling for coal in Mozambique, and our overall resource base is currently well over 2 billion tonnes. We have been very pleased with the drilling results to date and believe that we will, over time, report significant additional tonnage.

# Chief Executive Officer's Statement continued

- Alumina and Aluminium – the completion of the 125 ktpa Phase 2 of the aluminium smelter in early May, the ongoing expansion of alumina production to 1.7 mtpa in 2011 and the initiation of construction of a 136 ktpa anode plant.
- Energy – the commissioning of the new overburden conveyor in June; and
- Other Non-ferrous – the commissioning of Phase 1 of the cobalt SX/EW plant, which started production in Q4 2010.

At the start of 2011 management re-evaluated planned capital expenditure. The Group has added the purchase of wagons and trucks in the Logistics Division, reassessed investments in the Other Non-ferrous Division which were increased to US\$810 million and made additional changes to the Energy Division spend. We have also included the projected spend on the BML Project and MIBA, both in Brazil. As a result, 'Execution' and 'Planning and Design' (both formerly 'In Progress') and 'Pre-feasibility' (formerly 'Under Review') capital expenditure totals US\$11.1 billion.

In 2011 capital expenditure is expected to amount to about US\$2.5 billion (excluding BML), as we accelerate a number of the Group's key growth initiatives, in particular spend on the Aktobe smelter and in the Iron Ore, Other Non-ferrous and Logistics Divisions. 2011 includes US\$0.6 billion for sustaining capital expenditure.

## Risk

Throughout 2010 the Executive management and the Board had a regular dialogue with shareholders. These discussions included corporate governance and the business acquisition processes, as well as the perceived level of risk ascribed to ENRC. The Group is cognisant of shareholders' views. We are aware that some of the jurisdictions in which the Group operates pose particular and often heightened reputational issues that need to be managed appropriately. The Group continues to be open for dialogue with shareholders, and other stakeholders, to represent its position and resolve any issues.

On 3 December 2010, Congo Mineral Developments Limited, a subsidiary of First Quantum Minerals Limited, served a claim for an estimated US\$2 billion on four subsidiaries (together the 'Highwind Group') of Camrose Resources Limited, a joint venture company in which the Group holds 50.5% of the share capital, in relation to the Kolwezi tailings project. The Highwind Group has applied to strike out the claim.

In 2010, the Group continued to enhance its approach to risk management and established a Group-wide Compliance function. The Group is continuing with the recruitment of additional high calibre individuals. The further development of policies, processes and procedures, in particular to support the acquisition and integration process, is under way.

## Industry overview

The stainless steel industry saw a significant recovery in 2010, with production for the year estimated at about 31.3 mt, up 21% from 25.9 mt in 2009. China remained both the largest and fastest growing producer of stainless steel with an estimated 11.4 mt in 2010, accounting for some 36% of total production. The speed of the recovery in global stainless steel volumes, coupled with low stockpiles at the beginning of 2010, tightened the ferrochrome market considerably and, as a result, the European benchmark price rose US 35 cents per pound (to US\$1.36) in Q2 2010. The subsequent increase in ferroalloys production and a global slowdown in stainless steel output, created an oversupply going into H2 2010, which resulted in the benchmark falling US 6 cents in Q3 and, into Q1 2011, a further US 5 cents (to US\$1.25). This has broadly followed the pattern of the spot price of ferrochrome in China, increasingly an industry bellwether. For the industry, capacity utilisation in 2010 amounted to 84.5%. Looking forward to 2011 pricing will depend to a large extent on Chinese demand. However, it will also be constrained by the still material spare capacity of the ferrochrome industry and the ability of China to increase production to meet domestic demand. Longer-term, higher costs, particularly in South Africa, should support prices at higher levels while supply constraints, also in South Africa, could provide further upside.

US\$ **2.5** billion planned capital expenditure for 2011

Capital expenditure will require a strong management focus and in 2011 we expect to deliver progress on the Aktobe ferroalloys programme, our iron ore investments and in copper and cobalt in Africa.

For iron ore, the improvement in the Russian steel industry in 2010 enabled us to sell higher volumes to our principal customer, Magnitogorsk Iron and Steel Works ('MMK'). However, this was limited by the iron ore surplus that continued in Russia. Sales to MMK amounted to approximately 10.6 mt. Sales to China, which doubled in 2009 versus 2008, made up some of the shortfall in volumes to MMK, and remained broadly steady in 2010 at 5.6 mt. A Platts-based pricing formula has been agreed with MMK and will be valid until the end of 2012. There were some additional sales to Arcelor Mittal in Kazakhstan. The greatest opportunity for us to develop sales in the future is the ongoing industrialisation of markets in North West China, along with the access that will be offered by the Kazakhstani Government's new China Gateway rail link due to be fully operational in 2012. The market for higher value added products is another opportunity for the Group, hence the project to build Hot Briquetted Iron capacity. Overall we expect China's continued increase in steel production and its strong demand for iron ore to keep the market tight and support strong pricing in the medium term.

### Outlook

The longer-term outlook for the Group's main commodities and its main markets of China, other Asia-Pacific countries and Russia, remains very positive as these commodity-intensive economies continue to grow. GDP growth in China appears well supported at the level of 7%–9% per annum, while the prospect for robust growth remains for emerging markets more generally.

Furthermore, supply constraints, underpinned by a range of different factors, continue to affect our main commodities and support prices in the short term. Positive signs are also emerging in the United States and some European economies. Nonetheless, there are some risks for the immediate future as China seeks to control and redirect its growth, with ongoing uncertainties in certain European economies and as governments around the world seek to rein back on the stimulus packages introduced in response to the recent financial crisis and lessen inflationary pressures. Together these increase the likelihood of near-term volatility in both the price and growth trajectories of our commodities. Nonetheless, we remain confident that robust demand will continue for our products.

In 2011 the Group will continue to seek to maximise its production potential. However, notwithstanding some limited upside in ferroalloys, iron ore and alumina and aluminium, as well as the continued building of copper and cobalt production, the capacity growth of the Group will be limited until its large capital expenditure projects start coming on line in 2013.

2011 will require the Group to maintain an intense focus on costs. Cost inflation is affecting the whole industry, but we will continue to focus on efficiency improvement initiatives. Costs growth is across materials, transportation, fuel and other inputs, as well as logistics costs, and all are expected to show significant growth in 2011; Kazakhstani labour costs will rise in line with inflation. We

also expect some limited appreciation of the Kazakhstani tenge ('KZT') against the US dollar during the course of 2011 and are working with an average exchange rate forecast in the range of KZT142 to KZT144. The further development of our African assets will also be a factor impacting costs in 2011.

The Group's strategy remains focused on growing long-life, scaleable and low production-cost assets to deliver value for our shareholders. Following last year's acquisitions to develop the Group's commodities and geographic asset base, management will be focused in 2011 on proving the new assets, firming-up development plans and implementing the capital expenditure programme. Capital expenditure will require a strong management focus and in 2011 we will expect to deliver progress on the Aktobe ferroalloys programme, our iron ore investments, and in copper and cobalt in Africa. We are ready to initiate progress in Brazil as soon as the port licence is approved. We will not forgo the potential of further acquisitions as an important route for further growth, particularly those filling-out our portfolio and in line with our strategy.

With our strong balance sheet, the scaleable asset base, the low cost potential of our asset suite and presence in strategic locations, we are well positioned to enhance shareholder value over the longer term.

The Group's strong performance in 2010 was built on the solid foundations of the businesses in Kazakhstan which delivered record production in the year. China's economic growth and our strategic location remained key, while we also saw recovery in our traditional markets. Maintaining and exploiting our advantaged cost position was also critical.



# Chief Financial Officer's Review



The Group produced strong financial results in 2010 with all of the Divisions showing growth in Revenue and Underlying EBITDA. Increased Revenue was driven by both higher production and prices in all of our principal businesses.

**Dr Zaure Zaubekova**, Chief Financial Officer

2010 has been a year of strategic progress for the Group, continuing to integrate acquisitions, while maintaining our organic growth programme. The Group has numerous and significant growth projects ahead of it, which will require further substantial investment. The combination of strong operational cash generation, our robust balance sheet and our ability to attract a broad range of funding providers gives us confidence that we are able to source the funding necessary to meet our growth objectives. The Group's cash balance at 31 December 2010 of US\$1,595 million (2009: US\$830 million) and a recently signed unsecured senior US\$500 million corporate revolving credit facility gives us further confidence in our liquidity position.

The Group produced strong financial results in 2010 with all of the Divisions showing growth in Revenue and Underlying EBITDA. Increased Revenue was driven by both higher production and prices in all of our principal businesses. Despite increased costs the Group's Underlying EBITDA improved 118.5% to US\$3,194 million (2009: US\$1,462 million), with an improved margin of 48.4% (2009: 38.2%).

There have been two impacts on the results of the Group that arise from changes in IFRS requirements. Acquisition-related costs of US\$73 million have been expensed and, as detailed below, a gain has been recognised related to the acquisition of control of Bahia Minerals BV ('BMBV')

of US\$298 million. These amounts are excluded from Underlying EBITDA. As a result of the strong financial performance and these items, the Group's basic and diluted earnings per share increased to US 170 cents per share (2009: US 81 cents per share).

## Revenue

In 2010 the Group achieved a record level of high-carbon ferrochrome and iron ore sales volumes. In addition, iron ore prices reached record levels during the year. Revenue increased 72.4%, or US\$2,774 million, to US\$6,605 million (2009: US\$3,831 million), which reflected the continued recovery of commodity prices and market demand. Of this increase in revenue, US\$1,812 million, or 65.3%, was due to higher prices, US\$591 million (21.3%) due to higher sales volumes, and US\$371 million (13.4%) due to the inclusion of the Other Non-ferrous Division. The Ferroalloys Division accounted for 45.2% of Group revenue, the Iron Ore Division 28.4% and the Alumina and Aluminium Division 13.7%.

## Gross margin

The gross margin improved significantly during the year to 56.9% (2009: 49.2%). This was due to significant increases in the selling price achieved for our products, partially offset by increased raw material costs and taxes, such as Mineral Extraction Tax ('MET'). Total MET for the year was US\$278 million (2009: US\$166 million). The Group mitigated some of these cost increases by improvements in labour productivity rates and improved efficiency in certain raw materials and electricity consumption rates. The Group's focus will remain on cost control as the pressures on our production unit costs are likely to be sustained.

## Distribution costs

The increase in distribution costs was primarily due to a US\$81 million rise in transportation costs, as a result of higher sales volumes and an increase in Kazakhstani railway tariffs of approximately 14%. Agency and commission fees and other distribution costs increased US\$14 million and US\$24 million respectively. The Other Non-ferrous Division added US\$13 million to the total increase in distribution costs.

## General and administrative expenses

The most significant change in general and administrative expenses was US\$73 million in respect of acquisition-related costs which, under the revised IFRS 3 'Business combinations', can no longer be capitalised. There was no requirement to restate the prior year in this respect.

In addition, staff costs increased US\$45 million, of which US\$20 million related to the Other Non-ferrous Division. The Other Non-ferrous Division added further costs of US\$29 million to the increased total of general and administrative expenses.

## Other operating (expenses)/income

In 2009 the Group recorded a one-off foreign exchange gain of US\$210 million, resulting from the devaluation of the Kazakhstani tenge against the US dollar. There were no similar exchange-related items arising in 2010.

## Gain related to the acquisition of BMBV

Included within the income statement for the year is a non-recurring gain resulting from the acquisition of BMBV of US\$298 million. This gain arose as a result of the requirement under IFRS to fair value the Group's existing interest in the business at the date of acquisition and to report any gain or loss in the income statement.

## Net finance (costs)/income

The finance income and costs for 2009 included a one-off foreign exchange gain of US\$104 million and a loss of US\$75 million respectively, resulting from the devaluation of the Kazakhstani tenge against the US dollar. There were no similar exchange-related items arising in 2010.

## Share of profits of joint ventures and associates

The net share of profits of joint ventures and associates amounted to US\$13 million (2009: US\$31 million). This includes a US\$11 million profit contribution from the Group's 25% interest in Shubarkol, US\$4 million from the BMBV joint venture (for the period before it became a subsidiary, with effect from 21 September 2010) and a US\$2 million loss from Camrose.

## Summary income statement

In millions of US\$	Years ended 31 December		2010 vs 2009
	2010	2009	
Revenue	<b>6,605</b>	3,831	72.4%
Cost of sales	<b>(2,847)</b>	(1,947)	46.2%
<b>Gross profit</b>	<b>3,758</b>	1,884	99.5%
<i>Gross margin %</i>	<b>56.9%</b>	49.2%	-
Distribution costs	<b>(485)</b>	(366)	32.5%
General and administrative expenses	<b>(555)</b>	(359)	54.6%
Net other operating (expense)/income	<b>(8)</b>	215	(103.7)%
<b>Operating profit</b>	<b>2,710</b>	1,374	97.2%
<i>Operating profit margin %</i>	<b>41.0%</b>	35.9%	-
Net finance (costs)/income	<b>(44)</b>	34	(229.4)%
Gain arising related to the acquisition of BMBV	<b>298</b>	-	n/a
Share of profit of joint ventures and associates	<b>13</b>	31	(58.1)%
<b>Profit before income tax</b>	<b>2,977</b>	1,439	106.9%
Income tax expense	<b>(780)</b>	(377)	106.9%
<b>Profit for the year</b>	<b>2,197</b>	1,062	106.9%

## Reconciliation of underlying EBITDA

In millions of US\$	2010	2009
Profit before income tax	<b>2,977</b>	1,439
Share of profit of joint ventures and associates	<b>(13)</b>	(31)
Gain arising related to the acquisition of BMBV	<b>(298)</b>	-
Net finance income/(costs)	<b>44</b>	(34)
	<b>2,710</b>	1,374
Depreciation and amortisation	<b>411</b>	298
Devaluation of Kazakhstani tenge	<b>-</b>	(210)
Acquisition related costs	<b>73</b>	-
Underlying EBITDA	<b>3,194</b>	1,462
Underlying EBITDA margin %	<b>48.4%</b>	38.2%

# Chief Financial Officer's Review continued

## Taxation

In November 2010, the Republic of Kazakhstan extended indefinitely the applicable 20% rate of Corporate Income Tax ("CIT") and the current applicable rates of MET.

The Group's income tax expense for the year ended 31 December 2010 was US\$780 million (2009: US\$377 million), an Effective Tax Rate ("ETR") of 26.2% (2009: 26.2%).

The ETR included; the impact of the US\$298 million fair value gain on acquisition of BMBV reducing the rate by 2 percentage points; US\$73 million of non tax-deductible acquisition costs which increased the rate by 0.5 percentage points; and the revaluation of deferred tax balances due to changes in the applicable CIT rate in Kazakhstan which resulted in a deferred tax charge of US\$48 million, increasing the ETR by 1.6 percentage points.

The Group's ETR remains sensitive to market conditions and high commodity prices. The Group's income tax expense of US\$780 million included a US\$148 million Excess Profits Tax charge, accounting for an increase in the ETR for the year of 5 percentage points.

During the year the Group suffered US\$26 million of withholding taxes, mainly relating to the repatriation of dividends from Kazakhstan, which added 0.9 percentage points to the ETR.

## Exchange rates

In 2010 the average Kazakhstani tenge to US dollar exchange rate was 147.36 (2009: 147.50).

## Balance sheet

The Group's net book value of property, plant and equipment at 31 December 2010 was US\$8,186 million (2009: US\$5,480 million), an increase of 49.4%. Goodwill at 31 December 2010 totalled US\$1,368 million (2009: US\$579 million), an increase of 136.3%.

The Group made a number of acquisitions during the year. The result of these acquisitions has been significant increases in property, plant and equipment including mineral rights from the acquisition of BMBV and of MIBA and MPB and the Chambishi smelter (which was acquired through the acquisition of Enya Holdings BV).

Goodwill arose on the acquisition of Chambishi primarily because of the strong strategic location of the assets within the copper and cobalt belt of Zambia. Chambishi is well placed to take advantage of the potential growth in the copper and cobalt mining activity within the region. The acquisition complements the Group's strategy of expansion in the copper and cobalt business. Goodwill arose from the other acquisitions primarily as a result of the recognition of deferred tax under IFRS.

In addition, the Group also completed the measurement period following the acquisition of the CAMEC group of businesses in 2009. The result of the finalisation of this work is the reallocation of certain assets and liabilities and a restatement, as required under IFRS, of the comparative balance sheet position. These results are further detailed in note 6 to the financial statements. There was no material impact on the income statement for 2009 or 2010 on the completion of this exercise.

A detailed analysis of additions in the year arising from the Group's capital expenditure projects is set out in the Capital Expenditure section of this report on pages 45 to 47.

The Group also acquired a 14.35% interest in Northam Platinum Limited, which is held within other financial assets.

Deferred tax liabilities increased to US\$1,176 million (2009: US\$455 million) as a result of the acquisitions detailed above and the requirement under IFRS to recognise a deferred tax liability in respect of fair value adjustments.

A summary of the Group's borrowings is set out in note 27 to the financial statements with further commentary in the Funding and Liquidity section of this review.

The Group's return on capital employed was 28.3% (2009: 13.8%). The calculation of return on capital employed is set out in note 37 to the financial statements.

## Summary balance sheet

In millions of US\$	2010	2009 as restated <sup>1</sup>
Property, plant and equipment	8,186	5,480
Goodwill and intangibles	1,368	579
Other non current assets	1,207	1,068
	<b>10,761</b>	7,127
Current assets (excluding cash)	1,962	1,659
Cash and cash equivalents	1,595	830
	<b>3,557</b>	2,489
<b>Total assets</b>	<b>14,318</b>	9,616
Equity attributable to equity holders of the Company	9,772	7,713
Equity attributable to non-controlling interests	261	266
	<b>10,033</b>	7,979
Non-current borrowings	1,406	68
Deferred tax liabilities	1,176	455
Other non-current liabilities	190	158
	<b>2,772</b>	681
Current borrowings	226	360
Other current liabilities	1,287	596
	<b>1,513</b>	956
Total liabilities	4,285	1,637
<b>Total equity and liabilities</b>	<b>14,318</b>	9,616

<sup>1</sup>The restatement relates to the completion of the measurement period following the CAMEC acquisition

## Non-current assets US\$ million

2010	10,761
2009	7,127
2008	5,621

## Total depreciation, amortisation and impairment US\$ million

2010	411
2009	298
2008	311

### Cash flow

The table below provides a summarised cash flow statement for the years ended 31 December 2010 and 31 December 2009.

#### Net cash generated from operating activities

The Group generated cash of US\$2,303 million (2009: US\$1,209 million) from operating activities, an increase of US\$1,094 million.

Increased commodity prices and a recovery in demand were the main drivers of the rise in gross profit and increased cash inflows in 2010 versus 2009. Working capital increases totalled US\$305 million.

#### Net cash used for investing activities

Net cash used in investing activities reflected the Group's ongoing growth strategy. Purchase of property, plant and equipment totalled US\$1,245 million. Payments made in respect of the acquisitions of subsidiaries and joint ventures totalled US\$764 million. Further detail regarding these acquisitions can be found in note 6 and note 19 to the financial statements.

#### Net cash flow generated from/ (used for) financing activities

The Group generated cash resources of US\$826 million from its financing activities during the year ended 31 December 2010. This was primarily; a US\$400 million loan borrowed from the Development Bank of Kazakhstan under a 15 year facility agreement; a Structured Trade Finance facility for US\$500 million based on the iron ore offtake contract with MMK; US\$500 million borrowed from JSC Sovereign Wealth Fund 'Samruk-Kazyna' under a 10 year facility agreement, net of repayment of borrowings of US\$360 million and cash outflows for dividends of US\$238 million.

#### Funding and liquidity

During the year the Group continued to diversify its sources of funding and signed a US\$3 billion Euro Medium Term Note programme which is a key element of our funding strategy to ensure that the Group has flexibility to meet the commitments of its capital expenditure programmes. This programme will be used to take advantage of opportunistic funding in the capital markets. As at 31 December, there were no issues under the programme.

The Group continued to raise debt in its traditional markets and expanded the range of lenders to include the JSC Sovereign Wealth Fund 'Samruk-Kazyna' and a number of commercial banks.

On 18 March 2011, the Group signed an unsecured senior US\$500 million Revolving Credit Facility which will significantly enhance the Group's financial headroom and provide liquidity to the Group's business operations. Part of the Group's strategy is to forge strong relationships with key banking partners to support the growth of the business.

The average maturity date on outstanding debt facilities is currently greater than five years. Net gearing at year end was 0.4% (2009: (5.5)%). The calculation of gearing can be found in note 37 to the financial statements.

### Cash flow

In millions of US\$	Years ended 31 December	
	2010	2009
Net cash generated from operating activities	<b>2,303</b>	1,209
Net cash used for investing activities	<b>(2,368)</b>	(2,105)
Net cash generated from/(used for) financing activities	<b>826</b>	(644)
Net changes in cash and cash equivalents	<b>761</b>	(1,540)
Cash and cash equivalents at beginning of year	<b>830</b>	2,493
Exchange gain/(loss) on cash and cash equivalents	<b>4</b>	(123)
<b>Cash and cash equivalents at end of year</b>	<b>1,595</b>	830

### Net cash generated from operations US\$ million

2010	<b>2,303</b>
2009	1,209
2008	2,766

### Net available funds US\$ million

2010	<b>40</b>
2009	593
2008	2,041

# Our Strategy

The Group's strategy is a balanced and flexible combination of enhancing existing assets, organic growth and acquisitions.

It is based on the following core principles:

1



Maintain and improve upon low cost operations

2



Continue expansion and development of existing reserves and capacity

3



Add value and customer diversity by expanding the product portfolio

4

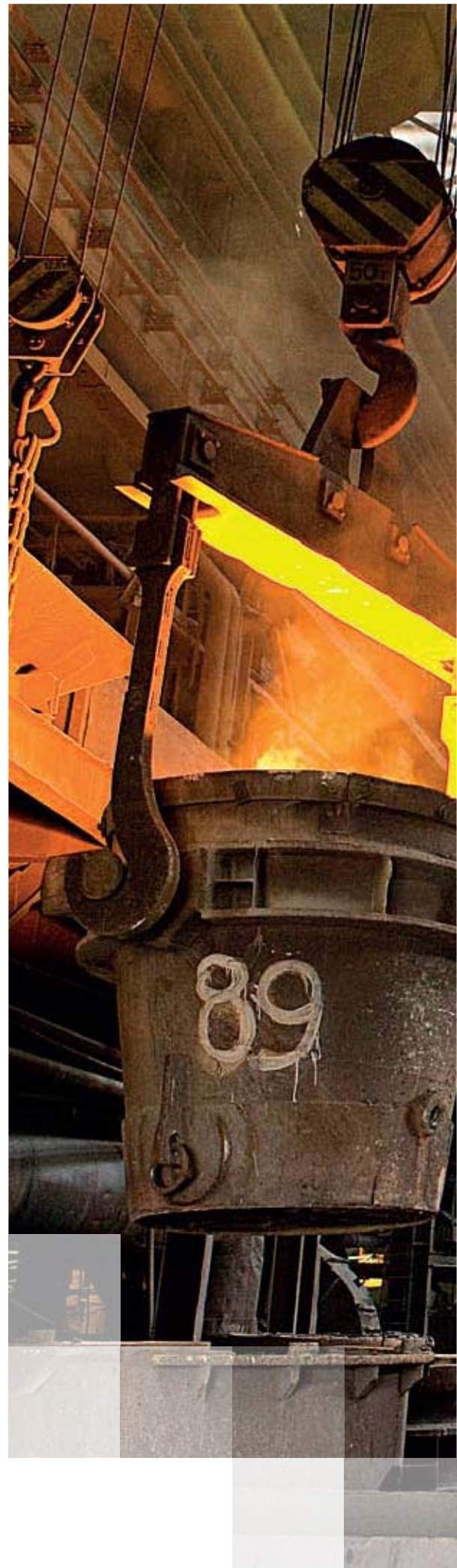


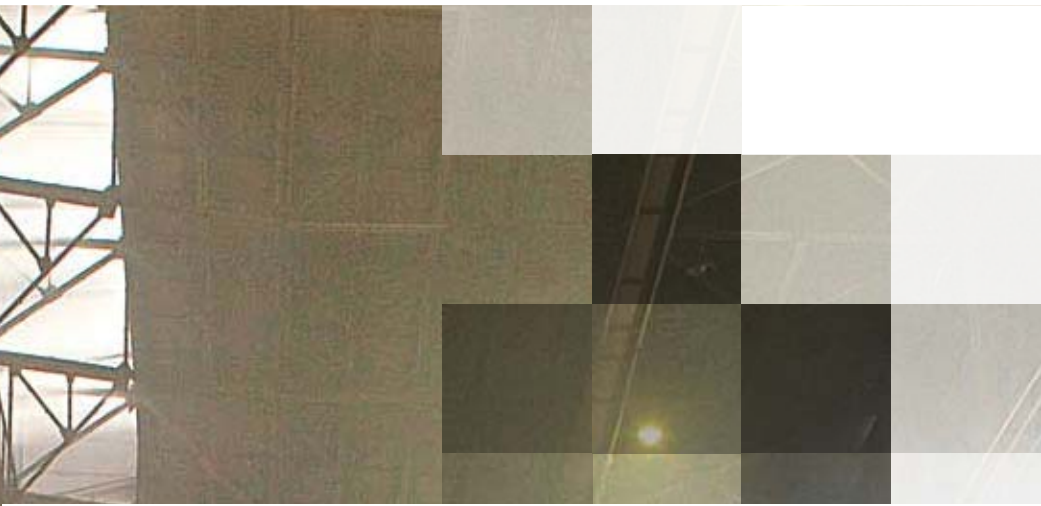
Expand our asset portfolio in natural resources, both within the region and worldwide

5



Commit to high standards of corporate responsibility

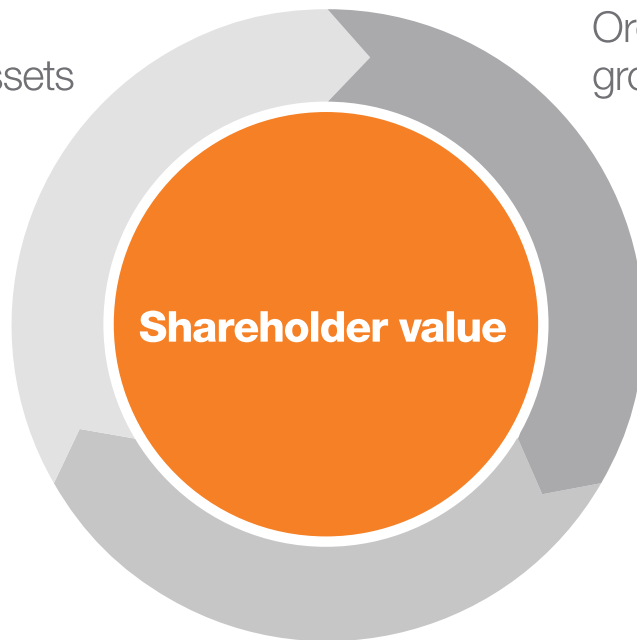




## Strategy in action

Enhance existing assets

Organic growth



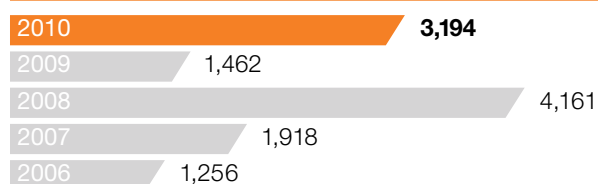
Mergers and acquisitions



# Key Performance Indicators

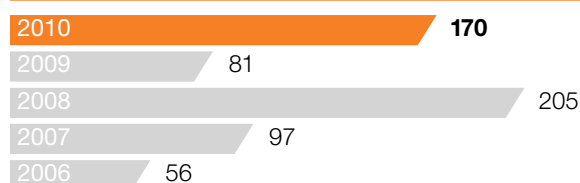
## Financial

### Underlying EBITDA (US\$ million)



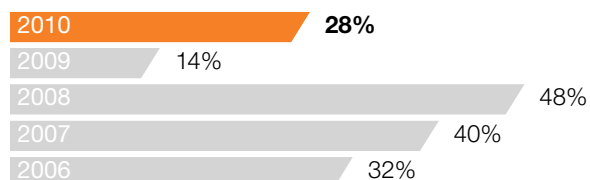
This is a measure of the underlying profitability of the Group. In 2010 Underlying EBITDA rose primarily as a result of increased production volumes and prices achieved. These increases were partially offset by higher costs of production.

### Earnings per share (basic and diluted) (US cents)



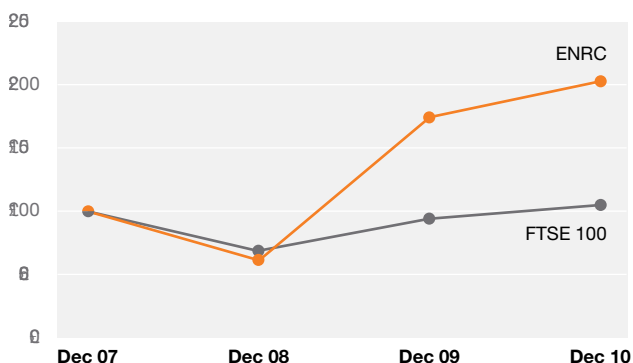
EPS tells us how much profit is attributable to each shareholder which may then be available for distribution. The sharp rise in EPS in 2010 was due to the recovery of the business from the economic crisis and the strong profits generated by the Group and also a one-off gain related to an acquisition.

### Return on capital employed ('ROCE')



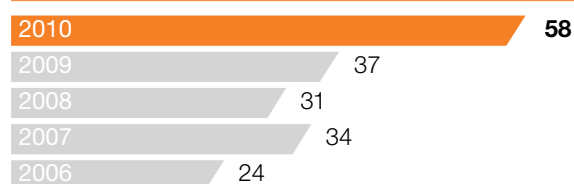
ROCE measures how efficiently the Group's capital is being used. The improvement in 2010 arises primarily as a result of the Group's improved profits for the year. The reduction over previous years reflects the increased capital employed in the business due to acquisitions of early stage assets.

### Total shareholder return ('TSR')



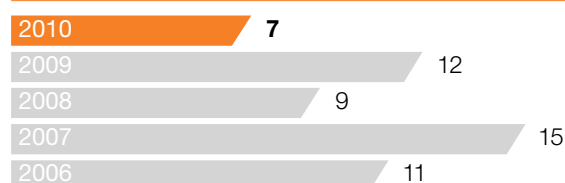
## Sustainability

### Community social investment<sup>1</sup> US\$ million



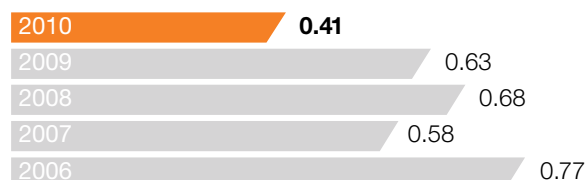
This is a measure of the investment made through sponsorships and donations, including via the Komek Foundation, to assist community development. It includes investments in healthcare, sports, education and cultural facilities. The increase in 2010 reflects a major investment in a significant cultural development in Astana.

### Fatalities<sup>1</sup>



Any fatalities that result from our operations are unacceptable. We aim for zero fatalities and investigate each case in detail to learn the lessons to help prevent recurrence. There were no fatalities in Africa.

### Lost time injury frequency rate<sup>1</sup>



This measure records the amount of employee working time lost, per 1,000,000 hours worked, as a result of accidents occurring in our operations. The further reduction in lost time reflects progress resulting from our continuing investment in reducing safety risks and developing a stronger safety culture.

<sup>1</sup>The data for Africa for these measures have not been included in the KPI as alignment of reporting definitions is still underway. Further information, including the Africa data, is set out in our Sustainability Review on page 48.

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

**Product costs**

Costs per tonne increased during 2010 primarily due to increases in raw materials costs and taxes, such as Mineral Extraction Tax ('MET'). Excluding MET, which is based on selling prices which have increased, our costs were at similar levels to 2008 (excluding royalties). The Group achieved this by improvements in labour productivity rates and improved efficiency in certain raw materials and electricity consumption rates.

**Ferroalloys US\$/tonne**

<b>2010</b>	<b>816</b>
2009	644
2008	749
2007	442
2006	398

**Chrome ore US\$/tonne**

<b>2010</b>	<b>44</b>
2009	32
2008	22
2007	20
2006	17

**Manganese concentrate US\$/tonne**

<b>2010</b>	<b>105</b>
2009	101
2008	83
2007	73
2006	71

**Iron ore concentrate US\$/tonne**

<b>2010</b>	<b>29</b>
2009	24
2008	26
2007	20
2006	18

**Iron pellet US\$/tonne**

<b>2010</b>	<b>39</b>
2009	34
2008	36
2007	27
2006	25

**Alumina US\$/tonne**

<b>2010</b>	<b>236</b>
2009	197
2008	244
2007	205
2006	182

**Aluminium US\$/tonne<sup>1</sup>**

<b>2010</b>	<b>1,320</b>
2009	1,123
2008	1,588
2007	n/a
2006	n/a

<sup>1</sup>Aluminium is an integrated business. The unit cost KPI excludes any in-house margin from other Group companies that would be included in the costs on a standalone basis.

**Saleable cobalt contained US\$/tonne<sup>2</sup>**

<b>2010</b>	<b>23,336</b>
2009	20,587
2008	n/a
2007	n/a
2006	n/a

<sup>2</sup>Data for 2009 relates to the two month period following the acquisition of CAMEC.

**Saleable copper cathode and sludge US\$/tonne<sup>2</sup>**

<b>2010</b>	<b>5,126</b>
2009	4,600
2008	n/a
2007	n/a
2006	n/a

<sup>2</sup>Data for 2009 relates to the two month period following the acquisition of CAMEC.

**Coal US\$/tonne**

<b>2010</b>	<b>4</b>
2009	4
2008	4
2007	4
2006	3

**Electricity US\$/MWh**

<b>2010</b>	<b>10</b>
2009	9
2008	10
2007	8
2006	8

# Our Divisions Overview

## Ferroalloys

**Revenue 2010**  
US\$2,988m

The Ferroalloys Division 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 to the chemical industry. ENRC is the largest ferrochrome producer in the world by chrome content and the lowest cost producer of high-carbon ferrochrome. The Ferroalloys Division is vertically integrated, having its own chrome ore and manganese ore mines feeding its 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 in Kazakhstan.



**Through 2010 the Division's Kazakhstan operations were running at effectively full available capacity and exceeded the previous record volumes of 2007. Production recovered at Serov and Tuoli to effective full capacity by the end of 2010.**

- Saleable chrome ore extraction rose 5.2% versus 2009 to 3,574 kt
- Net of internal consumption, total saleable ferroalloys production rose to 1,583 kt, ahead 29.8%
- Gross ferrochrome production rose 24.1%; high-carbon ferrochrome production increased 21.7%

## Iron Ore

**Revenue 2010**  
US\$1,875m

The Iron Ore Division consists of the Sokolov-Sarbai Mining Production Association ('SSGPO') in the Republic of Kazakhstan, as well as Bahia Minerals BV ('BMBV'), Mineração Minas Bahia SA ('MIBA') and a 51% interest in Mineração Peixe Bravo SA ('MPB') in Brazil. SSGPO produces and sells iron ore concentrate and pellet primarily to steel producers. On the basis of 2010 data SSGPO is believed to be a material exporter of iron ore and in the lowest quartile of the cost curve. The Iron Ore Division's operations in Kazakhstan include iron ore mines, crushing, beneficiation and pelletising plants and a thermal power station. BMBV is focused on the development of an iron ore deposit in the Caetité region in the State of Bahia, while MIBA and MPB are early stage exploration projects, both located in the State of Minas Gerais.



**Through 2010 the Division operated at effectively full available capacity. Increased volumes were shipped to MMK (10.6 mt), with slightly less to China (5.6 mt), versus the prior year.**

- Ore extraction amounted to some 43.61 mt, ahead 19.2% versus 2009, exceeding the previous high of 40.22 mt in 2007
- Primary concentrate production reached a record 17.7 mt, an increase of 16.5% versus 2009
- Saleable product amounted to 8.94 mt of concentrate and 8.02 mt of pellet
- In 2010 the production mix reflected the balance of market demand, favouring the lower cost product. By Q4 2010 concentrate and pellet volumes were largely in balance

## Alumina and Aluminium

**Revenue 2010**  
US\$906m

The Alumina and Aluminium Division produces and sells the Group's own aluminium and also sells alumina to other aluminium producers. ENRC believes, based on 2010 data, that the Alumina and Aluminium Division is the world's ninth 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 and Phase 2 of the smelter, with a total annual capacity of 250 kt, came online in May 2010.



**Kazakhstan Aluminium Smelter expansion was completed ahead of the original schedule and on budget with Phase 2 becoming operational in Q2 2010.**

- Bauxite extraction reached a record 5.31 mt, ahead 3.5% versus 2009, exceeding the previous high in 2008
- Alumina volumes rose to 1.64 mt, ahead 2.0%, as part of the planned expansion in alumina capacity
- Aluminium production was at its full capacity run rate (250 ktpa) from May 2010 and totalled 227 kt for the year



## Other Non-ferrous

### Revenue 2010

US\$412m

The Other Non-ferrous Division operates principally in the Democratic Republic of the Congo ('DRC'), where it mines copper and cobalt and processes the ore through Boss Mining Sprl, with the State-owned La Générale des Carrières et des Mines (Gécamines) as a minority (30%) partner. ENRC also owns 50.5% of Camrose Resources Limited, whose primary assets, held through its subsidiaries, include interests in five copper and cobalt exploitation licences situated in the DRC. The Chambishi smelter, acquired in April 2010 and located in Zambia, processes material mined in the DRC. The Other Non-ferrous Division's copper and cobalt operations include open cast mines, crushing, beneficiation, concentrator plants and an electro-winning facility in the DRC, and the Chambishi copper and cobalt smelter in Zambia. In addition, the Other Non-ferrous Division includes a number of development prospects: Mozambique – coal; Zimbabwe – platinum; Mali – bauxite; and South Africa – fluorspar.



#### The Division's production in its first full year delivered its target volumes for copper and exceeded planned volumes for contained cobalt.

- Production came from the CAMEC and SMKK assets in the DRC and from the more recently purchased Chambishi processing capability in Zambia
- Total production of copper cathode and sludge was 20.27 kt
- Production of cobalt contained reached 9.65 kt in total of metal and concentrate

## Energy

### Revenue 2010

US\$200m

The Energy Division is one of the largest electricity providers in the Republic of Kazakhstan, accounting for approximately 16.6% of the country's recorded electricity production in 2010 (2009: 17.2%). Taking into account all of the energy generation facilities of ENRC, including SSGPO, the alumina refinery (Aluminium of Kazakhstan) and the Aktobe ferroalloys smelter (Kazchrome), the Group's share of Kazakhstan's energy supply was 22.6% in 2010 (2009: 23.5%). The Energy Division provides a cost-effective energy supply to the Group's principal Kazakhstani operating Divisions, with internal consumption of 73.9% (2009: 60.8%) of energy produced, as well as providing a surplus for sales to third parties in Kazakhstan.



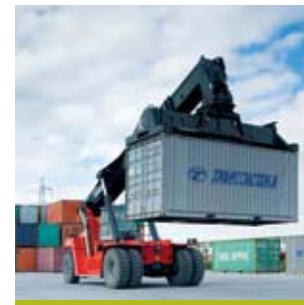
- Coal extraction was a record 20.10 mt, slightly exceeding the previous high in 2009
- Power generation reached 13,711 GWh, again a new high, and reflected efforts to maximise available capacity in order to meet the Group's growing internal power requirements and to take advantage of the new electricity price regime in Kazakhstan for supplying third parties

## Logistics

### Revenue 2010

US\$218m

The Logistics Division provides transportation and logistics services to the Group's principal 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 Chinese market.



- The volume of goods transported by railway was a record 61,104 kt, ahead 5.0% versus 2009, and an improvement on the prior record high in 2007
- The proportion of goods transported for third parties was 10.6%
- From Q4 2010 SABOT, the central/southern African logistics trucking business, was integrated into the Logistics Division from the Other Non-ferrous Division

# Operating Review

## 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.

### Competitive position

The Ferroalloys Division continued to maintain its competitive position over its peers during 2010, underpinned by its low cost tier one assets. In addition, its strategic location adjacent to China contributed to vertically integrated operations and supporting infrastructure. The Group's low cost power generation business remained a significant advantage over South African chrome producers, who again were faced with further increases in power costs in 2010 of circa 25%.

Kazchrome continued to benefit from the high quality of its ore deposit which allows it to produce ferrochrome with 69% chrome content and low trace residuals versus that of South African producers which produce charge chrome with approximately 50% chrome content with higher levels of silicon and iron. Charge chrome is limited mainly to stainless steel production as opposed to high-carbon ferrochrome which is used in the production of numerous speciality steels as well as foundry and welding applications. Kazchrome's higher chrome content and lower residual product are highly valued by speciality steel producers in meeting critical specifications in their steel. The Division took advantage of speciality ferritic and duplex stainless steel production in 2010 being at their highest levels, whilst further diversifying away from the traditional stainless steel grades which are the domain of charge chrome.

ENRC was also able to take advantage of the recovery in the engineering, alloy steel and speciality sectors as global demand for these steels continued to improve on the back of better demand in the automotive and energy sectors. The Division responded to the increased demand for its products from the speciality steel sectors with almost 100% capacity utilisation of its ferrochrome furnaces (high-carbon, medium-carbon and low-carbon ferrochrome), supporting record annual sales which were backed by a continued growth in long term supply contracts.

### Production

In 2010 the Ferroalloys Division produced: 3,574 kt of saleable chrome ore (2009: 3,398 kt); 996 kt of saleable manganese ore concentrate (2009: 904 kt); and 1,855 kt of ferroalloys (2009: 1,446 kt), including 1,306 kt (2009: 1,073 kt) of its primary product, high-carbon ferrochrome. In 2010 272 kt (2009: 226 kt) of ferroalloys were consumed internally. For the year ended 31 December 2010, the Ferroalloys Division had revenue of US\$2,996 million (2009: US\$1,874 million), which represented 45.4% (2009: 48.9%) of the Group's consolidated revenue.

### Ferroalloys Division

#### Key facts

		Years ended 31 December		
		2010	2009	% Change
<b>Third-party sales volumes</b>				
High-carbon ferrochrome	'000t	<b>1,115</b>	971	14.8%
Medium-carbon ferrochrome	'000t	<b>46</b>	30	53.3%
Low-carbon ferrochrome	'000t	<b>84</b>	64	31.3%
Ferrosilicochrome	'000t	<b>60</b>	39	53.8%
Ferrosilicomanganese	'000t	<b>177</b>	167	6.0%
Ferrosilicon	'000t	<b>47</b>	35	34.3%
<b>Total ferroalloys</b>	'000t	<b>1,529</b>	1,306	17.1%
Chrome ore	'000t	<b>642</b>	591	8.6%
Manganese concentrate	'000t	<b>612</b>	572	7.0%
Iron-manganese concentrate	'000t	<b>74</b>	72	2.8%
<b>Prices</b>				
Ferroalloys	US\$/t	<b>1,713</b>	1,252	36.8%
Chrome ore	US\$/t	<b>321</b>	214	50.0%
Manganese concentrate	US\$/t	<b>197</b>	142	38.7%
Iron-manganese concentrate	US\$/t	<b>43</b>	27	59.3%

### Ferroalloys Division

#### Key facts continued

		Years ended 31 December		
		2010	2009	% Change
<b>Unit costs<sup>1</sup></b>				
Ferroalloys	US\$/t	<b>816</b>	644	26.7%
Chrome ore	US\$/t	<b>44</b>	32	37.5%
Manganese concentrate	US\$/t	<b>105</b>	101	4.0%
Iron-manganese concentrate	US\$/t	<b>14</b>	17	(17.6)%

<sup>1</sup>Unit costs: Cost of sales divided by sales volumes

### Production

		Years ended 31 December		
		2010	2009	% Change
Chrome ore	'000t	<b>3,574</b>	3,398	5.2%
Manganese ore concentrate	'000t	<b>996</b>	904	10.2%
Ferroalloys total	'000t	<b>1,855</b>	1,446	28.3%
High-carbon ferrochrome	'000t	<b>1,306</b>	1,073	21.7%

## Supply and demand

2010 was a record year for stainless steel production with 31.5 million tonnes being produced up from 25.9 million tonnes in 2009. The first half of the year was particularly strong while the second half was impacted by the slowdown that resulted from overstocking in the first half. A shortage of scrap in the first half was a particular boost for the consumption of primary chrome units. Supply shortages in the first half of the year were replaced by an oversupply in the second half as higher prices in the first half of the year provoked a restart of offline capacity, particularly in South Africa. The result of this was a build up of stock towards the end of Q3 which acted as an overhang in the market through the year end.

## Sales and pricing

After a late 2009 slowdown, due to de-stocking, 2010 saw a strong start as stock holders replenished inventory and global economic optimism improved. In Q1 2010, stainless steel production rose to its highest ever quarterly level of almost 8 million tonnes. This was driven by increased production from emerging economies, notably China and India, whilst developed economies continued to struggle to get back to pre-crisis levels. With increased demand for engineering and alloy steels, in addition to stainless steel, and with scrap availability in Q1 2010 remaining limited due to adverse weather conditions, the supply of ferrochrome tightened. The price outlook during this period was also supported by

the South African rand strengthening against the US dollar and the almost 25% increase in electricity costs imposed by Eskom, South Africa's power provider, impacting the country's industrial production cost base.

This resulted in a 35 US cent increase in the benchmark price for Q2 2010 to US\$1.36 per pound of chrome, taking chrome prices back above levels last seen in Q1 2008. The market responded to these strong fundamentals with additional production, creating oversupply going into the traditionally quieter period of Q3 2010 as steel producers reduced their own production after a record-breaking H1. As a result the benchmark declined to US\$1.30 in Q3 2010. The re-emergence of global economic uncertainties, reflecting European sovereign debt concerns and Chinese monetary policy tightening, raised questions over the sustainability of the growth in these economies. This caused the price of ferrochrome to remain stable for the remainder of the year accompanying weaker global steel production.

Demand for medium- and low-carbon ferrochrome improved progressively during H1 2010 as the outlook in the engineering, alloy and speciality steel sectors improved, with prices increasing by between 10 US cents and 15 US cents per pound against the start of the period. As with the stainless steel sector, the weaker fundamentals in H2 2010 impacted these other sectors as steel production declined

and the market was impacted by excess capacity. Chrome ore demand similarly increased, particularly in China, with prices rising strongly on the back of good demand from alloy converters and chemical producers. Demand for both these products remained strong but weakened marginally in line with the H2 2010 slowdown as weaker sentiment in China caused a decline in ferrochrome prices.

Prices for manganese alloys, which are primarily used in the production of carbon steel for the construction and automotive sectors, also improved, with silico-manganese attaining levels in excess of US\$1,500 per tonne during Q2 2010. This improvement also led to a progressive upward trend for manganese ore, in terms of both demand and price, as converters bought increased volumes to cover alloy demand from the steel sector. Prices, as with the aforementioned products, declined in H2 on the back of the weaker market sentiment.

## Results for the year

The Ferroalloys Division remained the largest contributor to the Group's Underlying EBITDA. The Division contributed US\$1,403 million, or 43.9%, of the Group's Underlying EBITDA in 2010 (2009: US\$707 million; 48.3%); the increase was US\$696 million, or 40.2% of the growth in the Group's Underlying EBITDA.

## Ferroalloys Division

### Summary income statement

In millions of US\$	Years ended 31 December		
	2010	2009	% Change
Revenue	<b>2,996</b>	1,874	59.9%
Third parties	<b>2,988</b>	1,871	59.7%
Intersegment	<b>8</b>	3	166.7%
Cost of sales	<b>(1,270)</b>	(934)	36.0%
<b>Gross profit</b>	<b>1,726</b>	940	83.6%
<i>Gross margin</i>	<b>57.6%</b>	50.2%	
Distribution costs	<b>(271)</b>	(185)	46.5%
General and administrative expenses	<b>(154)</b>	(141)	9.2%
Net other operating (expense)/ income	<b>(8)</b>	167	(104.8)%
<b>Operating profit</b>	<b>1,293</b>	781	65.6%
<i>Operating profit margin</i>	<b>43.2%</b>	41.7%	
Depreciation, amortisation and impairment	<b>(110)</b>	(90)	22.2%
Devaluation of Kazakhstani tenge	<b>-</b>	164	n/a
<b>Underlying EBITDA</b>	<b>1,403</b>	707	98.4%
<i>Underlying EBITDA margin</i>	<b>46.8%</b>	37.7%	

## Ferroalloys Division

### Analysis of third-party revenue by destination

	2010	2009
Western Europe	<b>21.3%</b>	20.7%
Japan	<b>19.7%</b>	12.8%
China	<b>19.5%</b>	29.3%
Russia	<b>18.5%</b>	17.3%
South Korea and the Far East	<b>8.7%</b>	7.7%
North America	<b>8.1%</b>	7.9%
Rest of the World	<b>4.2%</b>	4.3%

## Operating Review continued

# Ferroalloys Division

In 2010 the Division's performance benefited significantly from a strong recovery in both prices and volumes. All of the Division's products increased sales volumes and prices year-on-year and ferroalloys sales were at their highest level in the Group's history. Total ferroalloys and chrome ore sales volumes increased 17.1% and 8.6% respectively. High-carbon ferrochrome volumes increased 14.8% versus 2009, while other ferrochrome products experienced more substantial growth rates against comparable 2009 levels, of up to 50%. The Ferroalloys Division revenue increased US\$1,122 million, or 59.9%, of which US\$751 million (66.9%) was due to higher commodity prices and US\$362 million (32.3%) reflected higher sales volumes. High-carbon ferrochrome sales contributed US\$710 million (US\$550 million due to higher prices and US\$160 million due to higher sales volumes), or 63.3%, of the increase in the Division's revenue. The shift of sales towards Western European and Japanese markets, which were more favourable in terms of prices, and proportionally away from China, also positively impacted revenue.

A US\$208 million increase in cost of sales resulted from increased sales volumes and US\$106 million from an increase in cash costs per unit. Depreciation and amortisation increased cost of sales by US\$20 million. In total, Mineral Extraction Tax ('MET') of US\$172 million (2009: US\$113 million) led to a US\$59 million increase in cost of sales. Unit cost of sales for ferroalloys was 26.7% above that of 2009 due to higher MET, which followed from an increase in the chrome ore price due to prices of certain input materials and electricity.

A US\$86 million increase in distribution costs was mainly attributable to higher sales volumes and increased railway tariffs, resulting in an increase in transportation costs. In addition, more products were shipped to the Group's traditional and more distant markets of North America, Japan and Western Europe, instead of China.

General and administrative expenses increased US\$13 million, largely due to higher staff costs.

Net other operating expense amounted to US\$8 million, principally due to foreign exchange losses. For 2009 Net other operating income reflected the one-off effect of the Kazakhstani tenge devaluation against the US dollar.

## Investing for growth and efficiency

**In 2010 the Ferroalloys Division commenced work on the Aktobe smelter project, which will add four direct current ('DC') furnaces with 440 ktpa of high-carbon ferrochrome capacity by 2013 at a total cost of some US\$750 million.**

The new capacity offered by Aktobe is believed by the Group to be the single largest ferrochrome capital expenditure project in the world. The expansion represents about one year's expected increase in global demand for ferrochrome to come from stainless and alloy steel producers based on longer-term growth projections.

The strategy here is to build on the Group's existing high quality chromite ore deposits, its integrated low cost energy capacity, as well as the opportunity for growth in key markets like China and

the Far East. Ferrochrome is the Group's most international business in terms of the breadth of its customer base, underpinned by the attractive margins available.

The decision to invest in DC furnace technology for the next stage of the ferroalloys expansion will enable the Group to achieve significant cost savings even against the existing low cost AC technology. The new capacity will, the Group believes, be the lowest cost capacity in the world. Notably, there is the ability to use chrome ore fines and the facility to substitute coke fines, or cheaper anthracite fines, in place of lumpy coke as the reductant.

During 2010 the Group undertook further engineering feasibility studies to reassess the technology and costs of the project ahead of proceeding. Investment has since begun at Aktobe.



## Iron Ore Division

The Iron Ore Division consists of the Sokolov-Sarbai Mining Production Association ('SSGPO') in the Republic of Kazakhstan, as well as Bahia Minerals BV ('BMBV'), and our interests in Mineração Minas Bahia SA ('MIBA') and Mineração Peixe Bravo SA ('MPB') in Brazil.

### Competitive position

The Iron Ore Division has some significant strategic advantages over its major competitors. Firstly, the location of the Group's large-scale iron ore reserves in northern Kazakhstan provides access to the 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. This proximity provides significant logistical and cost advantages. Secondly, 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

In 2010, the Iron Ore Division mined a record 43,614 kt of iron ore (2009: 36,604 kt). This was processed into 17,702 kt of primary iron ore concentrate (2009: 15,197 kt), of which 8,583 kt (2009: 8,857 kt) was sold with the balance used to produce pellet, of which 8,031 kt (2009: 6,203 kt) was sold. For the year ended 31 December 2010, the Iron Ore Division had revenue of US\$1,876 million (2009: US\$1,093 million), which represented 28.4% (2009: 28.5%) of the Group's consolidated revenue.

### Supply and demand

As a result of the remarkably swift recovery from the financial crisis, global crude steel production increased 15.9% in 2010 to almost 1.4 billion tonnes. The increase was driven by a recovery in traditional markets and by China's continued growth. The strength of demand meant that seaborne trade broke the 1 billion tonnes mark for the first time, with China accounting for 60% of this volume. However Chinese imports of iron ore actually decreased slightly in 2010 against 2009. Supply issues were driven by India's reduction in exports which were 10% less in 2010 than 2009. Exports from Australia and Brazil did not increase sufficiently to make up the deficit.

### Sales and pricing

There were two major developments in the iron ore market in 2010. There was a dramatic recovery in prices, whilst the traditional benchmark system of pricing was replaced by a more spot oriented methodology based on Platts published iron ore prices. During H2 2010, while the Platts system was under development, sales to MMK in Russia, the Group's principal iron ore customer, were made on the basis of a quarterly negotiated price.

An agreement has now been reached with MMK to use a formula based on the Platts published price to govern the long-term contract. This formula will be valid from Q2 2011 until the end of 2012.

### Iron Ore Division

#### Key facts

	Years ended 31 December		
	2010	2009	% Change
<b>Third-party sales volumes</b>			
Iron ore concentrate	'000t <b>8,583</b>	8,857	(3.1)%
Iron ore pellet	'000t <b>8,031</b>	6,203	29.5%
<b>Production</b>			
Iron ore mined	'000t <b>43,614</b>	36,604	19.2%
Iron ore primary concentrate produced	'000t <b>17,702</b>	15,197	16.5%
<b>Prices</b>			
Iron ore concentrate	US\$/t <b>98</b>	64	53.1%
Iron ore pellet	US\$/t <b>125</b>	79	58.2%
<b>Unit costs<sup>1</sup></b>			
Iron ore concentrate	US\$/t <b>29</b>	24	20.8%
Iron ore pellet	US\$/t <b>39</b>	34	14.7%

<sup>1</sup>Unit costs: Cost of sales divided by sales volumes

### Iron Ore Division

#### Production

	Years ended 31 December		
	2010	2009	% Change
Run of mine ore extraction	'000t <b>43,614</b>	36,604	19.2%
Primary concentrate	'000t <b>17,702</b>	15,197	16.5%
Saleable concentrate	'000t <b>8,937</b>	8,541	4.6%
Saleable pellet	'000t <b>8,017</b>	6,182	29.7%

# Operating Review continued

## Iron Ore Division

Sales to China, the Group's other major customer base, were also made on a quarterly negotiated basis. In 2010 sales volumes to China were slightly lower than that for 2009, approximately 5.6 mt (2009: 6.3 mt).

In the medium term, we expect high prices to be maintained as demand for iron ore continues to grow and new production struggles to keep pace with demand.

### Results for the year

The Iron Ore Division had an Underlying EBITDA margin of 60.4% in 2010, an improvement from 44.4% in 2009. The Division contributed US\$1,133 million, or 35.5%, to the Group's Underlying EBITDA (2009: US\$485 million; 33.2%).

In 2010 the Iron Ore Division experienced record levels of sales volumes and prices. In 2010, volumes were 9.5% higher than 2009 and 15.3% higher than 2008, with prices 58.6% and 9.9% higher respectively. In addition, higher priced iron ore pellet represented 48.3% of the sales mix, a marked improvement from the previous year (2009: 41.2%).

During the year revenue rose US\$783 million, or 71.6%. US\$659 million of this was attributable to increased sales prices and US\$124 million due to higher volumes. Higher priced pellet contributed US\$518 million of the Division's revenue growth (US\$371 million due to higher prices and US\$147 million due to higher sales volumes). The rise in concentrate prices increased the Division's revenue by US\$289 million, offset by a US\$16 million decrease due to lower sales volumes.

A US\$47 million increase in cost of sales resulted from increased sales volumes and US\$48 million from the increase in cash costs per unit. Depreciation and amortisation increased cost of sales by US\$10 million. In total, MET of US\$93 million (2009: US\$43 million) led to a US\$50 million increase in cost of sales. The unit cost of sales for iron ore was 20.0% higher than in 2009, due to higher MET, which resulted from higher prices and increased mined volumes as well as enhanced prices of input materials, gas and electricity and higher wage rates.

A US\$6 million increase in distribution costs resulted from higher sales volumes and railway tariffs. This increase was partially offset by almost twice as much product being shipped to Russia, which has lower tariffs in comparison with rail transportation to China.

General and administrative expenses rose US\$21 million, including a US\$11 million increase in staff costs.

Net other operating expense was US\$12 million. For 2009 net other operating income reflected the one-off effect of the Kazakhstani tenge devaluation against the US dollar.

### Iron Ore Division

#### Summary income statement

In millions of US\$	Years ended 31 December		
	2010	2009	% Change
Revenue	<b>1,876</b>	1,093	71.6%
Third parties	<b>1,875</b>	1,093	71.5%
Intersegment	<b>1</b>	–	n/a
Cost of sales	<b>(591)</b>	(486)	21.6%
<b>Gross profit</b>	<b>1,285</b>	607	111.7%
<b>Gross margin</b>	<b>68.5%</b>	55.5%	
Distribution costs	<b>(157)</b>	(151)	4.0%
General and administrative expenses	<b>(71)</b>	(50)	42.0%
Net other operating (expense)/ income	<b>(12)</b>	47	(125.5)%
<b>Operating profit</b>	<b>1,045</b>	453	130.7%
<b>Operating profit margin</b>	<b>55.7%</b>	41.4%	
Depreciation, amortisation and impairment	<b>(88)</b>	(79)	11.4%
Devaluation of Kazakhstani tenge	–	47	n/a
<b>Underlying EBITDA</b>	<b>1,133</b>	485	133.6%
<b>Underlying EBITDA margin</b>	<b>60.4%</b>	44.4%	

### Emerging as a global player in iron ore

In 2010 the Group reviewed its capital expenditure plans for its iron ore business in Kazakhstan and its presence in Brazil. The Group envisages that by the second half of the decade it will emerge as one of the world's leading iron ore producers and that the business will represent a significantly greater proportion of the results of the Group.



# Alumina and Aluminium Division

The Alumina and Aluminium Division produces and sells alumina to aluminium producers, as well as producing and selling the Group's own aluminium.

## 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 and they have some electricity producing capacity themselves. As a result, ENRC's alumina and aluminium are both at the lower end of the industry cost curves.

## Production

In 2010, the Alumina and Aluminium Division mined 5,310 kt of bauxite (2009: 5,130 kt) and produced 1,640 kt of alumina (2009: 1,608 kt) and 227 kt (2009: 127 kt) of aluminium. For the 12 months ended 31 December 2010, the Alumina and Aluminium Division had revenue of US\$926 million (2009: US\$565 million), representing 14.0% (2009: 14.7%) of the Group's consolidated revenue.

## Supply and demand

Global alumina production is estimated to have been approximately 82 million tonnes in 2010 (2009: 74 million tonnes). Global aluminium production in 2010 was an estimated 42 million tonnes (2009: 38 million tonnes) of which 17 million tonnes, or 40%, was from China. 2010 showed a remarkable rebound in demand for most traditional applications of aluminium compared to 2009 particularly in the transportation and packaging sectors globally and the building & construction sectors in China. Globally, aluminium saw a 12% increase in demand in 2010 compared to 2009. Aluminium stocks at London Metal Exchange ('LME') warehouses stood at 4.3 million tonnes at the end of 2010, roughly unchanged from the beginning of the year; this represents around five weeks' worth of global consumption.

Global consumption of aluminium was 40.5 million tonnes in 2010 and production was 42.3 million tonnes, for a net production surplus of 1.8 million tonnes. However the continued contango meant that financing was still possible and excess production and the current level of industry stocks had limited impact on the supply and demand balance.

## Alumina and Aluminium Division

### Key facts

	Years ended 31 December			%
	2010	2009	Change	
<b>Third-party sales volumes</b>				
Alumina	'000t	<b>1,188</b>	1,359	(12.6)%
Aluminium	'000t	<b>222</b>	125	77.6%
<b>Production</b>				
Bauxite mined	'000t	<b>5,310</b>	5,130	3.5%
Alumina produced	'000t	<b>1,640</b>	1,608	2.0%
Aluminium produced	'000t	<b>227</b>	127	78.7%
<b>Prices</b>				
Alumina	US\$/t	<b>326</b>	232	40.5%
Aluminium	US\$/t	<b>2,178</b>	1,605	35.7%
<b>Unit costs<sup>1</sup></b>				
Alumina	US\$/t	<b>236</b>	197	19.8%
Aluminium	US\$/t	<b>1,660</b>	1,335	24.3%

<sup>1</sup>Unit costs: Cost of sales divided by sales volumes

## Alumina and Aluminium Division

### Production

	Years ended 31 December			%
	2010	2009	Change	
Run-of-mine bauxite extraction	'000t	<b>5,310</b>	5,130	3.5%
Alumina	'000t	<b>1,640</b>	1,608	2.0%
Internal alumina consumption	000t	<b>444</b>	249	78.3%
– percentage		<b>27.1%</b>	15.5%	
Aluminium	'000t	<b>227</b>	127	78.7%
Gallium	kg	<b>18,702</b>	18,702	0.0%

# Operating Review continued

## Alumina and Aluminium Division

### Sales and pricing

London Metal Exchange aluminium prices were volatile during the year with a peak of US\$2,461 per tonne recorded on 31 December 2010 and a low of US\$1,829 per tonne in early June. Consumption of primary aluminium in 2010 was driven by a strong rebound in orders for semi-finished aluminium products in its key markets, mainly transportation, building and construction. In 2010 aluminium premiums, an indicator of the metal's physical availability, rose significantly across the world. This was driven primarily by high levels of aluminium inventory being tied up in financing deals and thus unavailable for immediate consumption.

In 2010 the Group shipped 1,176 kt (2009: 1,352 kt) of alumina to United Company RUSAL ('RUSAL') under a long-term supply contract to supply a minimum of 1.2 mtpa. The contract expires at the end of 2016. The pricing under this contract is linked as a percentage of the LME price of primary aluminium. In 2010 RUSAL, the Division's largest single customer, accounted for 42.3% (2009: 55.6%) of the Division's sales revenue. The balance of the alumina production is consumed by the Group in its own aluminium smelter, Kazakhstan Aluminium Smelter ('KAS'). On 1 May 2010, KAS started up its Phase 2 production line, increasing total aluminium production capacity to 250 ktpa.

The Group shipped 222 kt (2009: 125 kt) of primary aluminium in 2010, of which 50 kt (2009: 31 kt) was delivered to customers located in Russia. Sales of the remainder of the aluminium were by way of a distribution agreement with Glencore International, which represented 39.8% (2009: 26.8%) of the Division's revenue in 2010. The LME spot price serves as the basis for the pricing of all of our aluminium contracts. The Division's average sales price for aluminium in 2010 was US\$2,178 per tonne (2009: US\$1,605 per tonne).

### Results for the year

The Alumina and Aluminium Division delivered excellent results in 2010. The Division had third-party revenue of US\$906 million, 60.9% higher than 2009. The Division contributed US\$267 million, or 8.4%, to the Group's Underlying EBITDA (2009: US\$78 million; 5.3%).

Third-party revenue increased by US\$343 million, due to the significant increase in the LME aluminium price, as well as higher sales volumes. Higher prices increased revenue by US\$227 million whilst additional aluminium sales volumes contributed US\$156 million. The latter led to a decline in alumina third-party sales volumes, reducing revenue by US\$40 million. Increased aluminium production resulted from the smelter operating at full capacity commencing in Q2 2010; aluminium sales volumes were 77.6% higher than in 2009.

Higher sales increased the cost of sales by US\$113 million. Higher unit cash costs increased cost of sales by US\$26 million, whilst depreciation and amortisation rose US\$25 million. Unit cost of sales for alumina was up 19.8%, to US\$236 per tonne and for aluminium 24.3% to US\$1,660 per tonne, mainly due to higher prices of certain input materials, such as anodes and mazut, as well as increased depreciation.

Distribution costs grew by US\$16 million, or 44.4%, to US\$52 million (2009: US\$36 million), mainly reflecting higher sales volumes and, consequently, increased transportation costs.

General and administrative expenses increased by US\$8 million, or 21.6%, to US\$45 million (2009: US\$37 million), due to higher wage rates.

### Alumina and Aluminium Division Summary income statement

In millions of US\$	Years ended 31 December		
	2010	2009	% Change
Revenue	<b>926</b>	565	63.9%
Third parties	<b>906</b>	563	60.9%
Intersegment	<b>20</b>	2	900.0%
Cost of sales	<b>(648)</b>	(484)	33.9%
<b>Gross profit</b>	<b>278</b>	81	243.2%
<b>Gross margin</b>	<b>30.0%</b>	14.3%	
Distribution costs	<b>(52)</b>	(36)	44.4%
General and administrative expenses	<b>(45)</b>	(37)	21.6%
Net other operating expense	<b>(3)</b>	(3)	–
<b>Operating profit/loss</b>	<b>178</b>	5	3,460.0%
<b>Operating profit margin</b>	<b>19.2%</b>	0.9%	
Depreciation, amortisation and impairment	<b>(89)</b>	(65)	36.9%
Devaluation of Kazakhstani tenge	<b>–</b>	(8)	n/a
<b>Underlying EBITDA</b>	<b>267</b>	78	242.3%
<b>Underlying EBITDA margin</b>	<b>28.8%</b>	13.8%	

### Building on the existing business base and integrated energy advantage

The highlight for the Alumina and Aluminium Division in 2010 was the completion of Phase 2 of the aluminium smelter in May with a full operating capacity of 250 ktpa, up from the Phase 1 capacity of 125 ktpa. Accompanying this, the Group is proceeding with an expansion in alumina capacity to 1.7 mtpa, to be achieved in 2011.



## Other Non-ferrous Division

The Other Non-ferrous Division operates principally in the Democratic Republic of the Congo ('DRC'), where it mines copper and cobalt and processes the ore through Boss Mining Sprl, a subsidiary of ENRC, with the State-owned La Générale des Carrières et des Mines ('Gécamines') as a minority (30%) partner.

### Competitive position

The Other Non-ferrous Division has a number of strategic advantages as it integrates newly acquired businesses within the DRC and Zambia.

The DRC contains a significant proportion of the world's copper resources outside of Chile, which have some of the highest copper grades available. Extensive drilling programmes are under way to increase the confidence levels of previously delineated inferred resources. The additional capital expenditure on several projects will enable the capacity of copper production to grow very substantially ahead of the current production capacity of about 20 ktpa. The combination of increased scale and high copper grades will allow the Division over time to have a cost position in the lowest quartile of the cost curve.

The DRC contains the world's largest cobalt reserves, almost half of the world's supply, with some of the highest grades available.

A significant advantage is that the cobalt production is independent of copper production and manufacture. The cobalt grades and 'impurity loadings' in the ore enable high quality cathode to be produced using a cost-effective heap leach to SX/EW process. Over time this will facilitate a bottom-quartile cost position and greater protection against price volatility.

### Exploration

During 2010, an extensive drilling programme was undertaken, totalling 103,000 metres with assaying, to confirm and increase the confidence levels of the previously delineated inferred resources of Boss Mining ('Boss') and SMKK. The results of this programme are being compiled and will be completed in Q1 2011. Drilling on Camrose's Comide Property at Mashitu and Safwe North deposits commenced in November 2010, with the intent of increasing the confidence levels in the two deposits in preparation for an accelerated mining and processing plan. Two drills are currently operating on this property. This concession is being explored to provide additional oxide copper material for the Luita processing facility.

### Other Non-ferrous Division

#### Key facts

	Year ended 31 December		
	2010	2009 <sup>2</sup>	% Change
<b>Third-party sales volumes</b>			
Saleable copper cathode and sludge	'000t	<b>19.7</b>	2.8 603.6%
Saleable cobalt contained	'000t	<b>9.4</b>	1.2 683.3%
<b>Production</b>			
Saleable copper cathode and sludge	'000t	<b>20.3</b>	2.8 625.0%
Saleable cobalt contained	'000t	<b>9.6</b>	1.3 638.5%
<b>Prices</b>			
Saleable copper cathode and sludge	US\$/t	<b>6,727</b>	6,521 3.2%
Saleable cobalt contained	US\$/t	<b>31,666</b>	25,119 26.1%
<b>Unit costs<sup>1</sup></b>			
Saleable copper cathode and sludge	US\$/t	<b>5,126</b>	4,600 11.4%
Saleable cobalt contained	US\$/t	<b>23,336</b>	20,587 13.4%

<sup>1</sup>Unit costs: Cost of sales divided by sales volumes

<sup>2</sup>2009 data from date of acquisition to 31 December 2009

### Other Non-ferrous Division

#### Production

	Year ended 31 December		
	2010	2009 <sup>2</sup>	% Change
<b>Copper</b>			
Run of mine ore extraction	'000t	<b>1,437</b>	215 568%
Saleable copper cathode and sludge	'000t	<b>20.3</b>	2.8 625%
<b>Cobalt</b>			
Run of mine ore extraction	'000t	<b>1,036</b>	169 513%
Saleable cobalt contained	'000t	<b>9.6</b>	1.3 638%

<sup>2</sup>2009 production data from date of acquisition to 31 December 2009

# Operating Review continued

## Other Non-ferrous Division

### Mining

A more formal mine planning system was implemented aimed at optimising the metal extraction and introducing good mining practices over the life of the mine. Mining of the Disele South pit was terminated during the year as it reached the end of its economic life. This was replaced with ore mined from SMKK's Kabolela North deposit, which commenced in September. A total of 2.5 mt of ore was mined during the year from Mukondo, Disele and Kabolela North, with an average stripping ratio of 13.6:1 (waste to ore).

### Production

The review of operational efficiencies and increased focus on heap leach practices resulted in an increase in production to effective full capacity in the DRC. Record production of 20,267 t copper was achieved, compared to the 2,771 t from date of acquisition to 31 December 2009, with overall recovery at 58.8%. This represented a 105.1% increase in production volumes over the 2009 calendar year (being 9,879 t for the equivalent 12-month period, including the period prior to acquisition by ENRC).

Production of cobalt contained grew throughout the first three quarters, peaking in Q4 2010. A total of 9,647 t cobalt contained was produced during the year. Boss produced 8,273 t of cobalt concentrate, compared to 6,697 t in the 2009 calendar year (1,169 t of which were included in ENRC's results).

The leaching, purification and electro-winning process at Chambishi was restarted and ramped up to achieve record monthly production of 437 t cobalt metal in Q4 2010. Total production at Chambishi amounted to 3,265 t of cobalt metal.

### Supply and demand

As the best non-precious metal conductor of electricity, copper demand is driven primarily by electrical applications. The transportation, communication and construction sectors also represent major customers. During 2010 global demand (19 million tonnes) was estimated to be at its highest level and further demand growth is predicted over, at least, the next three years. China was the main source of this demand, but ex-China consumption was also up over 10% during the year as the global economy continued to recover.

A key driver of the copper price is supply being unable to respond to increasing demand. Among other factors, such as the supply disruptions seen in 2010 (including the devastating earthquake in Chile), supply is limited by ageing mines, failing ore grades, water supply issues and a lack of new replacement projects. Global supply in 2010 amounted to 18.8 million tonnes with the market balance moving into deficit as supply growth failed to keep pace with demand growth. The main source of mine production is South America, specifically Chile. The main source of copper smelter production is Asia, especially China and Japan. In 2010, China accounted for the largest share of copper semi-fabricated production capacity (30%) and the largest number of semis plants.

During 2010 the first Exchange Traded Fund able to buy and hold physical copper gained regulatory approval and was launched. Although initial holdings are proportionally small, similar funds may launch in 2011. This represents a new type of 'retail' investor demand during a time of high physical demand and trailing supply response.

The demand for cobalt increased significantly during the year particularly as a result of the improvement in the alloy sector and the continued expansion of the battery industry.

### Sales and pricing

The copper price was extremely volatile during 2010 as the market grappled with a number of economic concerns. During 2010 LME cash-sellers price ranged from US\$6,091 to US\$9,740 per tonne, setting a new record high at the year end.

Contracts are negotiated annually or on a quarterly basis, fixing a premium or discount alongside the period in which a reference exchange price (such as the LME) is used. LME warehouses hold the largest available source of copper stock. During 2010 this stock trended downwards, reducing by over one third until the last two months of the year when it increased slightly as record prices increased physical deliveries.

## Other Non-ferrous Division

### Summary income statement

In millions of US\$	Year ended 31 December 2010	From November 2009 Restated <sup>1</sup>
Revenue	412	41
Third parties	412	41
Inter-segment	–	–
Cost of sales	(317)	(28)
<b>Gross profit</b>	<b>95</b>	13
<i>Gross margin</i>	<b>23.1%</b>	31.7%
Distribution costs	(15)	(2)
General and administrative expenses	(68)	(8)
Net other operating expense	(5)	(3)
<b>Operating profit</b>	<b>7</b>	–
<i>Operating profit margin</i>	<b>1.7%</b>	–
Depreciation, amortisation and impairment	(53)	(5)
<b>Underlying EBITDA</b>	<b>60</b>	5
<i>Underlying EBITDA margin</i>	<b>14.6%</b>	12.2%

<sup>1</sup>Restatement to reflect the transfer of the SABOT logistics business to the Logistics Division

In the past prices and volumes for cobalt concentrate were negotiated on an annual basis, however, more recently it became advantageous to negotiate terms over shorter periods or on a spot basis. Agreements are predominantly based on a formula linked to Metal Bulletin's cobalt metal quotations and in most cases the seller is also paid for copper content.

The cobalt metal price stood at US\$19.75 per pound at the start of January 2010, with the price rising through January. It reached its highest level of the year, US\$21.75 per pound, in late January. This was largely supported by speculative buying from China in advance of the introduction of cobalt metal on the LME pricing platform. After reaching its peak in January, the cobalt metal price declined through to the end of March to US\$17.25 per pound. The cobalt price experienced a subsequent period of volatility over the next five months, eventually settling at a price of US\$16.25 per pound in mid-August. There was a rally in the cobalt market in Q3 2010 and the price rose to US\$19.25 per pound in late September. There was a subsequent correction in the price as it fell back to US\$16.25 per pound by the year end. The average Metal Bulletin 2010 cobalt price was US\$17.93 per pound.

### Mozambique coal

An exploration programme on the Group's coal licences on the North Shore of Cahora Bassa commenced during the year. A new camp was established with the associated building of facilities required to service such a remote site. Progress was made in mapping and surveying the licences. Drilling commenced but was affected by delays in commissioning the contractors as well as inclement weather. As a direct result of this drilling activity, our in-house inferred resource estimate (non-JORC compliant) was increased by 1.35 billion tonnes.

A feasibility study has been commissioned on Licence 871. This licence has a JORC compliant resource of 1.03 billion tonnes. The feasibility study is targeted to be completed during 2011.

### Results for the year

The Other Non-ferrous Division contributed US\$60 million, or 1.9%, to the Group's Underlying EBITDA. In 2010, the primary revenue and Underlying EBITDA generating businesses of the Division were the copper and cobalt operations in the DRC and Zambia.

Higher cobalt and copper sales volumes contributed respectively US\$245 million and US\$114 million to the Division's revenue. The results were impacted by the favourable pricing of both cobalt and copper.

Cost of sales was adversely impacted by US\$25 million of amortisation of acquired mineral rights. Unit costs of cobalt and copper have and are expected to continue to improve through the increase in production achieving economies of scale, cost synergies achieved by integrating the acquired businesses, as well as improving operational efficiencies.

The Division's exploration costs, which are part of general and administrative expenses, totalled US\$16 million for 2010. The exploration programme focused on the Division's coal, platinum and fluorite deposits as well as greenfield cobalt and copper areas of interest.

The Other Non-ferrous Division existed with effect from November 2009 following the completion of the acquisition of CAMEC and was included for only two months of 2009. Results for 2009 have been restated to reflect the transfer of the SABOT business to the Logistics Division as detailed in note 4 to the financial statements, which was effected in H2 2010.

## Expanding the commodity footprint

### In 2010 the Group's expansion in copper and cobalt continued, with the development of the existing asset base, as well as adding scale and capability through further acquisitions.

During the year the Division undertook an extensive exploration programme to enhance the scale of resources, with the ultimate objective of proving up substantial economic reserves.

In 2010 the Division deployed up to 13 drill rigs in the DRC and drilled 103,000 metres. As of January 2011, with only 11% of the exploration data analysed, 1,292 kt of historic resource has been converted into 1,180 kt of JORC compliant resource. A full update to the resource base, including all of the exploration data from 2010, is expected in Q2 2011. The average grade of contained copper is some 2.4%.

In addition, the JORC compliant contained cobalt resource is 155 kt, with an average grade of contained cobalt of some 0.32%.

In 2010 the Division made the decision to prioritise exploration aimed at delineating the reserves for mining purposes, deferring some capital expenditure, in order to scale up the business and to develop more options for investment and expansion. More explorative drilling is under way in 2011.

In addition, in 2010, by way of acquisitions, the Division extended its portfolio. The Group added resource capacity, with the purchase of the outstanding 50% of Société Minière de Kabolela et de Kipese ('SMKK'), in June 2010, where copper oxide mining commenced at Kabolela in Q3 to supply the existing processing facility at Luita. The purchase of Chambishi, a Zambian-based processing facility,

enabled the Division to accelerate the growth in its processing of sulphide ores.

The acquisition of Camrose, announced in August 2010, gave access to additional mining licences, although all at a very early stage of development, that will enable the copper and cobalt business to be further scaled up. In addition the acquisition offers material synergies, arising from the complementary and contiguous nature of the ore bodies relating to energy, logistics, processing and mine planning.

In combination all of these assets firmly underpin the Group's aim to have in place a substantial copper and cobalt producing business in the next five years, with cash costs in the lower quartile of the cost curve.

# Operating Review continued

## Energy Division

The Energy Division is one of the largest electricity providers in the Republic of Kazakhstan, accounting for approximately 16.6% of the country's recorded electricity production in 2010 (2009: 17.2%).

### Production

In 2010 the Energy Division produced 13,711 GWh (2009: 13,478 GWh), of which 73.9% (2009: 60.8%) was used internally within the Group. The share of internal consumption increased, due to the start up of Phase 2 of the aluminium smelter and significantly increased demand from the Ferroalloys and Iron Ore Divisions. Coal production was broadly flat at 20,102 kt (2009: 20,059 kt). In addition to sales of surplus electricity, the Energy Division also sold 6,964 kt of coal to third parties (2009: 7,280 kt), which represented 34.6% of total coal mined (2009: 36.3%), reflecting reduced demand due to lower economic activity.

### Sales and pricing: coal

Strong demand from the industrial and power sectors impacted coal output in the Republic of Kazakhstan, which increased 12% in 2010. The Energy Division's total sales of coal to third parties nevertheless fell 4.3% in 2010, due to growth in the Group's internal consumption. In the Republic of Kazakhstan, ENRC sold 3.0 million tonnes of coal to third parties (2009: 3.0 million tonnes) at an average sales price of KZT934 (US\$6.34) per tonne (2009: KZT850 (US\$5.76) per tonne), an increase of 9.9% in local currency terms. Russian utilities increased their coal imports from

Kazakhstan, which was prompted by a rise in electricity generation in Russia in response to the improving economy and a rise in industrial demand. However, the Energy Division sold 3.9 million tonnes of coal to Russia (2009: 4.3 million tonnes), reflecting its own increased consumption.

### Sales and pricing: electricity

Improvements in economic conditions and industrial demand saw electricity demand recover in 2010. Total electricity consumption in Kazakhstan grew 7.4% to 83.8 billion kWh; electricity generation increased 4.9% to 82.3 billion kWh. Energy Division sales of electricity to third parties fell 40.5% in 2010 due to increased internal consumption by the Group. The average sales price to third parties in local currency increased 58.5% to KZT4.67 (US 3.17 cents) per kWh (2009: KZT2.95 (US 2.00 cents) per kWh). The Government of Kazakhstan has imposed caps on annual price increases for domestic sales until 2015.

## Energy Division

### Key facts

		Years ended 31 December		
		2010	2009	% Change
<b>Third-party sales volumes</b>				
Third-party coal	'000t	<b>6,964</b>	7,280	(4.3)%
Third-party electrical energy	GWh	<b>2,565</b>	4,309	(40.5)%
<b>Consumption</b>				
Coal consumed in the production of electricity	'000t	<b>8,630</b>	8,338	3.5%
Electricity produced and consumed for own use	GWh	<b>1,023</b>	980	4.4%
<b>Production</b>				
Coal	'000t	<b>20,102</b>	20,059	0.2%
Electricity	GWh	<b>13,711</b>	13,478	1.7%
<b>Prices</b>				
Coal	US\$/t	<b>17</b>	15	13.3%
Electricity	US\$/MWh	<b>32</b>	20	60.0%
<b>Unit costs<sup>1</sup></b>				
Coal	US\$/t	<b>4.5</b>	3.5	28.6%
Electricity	US\$/MWh	<b>10.4</b>	9.0	15.6%

<sup>1</sup>Unit costs: Cost of sales divided by sales volumes

### Results for the year

The results of the Energy Division were significantly impacted by higher sales prices, especially for electricity, which were in line with the State regulated annual price cap increases in the Republic of Kazakhstan. The Division contributed US\$308 million, or 9.6%, to the Group's Underlying EBITDA (2009: US\$213 million; 14.6%).

The Energy Division's third-party revenue increased US\$4 million, or 2.0%, to US\$200 million (2009: US\$196 million). Higher prices increased total revenue by US\$46 million, whilst lower electricity sales volumes reduced revenue by US\$42 million. The Division's sales to other Group entities increased US\$136 million, or 66.0%, to US\$342 million (2009: US\$206 million), resulting from the ramp up in production in other Divisions, including the launch of Phase 2 of the aluminium smelter.

Cost of sales increased US\$39 million, or 25.7%, to US\$191 million (2009: US\$152 million) mainly due to a rise in materials costs and an increase resulting from higher taxes, as well as higher ecological payments, health and safety expenses and training costs.

Distribution costs increased US\$6 million, or 11.5%, to US\$58 million (2009: US\$52 million), due to increased transportation costs.

General and administrative expenses increased US\$12 million, or 60.0%, to US\$32 million (2009: US\$20 million), principally due to additional sponsorship during the year.

### Energy Division

#### Summary income statement

In millions of US\$	Years ended 31 December		
	2010	2009	% Change
Revenue	<b>542</b>	402	34.8%
Third parties	<b>200</b>	196	2.0%
Intersegment	<b>342</b>	206	66.0%
Cost of sales	<b>(191)</b>	(152)	25.7%
<b>Gross profit</b>	<b>351</b>	250	40.4%
<b>Gross margin</b>	<b>64.8%</b>	62.2%	
Distribution costs	<b>(58)</b>	(52)	11.5%
General and administrative expenses	<b>(32)</b>	(20)	60.0%
Net other operating income	<b>1</b>	1	–
<b>Operating profit</b>	<b>262</b>	179	46.4%
<b>Operating profit margin</b>	<b>48.3%</b>	44.5%	
Depreciation, amortisation and impairment	<b>(46)</b>	(41)	12.2%
Devaluation of Kazakhstani tenge	<b>–</b>	7	n/a
<b>Underlying EBITDA</b>	<b>308</b>	213	44.6%
<b>Underlying EBITDA margin</b>	<b>56.8%</b>	53.0%	



# Operating Review continued

## Logistics Division

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

### Operations

In 2010 the Logistics Division transported 61,104 kt (2009: 58,181 kt) of products by railway, an increase of 5.0% on volumes in 2009. The share of third-party freight forwarding was 10.6%, broadly in line with 10.2% for 2009. In 2010 the tonnage of the Group's products transported by railway grew 4.6% compared to 2009, reflecting improved activity.

External railroad repair service volumes increased to 359 kilometres (2009: 198 kilometres), due to recovery in demand from the national railway company of Kazakhstan.

### Sales

For the year ended 31 December 2010, the Logistics Division transported 61,104 kt of goods (2009: 58,181 kt), of which 89.4% (2009: 89.8%) was intra-Group. Increased transportation volumes for the year reflected a recovery in production in the key commodities: iron ore, chrome ore, and ferroalloys.

### Results for the year

The results for 2009 have been restated to reflect the transfer of the SABOT business to Logistics as detailed in note 4 to the financial statements.

The results of the Logistics Division reflected higher sales volumes. The Division contributed US\$75 million, or 2.3%, to the Group's Underlying EBITDA (2009: US\$40 million, 2.7%). The inclusion of the African-based transportation business, SABOT, which supports copper and cobalt sales, added US\$6 million to the Division's Underlying EBITDA.

The Division's third-party revenue increased US\$151 million, or 225.4%, to US\$218 million (2009: US\$67 million). This was primarily due to US\$66 million of revenue from participation as a contractor in the Kazakhstani Government's China Gateway project; US\$40 million of additional revenue from increased repairs of railway track and US\$71 million of revenue from the inclusion of SABOT.

Sales to other Group Divisions increased US\$30 million, or 28.8%, to US\$134 million (2009: US\$104 million).

Cost of sales increased US\$140 million, or 116.7%, to US\$260 million (2009: US\$120 million) driven by the same factors which led to the increase in third-party revenue.

### Logistics Division

#### Key facts

		Years ended 31 December		
		2010	2009	% Change
<b>Sales volumes</b>				
Third-party freight forwarding	'000t	6,460	5,950	8.6%
Railway line repairs	km	359	198	81.3%
<b>Prices</b>				
Freight forwarding	US\$/t	0.73	0.84	(13.1)%
Railway line repairs	'000US\$/km	195	176	10.8%
<b>Unit costs<sup>1</sup></b>				
Freight forwarding	US\$/t	0.32	0.26	23.1%
Railway line repairs	'000US\$/km	175	161	8.7%

<sup>1</sup>Unit costs: Cost of sales divided by sales volumes  
The above table does not include SABOT

### Logistics Division

#### Operations

		Years ended 31 December		
		2010	2009	% Change
Tonnage of products transported by railway	'000t	61,104	58,181	5.0%
Percentage of products tonnage attributable to third parties		10.6%	10.2%	

The above table does not include SABOT

### Logistics Division

#### Summary income statement

In millions of US\$	Years ended 31 December		
	2010	2009 <sup>2</sup> Restated	% Change
Revenue	352	171	105.8%
Third parties	218	67	225.4%
Intersegment	134	104	28.8%
Cost of sales	(260)	(120)	116.7%
<b>Gross profit</b>	<b>92</b>	51	80.4%
<b>Gross margin</b>	<b>26.1%</b>	29.8%	
General and administrative expenses	(35)	(25)	40.0%
Net other operating expense	(3)	(2)	50.0%
<b>Operating profit</b>	<b>54</b>	24	125.0%
<b>Operating profit margin</b>	<b>15.3%</b>	14.0%	
Depreciation, amortisation and impairment	(21)	(16)	31.3%
<b>Underlying EBITDA</b>	<b>75</b>	40	87.5%
<b>Underlying EBITDA margin</b>	<b>21.3%</b>	23.4%	

<sup>2</sup>The restatement relates to the transfer of the SABOT business from the Other Non-ferrous Division

# Capital Expenditure

In 2010, the Group's capital expenditure amounted to US\$1,187 million (2009: US\$1,147 million), excluding changes in capitalised asset retirement cost estimates and borrowing costs.

## Overview

For the full year 2010, total capital expenditure was lower than the planned US\$1.5 billion. This reduction reflected a revision of the expansion strategy in the Other Non-ferrous Division and project updates in the Ferroalloys, Iron Ore and Alumina and Aluminium Divisions.

Capital expenditure is designated 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 Group anticipates that securing the necessary financing is a requirement for delivering its capital expenditure programme.

The Group reclassified its projects under four categories, with its 'In Progress' projects split between 'Execution' and 'Planning and Design'.

1. Execution: Board full approval, ordering of equipment and construction in progress;
2. Planning and design: Board initial approval for feasibility studies;
3. Pre-feasibility: projects at the stage of pre-feasibility study that have not been Board approved; or
4. Deferred: identified projects that have been put on hold.

The Group's capital expenditure programme totals US\$11.1 billion, comprised of expansionary projects which are in 'Execution', 'Planning and Design' and 'Pre-feasibility' stages and allocated by Divisions, shown below, and on page 47.

The major contributors to the increase in the Group's capital expenditure programme, as compared to 2010, are greenfield projects in Africa and Brazil.

For the full year 2011, total capital expenditure is expected to be approximately US\$2.5 billion, including expansionary capital expenditure of around US\$1.9 billion and sustaining capital expenditure of around US\$0.6 billion.

## Capital expenditure

In millions of US\$	Years ended 31 December	
	2010	2009
Expansionary	830	833
Sustaining	357	314
<b>Total</b>	<b>1,187</b>	<b>1,147</b>

## Capital expenditure programme

In millions of US\$	Current estimated cost
Ferroalloys	750
Iron Ore	6,780
Alumina and Aluminium	545
Other Non-ferrous	810
Energy	2,005
Logistics	230
<b>Total</b>	<b>11,120</b>

# Capital Expenditure continued

## Ferroalloys Division

The investment programme of the Ferroalloys Division includes the construction of four new direct current ('DC') furnaces at the Aktobe plant with 440 ktpa of capacity. The feasibility study for the project has been completed and the plant is currently under construction. The Environmental Impact Assessment Programme was developed and received favourable review from the Ministry of Environment Protection of the Republic of Kazakhstan. Supply agreements for capital equipment and machinery, as well as engineering, procurement and construction contracts have been signed. The total project cost is approximately US\$750 million, with completion planned for 2013.

## Iron Ore Division

After favourable feasibility studies and the overall improved conditions in the steel industry, the Iron Ore Division is working on the following projects:

- Expansion of the ore base including the enlargement and reconstruction of deposits at Kachar and Rudny sites as well as the development of a new deposit at Sorsk. The commissioning date has been postponed to 2015 to reflect recent updates of the mining expansion strategy. The estimated expenditure for the mine expansion is US\$720 million.
- The construction of a high quality concentrate plant with total capacity of 7 mtpa by 2014 at an estimated total cost US\$440 million. High quality concentrate will be used as raw material for production of high quality pellet and for direct sales to customers. In 2010, preparation works took place and project documentation has been submitted to the Government authority. We are awaiting permission for the first stage of construction works.
- The construction of a 3 mtpa high quality pelletiser plant and a Hot Briquetted Iron ('HBI') plant with a capacity of 1.8 mtpa by 2014. The total project cost is estimated to be US\$920 million.

These projects will allow the Division to expand its product base, offering three new products: high quality concentrate; high quality pellet; and HBI, increasing total saleable output to approximately 23 mtpa by 2015.

In addition, at the end of 2010 the Iron Ore Division was expanded by inclusion of Bahia Mineração's Ltda ('BML') which operates the Pedra de Ferro Project ('the BML Project'), at a current estimated total capital expenditure programme of about US\$2.1 billion.

In 2010 the project was at the planning stage, awaiting the environmental licences required to commence construction. BML has already obtained the installation licence for the mine from Instituto do Meio Ambiente, giving the Group permission to start the construction of the iron ore mine and beneficiation plant at Caetité, with potential annual capacity of 19.5 mt of iron ore. BML is awaiting the issue of the preliminary licence regarding the port terminal by Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis, which if granted, will approve the location and design of the project. Operations are expected to start in 2013.

## Alumina and Aluminium Division

The main projects for the Division are:

- The construction of a 136 ktpa anode plant, which is in execution and due for completion in 2012, at a total estimated cost of US\$240 million. The plant's planned capacity was reduced from 150 ktpa and the completion date was delayed from 2011 due to updates in the engineering data. This plant will allow the Group to be independent of third-party suppliers and will provide sufficient anodes for the increased Phase 2 aluminium production capacity.
- Expansion of alumina production to 1.7 mtpa to support the expanded aluminium production capacity of the Group. This investment will allow the Division to maintain existing sales to customers and provide sufficient alumina for internal consumption.

## Other Non-ferrous Division

The US\$810 million capital expenditure programme of the Division has been revised and updated from previous estimates and consists principally of a number of expansion projects that are planned over the next five years to significantly increase capacity. The following projects were approved:

- Expansion of copper (oxide) production. Phases 1 and 2 of the expansion project to increase leaching and electro-winning capacity of the Luita plant to 50 ktpa of copper has commenced. The total current project cost is estimated at US\$280 million. The project cost increased some US\$130 million against the previously estimated cost reflecting a tank leach upgrade and inclusion of an acid plant construction at Luita. A further phase to increase capacity up to 70 ktpa is currently at the planning and design stage.
- Oxide cobalt SX/EW plant. Construction of the cobalt solvent extraction and electro-winning (SX/EW) plant was completed and Phase 1 has been commissioned. Phase 2 is scheduled to be commissioned during Q2 2011. The cobalt SX/EW plant has a planned capacity of 3 ktpa of cobalt metal and 4.4 ktpa of copper grade A cathode equivalent derived as a by-product. The total estimated cost of the project decreased US\$7 million to US\$30 million mainly due to a change of the initial expansion strategy.
- Expansion of copper (sulphide) production. A 90 ktpa contained copper sulphide/oxide concentrate plant (60 ktpa sulphide and 30 ktpa oxide) was estimated at a cost of US\$370 million, which is higher than the previous estimate due to construction of a new concentrator at Kakanda, which will start in Q2 2011.

- Chambishi copper SX/EW plant. Construction of a new SX/EW plant at Chambishi commenced at a total projected cost of US\$80 million, a slight decrease from the previously announced US\$85 million. It is scheduled to be completed in 2012 increasing capacity to 55 ktpa and raising the metal grade to grade A equivalent; and
- Estimated exploration cost of US\$50 million, related to the exploration programme at Boss Mining. The decrease from the previous reported US\$115 million was due to the reclassification of total exploration cost between expense and capital. Expenditure in respect of greenfield sites is expensed until the completion of a feasibility study, after which time expenditure is capitalised. Brownfield exploration costs are capitalised. Further detail regarding the Group's accounting policy can be found at note 1 to the consolidated financial statements.

### Energy Division

The main projects for the Division are:

- Construction of a new power unit 2 at Aksu, with an investment of approximately US\$250 million. An increase in the project cost of US\$20 million reflects updates in detailed engineering data. The main construction works took place during the year with planned completion in H1 2011.
- Reconstruction of power unit 6 at Aksu, upgrading its capacity to 325 MW, at an estimated cost of US\$265 million is planned to be completed at the beginning of 2013. An increase in the project cost of some US\$35 million, reflects updates in the engineering data. It is designed to achieve savings on fuel consumption, whilst environmental emissions will be reduced by the implementation of up-to-date filters.
- Construction of two 600 MW power units and a 5 mtpa coal mine expansion are at pre-feasibility stage.

### Logistics Division

450 open-top wagons were ordered in 2010, of which 150 wagons were received and the rest are expected to be delivered in H1 2011. Additionally 285 containers and three platforms were ordered and received in 2010.

In 2011, to fulfil the requirements of the railway fleet, the Division is planning to purchase an additional 2,600 open-top wagons, 1,000 railway containers and 600 platform wagons.

## Capital expenditure projects

In millions of US\$	Current estimated cost	Division	Planned date of commissioning <sup>1</sup>
<b>Execution stage</b>			
Expansion/replacement of ferroalloys smelting capacity (Aktobe) <sup>2</sup> – 440 ktpa	750	Ferroalloys	2013
Mine expansion	720	Iron Ore	2015
Anode production plant	240	Alumina and Aluminium	2012
Alumina production expansion – up to 1.7 mtpa	305	Alumina and Aluminium	2011
Construction of power unit 2 – 325 MW	250	Energy	2011
Reconstruction of power unit 6 – 325 MW	265	Energy	2013
Expansion of copper (oxide) production <sup>3</sup>	280	Other Non-ferrous	2013
Oxide cobalt SX/EW plant	30	Other Non-ferrous	2011
Chambishi copper plant (LME grade A)	80	Other Non-ferrous	2012
Exploration	50	Other Non-ferrous	2011
Purchase of open-top wagons	140	Logistics	2011
Purchase of railway containers and platform cars	90	Logistics	2011
<b>Planning and Design stage</b>			
Concentrator expansion – 7 mtpa high grade concentrate	440	Iron Ore	2014
Pelletiser – 3 mtpa	270	Iron Ore	2014
HBI Plant – 1.8 mtpa	650	Iron Ore	2014
Pedra de Ferro ('BML')	2,100	Iron Ore	2013
Expansion of copper (sulphide) production	370	Other Non-ferrous	2013
<b>Pre-feasibility stage</b>			
Construction of 2 x 600 MW power units	1,260	Energy	TBD
Mine expansion – 5 mtpa coal	230	Energy	TBD
Mineração Minas Bahia SA ('MIBA')	2,600	Iron Ore	TBD
Mineração Peixe Bravo SA ('MPB')	TBD	Iron Ore	TBD
<b>Deferred projects</b>			
Expansion of ferroalloys smelting capacity (Aksu) – 460 ktpa	540	Ferroalloys	TBD

<sup>1</sup>Completion of construction

<sup>2</sup>Approximately 270 ktpa of ferroalloys smelting capacity may be retired after the new capacity is operational

<sup>3</sup>Previously, this project and the following one were shown as one project at US\$190 million estimated cost

# Sustainability Review

During 2010, we continued to make progress in delivering our goal to operate and develop as a responsible and sustainable business.

We maintained our investment in safety improvement, our social programmes and environmental emissions reduction plans. We have taken steps to complete specific assessments to see how we need to develop further, in particular in relation to energy efficiency and occupational health management.

External events in 2010 as well as our internal development have caused us to look at how we govern our environmental and social obligations and consider our goals. In particular our focus has been influenced by:

- integration of international assets into the Group, bringing new demands on us to extend our response in different jurisdictions and cultures;
- major industrial accidents in the mining and metals industries, highlighting the constant risks that the industry faces;
- the strengthening and maturing of our internal governance processes;
- accelerated progress of the Kazakhstani Government to introduce legislation in new areas of environmental and social performance; and
- completion of our pilot work on safety in Kazchrome and our emissions improvement programme, giving us scope to reflect on the next phase of our improvement work.

Our overall approach has remained consistent with prior years and is focused around a number of core themes that we use to achieve progress towards our goal to be a sustainable business:

- setting Group standards that provide the foundation for how we work across the Group. 18 new safety standards have been approved by the Health, Safety, Environment and Sustainability ("HSES") Committee for global adoption;
- changing behaviours to support implementation. The results of our safety behaviours programme have been assessed by a third party and reported to the Executive Committee;
- investing in our existing assets to help us to achieve best available technologies with respect to environmental performance. We have completed our five year investment programme;
- taking steps ahead of the introduction of legislation in Kazakhstan to assist timely compliance, for example energy and carbon footprinting; and
- developing relationships to work in partnership with governments and wider stakeholders.



During 2010 we developed the governance of our environmental and social obligations and reviewed our goals.

This review includes references to our international operations in Russia and Africa and our exploration activity in Brazil. It addresses priority areas of activity in 2010 namely:

- HSES governance;
- safety management;
- social policy, including employee benefits and community social contributions; and
- environmental stewardship.

During 2011 we intend to review our priorities and areas of focus taking into account what we have learnt so far, what we need to achieve and how best to realise our goals. As part of this we plan to extend our risk and compliance processes to provide a more structured assessment and reporting on areas of risk relating to health, safety, environment and social performance.

We continue to work on developing our key performance indicators and reporting processes to improve the consistency and quality of our data.

**HSES governance**

Work has continued to develop and implement governance over our HSES performance. The HSES Committee has met twice during the year and the governance structure has been a primary consideration

on both occasions. The HSES Working Group was convened in October 2010 to review progress, share learning and discuss Group priorities. Africa is not yet represented on the Working Group, but an integration visit was completed in November 2010.

The HSES Committee approved some revisions to the HSES governance structure in 2010 recognising the international nature of the Group and the ambition for HSES management and reporting. As part of this:

- A Group HSES team has been created to provide guidance and oversight over the full Group operations including Africa and Brazil in addition to the Kazakhstani and Russian operations. The Group HSES Head reports to the CEO.
- A divisional HSES lead role has been defined and will be put in place in 2011. This will be supported through the existing entity level HSES role, including Africa and Brazil.

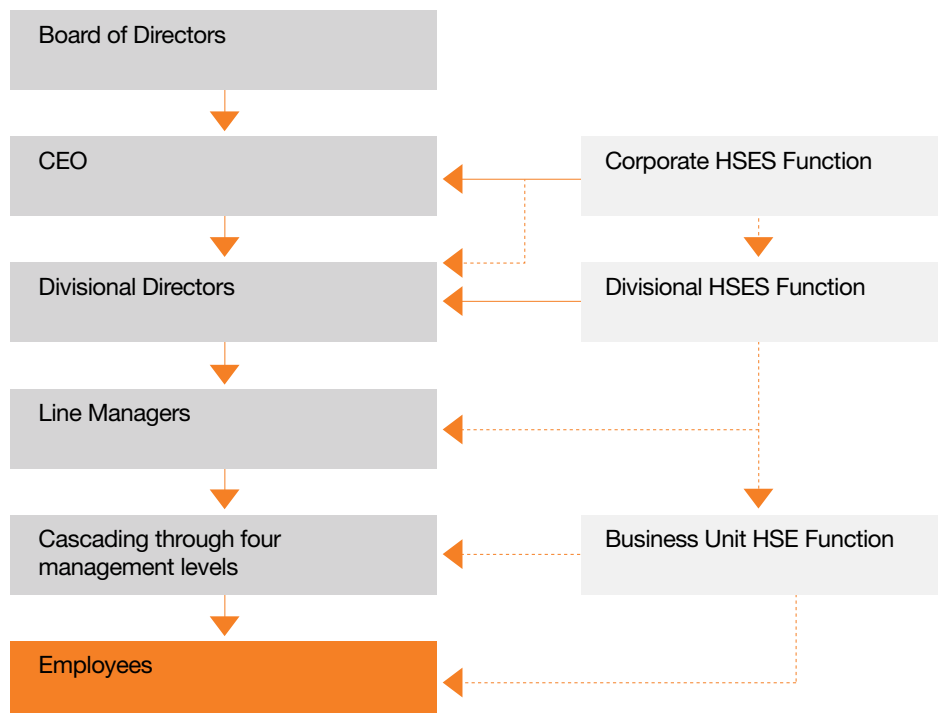
We will continue to integrate sustainable development considerations into wider corporate governance processes including our risk and compliance processes.

Internal reporting processes continue to be developed. Throughout 2010 the Board has received reports on safety performance. As part of this, all individual fatality cases have been reported and explained, including the steps to be taken to prevent recurrence.

We believe working with stakeholders is part of our governance process. It provides us with insights into external expectations and concerns and enables us to draw on the knowledge and skills of others and work in partnership. We work closely with governments, in particular at a regional level in Kazakhstan, and are in the process of establishing a number of partnership programmes in Brazil with different stakeholder groups.

As a Group we have continued our participation in major international programmes on sustainable development including the World Business Council for Sustainable Development and its regional partner, the Kazakhstan Business Association for Sustainable Development. Our experience of working with governments and sharing industry practice was reflected, in 2010, in our support for the first Astana Mining and Metals Congress (June), and the UN ESCAP Environment Ministers Conference and Business Forum 'Green and Competitive'. We continue to have close alliances with the Government in Kazakhstan giving us early insight and influence in the development of legislation. This is particularly relevant in the context of current discussions on the subjects of climate change and biodiversity.

**Safety governance structure**



# Sustainability Review continued

As a Group we continued to participate in major international programmes on sustainable development.

## Safety management

Safety continues to be a priority for the Group. Our aim is to achieve zero injuries. We have made progress in 2010 and our accident rate is lower than in 2009. However, we are still at an early stage in embedding the right safety behaviours across the Group and continue to make the necessary investment in our assets to mitigate safety hazards.

## Safety performance

Our accident rate in Kazakhstan has reduced since 2009. However, we still have a high number of severe injuries in Kazakhstan, 2010: 23 (2009: 27), with one leading to a permanent disability. The number of fatalities in Kazakhstan was lower than in 2009, but seven fatal accidents (2009: 12) in the year is unacceptable. We have investigated each of the severe and fatal cases, working to learn lessons and implement changes to operations across the Group.

Our primary areas of incident include working at height, equipment isolation, transportation and moving equipment. We are sharing lessons learned across our network of safety representatives and on-site safety committees and determining Group-wide steps that can be taken to mitigate these risks, including consideration of these risks as part of our equipment procurement processes.

Our safety performance in Africa is the subject of management review. Alignment of the reporting definitions and processes across the Group, including Russia and Africa, is a key goal for 2011.

The Corporate Safety Programme initiated in 2008 in partnership with DuPont completed its first phase in 2010. This first phase comprised a pilot safety project at Kazchrome; this has helped the Group to progress towards a stronger focus on safety behaviours. The necessary management mechanisms, including instructions and guidelines, and internal operational reporting continue to be developed. We continue to work to establish a corporate safety management programme across all of the Group's operational sites.

By the end of 2010, the operational sites in Kazakhstan and Russia were certified to OHSAS 18001, the international occupational, health and safety management standard. We will seek to achieve this standard at our operations across Africa.

## Safety statistics

12 months	KZ and Russia 2010	Africa 2010	KZ and Russia 2009	KZ and Russia 2008
Lost time injuries	45	52	64	74
Lost Time Injury Frequency Rate <sup>1</sup>	0.41	2.88	0.63	0.68
Fatal cases	7	0	12	9
Fatal Injury Frequency Rate <sup>1</sup>	0.06	0	0.12	0.08

<sup>1</sup>Measured per million hours worked by employees. Contractor data not included

## Analysis of the causes of fatal accidents

Fatal accidents	2010	2009
Moving machinery	3	4
Explosion	1	0
Falling from heights	1	2
Falling objects	2	2
Electric current	0	2
Blasting operations	0	1
Road accidents	0	1

**Milestones achieved in 2010 include:**

- HSES Committee approval of 18 safety standards for safety risk management;
- the establishment of eight site safety committees led by site heads and five safety subcommittees led by line managers;
- the training of about 3,500 line managers in incident investigation and about 5,000 line managers in safety behaviour audits;
- continued development of near miss incident reporting; and
- further implementation of our accident investigation procedure.

**Social policy**

The Group has a strong reputation in the Republic of Kazakhstan for being a socially oriented and responsible business. We work closely with the Government of the Republic of Kazakhstan to implement governmental agreements, programmes and initiatives related to implementing the Law of the Republic of Kazakhstan 'On Social Partnership'. We are committed to achieving the same strength of reputation and relationships in Africa, Russia and Brazil.

The Group's social policy focuses on two key areas, employees and community social investment.

**Employees**

Our operations depend upon our ability to attract, retain and motivate employees who bring the necessary management and operational skills and are capable of working in challenging environments. We employ more than 74,000 people, of whom 70,000 are in Kazakhstan and Russia.

**Union membership and collective agreements**

We recognise the right of all our employees to enter into a collective agreement and join a union. The majority of our employees in the Republic of Kazakhstan and Russia are members of trade unions. Unions are not in place in Africa but labour laws prevail.

New industrial agreements have been signed or are in the process of being signed with the trade unions in Kazakhstan. These are agreed for a three-year period. In addition to the social rights and benefits guaranteed by the Kazakhstani Labour Code, these industrial agreements require the provision of medical benefits, loans at favourable mortgage rates, training of employees and their children and preferential packages to recreational centres and children's summer camps.

**Social benefits packages for employees**

In Kazakhstan and Russia we invest beyond our legislative obligations on employment benefits as we believe this is essential to retaining our workforce and assisting their

wellbeing. These additional social benefits, referred to in Kazakhstan and Russia as 'social packages', include for example: memberships to sports facilities, discount tourist packages, voluntary medical insurance, and bonuses for landmark birthdays. These benefits also include investment in health, sport and other recreational facilities. We also continued our voluntary low interest rate (1%) housing programme for our employees in Kazakhstan. Currently the housing programme is being implemented in 14 cities in four major industrial regions of Kazakhstan. About 2,000 employees have received new housing since 2006.

**Employee training and development**

In 2010 we continued investment in the training and development of our employees, and the formation of a succession pool for management in our businesses.

An estimated 55% of the workforce in Kazakhstan and Russia was involved in training programmes during the year (2009: 40%). Our efforts were recognised when the ENRC programme on employee development was named as the best human resource project in Kazakhstan for the last five years, at an international human resources conference organised by the Samruk-Kazyna Fund.

In 2010 a new employee performance measurement system was developed for top and mid-tier management.

**Waste management in ferroalloys production****Goals**

- Processing industrial waste into useable products
- Resource saving
- Reducing adverse environmental impacts of waste disposal

**Scope**

Kazchrome, Kazakhstan;  
Serov Ferroalloys Plant, Russia

**Approach**

Kazchrome's Aksu and Aktobe Ferroalloys Plants, and Serov Ferroalloys Plant are processing newly generated and accumulated slags, producing metal concentrate which is used as an input for the core ferroalloys production process. In addition, the plants are producing crushed stone, which can be used in construction.

**Results**

A small but increasing proportion of the current ferroalloys output is produced from industrial waste, which formerly was sent to slag dumps. Kazchrome saved 45 hectares of natural landscape, which would have been required for the construction of a new slag dump.



# Sustainability Review continued

## Human rights

We have established internal policies addressing human rights as well as a corporate code of conduct. We are committed to upholding the United Nations Universal Declaration of Human Rights and do not tolerate any form of discrimination or unfair treatment. No cases of child labour, harassment, forced labour, discrimination or other actions that contradict the principles of equality and human rights have been identified during 2010. No human rights concerns have been raised by the unions in Kazakhstan during 2010.

## Health protection

Investment in healthcare and medical facilities has been a major part of our employment packages over a number of years. In Kazakhstan 23 healthcare centres, located in the territory of ENRC operational divisions, provide medical services to employees. In the DRC, ENRC is the only provider of funds for the costs of hospital and medical services to employees and communities in the Kakanda area, where Boss Mining operates.

In 2010 we established a new Occupational Health Department which will focus on health protection issues across the Group. An initial assessment has been completed of healthcare provisions across Kazakhstan; this has identified variations in the manner in which healthcare provision is organised and the level of use of the facilities. Further assessments will be made during 2011.

HIV/AIDS in Africa and Central Asia is a major public health issue and a significant risk to our workforce located in these areas. Across all geographies in which we operate we are supporting detection and treatment programmes working in conjunction with local governments.

## Community social investment

As we frequently operate in remote areas and are often the only commercial enterprise in the region, we are committed to investing in sustainable local and regional development. The majority of our communities are also our employees and contractors and the investment helps secure their wellbeing. We are also a major employer within Kazakhstan and seek to contribute more generally to the country's social and economic development.

### Komek Foundation

The Komek Foundation, established in 2008, is governed through a Board of Trustees. Its long-term focus is on the implementation of programmes aimed at supporting ENRC's own workforce, including sponsorship and charitable donations as well as provision of finance for investment in development of cultural and health facilities. The investment to date has been directed within Kazakhstan.

Our investment in the community through the Komek Foundation is included within our consolidated community social investment spend.

### Community social investment spend

Each year the Group signs agreements with regional Governors in the Republic of Kazakhstan for the provision of financial support for regional development. Investments are typically directed towards infrastructure development, health and education programmes and cultural and sports facilities. In Africa, the social investment programme in 2010 continued and included road maintenance for a local village, purchase of fertilisers for farmers, contributions to hospital costs and support for schools.

The expenditure on community social investment in Kazakhstan and Russia in 2010 amounted to US\$58 million (2009: US\$37 million). This increase was largely a result of increased funding towards cultural development through Komek. The community investment spend in Africa was of the order of US\$5 million in 2010.

## Environmental stewardship

Investment to reduce emissions has been a priority for a number of years. By 2011 most of the planned improvements to reduce emissions at our current operations in Kazakhstan will have been completed. In 2010 the Group made further investments on upgrades and modernisation of old technologies to enable progress towards best practice standards. Across Kazakhstan and Russia emissions in 2010 were within applicable statutory limits.

Energy consumption is a major impact on the Group's operations. In 2010 ENRC's Kazakhstani and Russian operations consumed 250,000 terajoules (2009: 275,000 TJ) of energy, of which 75% was sourced from coal. An energy efficiency study was completed by management and a greenhouse gas inventory and footprint were prepared for all operations in Kazakhstan. In 2010 total greenhouse gas emissions in Kazakhstan and Russia were 31 million tonnes of CO<sub>2</sub> equivalent (2009: 29 million tonnes). The increase was due primarily to an increased level of production. During 2011 we will review the findings of this work and determine measures that can support energy efficiency and carbon reduction, while recognising the nature of our business and the geographies in which we operate.

Other environmental impacts which we are working to reduce and manage to an improved performance standard include:

- Water efficiency. Work is under way to consider alternative methods for dust suppression and investment to develop new sources of supply;
- Biodiversity. Tree planting schemes will continue in 2011 in Kazakhstan as well as a partnership with the United Nations Development Programme and Kazakhstan National Parks;
- Waste and hazardous materials reduction. Research continues into waste processing and chemicals handling options.

# Risk Management

## Risk and the Board of Directors

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

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

In the Annual Report and Accounts for the preceding year, we reported on 13 principal risks. These risks were reviewed during the course of the current year by the Executive Committee, who determined that our risk environment had changed as a result of, inter alia;

- an upturn in commodity pricing and the markets in which our key customers operate;
- the Group's rapid response to the world market recovery in demand for commodities;
- the diversification of our portfolio of commodities and products and the expansion by means of acquisitions in both Africa and Brazil;
- the continued enhancement of our reporting and compliance framework;
- the implementation of key risk management action plans; and
- recruitment of a Group Head of Risk.

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

Risk	Mitigation
<p><b>Project management</b></p> <p><b>Context</b> The approved capital expenditure programme for 2011 is planned to be significantly higher than in 2010 and includes large scale expansion projects in existing and acquired operations.</p> <p><b>Risk</b> Failure to deliver major capital projects within the agreed time, cost and quality criteria.</p> <p><b>Possible impact</b> Lower long-term growth profitability and reputation.</p> <p><b>Associated strategic priorities</b> Continued expansion and development of existing reserves and capacity.</p>	<ul style="list-style-type: none"> <li>• Investment appraisal methodology</li> <li>• Capital projects policies and procedures, including valuation methodologies and investment memorandum, are under development to improve monitoring of the investment projects</li> <li>• Dedicated project management teams for each project</li> <li>• Quarterly review and analysis of capital projects and reporting on project progress to the Executive Committee</li> <li>• Planned implementation and training of personnel on a Group-wide project management code of practice</li> </ul>

Risk	Mitigation
<p><b>Business development</b></p> <p><b>Context</b> Industry consolidation continues and during 2010 the Group acquired a number of assets globally.</p> <p><b>Risk</b> Failure to identify opportunities to participate in value-adding transactions, overpaying for a transaction, inaccurate business case or poor integration leading to inadequate return on investment.</p> <p><b>Possible impact</b> Lower long-term growth, profitability and reputation.</p> <p><b>Associated strategic priorities</b> Add value and customer diversity by expanding product portfolio.</p> <p>Expand our asset portfolio in natural resources, both within the region and worldwide.</p>	<ul style="list-style-type: none"> <li>• The Mergers and Acquisitions ('M&amp;A') Committee oversees acquisition activity, approves targets and supervises execution</li> <li>• Approved investment criteria to assess potential targets has been developed and implemented</li> <li>• Strengthened management team, with new experienced M&amp;A team members</li> <li>• To ensure consistency of high standards, a due diligence and integration manual has now been developed and will be approved in due course</li> <li>• Formal integration plans are developed for each acquisition, progress is monitored and reported to the relevant committees</li> </ul>

# Risk Management continued

## Risk

### Legal and regulatory breach

#### Context

We are an emerging markets company and aware that some of the jurisdictions in which the Group operates pose particular and often heightened reputational issues that need to be managed appropriately. All natural resources businesses operating in emerging markets are likely to receive additional regulatory scrutiny in the future.

#### Risk

Failure to comply with anti-bribery, anti-corruption, anti-money laundering and/or sanctions laws and regulations.

#### Possible impact

Share price devaluation, financial penalties and criminal prosecutions.

#### Associated strategic priorities

Commit to high standards of corporate responsibility.

Expand our asset portfolio in natural resources both in the region and worldwide.

## Mitigation

- We adhere to the principles of self-regulation backed by appropriate policies and management review
- We are developing a high calibre Group-wide Compliance function
- We intend to further enhance the adequacy and robustness of Group-wide legal and regulatory processes and procedures
- We are rolling out an enhanced compliance framework

## Risk

### Management capability

#### Context

During 2009 and 2010, we acquired a number of companies in Africa and Brazil. These regions will require strong leadership and an experienced senior management team in place to integrate and operate the acquired companies effectively.

#### Risk

Failure to attract, retain and develop key management talent.

#### Possible impact

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

#### Associated strategic priorities

Continue expansion and development of existing reserves and capacity.

Commit to high standards of corporate responsibility.

## Mitigation

- Ongoing process to systematically enhance our HR capability
- A talent management programme is being implemented
- We are enhancing our approach to performance management
- Senior management team development programme

**Risk****Organisational development****Context**

Prior to 2008 the Group's operating plants were based in Kazakhstan with a Sales and Marketing function based in Switzerland. We now operate a large scale global business and it is important that our governance structures, controls and clear delegations of authority are appropriate for our new business.

**Risk**

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

**Possible impact**

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

**Associated strategic priorities**

Continue expansion and development of existing reserves and capacity.

Expand our asset portfolio in natural resources, both within the region and worldwide.

Commit to high standards of corporate responsibility.

**Mitigation**

- Further enhancement of the Group governance framework
- In accordance with the governance framework, the Group has developed organisational charts and Delegation of Authority matrices, which will be approved in due course

Details of our governance structure are set out in the Corporate Governance report on pages 67–70.

**Risk****Liquidity****Context**

In 2010 the Group executed a number of acquisitions and purchased businesses in Africa and Brazil. The Group has also approved a number of large scale greenfield and brownfield projects in Brazil and Africa that will require significant additional financing.

**Risk**

Failure to arrange or provide sufficient financing for the Group's operating, investment and M&A activities.

**Possible impact**

Inability to meet payment obligations and impairment of the Group's ability to raise finance, or inadequate funds available to complete projects and make further acquisitions.

**Associated strategic priorities**

Continue expansion and development of existing reserves and capacity.

Add value and customer diversity by expanding the product portfolio.

Expand our asset portfolio in natural resources, both within the region and worldwide.

**Mitigation**

- The Group Treasury policies are updated annually and procedures, monitoring and reporting processes have been enhanced
- Building and maintaining relationships with financial providers
- Cash flow forecasts are regularly prepared and presented to the Board of Directors
- Formal CFO approval and sign-off for all major projects

# Risk Management continued

## Risk

### Political risk

#### Context

We are an emerging markets company and some of the Group's operations are based in fast developing countries. Our business could be adversely affected by the behaviour of, or new regulations that could be introduced by, the governments of the countries concerned, for example:

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

#### Risk

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

#### Possible impact

Business repatriation, significant loss of earnings, financial volatility.

#### Associated strategic priorities

Maintain and improve upon low cost operations.

Expand our asset portfolio in natural resources, both within the region and worldwide.

## Risk

### Technical disaster

#### Context

Technological processes within the mining and metals industry can be susceptible to potential incidents and disasters, leading to significant consequences.

#### Risk

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

#### Possible impact

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

#### Associated strategic priorities

Commit to high standards of corporate responsibility.

Expand our asset portfolio in natural resources, both within the region and worldwide.

## Mitigation

- The Group's existing senior management team possesses extensive experience of operating in Eurasia, Africa and the developing world
- Constructive engagement with governments and external stakeholders
- Appropriate investment to improve the economic and social impact of our businesses in local communities working in partnership with governments
- Planned utilisation of political risk insurance where appropriate

For further details please refer to the key messages on emerging markets on page 12.

## Mitigation

- Site safety declarations are in place for each of the Kazakhstan hazardous sites, and these examine potential incidents related to site operations and their impact
- Technical committees provide input into the operational and capital investment processes of the established businesses
- Further development of risk management and post-incident crisis management plans are under way

For further details of safety management and safety performance please refer to the Sustainability review on pages 50 and 51.

## Risk

### Commodity pricing volatility

#### Context

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

#### Risk

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

#### Possible impact

Lower profitability, lower long-term growth.

#### Associated strategic priorities

Continue expansion and development of existing reserves and capacity.

Add value and customer diversity by expanding the product portfolio.

Expand our asset portfolio in natural resources, both within the region and worldwide.

## Mitigation

- The Group regularly monitors market prices, global sales volumes and internal levels of inventory
- Sensitivity analysis is performed to stress test business models
- Operations are able to quickly and significantly reduce costs by temporarily reducing labour during periods of pricing volatility

Further referred to in the Chief Executive Officer's statement on industry overview and outlook on pages 20–21.

## Risk

### Health, safety, environment and sustainability

#### Context

By their very nature, mining operations can be hazardous. However, ENRC management is committed to achieving zero incidents.

There is also the potential for a longer-term future sustainability risk, that environmental legislation may be introduced that will impose additional overheads on the business.

#### Risk

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

Environmental legislation drives additional taxes on the Group's activities, as well as the costs required to ensure compliance with new standards.

#### Possible impact

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

#### Associated strategic priorities

Commit to high standards of corporate responsibility.

Expand our asset portfolio in natural resources, both within the region and worldwide.

## Mitigation

- Health, Safety, Environment and Sustainability Committee oversight focusing on:
  - safety management and performance
  - implementation of a new safety improvement programme
  - review of HSES risks and action plans

For further details please refer to the Sustainability review on pages 48 to 52, Key Performance Indicators on page 28, and key messages on pages 14 and 15.

# Board of Directors

## 1 Dr Johannes Sittard (age 67)

### Chairman and non-executive Director

Dr Sittard is the non-executive Chairman of the Company, having been the Chief Executive Officer until 20 August 2009. He has over 25 years' experience in the natural resource 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.

He is Chairman of the Nomination Committee and a member of the Health, Safety, Environment and Sustainability Committee.

## 2 Sir Richard Sykes (age 68)

### Senior Independent Director and non-executive Deputy Chairman

Sir Richard is Chairman of the UK Stem Cell Foundation and was, until May 2010, Chairman of NHS London. 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.

Sir Richard is the Senior Independent Director and Chairman of the Remuneration Committee of ENRC. He is also a member of the Nomination Committee and of the Mergers and Acquisitions Committee.

## 3 Professor Dr Dieter Ameling (age 69)

### Independent non-executive Director

Professor Dr Dieter Ameling has been Senior Counselor of ThyssenKrupp Steel Europe AG since 2008 and is an associate professor at the Technical University Clausthal. From 2000 to 2008 Professor Dr Ameling was the Chairman of the Steel Institute VDEh and President of the German Steel Federation. He was appointed to the Board on 26 January 2010.

Professor Dr Ameling is a member of the Health, Safety, Environment and Sustainability Committee and of the Mergers and Acquisitions Committee.

## 4 Mr Gerhard Ammann (age 66)

### Independent non-executive Director

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 Ammann is Chairman of the Audit Committee, and a member of the Nomination Committee.

## 5 Mr Marat Beketayev (age 33)

### Non-executive Director and representative of the Government of Kazakhstan

Mr Beketayev is Vice-minister of Justice of the Republic of Kazakhstan and was previously an adviser 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 Beketayev is a member of the Health, Safety, Environment and Sustainability Committee, the Nomination Committee and the Mergers and Acquisitions Committee.

## 6 Mr Jim Cochrane (age 47)

### Chief Commercial Officer

Mr Cochrane was appointed to the Board as Chief Commercial Officer on 13 August 2010. Prior to this he was CEO of ENRC Marketing AG, responsible for developing and implementing the sales and marketing strategy of the Group.

Before joining the Group in 2001, Mr Cochrane gained extensive experience in the steel and mining industry, having spent 12 years with BHP Billiton and before that with Samancor Chrome, Impala Platinum and Schlumberger. Since 2006, Mr Cochrane has been President of the International Chromium Development Association. He is a non-executive Director of Jindal Steel Ltd.

He is a member of the Executive Committee.

## 7 Mr Mehmet Dalman (age 52)

### Independent non-executive Director

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 this he was Chief Executive Officer of WMG Group, a financial services firm that he founded in 2004, a member of the Supervisory Boards of Deutsche Börse and EUREX Zurich AG and a member of the Board of Commerzbank AG.

Mr Dalman is Chairman of the Mergers and Acquisitions Committee and a member of the Remuneration Committee.



**1 Dr Johannes Sittard**  
Chairman and non-executive Director



**2 Sir Richard Sykes**  
Senior Independent Director and non-executive Deputy Chairman



**3 Professor Dr Dieter Ameling**  
Independent non-executive Director



**4 Mr Gerhard Ammann**  
Independent non-executive Director



**5 Mr Marat Beketayev**  
Non-executive Director and representative of the Government of Kazakhstan



**6 Mr Jim Cochrane**  
Chief Commercial Officer



**7 Mr Mehmet Dalman**  
Independent non-executive Director

**8 Sir Paul Judge** (age 61)**Independent non-executive Director**

Sir Paul 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, Tempur-Pedic International Inc. of Kentucky and Abraaj Capital of Dubai.

Sir Paul is a member of the Audit and Remuneration Committees.

**9 Mr Kenneth Olisa** (age 59)**Independent non-executive Director**

Mr Olisa is a Director of Thomson Reuters PLC and the founder and Chairman of Restoration Partners Ltd, a boutique technology merchant bank. From 1992 to 2006, Mr Olisa was Chairman 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.

Mr Olisa is a member of the Audit and Remuneration Committees.

**10 Mr Roderick Thomson** (age 71)**Independent non-executive Director**

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 Thomson is a member of the Audit and Nomination Committees.

**11 Mr Eduard Utepov** (age 57)**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 Utepov is a member of the Health, Safety, Environment and Sustainability Committee.

**12 Mr Felix Vulis** (age 55)**Chief Executive Officer**

Mr Vulis has been Chief Executive Officer since August 2009. Prior to this he was Chief Operating Officer of ENRC from December 2006. Between 2002 and 2006, Mr Vulis was First Vice President of Eurasia Industrial Association.

Before joining the Group in 2001, Mr Vulis was President of UNICHEM K, LLC. From 1990 until 1995 he was President and CEO of AGC Group, Inc. Mr Vulis is Deputy Chairman of the Governing Board and Co-Chairman of the Operating Working Group of the Foreign Investors Council of Kazakhstan.

Mr Vulis is Chairman of the Health, Safety, Environment and Sustainability Committee and he chairs the Executive Committee.

**13 Mr Abdraman Yedilbayev** (age 51)**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 10 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 its Chairman and Finance Director.

Mr Yedilbayev is a member of the Health, Safety, Environment and Sustainability Committee.

**14 Dr Zaur Zaurbekova** (age 48)**Chief Financial Officer**

Dr Zaurbekova became Chief Financial Officer in September 2009, having been Chief Financial Officer of ENRC Kazakhstan since 2001. Prior to that, she was Finance Director and later first Vice President of Kazchrome.

Before joining ENRC, Dr Zaurbekova worked in the Ministry of Industry and Trade of the Republic of Kazakhstan and she began her career in the Kazakh Research Institute of Automation of Planning.

She is a member of the Executive Committee.



**8 Sir Paul Judge**  
Independent non-executive Director



**9 Mr Kenneth Olisa**  
Independent non-executive Director



**10 Mr Roderick Thomson**  
Independent non-executive Director



**11 Mr Eduard Utepov**  
Non-executive Director and representative of the Government of Kazakhstan



**12 Mr Felix Vulis**  
Chief Executive Officer



**13 Mr Abdraman Yedilbayev**  
Non-executive Director appointed by Mr Ibragimov



**14 Dr Zaur Zaurbekova**  
Chief Financial Officer

# Senior Management

## 1 Mr Andrew Baggornie Group Head of HR, Business Performance & Transformation

Mr Baggornie was a career corporate financier at Morgan Stanley before joining the Group in October 2009. He has worked in New York, London and Moscow.

He is a member of the Executive Committee.

## 2 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.

He is a member of the Executive Committee.

## 3 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.

She is a member of the Executive Committee.

## 4 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.

## 5 Mr Beat Ehrensberger Head of Mergers & Acquisitions

Mr Ehrensberger is the Head of Mergers & Acquisitions. 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).

## 6 Mr Victor Hanna (not pictured) Head of Strategy and CEO for Africa

Mr Hanna's role is to lead on Business Development and Mergers & Acquisitions programmes. He is also Chief Executive Officer for Africa.

He is a member of the Executive Committee, and the Health, Safety, Environment and Sustainability Committee.



1 Mr Andrew Baggornie  
Group Head of HR,  
Business Performance &  
Transformation



2 Mr Randal Barker  
General Counsel and  
Company Secretary



3 Ms Mounissa Chodieva  
Head of Investor &  
Public Relations



4 Mr Jeff Couch  
Head of Business Development



5 Mr Beat Ehrensberger  
Head of Mergers & Acquisitions

**7 Mr Almaz Ibragimov****President of JSC Aluminium of 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.

**8 Mr Abduazim 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.

**9 Mr Arif Shadiev****General Director of ENRC Logistics**

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

**10 Mr Victor Til****General Director of JSC Kazchrome**

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

**11 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 its First Vice President in 1997.



**7 Mr Almaz Ibragimov**  
President of JSC Aluminium of  
Kazakhstan



**8 Mr Abduazim Rustambayev**  
President of JSC Eurasian  
Energy Corporation



**9 Mr Arif Shadiev**  
General Director of ENRC  
Logistics



**10 Mr Victor Til**  
General Director of JSC  
Kazchrome



**11 Mr Mukhamejan Turdakhunov**  
President of SSGPO

# 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 2010.

## Principal activities

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

## Business review

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

- Chairman's Statement on pages 4 and 5
- Chief Executive's review on pages 16 to 21
- Chief Financial Officer's review on pages 22 to 25
- Key Performance Indicators on pages 28 and 29
- Risk Management on pages 53 to 57
- Operating review on pages 30 to 44
- Sustainability review on pages 48 to 52
- Capital expenditure on pages 46 and 47

## Dividends

The Company paid an interim dividend of 12.5 US cents per ordinary share (2009: 6.0 US cents) in October 2010. The Directors recommend a final dividend of 18.0 US cents

per ordinary share in respect of the year ended 31 December 2010, making a total for the year of 30.5 US cents per ordinary share (2009: 12.0 US cents) payable on 15 June 2011 to shareholders on the register at the close of business on 1 April 2011. 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 the next dividend announcement.

## Annual general meeting

The 2011 Annual General Meeting will be held on Wednesday, 8 June 2011 at The Lincoln Centre 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 and Accounts.

## Directors

Details of the current Directors of the Company and their biographies are set out on pages 58 and 59.

On 26 January 2010 Professor Dr Dieter Ameling was appointed as an independent non-executive Director and on 13 August 2010 Mr Jim Cochrane was appointed as Chief Commercial Officer and Executive Director.

For personal reasons Mr Felix Vulis tendered his resignation to the Company on 4 February 2011. He has agreed to remain in his post until a successor is found.

## Directors' interests in ordinary shares

	As at 18 April 2011	31 December 2010	31 December 2009
Dr Johannes Sittard	450,000	600,000	1,600,000
Mr Felix Vulis	700,000	700,000	700,000
Mr Gerhard Ammann	22,222	22,222	22,222
Prof Dr Dieter Ameling	–	–	– <sup>1</sup>
Mr Marat Beketayev	–	–	–
Mr Jim Cochrane	258,331	258,331	258,331 <sup>2</sup>
Mr Mehmet Dalman	112,500	112,500	212,500
Sir Paul Judge	–	–	–
Mr Kenneth Olisa	–	–	–
Sir Richard Sykes	18,471	18,471	18,471
Mr Roderick Thomson	–	–	–
Mr Eduard Utepov	–	–	–
Mr Abdraman Yedilbayev	–	–	–
Dr Zaure Zaurbekova	550,000	550,000	550,000

<sup>1</sup>As at the date of his appointment, 26 January 2010

<sup>2</sup>As at the date of his appointment, 13 August 2010

## Major interests in shares as at 18 April 2011

	Number of voting rights	%
Kazakhmys Eurasia BV	334,824,860	26.00
Mr Chodiev <sup>1</sup>	154,052,625	11.97
Mr Ibragimov <sup>2</sup>	113,836,250	8.83
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

<sup>1</sup>Mr Chodiev's total holdings amount to 187,836,250 shares (14.59%) as he has transferred a total of 33,783,625 shares to entities where he is the beneficial owner. The entities are managed by, amongst others, certain members of Mr Chodiev's family. A TR-1 has been received in respect of the shares notified above.

<sup>2</sup>Mr Ibragimov's total holdings amount to 187,836,250 shares (14.59%), however, some are held on a discretionary basis by a fund management vehicle owned and operated by, amongst others, Mr Ibragimov's family. A TR-1 has been received in respect of the shares notified above.

In accordance with the Articles of Association, all Directors are subject to election at the first Annual General Meeting ('AGM') after their appointment and to re-election at intervals of no more than three years. This is compliant with the Combined Code on Corporate Governance. At the 2011 AGM Mr Jim Cochrane, having been appointed since the previous AGM, will offer himself for election. Mr Marat Beketayev, Mr Mehmet Dalman, Sir Richard Sykes and Mr Eduard Utepov will retire by rotation. The UK Corporate Governance Code was introduced in May 2010 and requires that all directors of FTSE 350 companies stand for re-election annually. The Company is committed to maintaining high standards of corporate governance and accordingly Prof Dr Ameling, Mr Ammann, Sir Paul Judge, Mr Olisa, Dr Sittard, Mr Thomson, Mr Yedilbayev, Mr Vulis and Dr Zaubekova will stand for re-election at the 2011 AGM.

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

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

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. A qualifying third party indemnity provision has been in place since 2008 for the benefit of current Directors and Officers of the Company and those of its subsidiaries to enable the Company to fund the costs incurred by Directors in defending certain claims against them in relation to their duties as Directors and Officers. The indemnity operates only to the extent that the Directors' and Officers' liability insurance does not afford protection.

#### Directors' interests

The number of ordinary shares of the Company in which the Directors were beneficially interested at the date of this report is shown opposite.

#### Share capital

As at 31 December 2010 the Company's authorised share capital was US\$400,000,000 divided into 2,000,000,000 ordinary shares of US\$0.20 each. The issued share capital of the Company at 31 December 2010 was 1,287,750,000 ordinary shares of US\$0.20 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, to exercise all voting rights and to participate in distributions of income or capital.

At the 2010 AGM shareholders gave the Directors authority to allot shares up to an aggregate nominal value of US\$25,755,000, representing 10% of the issued share capital of the Company as at 12 April 2010. This authority will expire on the earlier of the 2011 AGM or 8 September 2011. No shares were allotted during the year.

Also at the 2010 AGM shareholders authorised the Company to make market purchases of up to 128,775,000 ordinary shares, representing 10% of the issued share capital of the Company as at 12 April 2010. This authority will expire on the earlier of the 2011 AGM or 8 September 2011. No market purchases of shares were made during the year.

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

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

#### 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.

#### 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.

#### Major interests in shares

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

#### Relationship agreements

On 7 December 2007 the Founder Shareholders, 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 page 66. As at the date of this report, only Mr Ibragimov has exercised this right.

#### Employees

Information about employees is disclosed in the Sustainability review on pages 48 to 52.

#### Creditor payment policy

The Group's policy is to agree terms of trading with suppliers in advance and to make payment in accordance with these terms. The Group does not follow any specific published code or standard on payment practice. Suppliers in Kazakhstan and Africa often require prepayment and the average number of creditor days outstanding for the Group as at 31 December 2010 was 40 (2009: 42). The average creditor days outstanding as at 31 December 2010 for the Company was nil (2009: nil).

#### Post-balance sheet events

On 31 January 2011, the Group announced that it had obtained an extension to a call option over 75% of the issued share capital of Shubarkol Komir JSC ('Shubarkol'). The call option was originally granted in February 2009 when the Group acquired an interest in 25% of Shubarkol and had an expiry date of 31 January 2011. The extension, which was for nil consideration, was granted for a period of 12 months up to 31 January 2012. All other significant terms of the call option remain the same.

# Directors' Report continued

On 7 February 2011, the Group entered into an export credit facility agreement for the amount of €185 million. The facility is an 11-year draw-down facility and bears an interest rate of six-month EURIBOR plus a margin of 1.2%. 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 programme.

On 18 March 2011 the Group signed an unsecured senior US\$500 million revolving credit facility which will greatly enhance the Group's headroom and provide significant liquidity to the Group's business operations.

## Political and charitable donations

No political donations were made during the year. Sponsorship and charitable donations towards community social investment amounted to US\$58 million (2009: US\$37 million) in Kazakhstan and Russia and US\$5 million in Africa.

A full description of community social investment is included in the Sustainability review on page 52.

## Financial instruments

Details of the Group's financial risk management, objectives and policies, together with details of financial instruments are described in note 33 to the consolidated financial statements on page 128.

## Significant agreements

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

### Article 13 of the Kazakhstan Subsurface Law

The Republic of Kazakhstan may be entitled to exercise pre-emptive rights over certain issuances or sales of ordinary shares or assets shared by the Group. Article 13 of the Kazakhstan Law on Subsoil and Subsoil Use provides that the Republic of Kazakhstan has pre-emptive rights to purchase certain subsurface use rights or indirect or direct interests in companies having subsurface use rights for sale. This pre-emptive right permits the Republic of Kazakhstan to purchase any such subsurface use rights or equity interests being offered for sale on no less favourable terms than those offered by other purchasers.

### Euro Medium Term Notes

On 13 May 2010 the Group established a Euro Medium Term Note ('EMTN') programme for up to US\$3 billion. Subject to relevant laws and regulations, notes can

be issued in a variety of forms and for a range of maturity periods. Proceeds from any issues under the programme may be used for the Group's capital expenditure programme, potential future acquisitions and for general corporate purposes. There were no issues outstanding under the programme as at 31 December 2010.

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

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

- a) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, amalgamation or statutory plan of arrangement or consolidation) of all or substantially all of the assets of ENRC PLC to any person or group (other than to ENRC PLC, one of its subsidiaries or one or more Permitted Holders); or
- b) the consummation of any transaction which results in any person other than a Permitted Holder or a group (other than a group that includes one or more Permitted Holders) becoming the beneficial owner directly or indirectly, of more than 50% of the combined voting power of the issuer's voting stock.

A 'Permitted Holder' is any of

- a) Mr Chodiev, Mr Machkevitch and Mr Ibragimov and any related person or trust; or
- b) the State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan (and any successor entity thereto).

### Structured Trade Finance Facility

On 5 October 2010 the Group entered into a US\$500 million Structured Trade Finance facility (the 'Facility') with a group of international lenders. The Facility has an applicable interest rate of one month LIBOR plus 3.37% and is repayable over three years. As at 31 December 2010 US\$500 million of the Facility was drawn down.

If at any time a change of control occurs and if the majority lenders so require, any lender may decline to fund a drawdown and may cancel its commitment under the Facility and require that its portion of any outstanding loan, together with accrued

interest, be due and payable in full by giving not less than 10 days' notice.

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

### 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 re-appoint them will be proposed at the forthcoming AGM.

Each of the Directors at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- 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.

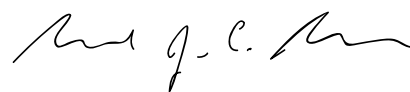
### Corporate governance

The Group's statement on corporate governance is included in the Corporate Governance Report on pages 65 to 72 of this Annual Report and Accounts.

### Electronic access to the Company's publications

A copy of the 2010 Annual Report and Accounts, along with other corporate publications, reports and press releases, is available on the Company's website at [www.enrc.com](http://www.enrc.com)

By order of the Board



### Randal Barker

General Counsel and Company Secretary

18 April 2011

# Corporate Governance Report

The ENRC Board takes its responsibility under the Combined Code on Corporate Governance, as published in June 2008 (the 'Code'), very seriously, recognising that the Board sets the values and standards that are used to guide the affairs of the Company.

The Board considers that, during the 2010 financial year, it complied with the Code in all respects with the exception of the decision not to use an external agency when appointing Professor Dr Dieter Ameling. The circumstances surrounding his appointment are detailed below.

The Board's role is to lead the Company by ensuring good management from the top downwards and there is a formal schedule of matters reserved for the Board which includes:

- setting the long-term objectives and commercial strategy of the Company;
- agreeing policies and processes to guide the affairs of the Company;
- responsibility for the overall management of the Group;
- agreeing any changes to the Company's structure and capital;
- responsibility for financial reporting and controls; and
- approving major capital projects.

This schedule is published on the Company's website.

During the year, the Board discussed a variety of issues including mergers and acquisitions opportunities and the integration of the newly acquired African assets into the rest of the business. A two-day off-site meeting was held, which allowed the Board to focus on strategy and the long term objectives of the Group. Health and safety was a significant area of interest during the year. In particular the Board requested and received detailed analyses of the events surrounding the fatalities that occurred within its businesses and discussed steps taken to improve health and safety performance.

The ownership of the Company is such that the Board has major shareholder groups with which to deal. During the year the Board has discussed its approach to investor relations which reflected the importance of maintaining a balance between the interests of the major shareholders, the Government of Kazakhstan and other shareholders. The Board has had extensive engagement with both the Government of Kazakhstan and the Founder Shareholders, covering such issues as Board and governance procedures. This engagement has at times been robust in nature; however, the Board has maintained its independence in keeping with its responsibility to represent the interests of all shareholders.

The composition of the Board has also been considered, as detailed below. In particular the Nomination Committee has begun a search for a new Chief Executive Officer with assistance from an external search agency. Furthermore, the Board is currently reviewing its composition, recognising the importance of balancing the skills and experience of the Directors as well as ensuring an appropriate balance of independent and other directors. It is mindful of the need to ensure that it does not become so large as to be unwieldy.

The Board discussed its approach to corporate governance at several meetings during the year. In November, the Board reviewed a schedule detailing its compliance with the UK Corporate Governance Code (the 'new Code'). The Company will report on its compliance with the new Code in the 2011 Annual Report and Accounts.

## Board composition

At the start of 2010 the Board comprised 12 Directors. Professor Dr Ameling was appointed as a non-executive Director on 26 January 2010. The Board had identified a need to strengthen the balance between executive and non-executive Directors and to increase its understanding of the steel markets; a need that would be addressed by appointing a non-executive Director with good manufacturing or metallurgical experience. Professor Dr Ameling was already known to the Board as a highly respected expert in his field. Through his work for the World Steel Association he is the chairman of two international projects: 'Steel 2010 in China' and 'Steel 2020 in India', giving him a wide knowledge of the Company's worldwide customer base. His knowledge of the steel industry was recognised as a major strength to the Company and, as such, neither an external search consultancy nor open advertising was used for this appointment.

The Board also recognised the importance of increasing its commercial awareness and responded to this by appointing Mr Jim Cochrane to the Board as an Executive Director on 13 August 2010. Mr Cochrane is a mining engineer with 20 years' experience in the industry. He joined the Group in 2001 and in addition to heading the Sales and Marketing function he has responsibility for the Logistics function of the Group.

As at 31 December 2010 the Board comprised 14 Directors. In addition to the Chairman, who is not considered independent, there were 10 non-executive Directors. Seven of these are considered by the Board to be independent. Directors' biographies are shown on pages 58 and 59.

# Corporate Governance Report continued

Under a relationship agreement with the Company, each of the Founder Shareholders of the Company has a right to appoint one Director to the Board, subject to them using reasonable endeavours to ensure that there is a majority of independent non-executive Directors on the Board, provided his shareholder group controls at least 10% or more of the voting rights exercisable at general meetings of the Company. Mr Ibragimov has exercised this right and appointed Mr Abdraman Yedilbayev as his representative. Mr Yedilbayev is therefore not considered independent by the Board. Mr Eduard Utepov and Mr Marat Beketayev are also not considered by the Board to be independent as both are representatives of The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan. The non-independent, non-executive Directors contribute equally to discussions at Board meetings and each is a member of the HSES Committee. Mr Beketayev additionally serves on the Mergers and Acquisitions Committee and the Nomination Committee.

The roles of the Chairman and Chief Executive Officer are separate and their responsibilities are clearly defined in writing. The Chairman, Dr Johannes Sittard, is responsible for leading the Board and ensuring that it functions effectively. This includes setting the agenda for Board meetings, ensuring that the Board receives accurate, timely and clear information, and facilitating communication with shareholders. He liaises with his fellow Directors frequently

outside Board meetings to ensure that he understands their views.

The Chief Executive Officer is responsible for the operational management of the Group and the execution of the Group's strategy. He is responsible for optimising the use of the Group's resources, managing the Group's risk profile and appointing senior management.

Mr Felix Vulis was Chief Executive Officer throughout 2010. For personal reasons he tendered his resignation to the Company on 4 February 2011 but has agreed to remain in his post until a successor is found. The Nomination Committee is currently undertaking the process to identify a new Chief Executive Officer using an external search consultancy.

Sir Richard Sykes is the Senior Independent Director and non-executive Deputy Chairman. In his role as Senior Independent Director, Sir Richard is responsible for addressing any shareholder concerns that cannot or should not be channelled through the Chairman or the Executive Directors. He is also responsible for ensuring that the Chairman's performance evaluation is carried out.

## Board processes

Ten Board meetings and 11 Board sub-Committee meetings were held during the year. Eight of the Board meetings were regular scheduled meetings, and two were called to deal with specific issues relating to acquisitions. One Board meeting was

arranged to discuss strategy, to which the General Directors were invited. One meeting was attended by the non-executive Directors only to discuss the performance of management. Where a Director was unable to attend a meeting, he was still supplied with the papers before the meeting and was able to discuss the business with the Chairman or Chief Executive Officer.

Four scheduled Board sub-Committee meetings were held during the year. The seven ad hoc meetings were held to discuss and implement various acquisitions.

The schedule below shows the Directors' attendance at scheduled Board and Committee meetings.

## Activities during the year

The growth of the Group through acquisitions created governance challenges during 2010. The CAMEC acquisition in late 2009 was a major step into a new territory and much consideration was given to ensuring that appropriate information was being brought to the Board. Significant focus was given to achieving the integration of financial reporting, and the consistency of health and safety reporting has also been a key issue.

The Group made significant progress in its diversification strategy in 2010, with material additions to the Group's scope in both central Africa and Brazil. The pace of acquisitions in 2010 meant that some Board and Committee meetings were held at short notice. Nevertheless on each

## Directors' attendance at Board and Committee meetings during 2010

	Independent	Scheduled Board meetings attended 2010	Audit Committee	Remuneration Committee	Nomination Committee	HSES Committee	M&A Committee
Prof Dr Dieter Ameling <sup>1</sup>	Yes	7/8				2/2	4/5
Mr Gerhard Ammann	Yes	8/8	5/5		2/2		
Mr Marat Beketayev <sup>2</sup>	No	6/8			1/2	0/1	1/6
Mr Jim Cochrane <sup>3</sup>	No	4/4					
Mr Mehmet Dalman	Yes	8/8		6/6			6/6
Sir Paul Judge	Yes	8/8	5/5	4/6			
Mr Kenneth Olisa	Yes	6/8	4/5	5/6			
Dr Johannes Sittard	No	8/8			2/2	2/2	
Sir Richard Sykes	Yes	7/8		6/6	1/2		5/6
Mr Roderick Thomson	Yes	7/8	5/5		2/2		
Mr Eduard Utepov	No	6/8				0/2	
Mr Felix Vulis	No	8/8				2/2	
Mr Abdraman Yedilbayev	No	8/8				2/2	
Dr Zaure Zaurbekova	No	8/8					

<sup>1</sup>Prof Dr Ameling was appointed to the M&A Committee and to the HSES Committee on 19 March 2010

<sup>2</sup>Mr Beketayev was appointed to the HSES Committee on 13 August 2010

<sup>3</sup>Mr Cochrane was appointed to the Board on 13 August 2010

occasion paperwork was distributed in advance and, where Directors were unable to attend a meeting in person, conference facilities were made available to provide an alternative means of participation. The Board members recognised the risk of acquisitions to the Group's reputation. The Board discussed all acquisitions thoroughly, recognising that these transactions held considerable value potential. The Board sought to balance the opportunities that they offered with the demands that each would place on internal resources and the complexity of realising the synergies of integration. The Board members placed considerable emphasis on thorough financial and legal due diligence and risk assessment in order to ensure optimal return for shareholders over the life of the projects.

In particular, the Group undertook extensive due diligence before the acquisition of Camrose in August 2010, and the Board had robust debate to ensure that the risks associated with that transaction were understood fully and mitigated properly.

All Directors contribute to Board discussion, although where a Director has a situational conflict he is not entitled to vote on the issue in question. All situational conflicts are reviewed annually by the Nomination Committee which then makes a recommendation to the Board on whether such situational conflicts should continue to be approved.

The Company recognises that supplying the Board with good information is essential

to good corporate governance. Board and Committee papers are generally distributed at least a week before the scheduled meetings to enable Directors to read and understand the issues to be discussed. Work to improve both the process and the content of Board and Committee papers continues.

The Board frequently receives presentations and updates from senior managers below Board level; not only does this give the Directors the opportunity to question employees about the running of the business, it also gives senior managers the chance to meet the Directors and gain a better understanding of their concerns. In 2010, these presentations included regular updates from the Head of Investor Relations, operational reports from the CEOs of the Group's businesses in Africa and Kazakhstan, and briefings from the Group Head of Risk and the Group Treasurer. In addition, all the General Directors were invited to attend the Board strategy meeting held in September.

Whilst no Board meeting was held at an operational site during 2010, the Directors are encouraged to make individual visits to the Group's operations, particularly to the new sites in Africa. Sir Richard Sykes visited the Group's operations in the Democratic Republic of the Congo in October 2010. It is planned that a Board meeting will be held in Kazakhstan in 2011.

All the Directors have access to the General Counsel and Company Secretary for support and advice. He is responsible for advising

the Board on all corporate governance issues and for ensuring that all applicable legislation and Board procedures are followed. He is also responsible for ensuring good information flows between the Board and its Committees and between senior management and the non-executive Directors. In conjunction with the Chairman, he is responsible for ensuring that the Board and Committee members receive appropriate training and development. During 2010 this included providing Board inductions for Professor Dr Dieter Ameling and Mr Jim Cochrane, detailed presentations to all the Directors on the UK Bribery Act 2010, and providing various updates on corporate governance and risk. The appointment and removal of the General Counsel and Company Secretary is a matter reserved for the Board.

### Committees

The Board has established five principal Board Committees: Audit Committee, Remuneration Committee, Nomination Committee, Mergers and Acquisitions Committee and the Health, Safety, Environment and Sustainability Committee ('HSES Committee'). The General Counsel and Company Secretary is secretary to each of these Committees. The terms of reference of each of these Committees are available on the Company's website.

During the year, the Nomination Committee recommended that the HSES Committee's membership should be extended to include Professor Dr Dieter Ameling, Mr Marat Beketayev and two managers of the Group,

### Committees

	<b>Audit Committee</b>	<b>Nomination Committee</b>	<b>Remuneration Committee</b>	<b>HSES Committee</b>	<b>M&amp;A Committee</b>
Committee chairman	Gerhard Ammann	Dr Johannes Sittard	Sir Richard Sykes	Felix Vulis	Mehmet Dalman
	Sir Paul Judge	Gerhard Ammann	Mehmet Dalman	Prof Dr Dieter Ameling	Prof Dr Dieter Ameling
	Kenneth Olisa	Marat Beketayev	Sir Paul Judge	Marat Beketayev	Marat Beketayev
	Roderick Thomson	Sir Richard Sykes	Kenneth Olisa	Victor Hanna	Sir Richard Sykes
		Roderick Thomson		Patrice L'Huillier	
				Dr Johannes Sittard	
				Eduard Utepov	
				Abdraman Yedilbayev	

# Corporate Governance Report continued

Mr Patrice L'Huillier and Mr Victor Hanna, thus ensuring operational input from Kazakhstan and Africa. The composition of the Board Committees is now as shown overleaf.

## Audit Committee

Mr Gerhard Ammann chairs the Audit Committee. Mr Ammann has had over 30 years' experience as an auditor including being chairman of Deloitte in Switzerland until 2007. The Board therefore considers that he has had recent relevant financial experience. The remaining Audit Committee members are Sir Paul Judge, Mr Kenneth Olisa, and Mr Roderick Thomson, all of whom are regarded by the Board as independent non-executive Directors and each of whom has extensive business experience. The Company complies with the Code recommendations regarding membership of the Audit Committee.

Under its terms of reference, which are available on the Company's website, the Committee is required to meet at least four times a year and, among other issues, considers:

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

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

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

Whilst only members of the Committee are entitled to attend meetings, the Chairman invites the Chief Financial Officer, the Chief Executive Officer, the General Counsel and Company Secretary and the Chairman of the Board to attend. In addition, he invites the Head of Internal Audit and, since their

commencement of service, he also invites the Head of Group Risk and the Group Global Head of Compliance to attend and update the Committee at each of its meetings. The external auditors are also invited to each meeting of the Audit Committee and they meet separately with the Committee members, without management being present, at least once a year.

The Audit Committee held five scheduled meetings and two ad hoc meetings by telephone conference call in 2010. During the year the following items were reviewed:

- accounting policies, estimates and judgements including methodology and results of the Group's annual impairment review;
- confirmation of the ability of the Group to continue as a going concern;
- the Preliminary and Interim Results announcements, financial statements and Annual Report and Accounts;
- all internal audit reports and investigations;
- the integration of CAMEC and other acquisitions;
- internal controls and risk management;
- compliance, including training on the UK Bribery Act 2010; and
- all external audit reports.

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

## External audit

PricewaterhouseCoopers LLP have been the Company's auditors since before it was listed on the London Stock Exchange in December 2007. The Audit Committee reviews the overall performance of the auditors annually and is responsible for making formal recommendations each year to the Board on the continuation of the external auditors in office.

The Audit Committee is responsible to the Board for ensuring that the external auditors remain independent of the Company in all material respects and that they have adequate resources available to them to enable the delivery of an objective audit to the shareholders.

The Audit Committee remains satisfied with PricewaterhouseCoopers LLP's effectiveness and independence and to date has not considered it necessary to require the firm to tender for its audit work.

However, the external auditors are required to rotate the audit partner responsible for the Group audits every five years. The current lead partner has been in place for four 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 Audit Committee maintains a policy regarding acceptable non-audit work, which incorporates authority levels for approving such work. The 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 auditors. Note 34 to the financial statements shows the value of the non-audit work carried out by PricewaterhouseCoopers LLP during the year.

## Internal audit

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

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

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

During 2010, the Internal Audit function carried out a programme of planned reviews. In addition, ad hoc reviews included the following:

- investigations into procurement and capital expenditure;
- investigation into treasury controls; and
- a review of related party contracts.

## Whistleblowing

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

All whistleblowing incidents are taken very seriously by the Committee. Any complaint is 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.

During 2010, the Committee held two telephone conference calls specifically to address whistleblowing allegations.

In 2011, the whistleblowing procedure is being upgraded with the introduction of an external whistleblowing helpline, available in four languages.

## Nomination Committee

Dr Johannes Sittard chairs the Nomination Committee. The other Committee members are Mr Gerhard Ammann, Mr Marat Beketayev, Sir Richard Sykes and Mr Roderick Thomson. The Company complies with the Code recommendations regarding membership of the Nomination Committee.

Under its terms of reference, which are available on the Company's website, the Committee is required to meet at least twice a year and, among other issues, considers:

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

The Committee has assumed responsibility for monitoring Directors' conflicts of interest or potential conflicts of interest in accordance with the Companies Act 2006 and for making recommendations to the Board about whether such conflicts should be approved.

The Committee met twice in 2010. It reviewed the composition of the Board Committees and recommended to the Board that the size of the HSES Committee be increased to ensure greater operational input.

The Nomination Committee also reviewed the composition of the Board and recommended the appointments of Professor Dr Dieter Ameling as a non-executive Director and Mr Jim Cochrane as an Executive Director. Professor Dr Ameling joined the Board on 26 January 2010 and Mr Cochrane joined the Board on 13 August 2010.

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

## Remuneration Committee

Sir Richard Sykes chairs the Remuneration Committee. 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. Whilst only the members of the Committee are entitled to attend its meeting, the Chief Executive Officer is also invited by the Committee Chairman to attend its meetings, but he does not attend on matters relating to his own remuneration.

Under its terms of reference, which are available on the Company's website, the Committee is required to meet at least twice a year and, among other issues, it:

- determines and recommends to the Board the broad policy for the remuneration of Executive Directors and members of the senior management team;
- determines the policy and scope for pension rights for each Executive Director;
- approves the design of any performance-related pay schemes operated by the Group and determines the relevant performance targets as well as approving annual payments made under such schemes;
- reviews the design of any share incentive plans for approval by the Board and shareholders and determines the performance targets and the appropriate level of annual awards to be made; and
- ensures 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 to the Company is recognised.

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

During 2010 the Remuneration Committee met six times. The Committee met:

- to approve the bonus payments awarded in respect of performance in 2009;
- to determine and approve the performance targets for bonus arrangements for Executive Committee members in respect of 2010;
- to approve the awards made under the Long Term Incentive Plan in April 2010; and
- to determine the remuneration of Mr Jim Cochrane on his appointment as an Executive Director.

The Committee also reviewed the remuneration packages of both the Chief Executive Officer and the Chief Financial Officer during 2010. It gave considerable attention to the alignment of senior management bonuses with health and safety objectives. The Committee agreed that, for each member of the Executive Committee, 15% of their potential bonus would be based on the health and safety performance of the Group. The Committee also agreed that the safety performance of each General Director's mine, plant, or division would determine 25% of that General Director's bonus.

The Committee commissioned Kepler Associates to carry out a comprehensive review of senior executive remuneration and will consider Kepler's review in 2011.

Further details are included in the Directors' Remuneration Report, which is set out on pages 73 to 78. A resolution to approve the Directors' Remuneration Report will be proposed at the forthcoming AGM.

## Health, Safety, Environment and Sustainability Committee (the 'HSES Committee')

Mr Felix Vulis chairs the HSES Committee. The other members are Professor Dr Dieter Ameling, Mr Marat Beketayev, Mr Victor Hanna, Mr Patrice L'Huillier, Dr Johannes Sittard, Mr Eduard Utepov and Mr Abdraman Yedilbayev. Mr Hanna and Mr L'Huillier were appointed to the Committee during 2010 to increase operational input. Mr Beketayev was also appointed to the Committee during 2010.

# Corporate Governance Report continued

Under its terms of reference, which are available on the Company's website, the Committee is required to meet at least twice a year and, among other things, it considers:

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

The Committee met twice in 2010 and four meetings are scheduled for 2011.

During the year the Committee discussed the different approaches to recording injuries in Kazakhstan and Africa, and focused on achieving a consistent methodology across the Group. The Committee reviewed the work done by DuPont to enhance the safety culture of the Group through improved information flows and better education. It also discussed sustainability and corporate social responsibility reporting.

Further details of the work of the HSES Committee are set out in the Sustainability review on pages 48 to 52.

## Mergers and Acquisitions Committee (the 'M&A Committee')

Mr Mehmet Dalman chairs the M&A Committee. The other members are Professor Dr Dieter Ameling, Mr Marat Beketayev and Sir Richard Sykes.

Under the Committee terms of reference, which are available on the Company's website, the Committee is required to meet at least twice a year and, among other things, it:

- reviews and discusses with management the necessary due diligence required on prospective mergers and acquisitions projects;
- receives detailed analyses of prospective mergers and acquisitions projects; and
- oversees the structuring and implementation of mergers and acquisitions projects.

The M&A Committee met six times during 2010 and its recommendations to the Board included the acquisition of a 90% stake in Chambishi Metals PLC, the acquisition of shares in Northam Platinum, the acquisition of a 50.5% stake in Camrose, the acquisition of the outstanding 50% interest in Bahia Minerals BV and the acquisition of 100% of Mineração Minas Bahia SA.

## Board evaluation

In 2009 an internal Board evaluation process was carried out, and the Board subsequently concluded that for 2010 an externally facilitated review was appropriate. Towards the end of 2010 the Company invited ICSA Board Evaluation to carry out an independent Board evaluation. This process was started early in 2011 and the results of the interviews with Directors will be discussed by the Board during spring. The key area for focus in 2011 will be the composition of the Board to ensure that it continues to be effective, with the level of skills and experience that is appropriate for the Group at this stage of its development and with shareholder representation that is balanced. The Board will undertake the recruitment of a new CEO and will also consider senior level succession planning.

In December 2010, the non-executive Directors met without management present and the Senior Independent Director led the evaluation of the performance of the Chairman.

The Company supports the recommendation in the UK Corporate Governance Code that all Directors should be subject to annual reappointment. In 2011 Mr Marat Beketayev, Mr Mehmet Dalman, Sir Richard Sykes and Mr Eduard Utepov will retire by rotation and stand for re-election. Mr Jim Cochrane, having been appointed since the 2010 AGM, will also stand for election. In addition, as the Company has decided that all Directors should stand for election at each AGM from 2011 onwards, Prof Dr Ameling, Mr Ammann, Sir Paul Judge, Mr Olisa, Dr Sittard, Mr Thomson, Mr Vulis, Mr Yedilbayev and Dr Zaurbekova will stand for re-election at the forthcoming AGM. The Nomination Committee will make recommendations to the Board on the continuation in office of each Director every year, taking into consideration the Director's effectiveness and commitment to the role.

## Training and development

The Chairman is responsible for arranging the training and development of the Directors. During 2010, inductions were given to Professor Dr Ameling and Mr Cochrane, and Board training was provided on the UK Bribery Act 2010, the role of Investor Relations, risk management and on the process for modelling cash flow and capital expenditure at Group level. In addition, the Audit Committee members received separate training sessions on the UK Bribery Act 2010 and on assessing risk in practice.

## Risk management and internal control

### Risk management

The Board is ultimately responsible for maintaining a sound risk management and internal control system to ensure compliance with the requirements of the Combined Code on Corporate Governance and the Turnbull Guidance on internal control and risk management.

In accordance with the Turnbull Guidance a review of the effectiveness of the risk management system is undertaken annually by the Board.

### Executive Committee (the 'ExCom')

The ExCom has specific responsibility as the risk management committee for the Group's system of risk management. It reviews the Group's significant risks and subsequently reports to the Audit Committee on material changes and the associated mitigating actions.

### Enterprise-wide risk management

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

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

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

- Group statements on strategic direction;
- clear business objectives and business principles;
- an established risk policy;
- annual review of key business risks;

- a continuing process for identification and evaluation of principal risks to the achievement of business objectives;
- management processes to mitigate significant risks to an acceptable level;
- ongoing monitoring of significant risks and internal and external environmental factors that may change the Group's risk profile; and
- a review by the Group of both the type and amount of external insurance that the Group buys, bearing in mind the availability of such cover, its cost and the likelihood and magnitude of the risks involved.

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

#### **Risk management system evolution**

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

- the appointment of a Group Head of Risk;
- a clear strategy to further enhance the Group's approach to risk management, internal control and insurance;
- the review and development of a Group risk framework;
- improved scope and robustness of the annual review of internal control process;
- further evolution of residual risk plans, including insurance strategy and business continuity planning;
- continued development of in-country risk and internal control capabilities; and
- further refinements to the ExCom Group risk review process.

An enhanced 'top-down' risk management approach has been implemented in 2010 focusing on the key risks to the execution of the Group business strategy. This will complement the current 'bottom-up' aggregation methodology. To further enhance the Group's approach to risk management at a business unit level, the principles of the international standard for risk management ISO 31000 will be adopted where appropriate.

#### **Internal control**

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

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

Features of the systems of internal control include:

- the risk management system described in the preceding section;
- documented policies and procedures within the Group's businesses;
- clearly defined lines of accountability;
- an annual review of key internal controls; and
- minimising operating risk by using appropriate infrastructure, controls, systems and people throughout the businesses.

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

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

Group Tax manages risks associated with tax compliance, tax reporting, transfer pricing and tax planning. The Group Tax function monitors tax risk and implements strategies and procedures to control it.

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

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

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

#### **Risk management and internal control systems in relation to financial reporting**

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

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

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

#### **Annual review of internal control**

The Group continues to improve its process for reviewing the systems of internal control. For this year's annual review of internal control, the Group significantly increased the scope and robustness of the review and testing process.

# Corporate Governance Report continued

## Review of effectiveness

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

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

- reports to the Audit Committee and Board; and if necessary
- further investigations implemented by the Audit Committee.

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

In particular, the Internal Audit function has recently identified weaknesses regarding access to internal non-financial management data and regarding reporting lines and, under the guidance of the Audit Committee, these points are being addressed.

In 2011, the two key areas on which the Group will focus are mergers and acquisitions and developing the compliance function.

Within mergers and acquisitions, the due diligence and integration manual has been developed and when approved will be rolled out. This is a complex and dynamic area for the business and it will be a clear priority for the year ahead.

Following an external report on risk and compliance, a global compliance function was created in 2010. The Group Global Head of Compliance was recruited and has now reviewed most of the operations, systems and controls in the context of compliance obligations. Progress has been made to devise and implement adequate procedures, as contemplated by the UK Bribery Act 2010. The priorities for 2011 are evidencing the 'tone from the top' by actions; implementing and monitoring of adequate procedures; and ensuring the different regions and businesses are staffed with appropriately skilled people.

The compliance function reports directly to the General Counsel and indirectly to the Audit Committee, and works closely with the legal, finance, risk, human resources and internal audit departments.

## Interaction with shareholders

During 2010 the Group met with a large number of shareholders and prospective investors, mainly based in the United Kingdom, continental Europe and the United States of America, as part of a regular schedule of meetings and deal-related roadshows. The Group has an active and extensive investor relations programme although its free float is currently only around 18%. Management also met with the Founder Shareholders and Kazakhmys PLC. The Government of the Republic of Kazakhstan, with two Board seats, is frequently and closely involved with the Group's deliberations and the executive management.

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 timely basis, through announcements, meetings and seminars. The Group seeks to develop a regular dialogue with investors and analysts and to respond to their challenges and understand their sentiments and concerns. The Group has a comprehensive Investor Relations section on its website, which has up-to-date information available to all shareholders and investors. Shareholders have the opportunity to attend and raise questions at the Company's 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, Chief Financial Officer and Chief Commercial Officer between them aim to meet all major shareholders at least twice a year and, along with other senior management, to meet with a wide range of shareholders and prospective investors during the year. In 2010 these discussions focused on the results and businesses of the Group and also sought to understand any concerns held by investors. The Group meets 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 Chairman, along with other non-executive Directors if appropriate, annually conducts a number of investor meetings focused on corporate governance. On an annual basis the Group undertakes meetings on sustainable development and corporate social responsibility with relevant executives and interested parties.

The fourth Annual General Meeting is due to be held on Wednesday, 8 June 2011 and the Board welcomes the opportunity to answer questions put to it by shareholders of the Company.

## Share capital

The Company's share capital is described on page 63.

## Going concern

The Group's business activities, together with those factors likely to affect future performance, are set out in the Business review.

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

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

# Remuneration Report

As required by section 420 of the Companies Act 2006, the Directors present the report on Directors' remuneration for the year ended 31 December 2010.

## Membership of the Remuneration Committee

The members of the Committee were appointed on 6 December 2007, and are as follows:

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

Each member of the Committee is an independent, non-executive Director. The General Counsel and Company Secretary acts as Secretary to the Committee. The Chief Executive Officer and the Group Head of Human Resources, Business Performance & Transformation also attend Committee meetings by invitation, but neither is present when the Committee discusses issues relating to their own remuneration.

## Advisers to the Remuneration Committee

Kepler Associates were retained by the Remuneration Committee as advisers. Kepler Associates do not have any other relationship with the Group. The Committee also received advice from the Group Head of Human Resources, Business Performance & Transformation (Mr Andrew Balgarnie) and the Group Counsel and Company Secretary (Mr Randal Barker) during the year.

## 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 2010. The terms of reference are designed to enable the Committee to comply with the requirements relating to remuneration policy set out in the Combined Code on Corporate Governance and, with effect from 1 January 2011, the requirements of the UK Corporate Governance 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 the 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 appropriateness and relevance of the Group's remuneration policy;

- to approve the design and performance targets of any performance-related pay schemes operated by the Group and to approve the total annual payments made under such schemes; and
- to review the design of share-based incentives and determine the level and extent to which awards are made during the year.

The Committee met six times during the year and, at the beginning of the year, reviewed the salaries of the Chief Executive Officer and Chief Financial Officer, determining that they should remain unchanged from 2009. At subsequent meetings, the Committee gave considerable attention to the alignment of senior managers' bonuses with health and safety objectives.

On his appointment to the Board, the Committee reviewed the remuneration package of the Chief Commercial Officer.

Towards the end of 2010, the Committee began a detailed review of executive remuneration with the purpose of ensuring that remuneration continues to align with the Group's remuneration policy, the business strategy, and best practice. As a result of this review, the Committee is proposing several changes to remuneration for 2011, namely the introduction of a deferred share bonus plan and changing the Total Shareholder Return performance condition attached to future Long Term Incentive Plan awards. These changes are described in more detail in the relevant sections later in this report.

## Remuneration policy

The Group's remuneration policy is to provide 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. There is a competitive market for successful executives with experience in the mining industry and the provision of appropriate rewards for superior performance is important for the continued growth of the business. Therefore in applying the remuneration policy the Committee assesses relevant benchmark data from sources such as other FTSE 100 companies of a similar size and complexity, international mining companies and the market generally. The Remuneration Committee aims to set basic salary in line with the market median; over the longer term, superior performance should result in a pay and benefits package in the upper quartile. In setting remuneration within this framework, the Remuneration

# Remuneration Report continued

Committee aims to give senior executives every encouragement to enhance the Group's performance whilst ensuring that they are fairly and responsibly rewarded for their personal contributions.

## Components of Executive Directors' remuneration

### Base salary

Base salaries are reviewed annually by the Remuneration Committee and take account of the relevant benchmark data (as described above). The Committee also takes into consideration pay and employment conditions elsewhere in the Group when determining any base salary increases. The Company does not have a policy on the differential between Executive Directors' earnings and average earnings across the Group; rather it seeks to reward all employees fairly according to the nature of their role, prevailing market conditions and individual performance. There were no increases to Executive Directors' salaries during 2010.

### Annual bonus

For the year ended 31 December 2010, the annual bonus arrangements continue to be based on measures relating to Group financial performance, health and safety performance and personal performance. 75% of bonus potential is based on Group financial performance (of which 75% is based on underlying EBITDA and 25% on basic EPS). The remaining 25% of bonus potential relates to health and safety measures (15%) and personal performance measures (10%). Financial performance is

measured relative to budget, with 50% of the maximum opportunity payable for performance in line with budget, and full payment only if performance equals or exceeds 120% of budget.

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

The maximum bonus potential for 2010, payable for exceptional levels of performance, was set at 200% of base salary for the Chief Executive Officer, 175% of base salary for the Chief Financial Officer and 150% of base salary for the Chief Commercial Officer. In 2010, the financial targets were met in full. The Committee also determined that the health and safety objectives and personal objectives had been achieved, and therefore maximum bonuses were due to Executive Directors for 2010 performance. Details of the actual amounts paid are set out in the Directors' remuneration table on page 78.

For the 2011 financial year, the Committee has reviewed the performance measures that will determine bonus payouts to ensure continued alignment with the Group's strategy. Changes include adjudicating financial performance both on an actual basis (as currently) and on an adjusted basis – adjusting for differences between actual and budgeted commodity prices. This will make bonus outcomes less sensitive to volatility in commodity prices in both directions.

To reinforce annual performance, whilst also helping to support retention and strengthen alignment of Executive Directors' interests with shareholders, the Committee is proposing to introduce a deferred share bonus plan (the 'Deferred Share Plan'). For 2011, bonus opportunities will be increased to 300% of salary for the Chief Executive Officer and 250% of salary for the Chief Financial Officer and Chief Commercial Officer, but one third (30% for the Chief Financial Officer) of any bonus earned will be deferred in Group shares, vesting subject to continued employment for three years. This change will leave the cash opportunities broadly unchanged, but increase the weighting in the package on variable, share-based remuneration. In order to provide the flexibility to use new issued shares the Committee is seeking shareholder approval at the AGM for the Deferred Share Plan.

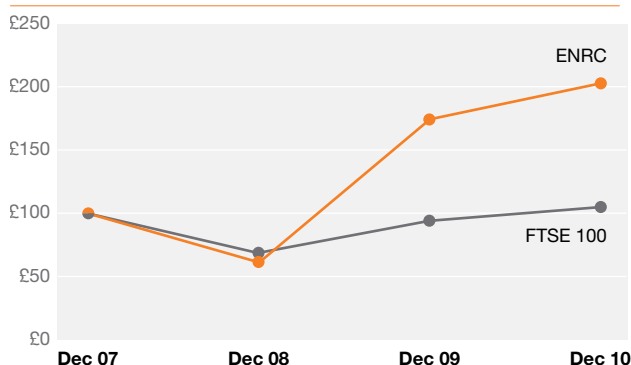
## TSR comparator group for 2009 and 2010

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

## TSR vesting schedule 2009 and 2010

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

## Total shareholder return<sup>1</sup>



<sup>1</sup>Value of hypothetical £100 holding TSR is based on year end prices, shown since the Company's listing on 12 December 2007

### Long Term Incentive Plan ('LTIP')

It is the Remuneration Committee's policy to align 'at risk' remuneration with the long-term success of the Group. The LTIP allows the Committee to award participants a conditional right to receive shares in the Company for nil consideration. Annual awards may not exceed a number of shares with a value equal to two times base salary, based on the average market value of shares over the five days preceding the date of grant. An award will normally vest on the third anniversary of its grant to the extent that the applicable performance conditions have been satisfied. The LTIP rules allow for immediate pro-rated vesting of the awards, subject to performance conditions, on a change of control.

During 2010, LTIP awards were made of 200% of base salary for the Chief Executive Officer and 175% of base salary for the Chief Financial Officer based on the average market value of the shares over the five days preceding the date of grant. The Chief Commercial Officer's award, which was made before he was appointed to the Board, was 100% of base salary. Future awards will be more in line with those granted to the other Executive Directors, reflecting his increased level of responsibility.

The Committee considers that the Company's total shareholder return ('TSR') remains the most appropriate measure of long-term Company performance, providing alignment of interests between management and shareholders. This is a key performance indicator for the Company and is described

in more detail on page 28. The extent to which awards may vest will be subject to 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 vesting schedule shown opposite will apply.

Furthermore the awards will not vest unless the Committee is satisfied that the Company's TSR over the performance period reflects the underlying financial performance of the Group.

The TSR comparator group for awards made in 2009 and 2010 is seen in the table opposite.

No LTIP awards vested in the year. The Remuneration Committee has determined that the 2008 LTIP awards, which were based on TSR performance to 31 December 2010, will not vest and will therefore lapse in May 2011. Details of awards made in 2010, which will vest subject to performance conditions in 2013, are shown in the LTIP table on page 78.

For 2011 awards, the Committee has decided to amend the TSR performance condition. The TSR comparator group has been revised to focus more on diversified and emerging markets miners and other relevant comparators such as steel companies. The revised TSR comparator group for 2011 awards is shown below.

The Committee believes this group will provide a more relevant benchmark, and therefore be a better indicator of management performance. The vesting schedule will remain unchanged, such that full vesting only occurs at upper quartile or above, 25% vesting at median and no vesting below median. Performance against this comparator group will determine the vesting of 50% of any LTIP awards. The other 50% will be based on TSR performance relative to the MSCI World Metals & Mining Index (the 'Index'). The Committee is introducing this second benchmark in order to improve the robustness of the LTIP, as well as reflect market practice for other large miners. This portion of the award will vest as shown in the table below.

### Performance graph

The Company's TSR performance is shown against a recognised share index. ENRC became a constituent of the FTSE 100 Index on 26 March 2008 and this index is considered to be the most appropriate. The graph opposite charts the total cumulative shareholder return of ENRC compared with the FTSE 100 since 12 December 2007 (being the first date of trading for ENRC shares).

The mid-market price of ENRC shares at 31 December 2010 was £10.48 and between 31 December 2009 and 31 December 2010, the lowest and highest share prices were £8.18 and £12.66 respectively.

### TSR comparator group 2011

BHP Billiton	Vale
Anglo American	Rio Tinto
Severstal	Xstrata
Novolipetsk Steel	Assore
Vedanta Resources	Cia Siderurgica Nacional
Evrast	ArcelorMittal
MMC Norilsk Nickel	Kobe Steel
Eramet	

### TSR vesting schedule 2011

TSR	Proportion of LTIP award exercisable
Below Index	Nil
Index	25%
Index to Index +7.5% pa	Pro rata between 25% – 100%
Index + 7.5% pa or above	100%

# Remuneration Report continued

## Pensions and benefits

The Executive Directors are members of the ENRC Personal Pension Plan (the '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. For the year ended 31 December 2010 amounts of £102,000 and £66,000 were paid into the Plan in respect of the Chief Executive Officer and the Chief Financial Officer respectively. £25,000 has been paid into the Plan in respect of the Chief Commercial Officer since his appointment to the Board on 13 August 2010.

Benefits comprise life assurance, private healthcare, travel insurance and income protection insurance. Both Mr Felix Vulis and Dr Zaure Zaurbekova received accrued annual leave payments, as required under Kazakhstani employment law, and relocation allowances. The taxable value of these benefits is included in the remuneration table on page 78.

## Balance of the components of Executive Directors' remuneration

Remuneration packages are structured to provide an appropriate balance between fixed and variable elements, such that performance-related elements represent the majority. The main components of the Executive Directors' remuneration for 2011 and the percentage of each element as part of the total package are set out in the table on page 77.

## Directors' contracts

### Executive Directors

Each Executive Director has a service agreement which can be terminated by either the Company or the Executive Director giving 12 months' notice. Under the terms of the contracts, the Company reserves the right, in its absolute discretion, to terminate an Executive Director's employment by making a payment in lieu of notice. In the event of a contract being terminated, the 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 Committee. Payments would normally be pro-rated and subject to the satisfaction of the performance conditions under which the awards were granted, pro-rated to the date of cessation of employment.

The Board supports the recommendation in the UK Corporate Governance Code that all directors should be subject to annual re-appointment and accordingly each Executive Director will stand for appointment at the 2011 AGM.

Dates of the service agreements are shown below.

The Board recognises that experience gained outside the Group can be valuable in terms of director development. Subject to Board approval, Executive Directors are

permitted to accept outside appointments on external boards or committees so long as these are not considered to interfere with the business of the Company. Any fees in respect of those appointments may be retained by the Executive Directors concerned. During 2010, Mr Jim Cochrane was paid 40,000 rupees in respect of an external directorship; this sum was paid directly to a charity of his choice.

### Non-executive Directors

Non-executive Directors do not have service contracts with the Company, but each has a letter of appointment. Each non-executive Director is required to stand for election at the first Annual General Meeting following his appointment and, subject to the outcome of the AGM, the appointment is for an initial three year term. Over and above this arrangement, the appointment may be terminated by either party giving six months' notice. The Board supports the recommendation in the UK Corporate Governance Code that all directors should be subject to annual re-appointment and accordingly each non-executive Director will stand for re-election at the 2011 AGM.

Details of the non-executive Directors' letters of appointment are summarised below.

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.

## Service agreements

Name	Date of contract	Notice Period
Mr Felix Vulis	20 August 2009	12 months
Dr Zaure Zaurbekova	1 October 2009	12 months
Mr Jim Cochrane	13 August 2010	12 months

## Letter of appointment

Non-executive Director	Effective date of letter of appointment	Unexpired term or notice period
Dr Johannes Sittard	20 August 2009	26 months
Prof Dr Dieter Ameling	26 January 2010	26 months
Mr Gerhard Ammann	8 November 2007	2 months
Mr Marat Beketayev	20 February 2008	2 months
Mr Mehmet Dalman	6 December 2007	2 months
Sir Paul Judge	6 December 2007	2 months
Mr Kenneth Olisa	6 December 2007	2 months
Sir Richard Sykes	6 December 2007	2 months
Mr Roderick Thomson	6 December 2007	2 months
Mr Eduard Utepov	9 November 2007	2 months
Mr Abdraman Yedilbayev	6 December 2007	2 months

### 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 Chairman are determined by the Remuneration Committee and the level of fees remained unchanged in 2010.

The base fee for non-executive Directors in 2010 was £100,000 per annum.

Additional fees of £20,000 per annum were payable to Mr Gerhard Ammann as Chairman of the Audit Committee and additional fees of £150,000 per annum were payable to Sir Richard Sykes in respect of his chairmanship of the Remuneration Committee, his role as Senior Independent Director and as Deputy Chairman.

The non-conflicted Directors met during the year to review the non-executive Directors' fees. They agreed that there should be no increase in the base non-executive Directors' fee during the year, nor in the additional fees payable to the Chairman of the Audit Committee or to Sir Richard Sykes in his capacity as Chairman of the Remuneration Committee, Senior Independent Director and Deputy Chairman. However, it determined that Mr Mehmet Dalman should receive an additional fee of £20,000 per annum as Chairman of the M&A Committee.

As members of the Kazakh Government, neither Mr Marat Beketayev nor Mr Eduard Utepov is permitted to receive his fees personally. The fee for Mr Beketayev was 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 2010. Mr Utepov intends to donate his 2010 fee to a charitable organisation, the details of which are to be determined.

### Auditors

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

- short-term employee benefits including basic salaries and fees, cash bonuses and non-monetary benefits which are included in the table of Directors' remuneration and its footnotes on page 78;
- the awards made during 2010 under the Long Term Incentive Plan on page 78.

### Annual General Meeting

The Remuneration 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.

## Executive Director pay mix 2011

At target/expected value

At maximum



# Remuneration Report continued

## Audited information

### Directors' remuneration for the period 1 January 2010 to 31 December 2010

The following table gives details of Directors' remuneration for the period 1 January to 31 December 2010. Benefits in kind include healthcare cover and insurance. Mr Felix Vulis and Dr Zaure Zaurbekova accrued benefits in kind relating to paid annual leave allowance as determined by Kazakhstani employment laws. Additionally, Mr Vulis and Dr Zaurbekova received relocation allowances.

### Directors' remuneration

Stated in £000 sterling	Base salary and fees	Annual performance bonus	Benefits in kind	Sub total	Pension contributions	Total 2010	Total 2009 <sup>1</sup>
<b>Executive Directors</b>							
Mr Felix Vulis <sup>2</sup>	1,020	2,040	227	3,287	102	<b>3,389</b>	1,082
Dr Zaure Zaurbekova <sup>2</sup>	663	1,160	109	1,932	66	<b>1,998</b>	478
Mr Jim Cochrane <sup>3</sup>	249	374	8	631	25	<b>656</b>	–
Mr Miguel Perry	–	–	–	–	–	–	346
Dr Johannes Sittard	–	–	–	–	–	–	1,187
<b>Non-executive Directors</b>							
Dr Johannes Sittard	500	–	7	507	–	<b>507</b>	160
Prof Dr Dieter Ameling <sup>3</sup>	93	–	–	93	–	<b>93</b>	–
Mr Gerhard Ammann	120	–	–	120	–	<b>120</b>	120
Mr Marat Beketayev	100	–	–	100	–	<b>100</b>	100
Mr Mehmet Dalman	120	–	–	120	–	<b>120</b>	100
Sir Paul Judge	100	–	–	100	–	<b>100</b>	100
Mr Kenneth Olisa	100	–	–	100	–	<b>100</b>	100
Sir Richard Sykes	250	–	–	250	–	<b>250</b>	250
Mr Roderick Thomson	100	–	–	100	–	<b>100</b>	100
Mr Eduard Utepov	100	–	–	100	–	<b>100</b>	100
Mr Abdraman Yedilbayev	100	–	–	100	–	<b>100</b>	100
Sir David Cooksey	–	–	–	–	–	–	319
Mr Michael Eggleton	–	–	–	–	–	–	75
<b>Total</b>	<b>3,615</b>	<b>3,574</b>	<b>351</b>	<b>7,540</b>	<b>193</b>	<b>7,733</b>	<b>4,717</b>

<sup>1</sup>Comparators from 2009 have been restated to remove references to LTIP awards, details of which are shown below

<sup>2</sup>Comparators are for the full year or from date of appointment if later. Mr Vulis was appointed on 20 August 2009 and Dr Zaurbekova was appointed on 1 October 2009

<sup>3</sup>Prof Dr Ameling was appointed as a Director on 26 January 2010 and Mr Cochrane was appointed as a Director on 13 August 2010

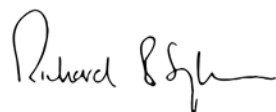
### Long Term Incentive Plan

Director	Share awards held at 1 January 2010 <sup>1</sup>	Share awards granted during the year <sup>2</sup>	Share awards released during the year	Share awards held at 31 December 2010
Mr Felix Vulis	258,460	168,846	–	427,306
Dr Zaure Zaurbekova	132,358	96,031	–	228,389
Mr Jim Cochrane	248,671	–	–	248,671

<sup>1</sup>Or date of appointment if later. Mr Cochrane was appointed as a Director on 13 August 2010

<sup>2</sup>The average market value of the Company's ordinary shares over the five days preceding the date of grant was £12.08

Signed on behalf of the Board of Directors



**Sir Richard Sykes**

Chairman of the Remuneration Committee

18 April 2011

# 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 prepared the Consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group 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 IFRS as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Consolidated and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the 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 58 and 59 confirm that, to the best of their knowledge:

- the Consolidated financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the parent company financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit 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 2010 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, 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 'IFRS' as adopted by the European Union.

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 79, the directors are responsible for the preparation of the Consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## 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 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

## Opinion on other matter 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 72, in relation to going concern;
- 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; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

## Other matter

We have reported separately on the parent company financial statements of Eurasian Natural Resources Corporation PLC for the year ended 31 December 2010 and on the information in the 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

18 April 2011

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# Consolidated Income Statement

In millions of US\$ (unless stated otherwise)	Note	Years ended 31 December	
		2010	2009
Revenue	7	<b>6,605</b>	3,831
Cost of sales	8	<b>(2,847)</b>	(1,947)
<b>Gross profit</b>		<b>3,758</b>	1,884
Distribution costs	9	<b>(485)</b>	(366)
General and administrative expenses	10	<b>(555)</b>	(359)
Other operating expense	11	<b>(99)</b>	(38)
Other operating income	11	<b>91</b>	253
<b>Operating profit</b>		<b>2,710</b>	1,374
Finance income	13	<b>57</b>	191
Finance cost	14	<b>(101)</b>	(157)
Gain arising related to acquisition of joint venture	6	<b>298</b>	–
Share of profit of joint ventures and associates		<b>13</b>	31
<b>Profit before income tax</b>		<b>2,977</b>	1,439
Income tax expense	15	<b>(780)</b>	(377)
<b>Profit for the year</b>		<b>2,197</b>	1,062
Profit attributable to:			
Equity holders of the Company	16	<b>2,185</b>	1,045
Non-controlling interests		<b>12</b>	17
Earnings per share – basic and diluted (US cents)	16	<b>170</b>	81

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

# Consolidated Statement of Comprehensive Income

In millions of US\$	Years ended 31 December	
	2010	2009
<b>Profit for the year</b>	<b>2,197</b>	1,062
<b>Other comprehensive income:</b>		
Fair value gain on available-for-sale financial assets, net of tax	9	6
Cash flow hedges, net of tax	-	21
Currency translation differences	95	(1,241)
<b>Total comprehensive income/(expense) for the year</b>	<b>2,301</b>	(152)
Total comprehensive income/(expense) attributable to:		
Equity holders of the Company	<b>2,289</b>	(147)
Non-controlling interests	12	(5)
	<b>2,301</b>	(152)

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	
		2010	2009 As restated
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	8,186	5,480
Goodwill and intangible assets	18	1,368	579
Investments in joint ventures and associates	19	393	615
Other financial assets	20	390	65
Loans receivable	21	108	158
Deferred tax assets	15	41	43
Other non-current assets	22	275	187
<b>Total non-current assets</b>		<b>10,761</b>	<b>7,127</b>
<b>Current assets</b>			
Assets classified as held for sale		101	6
Inventories	23	862	607
Trade and other receivables	24	968	959
Other financial assets	20	23	50
Loans receivable	21	8	37
Cash and cash equivalents	25	1,595	830
<b>Total current assets</b>		<b>3,557</b>	<b>2,489</b>
<b>Total assets</b>		<b>14,318</b>	<b>9,616</b>
<b>Equity</b>			
Share capital and share premium	26	3,257	3,257
Reserves		6,515	4,456
<b>Attributable to equity holders of the Company</b>		<b>9,772</b>	<b>7,713</b>
Non-controlling interests		261	266
<b>Total equity</b>		<b>10,033</b>	<b>7,979</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	27	1,406	68
Deferred tax liabilities	15	1,176	455
Asset retirement obligations	28	92	108
Employee benefit obligations	29	41	46
Other non-current liabilities		57	4
<b>Total non-current liabilities</b>		<b>2,772</b>	<b>681</b>
<b>Current liabilities</b>			
Liabilities classified as held for sale		46	–
Borrowings	27	226	360
Trade and other payables	30	939	432
Current income tax liability		193	74
Other taxes payable	31	109	90
<b>Total current liabilities</b>		<b>1,513</b>	<b>956</b>
<b>Total liabilities</b>		<b>4,285</b>	<b>1,637</b>
<b>Total liabilities and equity</b>		<b>14,318</b>	<b>9,616</b>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes. Details of the restatement are set out in note 6.

These consolidated financial statements and the accompanying notes, were authorised for issue by the Board of Directors on 18 April 2011 and were signed on its behalf by:



**Felix Vulis**  
Chief Executive Officer



**Dr Zaure Zaurbekova**  
Chief Financial Officer

# Consolidated Cash Flow Statement

In millions of US\$	Note	Years ended 31 December	
		2010	2009
<b>Cash flow from operating activities</b>			
Profit before income tax for the year		2,977	1,439
Adjustments for:			
Depreciation, amortisation and impairment		411	298
Loss on disposal of property, plant and equipment		1	2
Gain arising related to acquisition of joint venture	6	(298)	–
Share of profit from joint ventures and associates	19	(13)	(31)
Share based payments	32	8	10
Net finance cost		45	3
Net foreign exchange loss/(gain)		13	(78)
		<b>3,144</b>	1,643
Changes in inventories		(233)	53
Changes in trade and other receivables		(114)	(7)
Changes in trade and other payables		42	(122)
Changes in asset retirement obligations		(9)	3
Changes in employee benefit obligations		(10)	12
Changes in other taxes payable		24	47
Cash generated from operating activities		<b>2,844</b>	1,629
Interest paid		(27)	(8)
Interest received		38	52
Income tax paid		(552)	(464)
<b>Net cash generated from operating activities</b>		<b>2,303</b>	1,209
<b>Cash flow from investing activities<sup>1</sup></b>			
Purchase of property, plant and equipment		(1,245)	(912)
Proceeds from sales of property, plant and equipment		38	17
Purchase of intangible assets		(12)	(4)
Acquisition of subsidiaries, net of cash acquired	6	(701)	(936)
Purchase of joint ventures and associates	19	(63)	(198)
Purchase of non-controlling interests		(9)	(10)
Purchase of financial assets available-for-sale		(353)	(35)
Purchase of financial assets held to maturity		–	(46)
Sale of financial assets held to maturity		50	–
Sale of financial assets at fair value through profit or loss		–	62
Cash deposited as guarantee		–	(11)
Loans and deposits granted to related parties		(143)	(138)
Loans and deposits granted		(69)	(65)
Proceeds from repayment of loans and deposits by related parties		95	3
Proceeds from repayment of loans and deposits		37	168
Dividends received		7	–
<b>Net cash used for investing activities</b>		<b>(2,368)</b>	(2,105)
<b>Cash flow from financing activities<sup>1</sup></b>			
Borrowings – proceeds		542	41
Borrowings – repayments		(360)	(351)
Borrowings related party – proceeds		892	–
Dividends paid to equity holders of the Company		(238)	(322)
Dividends paid to non-controlling interests		(10)	(12)
<b>Net cash generated from/(used for) financing activities</b>		<b>826</b>	(644)
<b>Net changes in cash and cash equivalents</b>		<b>761</b>	(1,540)
Cash and cash equivalents at beginning of year		830	2,493
Foreign exchange gain/(loss) on cash and cash equivalents		4	(123)
<b>Cash and cash equivalents at end of year</b>	25	<b>1,595</b>	830

<sup>1</sup>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 2010 (2009: US\$2 million);
- In January 2010, the Group converted a US\$27 million loan to Bahia Minerals BV into an equity investment in Bahia Minerals BV; and
- On the acquisition of Bahia Minerals BV net debt of US\$65 million was assumed.

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

Attributable to equity holders of the Company

In millions of US\$	Share capital	Share premium	Retained earnings	Translation reserve <sup>1</sup>	Hedge reserve	Revaluation reserve of financial assets available-for-sale	Total	Non-controlling interests	Total equity
Balance as at 1 January 2009	<b>258</b>	<b>2,999</b>	<b>4,587</b>	<b>357</b>	<b>(21)</b>	<b>(8)</b>	<b>8,172</b>	<b>126</b>	<b>8,298</b>
Profit for the year	–	–	1,045	–	–	–	1,045	17	1,062
Other comprehensive expense	–	–	–	(1,219)	21	6	(1,192)	(22)	(1,214)
<b>Total comprehensive expense</b>	<b>–</b>	<b>–</b>	<b>1,045</b>	<b>(1,219)</b>	<b>21</b>	<b>6</b>	<b>(147)</b>	<b>(5)</b>	<b>(152)</b>
Dividends	–	–	(322)	–	–	–	(322)	(16)	(338)
Share-based payments	–	–	10	–	–	–	10	–	10
Other changes in non-controlling interests <sup>2</sup>	–	–	–	–	–	–	–	186	186
<b>Balance as at 31 December 2009 as previously reported</b>	<b>258</b>	<b>2,999</b>	<b>5,320</b>	<b>(862)</b>	<b>–</b>	<b>(2)</b>	<b>7,713</b>	<b>291</b>	<b>8,004</b>
Restatement (note 6)	–	–	–	–	–	–	–	(25)	(25)
<b>Balance as at 31 December 2009 as restated</b>	<b>258</b>	<b>2,999</b>	<b>5,320</b>	<b>(862)</b>	<b>–</b>	<b>(2)</b>	<b>7,713</b>	<b>266</b>	<b>7,979</b>
Profit for the year	–	–	2,185	–	–	–	2,185	12	2,197
Other comprehensive income	–	–	–	95	–	9	104	–	104
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>2,185</b>	<b>95</b>	<b>–</b>	<b>9</b>	<b>2,289</b>	<b>12</b>	<b>2,301</b>
Dividends	–	–	(238)	–	–	–	(238)	(9)	(247)
Share-based payments	–	–	8	–	–	–	8	–	8
Other changes in non-controlling interests <sup>2</sup>	–	–	–	–	–	–	–	(8)	(8)
<b>Balance as at 31 December 2010</b>	<b>258</b>	<b>2,999</b>	<b>7,275</b>	<b>(767)</b>	<b>–</b>	<b>7</b>	<b>9,772</b>	<b>261</b>	<b>10,033</b>

<sup>1</sup>The significant decrease in the translation reserve in 2009 is a result of the devaluation of the Kazakhstani tenge against the US dollar.

<sup>2</sup>Includes the buy out of non-controlling interests in Serov in 2009 and in CAMEC in 2010. Also includes the recognition of non-controlling interests arising on the acquisition of GAMEC in 2009, and Enya and MPB in 2010.

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 and domicile is 16 St. James's Street, London, SW1A 1ER, United Kingdom. The consolidated financial statements as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (the 'Group') and the Group's interest in joint ventures 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's ('UK's') 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 Interpretations 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 2009 except where new policies have been applied. New accounting policies and pronouncements and the effects of these policies have been outlined in note 3.

Where the Group has changed the presentational format of these consolidated financial statements to further improve the comparability of its results, comparative figures have been changed accordingly. The Group has also completed the measurement period in respect of the acquisition of Central African Mining & Exploration PLC ('CAMEC'), now known as ENRC Africa Holdings Limited, which has resulted in the restatement of the Consolidated Balance Sheet and Consolidated Statement of Changes in Equity as detailed in note 6.

### 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.

Intercompany transactions, balances and unrealised gains and losses on transactions between subsidiaries are eliminated. Accounting policies of subsidiaries, associates and joint ventures have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

### c) Non-controlling interests

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Company.

As described further in note 3, the Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control from 1 January 2010 when IAS 27 revised, 'Consolidated and separate financial statements', became effective.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in the income statement and purchases resulted in the recognition of goodwill.

### d) 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 ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in 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.

# Notes to the Consolidated Financial Statements

## continued

### 1. Principal accounting policies continued

#### 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, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, the Group's share of its associates' post-acquisition profits or losses are recognised in the income statement, and its share of post-acquisition movements in other comprehensive income are 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 an associate equals or exceeds its interest in the associate, 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 associate. 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.

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 profit or loss.

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') or Brazilian real ('BRL'), whilst for the Sales and Marketing entities and significant African operations 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 dollar ('US\$').

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

	Rate	
	Year end	Average
<b>Year ended 31 December 2010</b>	<b>0.65</b>	<b>0.65</b>
Year ended 31 December 2009	0.62	0.64

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

	Rate	
	Year end	Average
<b>Year ended 31 December 2010</b>	<b>147.50</b>	<b>147.35</b>
Year ended 31 December 2009	148.46	147.50

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.

	Rate	
	Year end	Average
<b>Year ended 31 December 2010</b>	<b>32.74</b>	<b>32.94</b>
Year ended 31 December 2009	33.06	31.42

### 1. Principal accounting policies continued

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

	Rate	
	Year end	Average
<b>Year ended 31 December 2010</b>	<b>1.66</b>	<b>1.79</b>
Year ended 31 December 2009	1.75	2.00

#### 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.

#### 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 costs comprise interest expense on borrowings, the accumulation of interest on provisions, interest expense from the unwinding of discount on provisions for asset retirement obligations and losses on the revaluation and disposal of investments designated at fair value through profit or loss.

Finance income and costs include foreign exchange gains and losses that relate mainly to loans receivable, borrowings and term deposits (more than 3 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.

# Notes to the Consolidated Financial Statements

## continued

### 1. Principal accounting policies continued

#### 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. Kazakhstan's 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 includes 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. The aggregate amount of temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures for which deferred tax liabilities have not been recognised is disclosed in the financial statements.

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 taxes 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.

#### 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 general and administrative expenses 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. General and administrative expenses are allocated to an exploration or evaluation asset only to the extent that they 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.

### 1. Principal accounting policies continued

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 exists 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. Cost includes the original purchase prices of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is recorded over the useful life of the asset, or over the expected remaining life of the mine if shorter, as follows:

- Buildings (including mining premises): 20 to 50 years on a straight-line basis;
- Mining assets (including mineral rights): on a units of production basis;
- Plant and equipment: 4 to 15 years on a straight-line basis; and
- 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.

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.

# Notes to the Consolidated Financial Statements

## continued

### 1. Principal accounting policies continued

#### i) Mining assets

Once a project has been established as commercially viable, capitalised expenditures are transferred from 'exploration and evaluation' to 'mining assets'. In addition, mining assets include mineral rights, expenditure incurred to establish or expand 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 assets' of property, plant and equipment.

#### ii) Assets under construction

Assets under construction are capitalised as a separate component of property, plant and equipment. Self-constructed assets include the cost of materials, direct labour and an appropriate proportion of 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 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 ("CGU") in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal). Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Group could receive for the CGU in an arm's length transaction. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

#### r) Business combinations and goodwill

The acquisition method of accounting is used to account for business combinations.

The Group elects on a transaction-by-transaction basis, to measure non-controlling interests at the value of their proportion of identifiable assets and liabilities or at full fair value. The excess of the 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. 'Bargain purchase gain' is recognised immediately in the income statement.

## 1. Principal accounting policies continued

The consideration transferred in a business combination is measured at fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group, with contingent consideration recognised at fair value as part of that consideration transferred. The obligation to pay contingent consideration is classified as a liability or equity on the basis of the terms and conditions of the contingent consideration. In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in conjunction with a business combination are expensed as incurred.

Goodwill acquired through business combinations has been allocated to those cash-generating units or groups of CGUs 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.

#### 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 re-measured at origination at its fair value, which is represented by future interest payments and principal repayments discounted at market interest rates for similar loans. The difference between the fair value of the loan at origination and its cost (fair value of the contribution to the borrower, net of transaction costs) represents an origination gain or loss. The origination gain or loss is recorded in the income statement within finance income/costs unless it qualifies for recognition as an asset, liability or a charge to equity in accordance with the substance of the arrangement. Subsequently, the carrying amount of the loans is adjusted for amortisation of the origination gain or loss and the amortisation is recorded as finance income/costs using the effective interest method.

# Notes to the Consolidated Financial Statements

## continued

### 1. Principal accounting policies continued

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.

#### 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's policy with regard to financial risk management is set out in note 33. When the Group enters into derivative contracts they are designed to reduce exposures related to assets, liabilities, firm commitments or anticipated transactions.

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.

## 1. Principal accounting policies continued

Management policy in 2009 was to hedge a proportion of foreign exchange risk associated with highly probable forecast transactions denominated in foreign currencies, refer note 33 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 33 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, consumable stores and other inventories 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.

### 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 'general and administrative 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 costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Where a loan is obtained at interest rates different from market rates, the loan is re-measured at origination to its fair value, which is calculated as future interest payments and principal repayments discounted at market interest rates for similar loans. The difference between the fair value of the loan at origination and its cost (fair value of the contribution to the borrower, net of transaction costs) represents an origination gain or loss. The origination gain or loss is recorded in the income statement within finance income/costs unless it qualifies for recognition as an asset, liability or a charge to equity in accordance with the substance of the arrangement. Subsequently, the carrying amount of the borrowings is adjusted for amortisation of the origination gain or loss and the amortisation is recorded as finance income/cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after 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.

# Notes to the Consolidated Financial Statements

## continued

### 1. Principal accounting policies continued

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

#### 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, Russia and Democratic Republic of Congo. The agreement provides for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid. The entitlement to some benefits are usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. Such benefits are valued consistent with an unfunded defined benefit plan in accordance with IAS 19 *Employee Benefits*.

The future benefit that employees have earned in return for their service in the current and prior periods is discounted to determine the present value. Since Kazakhstan, Russia and Democratic Republic of Congo do not have an extensive market of high quality corporate bonds, market yields on government bonds which have maturity dates approximating the terms of the Group's benefit obligations are used as a basis for discount rates. The calculation is performed annually internally or by a qualified, independent actuary depending on the complexity of computations.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans. This means that the difference between the fair value of the plan assets (if any) and the present value of the defined liabilities obligations is recognised as an asset or liability on the balance sheet. Actuarial gains and losses arising in the year are taken to the income statement. 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 an equity-settled, share based compensation plans, under which the Group receives services from qualifying employees as consideration for equity instruments. The employee services received in exchange for the grant of the equity-settled payments are measured at the fair value of the equity granted and are recognised as expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards subject to the Group's estimate of the number of awards which will lapse, 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 (i.e. as a deduction from equity), except to the extent that the payment exceeds the fair value of the equity instruments repurchased, measured at the repurchase date. Any such excess is recognised as an expense.

## 1. Principal accounting policies continued

### 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 (e.g. market prices of similar instruments, interest rate differentials, etc.). Losses at initial recognition of financial guarantee liabilities are recognised in the income statement within '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.

# Notes to the Consolidated Financial Statements

## continued

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

#### c) Life of mines

Contracts for subsurface use expire between 2012 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 9 and 48 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 existing at the expiry date to be written off at the date of expiry is US\$923 million as at 31 December 2010 (2009: US\$612 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 notes 1 and 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 long-term inflation rate currently applied in the calculation is 2.8%-5.8% as at 31 December 2010 (2009: 5.6%-6.2%) being the estimate of the rate of inflation over the mine lives. The discount rate currently applied in the calculation is 7.9%-9.0% at 31 December 2010 (2009: 6.0%-8.9%) being the estimate of the risk-free pre-tax interest rates for long-term government securities. Rehabilitation expenditure is largely expected to take place at the end of the respective mine lives, which varies from 9 to 48 years.

#### 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 financial 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, if an impairment indicator exists, the Group's approach is to consider the ability of its groups of cash-generating units, which have no goodwill in their financial statements, to generate future economic benefits which exceed the value of the related tangible assets in the financial statements.

In measuring the value in use for each CGU the Group based cash flow projections on the entities' most recent business plans. Cash flow projections in these business plans are extrapolated until the last year of the life-of-mine applicable for each CGU. Cash flows have been projected for a maximum of 37 years as of 31 December 2010. The long-term US inflation rate has been used as the assumed growth rate in the preparation of these cash flows.

The key assumptions which formed the basis of forecasting future cash flows in the models as of 31 December 2010 are:

- Commodity prices, which are based on internal forecasts by the management of the Group's sales and marketing business. These internal forecasts are compared to the forecasts of industry market researchers;
- Long-term costs are set in line with current operational performance, as adjusted for future inflation rates in countries of operation and, where applicable, the expected movements in key input costs;
- The successful extraction, processing and sale of the reserves in accordance with the quantities described in the report on Ore Reserves and Mineral Resources on pages 144 to 151 and companies' long term mine plans;
- The long-term US inflation rate will average 2.8% per annum, in line with external forecasts; and
- In determining the discount rate to be applied to the future cash flows the Group based its computation on the Weighted Average Cost of Capital for the Group, which is adjusted for the country risk premium for each CGU accordingly. The rates used were in the range of 11.01%-13.03%.

The impairment reviews as at 31 December 2010 and 31 December 2009 concluded that no impairment provisions are required for long-term non-financial assets.

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

### f) Business combinations and goodwill

The Group made a number of acquisitions during the year. Judgements and estimates are made in respect of the measurement of the provisional and final fair values of assets and liabilities acquired and consideration transferred. 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 CGUs that were allocated goodwill the Group's most recent business plans 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. Cash flows in these business plans were extrapolated until the last year of life-of-mine applicable to each CGU 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 2(e) above.

The impairment reviews as at 31 December 2010 and 31 December 2009 concluded that no impairment provisions are required for goodwill.

### g) Contingent liabilities

The Group exercises judgement in measuring and recognising the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 36). Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

## 3. New accounting pronouncements

### (i) Standards, amendments and interpretations effective in 2010 and are relevant to the Group's operations

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to 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.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3, which are described in note 1(r).

IAS 27 (revised) 'Consolidated and separate financial statements' requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the income statement. Also, total comprehensive income is attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. There have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and where there have been transactions with non-controlling interests they do not have a material impact on the Group's financial statements.

IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest CGU (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The amendment does not have a material impact on the Group's financial statements.

Group Cash-settled Share-based Payment Transactions – Amendments to IFRS 2, Share-based Payment, effective 1 January 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The amendments do not have a material impact on the Group's financial statements.

# Notes to the Consolidated Financial Statements

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### 3. New accounting pronouncements continued

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. As the change only results in additional disclosures, there is no impact on earning per share.

Improvements to International Financial Reporting Standards (issued in April 2009). Amendments to IAS 38, International Financial Reporting Interpretations Committee (IFRIC) 9 and IFRIC 1 which are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17 and IAS 36 which are effective for annual periods beginning on or after 1 January 2010.

#### (ii) Standards, amendments and interpretations effective in 2010 but not currently relevant to the Group

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2010 but they are not currently relevant to the Group's operations:

IAS 1 (amendment), 'Presentation of financial statements', (effective for the annual periods beginning on or after 1 January 2010).

Embedded Derivatives – Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009).

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009).

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).

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).

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).

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011).

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).

#### (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 2011 or later periods, but the Group has not early adopted them:

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).

Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation (effective for annual periods beginning on or after 1 February 2010).

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010).

The Group is currently assessing the impact of the listed above amendments and new standards on its financial statements.

### 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 37).

The amounts provided to the CEO with respect to segment assets and segment liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segment and their physical conditions.

Segment Underlying EBITDA, assets and liabilities includes items directly attributable to the 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 trade and other receivables and mainly exclude investments in joint ventures and associates, other financial assets, loans receivable, unallocated term deposits and deferred and current income tax assets. Segment liabilities comprise primarily trade and other payables and mainly exclude borrowings and deferred and current income tax liabilities. Capital expenditure comprises additions to property, plant and equipment and intangible assets.

#### 4. Segment information continued

The Group is organised on the basis of six (2009: six) operating segments:

- Ferroalloys – comprises the extraction and sale of chrome ore as well as the production of ferroalloys from chromium and manganese ores;
- Iron Ore – comprises exploration, extraction, processing and manufacturing of iron ore products;
- Alumina and Aluminium – comprises extraction and processing of bauxite and limestone, and smelting of alumina and aluminium;
- Other Non-ferrous – comprises the exploration and extraction, processing and manufacturing of copper and cobalt products, and the exploration of other minerals in Africa;
- Energy – comprises coal mining and power generation; and
- Logistics – 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. Includes also logistics and trucking operations throughout Southern Africa.

Internal charges between segments have been reflected in the performance of each operating segment. The Group has a number of activities that exist principally to support the metals operations including power generation, coal mining and transportation. Inter-segment transfers or transactions are entered into under a cost-plus pricing structure. The revenue generated from external parties reported to the CEO is measured in a manner consistent with that in the consolidated income statement. The identified operating and reportable segments of the Group are the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2009. The following acquisitions have been added to the Group's segments during 2010.

Company	Segment
Enya Holdings BV ('Enya') and Chambishi Metals PLC ('Chambishi')	Other Non-ferrous
Comit Resources FZE ('Comit')	Other Non-ferrous
Société Minière de Kabolela et Kipese Sprl ('SMKK')	Other Non-ferrous
Congo Cobalt Corporation Sprl ('CCC')	Other Non-ferrous
Bahia Minerals BV ('BMBV') and Bahia Mineração Ltda ('BML')	Iron Ore
Mineração Minas Bahia SA ('MIBA')	Iron Ore
Mineração Peixe Bravo SA ('MPB')	Iron Ore

During the year, management of the SABOT logistics business, which was acquired with CAMEC, was transferred from the Other Non-ferrous Division to the Logistics Division. As a result of this change, the segment classification of the SABOT logistics business has changed for the current year and the prior year has been restated in this respect. The impact of the SABOT restatement is a transfer of revenue of US\$14million, Underlying EBITDA of US\$1 million, Segment assets of US\$74 million and Segment liabilities of US\$5 million from the Other Non-ferrous segment to the Logistics segment. In addition, the 2009 Segment assets and liabilities of the Other Non-ferrous segment were restated as detailed in note 6 to reflect the completion of the CAMEC fair value measurement period.

2010 Segment information In millions of US\$	Ferroalloys Division	Iron Ore Division	Alumina and Aluminium Division	Other Non-ferrous Division	Energy Division	Logistics Division	Corporate	Intra Group Eliminations	Total
Revenue	2,988	1,875	906	412	200	218	6	–	6,605
Inter-segment revenue	8	1	20	–	342	134	–	(505)	–
<b>Segment revenue</b>	<b>2,996</b>	<b>1,876</b>	<b>926</b>	<b>412</b>	<b>542</b>	<b>352</b>	<b>6</b>	<b>(505)</b>	<b>6,605</b>
<b>Segment operating profit/(loss)</b>	<b>1,293</b>	<b>1,045</b>	<b>178</b>	<b>7</b>	<b>262</b>	<b>54</b>	<b>(129)</b>	<b>–</b>	<b>2,710</b>
Finance income									57
Finance cost									(101)
Gain arising related to acquisition of joint venture									298
Share of profit of joint ventures and associates									13
<b>Profit before income tax</b>									<b>2,977</b>
Income tax expense									(780)
<b>Profit for the year</b>									<b>2,197</b>
<b>Depreciation, amortisation and impairment</b>	<b>(110)</b>	<b>(88)</b>	<b>(89)</b>	<b>(53)</b>	<b>(46)</b>	<b>(21)</b>	<b>(4)</b>	<b>–</b>	<b>(411)</b>
<b>Underlying EBITDA (refer note 37)</b>	<b>1,403</b>	<b>1,133</b>	<b>267</b>	<b>60</b>	<b>308</b>	<b>75</b>	<b>(52)</b>	<b>–</b>	<b>3,194</b>
<b>Capital expenditure</b>	<b>254</b>	<b>319</b>	<b>261</b>	<b>101</b>	<b>192</b>	<b>21</b>	<b>39</b>	<b>–</b>	<b>1,187</b>
<b>Segment assets</b>	<b>2,754</b>	<b>4,089</b>	<b>2,017</b>	<b>2,058</b>	<b>929</b>	<b>375</b>	<b>1,103</b>	<b>(47)</b>	<b>13,278</b>
<b>Segment liabilities</b>	<b>(295)</b>	<b>(121)</b>	<b>(72)</b>	<b>(74)</b>	<b>(51)</b>	<b>(96)</b>	<b>(622)</b>	<b>47</b>	<b>(1,284)</b>
									11,994
<b>Unallocated term deposits</b>									70
<b>Investments in joint ventures and associates</b>									393
<b>Other financial assets</b>									413
<b>Loans receivable</b>									116
<b>Borrowings</b>									(1,632)
<b>Deferred and current income tax assets</b>									48
<b>Deferred and current income tax liabilities</b>									(1,369)
<b>Total equity</b>									<b>10,033</b>
<b>Average number of employees</b>	<b>24,667</b>	<b>18,319</b>	<b>13,844</b>	<b>5,907</b>	<b>6,814</b>	<b>4,150</b>	<b>397</b>	<b>–</b>	<b>74,098</b>

# Notes to the Consolidated Financial Statements

## continued

### 4. Segment information continued

2009 Segment information In millions of US\$ (As restated)	Ferroalloys Division	Iron Ore Division	Alumina and Aluminium Division	Other Non-ferrous Division	Energy Division	Logistics Division	Corporate	Intra Group Eliminations	Total
Revenue	1,871	1,093	563	41	196	67	–	–	3,831
Inter-segment revenue	3	–	2	–	206	104	–	(315)	–
<b>Segment revenue</b>	<b>1,874</b>	<b>1,093</b>	<b>565</b>	<b>41</b>	<b>402</b>	<b>171</b>	<b>–</b>	<b>(315)</b>	<b>3,831</b>
<b>Segment operating profit/(loss)</b>	<b>781</b>	<b>453</b>	<b>5</b>	<b>–</b>	<b>179</b>	<b>24</b>	<b>(68)</b>	<b>–</b>	<b>1,374</b>
Finance income									191
Finance cost									(157)
Share of profit of joint ventures and associates									31
<b>Profit before income tax</b>									<b>1,439</b>
Income tax expense									(377)
<b>Profit for the year</b>									<b>1,062</b>
<b>Depreciation, amortisation and impairment</b>	<b>(90)</b>	<b>(79)</b>	<b>(65)</b>	<b>(5)</b>	<b>(41)</b>	<b>(16)</b>	<b>(2)</b>	<b>–</b>	<b>(298)</b>
<b>Underlying EBITDA (refer note 37)</b>	<b>707</b>	<b>485</b>	<b>78</b>	<b>5</b>	<b>213</b>	<b>40</b>	<b>(66)</b>	<b>–</b>	<b>1,462</b>
<b>Capital expenditure</b>	<b>248</b>	<b>225</b>	<b>356</b>	<b>6</b>	<b>281</b>	<b>24</b>	<b>7</b>	<b>–</b>	<b>1,147</b>
<b>Segment assets</b>	<b>2,574</b>	<b>1,544</b>	<b>1,840</b>	<b>1,331</b>	<b>807</b>	<b>291</b>	<b>610</b>	<b>(488)</b>	<b>8,509</b>
<b>Segment liabilities</b>	<b>(605)</b>	<b>(196)</b>	<b>(115)</b>	<b>(115)</b>	<b>(59)</b>	<b>(36)</b>	<b>(44)</b>	<b>488</b>	<b>(682)</b>
									7,827
<b>Unallocated term deposits</b>									128
<b>Investments in joint ventures and associates</b>									615
<b>Other financial assets</b>									115
<b>Loans receivable</b>									195
<b>Borrowings</b>									(428)
<b>Deferred and current income tax assets</b>									56
<b>Deferred and current income tax liabilities</b>									(529)
<b>Total equity</b>									<b>7,979</b>
<b>Average number of employees</b>	<b>23,892</b>	<b>17,652</b>	<b>14,115</b>	<b>3,558</b>	<b>6,589</b>	<b>4,250</b>	<b>266</b>	<b>–</b>	<b>70,322</b>

### 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 <sup>1</sup>	
	Years ended 31 December	2009	As at 31 December	2009
	<b>2010</b>		<b>2010</b>	As restated <sup>6</sup>
Eurasia <sup>2</sup>	<b>2,699</b>	1,651	<b>5,589</b>	4,887
Asia Pacific <sup>3</sup>	<b>2,341</b>	1,480	<b>24</b>	22
Europe and Middle East <sup>4</sup>	<b>1,058</b>	527	<b>25</b>	4
Africa	<b>215</b>	11	<b>1,922</b>	1,333
Rest of the World <sup>5</sup>	<b>292</b>	162	<b>2,269</b>	–
	<b>6,605</b>	3,831	<b>9,829</b>	6,246

<sup>1</sup>Non-current assets excluding investments in joint ventures and associates, other financial assets, loans receivable, and deferred tax assets.

<sup>2</sup>Eurasia comprises Kazakhstan, Russia and other countries of the former Soviet Union.

<sup>3</sup>Asia Pacific comprises China, Korea, and Japan.

<sup>4</sup>The Group does not derive revenues in the UK.

<sup>5</sup>Non-current assets in respect of the Rest of the World in 2010 relate to the Brazilian acquisitions.

<sup>6</sup>2009 has been restated as described in note 6.

### Major customers

Included in revenues arising from iron ore sales of US\$1,875 million (2009: US\$1,093 million) are revenues of approximately US\$1,069 million (2009: US\$570 million) which arose from sales to the Group's largest customer, Magnitogorsk Iron and Steel Works OJSC ('MMK').

## 5. Balances and transactions with related parties

During the years ended 31 December 2010 and 31 December 2009, the Group entered into the following transactions in the ordinary course of business with related parties:

In millions of US\$	Founder Shareholders <sup>1</sup>		The Republic of Kazakhstan		Joint ventures		Associates		Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue from sale of goods	20	5	4	3	-	-	-	-	2	-	26	8
Revenue from the provision of services	3	1	140	45	-	-	-	-	-	-	143	46
Purchases of goods	(55)	(25)	-	-	-	-	(38)	(19)	-	-	(93)	(44)
Purchases of services	(78)	(65)	-	-	-	-	-	-	(7)	-	(85)	(65)
Finance income	14	8	-	-	3	4	-	-	-	-	17	12
Finance cost	(6)	(2)	(10)	-	(17)	(23)	-	-	-	-	(33)	(25)
Purchase of property, plant and equipment <sup>2</sup>	9	4	-	-	-	-	-	-	-	-	9	4

<sup>1</sup>Includes all entities under the control of the Founder Shareholders.

<sup>2</sup>Refer to the acquisition of property, plant and equipment section within this note.

In millions of US\$	Founder Shareholders <sup>1</sup>				The Republic of Kazakhstan		Joint ventures		Associates		Other		Total	
	Eurasian Bank		Other		2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Non-current assets</b>														
Loans receivable	-	-	-	3	-	-	89	60	4	-	3	-	96	63
Other financial assets <sup>2</sup>	11	4	-	-	-	-	-	-	-	-	-	-	11	4
Other non-current assets <sup>3</sup>	15	8	24	-	-	-	-	-	-	-	-	-	39	8
<b>Current assets</b>														
Trade and other receivables <sup>4</sup>	26	123	18	36	-	-	-	-	-	-	10	-	54	159
Cash and cash equivalents	208	135	-	-	-	-	-	-	-	-	-	-	208	135
Loans receivable	-	-	3	2	-	-	-	-	3	-	-	-	6	2
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	10	-	10
<b>Non-current liabilities</b>														
Borrowings	-	-	-	-	884	-	-	-	-	-	73	-	957	-
<b>Current liabilities</b>														
Borrowings	-	1	5	-	16	-	-	-	-	-	50	-	71	1
Trade and other payables	-	-	10	14	-	-	-	-	-	-	2	-	12	14

<sup>1</sup>Includes all entities under control of the Founder shareholders.

<sup>2</sup>Other financial assets with Eurasian Bank JSC includes term deposits of US\$11 million (2009: US\$4 million) for the retirement of assets in accordance with the requirements of contracts on subsurface use.

<sup>3</sup>Other non-current assets with Founder shareholders of US\$24 million relate to payments on account for property, plant and equipment (2009: US\$nil).

<sup>4</sup>Trade and other receivables with Eurasian Bank JSC includes letters of credit of US\$8 million (2009: US\$14 million) and term deposits of US\$18 million (2009: US\$109 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, including shares held through trusts and other entities, 43.8% of the Company as at 31 December 2010 (2009: 43.8%). For the years ended 31 December 2010 and 31 December 2009, the Group undertook significant related party transactions with entities controlled by the Founder Shareholders. All transactions with related parties over US\$1 million had to be and were approved by the Company's Board.

Revenue from the sale of goods to entities controlled by the Founder Shareholders were recognised in the following segments:

In millions of US\$	Years ended 31 December	
	2010	2009
<b>Revenue from the sale of goods</b>		
Other Non-ferrous	11	3
Energy	9	-
Ferroalloys	-	1
Iron Ore	-	1
	<b>20</b>	<b>5</b>

# Notes to the Consolidated Financial Statements

## continued

### 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	
	2010	2009
<b>Purchases of goods</b>		
Purchases of raw materials	(55)	(25)
	<b>(55)</b>	<b>(25)</b>
<b>Purchases of services</b>		
Insurance	(35)	(18)
Security services	(16)	(21)
Rental expenses	(7)	(7)
Bank charges	(4)	(3)
Other	(16)	(16)
	<b>(78)</b>	<b>(65)</b>

#### 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 2010 of 4.0% (2009: 6.9%). Cash and cash equivalents held at Eurasian Bank JSC bear 0.7% interest rate (2009: nil).

There were no restrictions on the balance of US\$208 million (2009: US\$135 million) in cash and cash equivalents at 31 December 2010.

#### 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.

In 2010 the Group entered into loan agreements with Development Bank of Kazakhstan and JSC Sovereign Wealth Fund 'Samruk-Kazyna', entities controlled by the Republic of Kazakhstan. Refer note 27 for further detail.

The Group did not have any privileged transactions with entities controlled by the Republic of Kazakhstan.

#### Acquisitions

##### Acquisitions – business combinations

In April 2010 the Group acquired Enya Holdings BV and Comit Resources FZE from International Mineral Resources BV ('IMR'), a company controlled by the Founder Shareholders. Refer note 6 for further detail.

During 2009, the Group acquired control over ASEK Reinsurance AG (for cash consideration of US\$12 million) and ENRC PMZ LLP (for cash consideration of US\$20 million) from entities controlled by the Founder Shareholders.

##### Acquisitions – joint ventures and associates

During 2009, the Group acquired a 25% interest in Shubarkol Komir JSC, from a company controlled by the Founder Shareholders. In January 2011 an extension to the call option was granted. Refer note 19 and note 39 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 controlled by Mr Abdraman Yedilbayev, one of the Group's non-executive Directors, to acquire a 70% interest in Masalskoe GOK LLP. Masalskoe is a company with rights for exploration and production of iron ore of the Masalskoe deposit in the Republic of Kazakhstan. Further details are set out in note 20.

Consideration paid for the option was used by Masalskoe to finance its exploration works. Under the terms of the agreement the price to be payable on the exercise of the call option was US\$100 million.

## 5. Balances and transactions with related parties continued

### Acquisitions – property, plant and equipment

During 2010, the Group acquired railway wagons for cash consideration of US\$9 million from a company controlled by the Founder Shareholders.

During 2009, the Group acquired buildings and land in Petropavlovsk, the Republic of Kazakhstan for cash consideration of US\$4 million from a company controlled by the Founder Shareholders.

### Debt to equity swap

In January 2010, the Group converted a US\$27 million loan to Bahia Minerals BV ('BMBV') into an equity investment in BMBV. Refer note 19 for further detail.

### Guarantees

During 2010, as part of the 50.5% acquisition of the issued share capital of Camrose, the Group provided a guarantee to secure repayment of US\$155 million outstanding debt by Cerida Global Limited ('Cerida') (the Group's joint venture partner in Camrose), which is owned by the Gertler Family Trust. Refer note 19 for further detail.

During 2010, the Group provided guarantees to secure the repayment of US\$7 million by a subsidiary of Shubarkol Komir JSC (an associate of the Group).

### Loan commitments

During 2010, the Group provided a US\$400 million shareholder loan facility to Camrose, as part of the acquisition of 50.5% of the issued share capital of Camrose. The facility has been made available to Camrose for the purpose of satisfying existing payment obligations, by repaying committed loans previously undertaken by Camrose, funding working capital, commencing feasibility studies, as well as mine planning and development. As at 31 December 2010 Camrose had drawn down US\$81 million of the facility.

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. They include the Board and Senior management as identified on pages 58 to 59 and 60 to 61 respectively.

Compensation for key management personnel is set out in the table below:

In millions of US\$	Years ended 31 December	
	2010	2009
Short-term employee benefits	28	25
Share-based payments	5	9
Post-employment benefits	1	–
Termination benefits	–	3
<b>Total</b>	<b>34</b>	<b>37</b>

Balances outstanding with key management arising from key management compensation were as follows:

In millions of US\$	As at 31 December	
	2010	2009
Payables <sup>1</sup>	(14)	(14)

<sup>1</sup>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 73 to 78.

# Notes to the Consolidated Financial Statements

## continued

### 6. Business combinations

#### Enya Holdings BV and Comit Resources FZE

On 6 April 2010, the Group acquired 100% of Enya Holdings BV ('Enya') which holds a 90% interest in Chambishi Metals PLC ('Chambishi'), a Zambian copper and cobalt producer and also acquired a 100% of Comit Resources FZE ('Comit'), a Dubai-based marketing and sales company that historically has handled Chambishi's copper and cobalt sales. The gross cash consideration for the transaction amounted to US\$300 million. The acquisition of Enya and Comit was effectively completed and control obtained by the Group in April 2010.

The fair values of the identifiable assets and liabilities of Enya and Comit as at the date of acquisition were provisionally estimated as follows:

In millions of US\$	Carrying values at acquisition date	Provisional fair value adjustments	Provisional fair values at acquisition date
Property, plant and equipment	178	(31)	<b>147</b>
Loans receivable	10	–	<b>10</b>
Inventories	41	(10)	<b>31</b>
Trade and other receivables	5	–	<b>5</b>
<b>Total assets</b>	<b>234</b>	<b>(41)</b>	<b>193</b>
Deferred tax liabilities	(37)	(1)	<b>(38)</b>
Asset retirement obligations	(4)	1	<b>(3)</b>
Borrowings	(2)	–	<b>(2)</b>
Trade and other payables	(38)	–	<b>(38)</b>
<b>Total liabilities</b>	<b>(81)</b>	<b>–</b>	<b>(81)</b>
Net assets	153	(41)	<b>112</b>
Non-controlling interests <sup>1</sup>			<b>(1)</b>
Goodwill			<b>185</b>
<b>Net attributable assets</b>			<b>296</b>
Consideration:			
Purchase consideration settled in cash			<b>300</b>
Cash and cash equivalents acquired			<b>(4)</b>
<b>Net cash outflow on acquisition</b>			<b>296</b>

<sup>1</sup>Includes non-controlling interests of a subsidiary not wholly owned by Enya.

Goodwill arises on the acquisition of Chambishi primarily because of the strong strategic location of the assets within the copper and cobalt belt of Zambia. Chambishi is well placed to take advantage of the potential growth in the copper and cobalt mining activity within the region. The acquisition complements the Group's strategy of expansion in the copper and cobalt business. None of the recognised goodwill is expected to be deductible for income tax purposes. The provisional fair value adjustments include measurement period adjustments made since 30 June 2010.

Acquisition costs of US\$4 million have been expensed and included in general and administrative expenses in the income statement. Trade and other receivables balances at acquisition date included gross contractual amounts due of US\$2 million, none of which was expected to be uncollectible at the acquisition date. The loans receivable balances at acquisition date comprised gross contractual amounts due of US\$12 million, none of which was expected to be uncollectible at the acquisition date. The Group has chosen to recognise the non-controlling interests for this acquisition based on their proportionate share of the identifiable net assets of the acquiree.

The acquired businesses contributed revenue of US\$132 million and loss after income tax of US\$8 million from the date of acquisition to 31 December 2010. 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\$28 million, whilst the impact to profit after income tax would have been an additional loss of US\$9 million.

#### Bahia Minerals BV ('BMBV')

On 21 September 2010 the Group completed the purchase of the outstanding 50% of the common shares of Bahia Minerals BV ('BMBV') (commonly referred to as the 'BML Project') from Ardila Investments NV ('Ardila'), a subsidiary of Zamin BM NV, being the shares of BMBV which ENRC did not already own. BMBV is the sole shareholder of two Brazilian companies, Bahia Mineração Limitada ('BML') and Eire Mineração Limitada ('EML'). BML and EML are the only assets within BMBV, in the Caetite region in the State of Bahia in Brazil.

The 50% interest in BMBV was acquired for a net cash consideration of US\$670 million (before discounting), after assuming net debt of approximately US\$65 million. A payment of US\$168 million was made at completion, from existing cash resources. The remaining US\$503 million (the 'Deferred Consideration') is payable in two instalments, of US\$168 million and US\$335 million respectively which are subject to the satisfaction of certain conditions. Following the completion of the acquisition the Group owns 100% of BMBV.

The Group also secured an option to purchase 100% of the outstanding shares of Block V Limited and Caera Minerals Limited, which together own Greystone Mineração do Brasil Limitada ('Greystone'), from Zamin. The Group paid US\$50 million for grant of this option as an advance against its exercise price. The advance was to be offset either against the exercise price (should the Group exercise the option), or otherwise against the Deferred Consideration for BMBV (should the Group not exercise the option). The Group elected not to exercise the option and as a consequence the payment was offset against the Deferred Consideration. Subsequently, the Group also made a payment of US\$84 million against the Deferred Consideration upon achievement of certain logistical infrastructure approvals.

## 6. Business combinations continued

The fair values of the identifiable assets and liabilities of BMBV as at the date of acquisition were provisionally estimated as follows:

In millions of US\$	Carrying values at acquisition date	Provisional fair value adjustments	Provisional fair values at acquisition date
Property, plant and equipment	85	1,340	<b>1,425</b>
Intangible assets	7	(7)	<b>–</b>
Other financial (non-current) assets	25	–	<b>25</b>
<b>Total assets</b>	<b>117</b>	<b>1,333</b>	<b>1,450</b>
Deferred tax liabilities	–	(453)	<b>(453)</b>
Trade and other payables	(103)	–	<b>(103)</b>
<b>Total liabilities</b>	<b>(103)</b>	<b>(453)</b>	<b>(556)</b>
Net assets	14	880	<b>894</b>
Goodwill			<b>453</b>
<b>Net attributable assets</b>			<b>1,347</b>
<b>Consideration:</b>			
Purchase consideration settled in cash (including option)			<b>218</b>
Cash acquired			<b>(50)</b>
Net cash outflow on acquisition			<b>168</b>
Fair value of Deferred Consideration at acquisition date			<b>449</b>
Debt due from vendor assumed			<b>65</b>
Gain related to recognition of initial 50% interest at fair value			<b>298</b>
Carrying value of initial 50% interest at acquisition date			<b>367</b>
<b>Total consideration</b>			<b>1,347</b>

The gain of US\$298 million arising on recognition of the Group's existing interest in BMBV at fair value is recognised in the income statement.

The fair value adjustments are to recognise mineral rights acquired and deferred taxation arising thereon. The goodwill recognised on acquisition is the result of the requirement to recognise a deferred tax liability on the acquired mineral rights (within property, plant and equipment). None of the recognised goodwill is expected to be deductible for income tax purposes.

The deferred consideration has been discounted to its fair value on initial recognition of this liability.

Acquisition costs of US\$1 million have been expensed and included in general and administrative expenses in the income statement.

The acquired businesses contributed revenue of US\$nil and loss after income tax of US\$19 million from the date of acquisition to 31 December 2010. 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\$nil, whilst the impact to profit after income tax would have been an additional profit of US\$4 million.

### Mineração Minas Bahia SA ('MIBA') and Mineração Peixe Bravo SA ('MPB')

In October 2010, the Group announced the purchase of 100% of the common shares of MIBA. The cash consideration is payable in instalments, and shares of MIBA are transferred to the Group against each instalment. During 2010 the Group paid US\$100 million, and received 42.4% of MIBA. The remainder is payable in two instalments, of US\$48 million in April 2011 and October 2011 and a final instalment of approximately US\$47 million in April 2012 (together 'Deferred consideration').

In addition, the Group subscribed for new common shares representing 51% of the enlarged share capital of Mineração Peixe Bravo SA ('MPB'). The Group also holds a 3 year option, from 20 October 2010, to purchase the remaining 49% of MPB from its shareholders for US\$50 million.

The combined acquisitions and related deals have a total cash consideration of up to US\$304 million, which includes US\$54 million payable to Steel do Brasil Participações SA ('Steel do Brasil'). The total consideration comprises US\$250 million payable to the shareholders of MIBA – a group of individuals primarily composed of the Couri family (together, the 'Sellers') – and to MPB.

Both MIBA and MPB have been accounted for as subsidiaries. MPB has been treated as a subsidiary because, under IFRS, the Group is considered to have control through the right to acquire the remaining shares and the terms of the shareholders' agreement. Although the Group currently holds less than 50% of MIBA it considers it has control on the basis of the shareholders agreement and its obligation to acquire the remaining shares in the business.

In addition, up to US\$54 million is payable to Steel do Brasil. Steel do Brasil previously entered into agreements to acquire 100% of the outstanding common shares of MIBA and 50% of the outstanding common shares of MPB. Steel do Brasil had agreed to allow the Sellers to negotiate an independent agreement with the Group and, if successful, conclude the transaction with the Group. Any amounts payable to Steel do Brasil are treated as acquisition costs and immediately expensed.

# Notes to the Consolidated Financial Statements

## continued

### 6. Business combinations continued

The fair values of the identifiable assets and liabilities of MIBA and MPB as at the date of acquisition were provisionally estimated as follows:

In millions of US\$	Carrying values at acquisition date	Provisional fair value adjustments	Provisional fair values at acquisition date
Property, plant and equipment	–	242	242
Deferred tax liabilities	–	(82)	(82)
Net assets	–	160	160
Non-controlling interests			–
Goodwill			82
<b>Net attributable assets</b>			<b>242</b>
<b>Consideration:</b>			
Purchase consideration settled in cash			100
Net cash outflow on acquisition			100
Fair value of Deferred Consideration at acquisition date			142
<b>Total consideration</b>			<b>242</b>

The fair value adjustments are to recognise mineral rights acquired and deferred taxation arising thereon. The goodwill recognised on acquisition is the result of the requirement to recognise a deferred tax liability on the acquired mineral rights (within property, plant and equipment). None of the recognised goodwill is expected to be deductible for income tax purposes. The fair value adjustments and non-controlling interests (which are not currently material) are provisional at 31 December 2010.

Acquisition costs of US\$62 million have been expensed and included in general and administrative expenses in the income statement.

The Group has chosen to recognise the non-controlling interests for this acquisition based on their proportionate share of the identifiable net assets of the acquiree.

The acquired businesses contributed revenue of US\$nil and profit after income tax of US\$nil from the date of acquisition to 31 December 2010. 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\$nil, whilst the impact to profit after income tax would have been US\$nil.

#### Société Minière de Kabolela et Kipese Sprl

A 50% interest in Société Minière de Kabolela et Kipese Sprl ('SMKK') was acquired on 9 November 2009 as part of the CAMEC acquisition. SMKK is the title holder of some exploration permit assets contiguous to the Group's existing operations in the DRC. At 31 December 2009, the provisional carrying value of the Group's investment in SMKK was US\$75 million. This investment was accounted for as an associate using the 'equity method'. In 2009 the Group acquired an option, for a cash consideration of US\$25 million, to purchase the outstanding 50% of the issued share capital of SMKK by acquiring the entire issued share capital of Emerald Star Enterprises Limited ('ESEL'), (an entity controlled by the Gertler family trust), the owner of the outstanding 50% of SMKK. The Group exercised this option and the acquisition of ESEL was effectively completed and control obtained by the Group in June 2010. The total cash consideration in respect of the outstanding SMKK shares, inclusive of the US\$25 million option, amounted to US\$75 million.

The fair values of the identifiable assets and liabilities of SMKK and ESEL as at the date of acquisition were provisionally estimated as follows:

In millions of US\$	Provisional fair values at acquisition date
Property, plant and equipment	155
<b>Total assets</b>	<b>155</b>
Deferred tax liabilities	(47)
Asset retirement obligations	(3)
Trade and other payables	(1)
<b>Total liabilities</b>	<b>(51)</b>
Net assets	104
Goodwill	46
<b>Net attributable assets</b>	<b>150</b>
<b>Consideration:</b>	
Purchase consideration settled in cash	50
Fair value of exercised option at acquisition date	25
Fair value of initial 50% interest at acquisition date	75
<b>Total consideration</b>	<b>150</b>

The goodwill recognised on acquisition is the result of the requirement to recognise a deferred tax liability on the acquired mineral rights (within property, plant and equipment). None of the recognised goodwill is expected to be deductible for income tax purposes.

There were no significant acquisition costs incurred in relation to the acquisition of the remaining 50% interest.

The acquired businesses contributed US\$nil revenue and profit after income tax from the date of acquisition to 31 December 2010. If the acquisition had taken place at the beginning of the year, the impact to the Group's revenue and profit after income tax would have been US\$nil.

## 6. Business combinations continued

### Congo Cobalt Corporation Sprl

With effect from 1 July 2010 the Group acquired, Congo Cobalt Corporation Sprl ('CCC'), a legal entity registered in the DRC that provides mining contracting services to Boss Mining Sprl (part of the CAMEC group of companies) and SMKK. Consideration of US\$4.5 million (US\$3 million net of cash acquired) was paid.

### 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 listed on the United Kingdom's Alternative Investment Market ('AIM'), was 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.

The fair values of the identifiable asset and liabilities of CAMEC as at the date of acquisition were provisionally estimated and disclosed in the 2009 Annual Report and Accounts of ENRC. The Group has now completed the measurement of the fair values of assets and liabilities acquired with CAMEC. The table below sets out the movements from the provisional fair values detailed in the 2009 Annual Report and Accounts and the final fair values at acquisition date.

These adjustments have been recorded as a prior year restatement of the Balance Sheet of the Group at 31 December 2009. There is no consequential impact to the Income Statement for the year ended 31 December 2009.

In millions of US\$	Provisional fair values at acquisition date	Final fair value adjustments	Final fair values at acquisition date
Property, plant and equipment	1,150	10	<b>1,160</b>
Investments in associates	75	–	<b>75</b>
Loans receivable (current and non-current)	54	20	<b>74</b>
Deferred tax assets	32	–	<b>32</b>
Inventories	23	–	<b>23</b>
Trade and other receivables	21	–	<b>21</b>
Other financial assets	2	–	<b>2</b>
<b>Total assets</b>	<b>1,357</b>	<b>30</b>	<b>1,387</b>
Deferred tax liabilities	(307)	2	<b>(305)</b>
Asset retirement obligations	(1)	–	<b>(1)</b>
Employee benefit obligations	(2)	–	<b>(2)</b>
Borrowings	(4)	–	<b>(4)</b>
Trade and other payables	(112)	(15)	<b>(127)</b>
Current income tax payable	(21)	(11)	<b>(32)</b>
<b>Total liabilities</b>	<b>(447)</b>	<b>(24)</b>	<b>(471)</b>
Net assets	910	6	<b>916</b>
Non-controlling interests	(193)	25	<b>(168)</b>
Goodwill	200	(31)	<b>169</b>
<b>Net attributable assets</b>	<b>917</b>	<b>–</b>	<b>917</b>
Consideration:			
Purchase consideration settled in cash	931	–	<b>931</b>
Cash and cash equivalents in subsidiary acquired	(14)	–	<b>(14)</b>
<b>Net cash outflow on acquisition</b>	<b>917</b>	<b>–</b>	<b>917</b>

The goodwill balance is primarily 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 fair value adjustments.

The adjustments made to restate the balance sheet relate primarily to the final measurement of mineral rights acquired and other adjustments relating to loan receivables, trade payables and current income tax payable which were required when the Group completed its review of the acquired balance sheet.

Acquisition costs of US\$6 million were expensed in the 31 December 2010 income statement.

In addition, the Group completed a partial buyout of non-controlling interests in CAMEC for a cash consideration of US\$9 million. As a result, the Group's interest in CAMEC increased to 96.88% of CAMEC's issued share capital. The Group recognised a decrease in non-controlling interests of US\$9 million, and no impact on retained earnings.

# Notes to the Consolidated Financial Statements

## continued

### 6. Business combinations continued

#### Fair value estimates

The provisional values of assets and liabilities recognised on acquisition are their estimated fair values at the date of acquisition. Accounting standards permit up to 12 months for provisional acquisition accounting to be finalised following the acquisition date if any subsequent information provides better evidence of the item's fair value at the date of acquisition.

For all business combinations, the Group either undertook or is in the process of undertaking a detailed review to determine the fair value of assets and liabilities recognised at the date of acquisition. Such reviews may include engaging third party advisers to determine the fair values of the cash-generating units of the entities acquired.

### 7. Revenue

In millions of US\$	Years ended 31 December	
	2010	2009
Sale of goods, net of discounts	6,355	3,691
Logistics services	239	53
Sales of by-products and other revenue	11	87
<b>Total revenue</b>	<b>6,605</b>	<b>3,831</b>

### 8. Cost of sales

In millions of US\$	Years ended 31 December	
	2010	2009
Materials and components used	(1,237)	(735)
Staff costs	(528)	(370)
Depreciation, amortisation and impairment	(398)	(288)
Mineral extraction taxes, royalties and other taxes	(360)	(195)
Power and energy	(156)	(69)
Repairs and maintenance	(99)	(53)
Insurance	(31)	(17)
In-plant carriage costs	(7)	(4)
Realised loss on the cash flow hedges	-	(61)
Rent	-	(3)
Changes in inventories of finished goods and work-in-progress	138	(51)
Other	(169)	(101)
<b>Total cost of sales</b>	<b>(2,847)</b>	<b>(1,947)</b>

### 9. Distribution costs

In millions of US\$	Years ended 31 December	
	2010	2009
Transportation costs	(383)	(302)
Agency and commission fees	(26)	(12)
Taxes and duties	(13)	(9)
Insurance	(6)	(4)
Staff costs	(5)	(5)
Other	(52)	(34)
<b>Total distribution costs</b>	<b>(485)</b>	<b>(366)</b>

### 10. General and administrative expenses

In millions of US\$	Years ended 31 December	
	2010	2009
Staff costs	(196)	(151)
Professional and other services	(118)	(39)
Sponsorship and donations	(63)	(37)
Taxes other than on income	(32)	(28)
Travel and entertainment	(23)	(15)
Rent	(13)	(12)
Depreciation, amortisation and impairment	(13)	(10)
Bank charges	(7)	(5)
Insurance	(6)	(3)
Utilities and telecommunication services	(5)	(6)
Repairs and maintenance	(5)	(6)
Impairment loss provision	1	(7)
Other	(75)	(40)
<b>Total general and administrative expenses</b>	<b>(555)</b>	<b>(359)</b>

### 11. Other operating income and expense

In millions of US\$	Years ended 31 December	
	2010	2009
Foreign exchange gains	78	225
Other	13	28
<b>Total other operating income</b>	<b>91</b>	<b>253</b>
Foreign exchange losses	(79)	(18)
Loss on sale of property, plant and equipment	(1)	(2)
Other	(19)	(18)
<b>Total other operating expense</b>	<b>(99)</b>	<b>(38)</b>
<b>Net other operating (expense)/income</b>	<b>(8)</b>	<b>215</b>

### 12. Employee benefit expense

In millions of US\$	Note	Years ended 31 December	
		2010	2009
Wages and salaries		(674)	(455)
Compulsory social security contributions		(53)	(42)
Contributions to defined contribution plans		(2)	(2)
Income/(expense) related to defined benefit plans	29	8	(14)
Share-based payments	32	(8)	(13)
<b>Total employee benefit expense</b>		<b>(729)</b>	<b>(526)</b>

### 13. Finance income

In millions of US\$	Years ended 31 December	
	2010	2009
Interest income	28	58
Foreign exchange gains	15	125
Dividends	6	–
Unwinding gain on origination of loan	2	–
Gain on disposal of financial assets at fair value through profit or loss	–	8
Other	6	–
<b>Total finance income</b>	<b>57</b>	<b>191</b>

### 14. Finance cost

In millions of US\$	Years ended 31 December	
	2010	2009
Fair value loss on origination of loans granted	(17)	(23)
Interest expense on borrowings	(17)	(11)
Foreign exchange losses	(14)	(88)
Amortisation of financial instruments discount	(13)	(5)
Other interest expense	(11)	(5)
Unwinding of asset retirement obligation discount	(5)	(7)
Unwinding of employee benefits obligations discount	(2)	(2)
Fair value loss on financial assets at fair value through profit or loss	–	(2)
Other	(22)	(16)
	<b>(101)</b>	<b>(159)</b>
Less capitalised borrowing costs	–	2
<b>Total finance cost</b>	<b>(101)</b>	<b>(157)</b>

### 15. Income taxes

Income tax expense comprises the following:

In millions of US\$	Years ended 31 December	
	2010	2009
<b>Current tax</b>		
Corporate income tax – current period	(662)	(322)
Corporate income tax – prior periods	11	9
Withholding taxes	(26)	(51)
<b>Total current tax</b>	<b>(677)</b>	<b>(364)</b>
<b>Deferred tax</b>		
Deferred income tax – current period	(55)	(9)
Deferred income tax – prior periods	–	12
Deferred income tax – effect of changes in tax legislation	(48)	(16)
<b>Total deferred tax</b>	<b>(103)</b>	<b>(13)</b>
<b>Total income tax expense</b>	<b>(780)</b>	<b>(377)</b>

# Notes to the Consolidated Financial Statements

## continued

### 15. Income taxes continued

#### Factors affecting future tax charges

Future tax charges are affected by changes to the applicable laws and regulations in, as well as profit mix from, the jurisdictions in which the Group operates. Given that the Group is subject to Excess Profits Tax in the Republic of Kazakhstan, future tax charges are also affected by product prices and profitability levels achieved on subsurface use contracts in the Republic of Kazakhstan.

In November 2010, the Republic of Kazakhstan extended the applicable 20% rate of Corporate Income Tax and the currently applicable rates of Mineral Extraction Tax indefinitely. The enacted changes resulted in remeasurement of the deferred tax assets and liabilities as at 31 December 2010, and an increase to the income tax charge of US\$48 million. A reduction in the applicable rate of Corporate Income Tax in the UK from 28% to 27% with effect from 1 April 2011 was enacted on 20 July 2010. A further reduction to 26% with effect from 1 April 2011 has subsequently been announced and is expected to be enacted in due course, along with a proposal to reduce the rate to 25% from 1 April 2012.

#### 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	
	2010	2009
<b>Profit before income tax</b>	<b>2,977</b>	1,439
Notional tax charge at 20% (2009: 20%)	<b>595</b>	288
Excess profits tax – current year	<b>148</b>	31
Non-taxable gain arising related to acquisition of joint venture	<b>(60)</b>	–
Items not deductible for tax purposes	<b>53</b>	37
Effect of change in tax rate	<b>48</b>	16
Losses not recognised for tax purposes	<b>31</b>	18
Effects of different tax rates in other countries	<b>(27)</b>	(13)
Withholding taxes	<b>26</b>	51
Income not chargeable for tax purposes	<b>(25)</b>	(15)
Acquisition costs not deductible for tax purposes	<b>15</b>	–
Prior year adjustment	<b>(11)</b>	(21)
Recognition or utilisation of previously unrecognised losses	<b>(8)</b>	(6)
Other	<b>(5)</b>	(9)
<b>Income tax expense for the year</b>	<b>780</b>	377

In addition to the amount charged to the income statement, the aggregate amount of income tax related to items recognised directly in other comprehensive income was US\$nil (2009: US\$4 million).

#### Deferred taxation

Deferred tax movements for the year are summarised below as follows:

In millions of US\$	31 December 2009 as previously reported	Restatement	31 December 2009 as restated	Additions on acquisitions	Charged/ (credited) to income statement	Charged to other comprehensive income	Exchange differences	<b>31 December 2010</b>
<b>Gross deferred tax assets</b>								
Temporary timing differences	(108)	–	(108)	–	<b>1</b>	–	<b>(1)</b>	<b>(108)</b>
Less offsetting with deferred tax liabilities	65	–	65	–	<b>2</b>	–	–	<b>67</b>
<b>Recognised deferred tax assets</b>	<b>(43)</b>	–	<b>(43)</b>	–	<b>3</b>	–	<b>(1)</b>	<b>(41)</b>
<b>Tax effect of taxable temporary differences</b>								
Property, plant and equipment	514	(2)	512	<b>620</b>	<b>102</b>	–	<b>1</b>	<b>1,235</b>
Other temporary timing differences	8	–	8	–	–	–	–	<b>8</b>
<b>Gross deferred tax liabilities</b>	<b>522</b>	<b>(2)</b>	<b>520</b>	<b>620</b>	<b>102</b>	–	<b>1</b>	<b>1,243</b>
Less offsetting with deferred tax assets	(65)	–	(65)	–	<b>(2)</b>	–	–	<b>(67)</b>
<b>Recognised deferred tax liabilities</b>	<b>457</b>	<b>(2)</b>	<b>455</b>	<b>620</b>	<b>100</b>	–	<b>1</b>	<b>1,176</b>

## 15. Income taxes continued

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
<b>Gross deferred tax assets</b>						
Temporary timing differences	(81)	(32)	(6)	–	11	(108)
Less offsetting with deferred tax liabilities	49	–	16	–	–	65
<b>Recognised deferred tax assets</b>	<b>(32)</b>	<b>(32)</b>	<b>10</b>	<b>–</b>	<b>11</b>	<b>(43)</b>
<b>Tax effect of taxable temporary differences</b>						
Property, plant and equipment (as restated)	227	309	19	–	(43)	512
Other temporary timing differences	5	–	–	4	(1)	8
<b>Gross deferred tax liabilities</b>	<b>232</b>	<b>309</b>	<b>19</b>	<b>4</b>	<b>(44)</b>	<b>520</b>
Less offsetting with deferred tax assets	(49)	–	(16)	–	–	(65)
<b>Recognised deferred tax liabilities (as restated)</b>	<b>183</b>	<b>309</b>	<b>3</b>	<b>4</b>	<b>(44)</b>	<b>455</b>

Of the gross deferred tax liability of US\$1,243 million (2009 as restated: US\$520 million) as at 31 December 2010, US\$853 million (2009 as restated: US\$273 million) relates to deferred tax liabilities in respect of mineral rights.

The Group has unrecognised deferred tax assets in respect of deductible temporary differences of US\$91 million (2009: US\$77 million). Of this amount, US\$14 million (2009: US\$11 million) relates to losses which expire within 10 years, and US\$77 million (2009: US\$66 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\$6,167 million (2009: US\$4,686 million).

## 16. Earnings per share

In millions of US\$ (unless otherwise stated)	Note	Years ended 31 December	
		2010	2009
<b>Profit for the year attributable to equity holders of the Company</b>		<b>2,185</b>	1,045
Number of shares			
<b>Weighted average number of ordinary shares in issue for basic earnings per share</b>		<b>1,287,750,000</b>	1,287,750,000
Adjusted for:			
Potential share based awards under Long-term Incentive Plan	32	–	1,950,925
<b>Weighted average number of ordinary shares for diluted earnings per share</b>		<b>1,287,750,000</b>	1,289,700,925
Basic and diluted earnings per share (US cents)		<b>170</b>	81

## 17. Property, plant and equipment

In millions of US\$	Freehold land	Buildings and mining assets	Plant and equipment	Vehicles	Assets under construction	Total
<b>Cost at 1 January 2010 as previously reported</b>	<b>44</b>	<b>2,581</b>	<b>2,385</b>	<b>713</b>	<b>1,126</b>	<b>6,849</b>
Restatement (note 6)	–	28	(10)	(8)	–	10
<b>Cost at 1 January 2010 as restated</b>	<b>44</b>	<b>2,609</b>	<b>2,375</b>	<b>705</b>	<b>1,126</b>	<b>6,859</b>
Additions	–	43	114	75	943	1,175
Additions on business acquisitions	9	1,752	144	5	91	2,001
Change in asset retirement costs	–	(14)	(6)	–	2	(18)
Transfers	–	214	383	74	(671)	–
Transfer to assets classified as held for sale	–	(15)	(49)	(8)	(6)	(78)
Disposals	–	(21)	(27)	(22)	(12)	(82)
Exchange differences	1	21	16	4	12	54
<b>At 31 December 2010</b>	<b>54</b>	<b>4,589</b>	<b>2,950</b>	<b>833</b>	<b>1,485</b>	<b>9,911</b>
<b>Accumulated depreciation at 1 January 2010</b>	<b>–</b>	<b>(367)</b>	<b>(737)</b>	<b>(275)</b>	<b>–</b>	<b>(1,379)</b>
Disposals	–	5	21	17	–	43
Depreciation charge	–	(107)	(242)	(75)	–	(424)
Transfer to assets classified as held for sale	–	9	29	5	–	43
Exchange differences	–	(2)	(5)	(1)	–	(8)
<b>At 31 December 2010</b>	<b>–</b>	<b>(462)</b>	<b>(934)</b>	<b>(329)</b>	<b>–</b>	<b>(1,725)</b>
<b>Carrying value at 31 December 2010</b>	<b>54</b>	<b>4,127</b>	<b>2,016</b>	<b>504</b>	<b>1,485</b>	<b>8,186</b>
Property, plant and equipment pledged as collateral (refer note 35)	–	–	1	5	–	6

# Notes to the Consolidated Financial Statements

## continued

### 17. Property, plant and equipment continued

In millions of US\$	Freehold land	Buildings and mining assets	Plant and equipment	Vehicles	Assets under construction	Total
Cost at 1 January 2009	47	1,698	2,235	713	945	5,638
Additions	1	6	45	17	1,041	1,110
Additions on business acquisitions as restated	5	958	136	41	40	1,180
Change in asset retirement costs	–	26	8	–	–	34
Transfers	–	248	378	79	(705)	–
Transfer to assets classified as held for sale	–	–	–	–	(7)	(7)
Disposals	–	(22)	(9)	(11)	(11)	(53)
Exchange differences	(9)	(305)	(418)	(134)	(177)	(1,043)
At 31 December 2009 as restated	44	2,609	2,375	705	1,126	6,859
Accumulated depreciation at 1 January 2009	–	(366)	(714)	(276)	–	(1,356)
Disposals	–	4	19	10	–	33
Depreciation charge	–	(75)	(177)	(62)	–	(314)
Exchange differences	–	70	135	53	–	258
At 31 December 2009	–	(367)	(737)	(275)	–	(1,379)
Carrying value at 31 December 2009 as restated	44	2,242	1,638	430	1,126	5,480
Carrying value at 31 December 2009 as previously reported	44	2,214	1,648	438	1,126	5,470
Property, plant and equipment pledged as collateral (refer note 35)	–	–	45	6	–	51

Additions to assets under construction included US\$nil of capitalised borrowing costs (2009: US\$2 million). The average capitalisation rate was nil for the year ended 31 December 2010 (2009: 1.0%).

During the year, there was no impairment charge with respect to property, plant and equipment (2009: US\$nil).

As at 1 January 2009, transmission facilities, with a net book value of US\$220 million, have been reclassified from 'plant and equipment' to 'buildings and mining assets' to reflect their technical specifications more appropriately. There has been no change in useful economic lives of the reclassified assets.

### 18. Goodwill and intangible assets

In millions of US\$	Note	Goodwill	Intangible assets	Total
<b>Carrying amount at 1 January 2009</b>		486	9	495
Acquisitions through business combinations		203	–	203
Additions		–	3	3
Exchange differences		(91)	–	(91)
<b>Carrying amount at 31 December 2009 as previously reported</b>		598	12	610
<b>Restatement to acquisitions through business combinations</b>	6	(31)	–	(31)
<b>Carrying amount at 31 December 2009 as restated</b>		567	12	579
Acquisitions through business combinations	6	<b>766</b>	–	<b>766</b>
Additions		–	<b>12</b>	<b>12</b>
Amortisation		–	<b>(1)</b>	<b>(1)</b>
Exchange differences		<b>12</b>	–	<b>12</b>
<b>Carrying amount at 31 December 2010</b>		<b>1,345</b>	<b>23</b>	<b>1,368</b>

The carrying amount of goodwill is allocated to groups of cash-generating units as follows:

In millions of US\$	As at 31 December	
	2010	2009 As restated
Ferroalloys Division	<b>226</b>	225
Iron Ore Division	<b>687</b>	144
Alumina and Aluminium Division	<b>4</b>	3
Other Non-ferrous Division	<b>401</b>	169
Energy Division	<b>27</b>	26
<b>Total carrying amount of goodwill</b>	<b>1,345</b>	567

Goodwill is allocated to the Cash Generating Unit (CGU) expected to benefit from the business combination. Typically this is in accordance with the Group's operating segments.

### 18. Goodwill and intangible assets continued

Goodwill is tested for impairment in accordance with the policy disclosed in note 1. As at 31 December 2010, and 31 December 2009 there is no impairment of goodwill (refer note 2 and below).

#### Sensitivity of recoverable amounts

Management believes that, currently, there are no reasonably possible changes in any of the key assumptions that would lead goodwill to be impaired for the majority of its businesses. The exception is the CGU in the Other Non-ferrous division, as described below.

At the end of 2010, the analysis of recoverable amounts for the Boss Mining group resulted in headroom that necessitated a review of sensitivities to the main assumptions used. The impairment test for this CGU is particularly sensitive to changes in commodity prices, discount rate and operating costs.

As indicated in note 6, the goodwill balance in CAMEC (of which Boss mining is a subsidiary) is primarily the result of the requirement to recognise a deferred tax liability on the acquired mineral rights. For the purposes of testing this goodwill for impairment, any of the related deferred tax liabilities recognised on acquisition that remain at the balance sheet date are treated as part of the CGU.

Whilst the directors remain confident in the assumptions used in the recoverable amount computations, adverse changes in assumptions as described below could result in impairment charges.

	Excess of recoverable amount over carrying value (US\$m)	Value assigned to the key assumption			Change in the key assumption which would result in the recoverable amount equalling the carrying value (%)		
		Commodity prices (US\$000/t)	Discount rate (nominal)	Operating costs <sup>1</sup> (US\$000/t)	Commodity prices	Discount rate	Operating costs <sup>1</sup>
2010							
Boss Mining group	165	Cu: 6.2–8.7 Co: 30.9–42.0	13.01%	Years 1-2: 5.3–7.1 Thereafter: 3.4–4.1	4.4%	26.4%	5.2%

<sup>1</sup>Including foreign exchange rate.

The excess of recoverable amount over the carrying value was US\$165 million. One of the assumptions used in the calculation of the recoverable amount relates to the quantity of available reserves and resources. The Group is in an early stage of exploration and has not yet completed an overall evaluation of reserves and resources by an appropriate qualified person. The assumption therefore represents management's expectations at the time of completing impairment testing, based on available historical information and some preliminary drilling. Once the Group completes the evaluation exercise, the quantity of reserves and resources of their properties could be significantly different.

The commodity prices used in the impairment review are management's estimates over the first five years of the forecasted period, and they are not significantly different from the available analyst forecasts. The long-term price after year 2015 remains fixed at US\$6,200 per tonne for copper and US\$30,900 per tonne for cobalt till the end of the forecasted period which is year 2027. Operating cost assumptions are based on management's best estimate at the date of impairment testing of the costs to be incurred, which correlate with the production volumes stated in long-term mine plans. Operating costs in the above table are presented on a combined basis for copper and cobalt.

### 19. Investments in joint ventures and associates

As at 31 December 2010 and 31 December 2009, investments in joint ventures and associates consisted of the following:

Investee	Associate/ Joint venture	Country of incorporation	Principal activities	31 December 2010		31 December 2009	
				Carrying value, millions of US\$	Ownership	Carrying value, millions of US\$	Ownership
Shubarkol Komir JSC	Associate	Kazakhstan	Semi-coke/thermal coal production	210	25.0%	204	25.0%
Earth Centre Investments (Pty) Limited <sup>1</sup>	Associate	Namibia	Property investment	–	50.0%	–	50.0%
Société Minière de Kabolela et Kipese Sprl ('SMKK') <sup>2</sup>	Associate	Democratic Republic of Congo	Mineral exploration	–	–	75	50.0%
Camrose Resources Limited	Joint venture	British Virgin Islands	Development of copper and cobalt deposits	178	50.5%	–	–
Taurus Gold Limited	Joint venture	British Virgin Islands	Development of gold deposits	5	38.6%	–	–
Bahia Minerals BV ('BMBV') <sup>2</sup>	Joint venture	Netherlands	Development of iron ore deposit	–	–	336	50.0%
<b>Total</b>				<b>393</b>		<b>615</b>	

<sup>1</sup>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.

<sup>2</sup>The Group's interest in these entities increased during the year and they are now subsidiaries.

# Notes to the Consolidated Financial Statements

## continued

### 19. Investments in joint ventures and associates continued

Movements in the carrying value of the investments in associates are set out in the following table:

In millions of US\$	Note	2010	2009
Carrying value at 1 January		279	–
Acquisitions (a)		–	198
Acquisition of outstanding interests in associates (b)		–	75
Dividends		(6)	–
Share of profit of associates		11	6
Acquisition of SMKK	6	(75)	–
Exchange differences		1	–
<b>At 31 December</b>		<b>210</b>	<b>279</b>

Movements in the carrying value of the investments in joint ventures are set out in the following table:

In millions of US\$	Note	2010	2009
Carrying value at 1 January		336	313
Acquisitions (a)		185	–
Debt to equity swap (c)		27	–
Share of profit of joint ventures		2	25
Acquisition of BMBV	6	(367)	–
Exchange differences		–	(2)
<b>At 31 December</b>		<b>183</b>	<b>336</b>

#### (a) Acquisitions

##### Camrose Resources Limited ('Camrose')

In August 2010, the Group purchased 50.5% of the issued share capital of Camrose and formed the Camrose joint venture. The interest in Camrose was purchased from Cerida, Silvertide Global Limited and Zanette Limited, which are owned by the Gertler Family Trust. Camrose's primary assets, held through its subsidiaries, are high quality copper and cobalt exploitation licences located in the DRC. The consideration for the acquisition was US\$175 million. The Group paid US\$50 million in cash and issued promissory notes totalling US\$125 million which mature between 9 months and 24 months (refer to note 27). As part of the acquisition, the Group provided Camrose with a US\$400 million shareholder loan facility. The loan has been made available to Camrose for the purposes of satisfying existing payment obligations on the part of the Highwind Group (as defined below), repaying committed loans previously undertaken by Camrose, funding working capital, commencing feasibility studies, as well as mine planning and development. The Group also provided a guarantee to secure repayment of US\$155 million by Cerida of outstanding debt. Camrose, through its subsidiaries, primarily holds interests in five copper and cobalt exploitation licences situated in the DRC by way of:

- 45,400,000 common shares of Africo Resources Limited ('Africo'), representing approximately 64% of the issued share capital of Africo, which is listed on the Toronto Stock Exchange. Africo owns a 75% interest in the exploitation licence for the Kalukundi property in the Kolwezi District of Katanga Province in the southeast of the DRC. The remaining 25% is owned by Gécamines;
- A 56% indirect interest in La Congolaise de Mines et de Développement (Comide Sprl) ('Comide') of which Gécamines holds a 25% interest in Comide. Comide holds the exploitation licences for Kii, Mashitu and Pangalume, which are contiguous to Africo's Kalukundi property; and
- The entire share capital of Highwind Properties Limited, Pareas Limited, Interim Holdings Limited and Blue Narcissus Limited (together, the 'Highwind Group'). Under the terms of a joint venture agreement dated 7 January 2010, between the Highwind Group, the DRC government, Gécamines and Simco Sprl, an entity associated with Gécamines, the Highwind Group holds a 70% interest in Treatment of Kingamyambo Tailings Company ('Metalkol') which owns the tailings exploitation licence (PER 652) covering the Kolwezi Tailings Site (otherwise known as the Kingamyambo Musonoi Tailings, otherwise known as Kolwezi Mine Tailings ('KMT')), a license site located in the Kolwezi District of Katanga Province in the southeast of the DRC. Development of the site is subject to feasibility studies being completed. Metalkol has not acquired any infrastructure or equipment at the Kolwezi Tailings Site.

The acquisition is complementary to the Group's existing operations in the DRC. The Camrose assets held by Camrose and its subsidiaries are contiguous to the Group's existing assets held in the DRC. These proximate homogenous ore bodies have the potential to share power allocation and logistics capacity, with the ability to reduce mining costs through the optimisation of mining methods and enhanced scale of processing facilities.

The Group has a 50.5% interest in Camrose and exercises day-to-day operational control. This is accounted for as a joint venture due to certain reserved matters in the shareholders' agreement governing this relationship.

The Highwind Group are co-defendants in an action filed by Congo Mineral Developments Limited. Further detail can be found in note 36.

## 19. Investments in joint ventures and associates continued

### 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 Kazakhstan, for a cash consideration of US\$200 million.

Shubarkol is majority owned by Eurasian Finance-Industrial Company JSC ('EFIC'), a company controlled by the Founder Shareholders.

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 (subject to the pre-emption right of the Republic of Kazakhstan to purchase the subsurface user rights), 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. At 31 December 2010, the fair value of this option was US\$nil.

The call option is subject to the approvals noted above and the Republic of Kazakhstan has the pre-emptive right to purchase the subsurface user rights. As a result, it is not readily exercisable or convertible, therefore, the possession of the call option does not contribute to control over Shubarkol. Consequently, the Group has accounted for Shubarkol as an associate.

On 31 January 2011, the Group announced the extension of the call option for US\$nil consideration by up to 12 months, to 31 January 2012. All other significant terms of the call option remained unchanged as detailed in note 39.

### (b) Acquisitions of outstanding interests in associates

Société Minière de Kabolela et Kipese Sprl ('SMKK') and Earth Centre Investments (Pty) Limited were acquired on 9 November 2009 as part of the CAMEC acquisition. While the Group legally held a 50% interest in SMKK and Earth Centre Investments (Pty) Limited, both investments were deemed associates as the Group could only influence, rather than control, the decision-making processes of both entities.

In June 2010, the Group acquired the remaining 50% of SMKK. Refer note 6 for further detail.

### (c) Debt to equity swap

In January 2010, the Group converted a US\$27 million loan to Bahia Minerals BV ('BMBV') into an equity investment in BMBV with no increase in the Group's percentage interest.

In September 2010, the Group acquired the remaining 50% of BMBV. Refer note 6 for further detail.

## Summary financial information

Summary financial information for the associates for the years ended and as at 31 December 2010 and 31 December 2009, not adjusted for the percentage ownership held by the Group, is as follows:

In millions of US\$	Associates	
	2010	2009
Total assets	193	132
Total liabilities	(115)	(70)
<b>Net assets</b>	<b>78</b>	<b>62</b>
Total revenue	138	104
Net profit	42	24

Summary financial information for the joint ventures for the years ended and as at 31 December 2010 and 31 December 2009, adjusted for the percentage ownership held by the Group, is as follows:

In millions of US\$	Joint ventures	
	2010	2009
Non-current assets	46	44
Current assets	52	75
Non-current liabilities	(126)	(58)
Current liabilities	(3)	(70)
Non-controlling interests	6	–
<b>Net liabilities</b>	<b>(25)</b>	<b>(9)</b>
Income	23	39
Expenses	(22)	(14)
Other comprehensive expense	–	(2)
Non-controlling interests	1	–
<b>Total comprehensive income<sup>1</sup></b>	<b>2</b>	<b>23</b>

<sup>1</sup>Includes the Group's shares of total comprehensive income arising prior to the acquisition of the remaining 50% of BMBV and the Group's share of total comprehensive expense of Camrose.

The Group's share of capital commitments of joint ventures in respect of property, plant and equipment was US\$4 million (2009: US\$3 million).

# Notes to the Consolidated Financial Statements

## continued

### 20. Other financial assets

In millions of US\$	As at 31 December	
	2010	2009
<b>Non-current</b>		
Investments held to maturity (a)	–	50
Investments in quoted equity shares (b)	354	–
Investments in unquoted options (c)	25	–
Other (e)	11	15
<b>Total non-current financial assets, net</b>	<b>390</b>	<b>65</b>
<b>Current</b>		
Investments in quoted equity shares (d)	23	15
Investments in unquoted options (c)	–	35
<b>Total current financial assets, net</b>	<b>23</b>	<b>50</b>
<b>Total financial assets, net</b>	<b>413</b>	<b>115</b>

(a) Investments held to maturity comprise US dollar denominated Euro Medium Term Notes, due to mature in January 2011, these were early redeemed in 2010. These notes were issued by HSBC bank during 2009, with a coupon of three months US dollar LIBOR plus 0.48%.

(b) Non-current investments in quoted equity shares comprise the Group's 14.35% interest in Northam Platinum Limited ('Northam'), a major South African platinum producer. The purchase consideration paid was US\$345 million plus total transaction costs of US\$8 million. During 2010 a US\$1 million gain has been recognised in other comprehensive income in respect of this investment. This investment is being held as an available for sale non-current asset as it is intended to be held for longer than one year and is considered to be strategic in nature.

(c) Investments in unquoted options comprise the following:

#### Non-current

- With the Bahia Minerals BV acquisition the Group acquired an option to purchase land contiguous to the Bahia project licence areas. The option expires in January 2012 and is held at cost.

#### Current

- During the year an option held by the Group as at 31 December 2009 to acquire the remaining 50% of SMKK was exercised. For further details refer to note 6.
- During the year an option held by the Group as at 31 December 2009 to acquire a 70% interest in Masalskoe GOK LLP lapsed. The US\$10 million in relation to this asset was transferred to current other receivables because the Group believes it will recover this amount in the future. For further details refer to note 5.

(d) Investments in listed equity shares represent short-term available-for-sale equity securities. In 2010, a US\$8 million gain (2009: US\$6 million gain) has been recognised in other comprehensive income in respect of the short-term available-for-sale equity securities.

(e) Other non-current financial assets comprise US\$11 million of other related party non-current financial assets (2009: US\$4 million). For further details refer to note 5. In 2009 other non-current financial assets also comprised a US\$11 million 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. This balance is now receivable within one year and is classified as restricted cash within trade and other receivables.

All changes in fair value of financial assets are attributable to changes in market conditions.

Financial assets are denominated in the following currencies:

In millions of US\$	As at 31 December	
	2010	2009
South African rand	354	–
US dollar	26	99
Canadian dollar	20	12
Kazakhstani tenge	10	4
British pound	3	–
<b>Total financial assets</b>	<b>413</b>	<b>115</b>

## 21. Loans receivable

In millions of US\$	Note	As at 31 December	
		2010	2009 As restated <sup>1</sup>
<b>Non-current</b>			
Loans receivable from related parties	5	96	63
Loans receivable		12	95
<b>Total non-current loans receivable</b>		<b>108</b>	<b>158</b>
<b>Current</b>			
Loans receivable from related parties	5	6	2
Loans receivable		2	35
<b>Total current loans receivable</b>		<b>8</b>	<b>37</b>
<b>Total loans receivable</b>		<b>116</b>	<b>195</b>

<sup>1</sup>Details of prior year restatement are set out in note 6.

The Group's loans mature as follows:

In millions of US\$	2010	2009 As restated
Less than 1 year	8	37
Between 1 and 5 years	20	137
Greater than 5 years	88	21
<b>Total loans receivable</b>	<b>116</b>	<b>195</b>

The Group's loans receivable are denominated in currencies as follows:

In millions of US\$	2010	2009 As restated
US dollar	92	148
Kazakhstani tenge	23	11
Russian rouble	1	1
British pound	–	35
<b>Total loans receivable</b>	<b>116</b>	<b>195</b>

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	
			2010	2009	2010	2009 As restated
<b>Non-current</b>						
Loans receivable from related parties	US\$	2020	8%	n/a	84	–
Loans receivable from related parties	US\$	2014	2%	n/a	5	–
Loans receivable from related parties	KZT	Various	12%	12%	4	2
Loans receivable from related parties	US\$	2015	LIBOR + 3%	n/a	3	–
<b>Total related party</b>					<b>96</b>	<b>2</b>
Loans receivable	KZT	Various	1–10%	1–10%	8	7
Loans receivable	US\$	2011	n/a	LIBOR + 4.5%	–	40
Loans receivable	GBP	Various	n/a	LIBOR + 2%	–	35
Loans receivables – non-interest bearing	US\$	Various	–	–	4	74
<b>Total third party</b>					<b>12</b>	<b>156</b>
<b>Total non-current loans receivable</b>					<b>108</b>	<b>158</b>
<b>Current</b>						
Loans receivable from related parties	KZT	Various	12%	12%	6	2
<b>Total related party</b>					<b>6</b>	<b>2</b>
Loans receivables – non-interest bearing	US\$	Various	–	–	2	35
<b>Total third party</b>					<b>2</b>	<b>35</b>
Less impairment loss provision	n/a	n/a	–	–	–	–
<b>Total current loans receivable</b>					<b>8</b>	<b>37</b>
<b>Total loans receivable</b>					<b>116</b>	<b>195</b>

# Notes to the Consolidated Financial Statements

## continued

### 21. Loans receivable continued

The fair value of the Group's loans receivable are as follows:

In millions of US\$	Carrying values		Fair values	
	2010	2009 As restated	2010	2009 As restated
Loans receivable	14	130	14	130
Loans receivable from related parties	102	65	102	65
<b>Total loans receivable</b>	<b>116</b>	<b>195</b>	<b>116</b>	<b>195</b>

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 2010 and 31 December 2009.

### 22. Other non-current assets

In millions of US\$	Note	As at 31 December	
		2010	2009
Prepayments for property, plant and equipment and related services		237	147
Long-term inventory		21	22
Other advances and non-current assets		17	12
Other advances and non-current assets – related parties	5	–	6
<b>Total other non-current assets</b>		<b>275</b>	<b>187</b>

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 US\$15 million (2009: US\$2 million) of letters of credit with Eurasian Bank JSC pertaining to purchases of property, plant and equipment, refer to note 5.

Long-term inventory consists of the slag dump of chrome ore which was recorded at fair value of US\$25 million at the date of the Serov acquisition. During 2010, US\$1 million of the slag dump was processed (2009: US\$1 million). At 31 December 2010, the total balance of the slag dump is US\$23 million (2009: US\$25 million), of which US\$2 million (2009: US\$3 million) is recorded within current inventory.

### 23. Inventories

In millions of US\$	As at 31 December	
	2010	2009
Finished goods	266	201
Raw materials	242	214
Consumable stores	175	114
Work-in-progress	136	83
Other inventory	52	3
Less provision for obsolete and slow-moving inventory	(9)	(8)
<b>Total inventories</b>	<b>862</b>	<b>607</b>

### 24. Trade and other receivables

In millions of US\$	Note	As at 31 December	
		2010	2009
Trade receivables		567	487
Trade receivables from related parties	5	–	3
Term deposits		36	17
Term deposits with related parties	5	18	109
Letters of credit with related parties	5	8	14
Restricted cash		58	54
Other receivables		15	27
Other amounts due from related parties	5	22	25
Less impairment loss provision		(11)	(14)
<b>Total financial assets</b>		<b>713</b>	<b>722</b>
VAT recoverable		134	115
Prepaid expenses		66	37
Advances to suppliers		43	64
Income tax prepayment		7	13
Prepaid expenses to related parties	5	3	6
Advances to related parties	5	3	2
Less impairment loss provision		(1)	–
<b>Total non-financial assets</b>		<b>255</b>	<b>237</b>
<b>Total trade and other receivables</b>		<b>968</b>	<b>959</b>

**24. Trade and other receivables** *continued*

The fair value of trade and other receivables (financial assets) approximates their carrying value. As at 31 December 2010, trade and other receivables (financial assets) of US\$42 million (2009: US\$36 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 overdue analysis of these receivables is as follows:

In millions of US\$	As at 31 December	
	2010	2009
<b>Current and not impaired</b>	<b>671</b>	686
Less than 3 months overdue	<b>33</b>	28
Between 3 to 6 months overdue	<b>1</b>	3
Between 6 to 12 months overdue	<b>7</b>	2
Over 12 months overdue	<b>1</b>	3
<b>Total past due but not impaired</b>	<b>42</b>	36
Individually determined to be impaired – gross	<b>11</b>	14
<b>Total individually impaired</b>	<b>11</b>	14
<b>Total trade and other receivables (financial assets)</b>	<b>724</b>	736
Less impairment loss provision	<b>(11)</b>	(14)
<b>Total trade and other receivables (financial assets) – net</b>	<b>713</b>	722

Movements of the impairment provision of trade and other receivables (financial assets) during the year are as follows:

In millions of US\$	2010	2009
Balance as at 1 January	<b>14</b>	15
Impairment loss recognised in income statement	<b>3</b>	3
Unused amounts reversed	<b>(6)</b>	(6)
Acquisition of subsidiary	–	6
Amounts written off as uncollectable	–	(1)
Exchange differences	–	(3)
<b>Balance as at 31 December</b>	<b>11</b>	14

The trade and other receivables (financial assets) are denominated in various currencies as follows:

In millions of US\$	As at 31 December	
	2010	2009
US dollar	<b>588</b>	512
Russian rouble	<b>65</b>	67
Kazakhstani tenge	<b>35</b>	58
European euro	<b>12</b>	28
British pound	<b>2</b>	48
Other	<b>11</b>	9
<b>Total</b>	<b>713</b>	722

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	
	2010	2009
Fixed interest rate	<b>93</b>	169
Floating interest rate	<b>11</b>	11

All other trade and other receivables (financial assets) are non-interest bearing.

# Notes to the Consolidated Financial Statements

## continued

### 25. Cash and cash equivalents

In millions of US\$	As at 31 December	
	2010	2009
Short-term deposits	1,258	502
Cash at bank and in hand	337	328
<b>Total cash and cash equivalents</b>	<b>1,595</b>	<b>830</b>

The cash and cash equivalents are denominated in currencies as follows:

In millions of US\$	As at 31 December	
	2010	2009
US dollar	1,269	592
Kazakhstani tenge	147	145
Russian rouble	92	63
Brazilian real	36	–
Swiss franc	20	2
South African rand	15	3
European euro	11	4
British pound	2	21
Other	3	–
<b>Total cash and cash equivalents</b>	<b>1,595</b>	<b>830</b>

The interest rate profile of the interest-bearing cash and cash equivalents is as follows:

In millions of US\$	As at 31 December	
	2010	2009
Fixed interest rate	497	704
Floating interest rate	1,006	55

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 2009	1,287,750,000	257,550	2,999,023
<b>At 31 December 2010</b>	<b>1,287,750,000</b>	<b>257,550</b>	<b>2,999,023</b>

As at 31 December 2010 and 31 December 2009 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 2010 and 31 December 2009, the following dividends were declared and paid by the Group:

	2010		2009	
	US cents per share	In millions of US\$	US cents per share	In millions of US\$
Prior year final dividend	6	77	19	245
Interim dividend	12.5	161	6	77
<b>Total dividends</b>		<b>238</b>		<b>322</b>

For 2010 the Board recommended a final dividend for 2010 of US 18.0 cents per share, to give a full year dividend of US 30.5 cents per share. The dividend has not been provided for.

## 27. Borrowings

In millions of US\$	Note	As at 31 December	
		2010	2009
<b>Non-current</b>			
Bank borrowings		432	52
Term borrowings		3	3
Bonds		14	13
<b>Non-current borrowings – third party</b>		<b>449</b>	68
Bank borrowings		384	–
Term borrowings		500	–
Promissory notes		73	–
<b>Non-current borrowings – related party</b>	5	<b>957</b>	–
<b>Total non-current borrowings</b>		<b>1,406</b>	68
<b>Current</b>			
Bank borrowings		152	351
Term borrowings		3	8
Other financial liabilities		–	1
<b>Current borrowings – third party</b>		<b>155</b>	360
Bank borrowings		16	–
Term borrowings		5	–
Promissory notes		50	–
<b>Current borrowings – related party</b>	5	<b>71</b>	–
<b>Total current borrowings</b>		<b>226</b>	360
<b>Total borrowings</b>		<b>1,632</b>	428

The carrying values and fair values of borrowings are as follows:

In millions of US\$	Carrying values		Fair values	
	2010	2009	2010	2009
Bank borrowings	984	403	984	403
Term borrowings	511	11	511	11
Promissory notes	123	–	123	–
Bonds	14	13	14	13
Other financial liabilities	–	1	–	1
<b>Total borrowings</b>	<b>1,632</b>	428	<b>1,632</b>	428

The fair value of borrowings approximates their carrying value, as the impact of discounting is insignificant. The fair value of borrowings is determined using discounted cash flows at the interest rates prevailing as at the balance sheet date.

The Group's borrowings mature as follows:

In millions of US\$	As at 31 December	
	2010	2009
Less than 1 year	226	360
Between 1 and 5 years	592	43
After 5 years	814	25
<b>Total borrowings</b>	<b>1,632</b>	428

The Group's borrowings are denominated in currencies as follows:

In millions of US\$	As at 31 December	
	2010	2009
US dollar	1,533	348
European euro	75	46
Kazakhstani tenge	14	14
Chinese renminbi yuan	10	17
British pound	–	3
<b>Total borrowings</b>	<b>1,632</b>	428

# Notes to the Consolidated Financial Statements

## continued

### 27. Borrowings continued

The effective interest rates at balance sheet date for current and non-current borrowings were as follows:

In millions of US\$	Borrowing currency	Maturity	Effective interest rate		As at 31 December	
			2010	2009	2010	2009
<b>Non-current</b>						
<b>Third party</b>						
Bank borrowings (f)	US\$	2013	<b>LIBOR + 3.37%</b>	n/a	<b>367</b>	–
Bank borrowings (b)	EUR	2020	<b>EURIBOR + 1.5%</b>	n/a	<b>33</b>	–
Bank borrowings (b)	EUR	2020	<b>EURIBOR + 0.5%</b>	EURIBOR + 0.5%	<b>32</b>	42
Bank borrowings	CNY	2011	<b>n/a</b>	PBC plus margin <sup>1</sup>	<b>–</b>	10
Bonds	KZT	2013	<b>2 – 10%</b>	8 – 10%	<b>14</b>	13
Non-interest bearing term borrowings	Various				<b>3</b>	3
<b>Total third party</b>					<b>449</b>	<b>68</b>
<b>Related party</b>						
Bank borrowings (c)	US\$	2025	<b>4.0%</b>	n/a	<b>384</b>	–
Term borrowings (g)	US\$	2020	<b>7.5%</b>	n/a	<b>500</b>	–
Promissory notes (e)	US\$	2011–2012	<b>1.75%</b>	n/a	<b>73</b>	–
<b>Total related party</b>					<b>957</b>	<b>–</b>
<b>Total non-current borrowings</b>					<b>1,406</b>	<b>68</b>
<b>Current</b>						
<b>Third party</b>						
Bank borrowings (f)	US\$	2013	<b>LIBOR + 3.37%</b>	n/a	<b>133</b>	–
Bank borrowings (a)	US\$	2010	<b>n/a</b>	LIBOR + 1.35%	<b>–</b>	342
Bank borrowings (b)	EUR	2020	<b>EURIBOR + 1.5%</b>	n/a	<b>4</b>	–
Bank borrowings (b)	EUR	2020	<b>EURIBOR + 0.5%</b>	EURIBOR + 0.5%	<b>4</b>	2
Bank borrowings	CNY	2011	<b>PBC plus margin<sup>1</sup></b>	n/a	<b>10</b>	–
Bank borrowings	CNY	2010	<b>n/a</b>	8%	<b>–</b>	7
Other non-interest bearing	Various				<b>4</b>	9
<b>Total third party</b>					<b>155</b>	<b>360</b>
<b>Related party</b>						
Bank borrowings (c)	US\$	2025	<b>4.0%</b>	n/a	<b>16</b>	–
Term borrowings	US\$	2011	<b>2.0%</b>	n/a	<b>1</b>	–
Promissory notes (e)	US\$	2011–2012	<b>1.75%</b>	n/a	<b>50</b>	–
Non-interest bearing term borrowings	Various				<b>4</b>	–
<b>Total related party</b>					<b>71</b>	<b>–</b>
<b>Total current borrowings</b>					<b>226</b>	<b>360</b>
<b>Total borrowings</b>					<b>1,632</b>	<b>428</b>

<sup>1</sup>The effective interest rate applicable is the People's Bank of China ('PBC') official rate plus a margin of 10% of the PBC rate

#### (a) Structured Trade Finance Facility

On 15 December 2006, the Group entered into a US\$1,000 million Structured Trade Finance facility. By a Supplemental Agreement dated 12 April 2007, the facility was increased to US\$1,480 million.

The facility was repaid on schedule and as at 31 December 2010 the outstanding balance was US\$nil (2009: US\$342 million).

#### (b) Export Credit Facility

On 30 November 2007, the Group entered into an unsecured €32.5 million Export Credit facility (ECA facility). The 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 2010 US\$36 million of the facility was drawn down (2009: US\$44 million).

On 16 February 2010, the Group entered into a second ECA facility agreement for the amount of €47.5 million. The facility is a 10 year draw-down facility and bears an interest rate of six month EURIBOR plus 1.5% per annum. Euler Hermes Kreditversicherungs AG has provided credit insurance to support the facility. The facility will be used to finance some of the Group's planned capital expenditure. As at 31 December 2010 US\$37 million of the facility was drawn down.

#### (c) Development Bank of Kazakhstan Facility

On 15 April 2010, the Group announced that it had entered into a loan agreement for the amount of US\$400 million with the Development Bank of Kazakhstan. The facility is provided by the Development Bank of Kazakhstan using financing from the State-run Export-Import Bank of China. The facility is for a 15 year period, bears an interest rate of 4% and is fully drawn as at 31 December 2010. The loan is secured by a corporate guarantee issued by ENRC PLC and a pledge over 51% of the shares of Kazakhstan Aluminium Smelter JSC.

**27. Borrowings** continued**(d) Euro Medium Term Notes**

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

**(e) Promissory Notes**

In August 2010, as part of its acquisition of the 50.5% interest in Camrose, the Group issued unsecured promissory notes at nominal value totaling US\$125 million which mature between 9 months and 24 months from the date of issue. As at 31 December 2010, the carrying value of the promissory notes outstanding was US\$123 million after discounting at 1.75%.

**(f) Structured Trade Finance Facility**

On 5 October 2010, the Group entered into a US\$500 million Structured Trade Finance Facility with a group of international lenders. The facility has an applicable interest rate of one month LIBOR plus 3.37% and is repayable over 3 years. As at 31 December 2010 US\$500 million of the facility was drawn down.

The facility is secured principally against trade receivables from the Magnitogorsk Iron and Steel Works OJSC ('MMK'), the associated trade receivable balance as at 31 December 2010 was US\$62 million.

**(g) JSC Wealth Fund 'Samruk-Kazyna'**

On 30 November 2010, the Group entered into a US\$500 million facility with the JSC Wealth Fund 'Samruk-Kazyna'. The facility has an applicable interest rate of 7.5% per annum and is repayable in 10 years by bullet repayment. No security has been pledged as part of the agreement and is fully drawn down as at 31 December 2010.

**Undrawn Loan Commitments**

As at 31 December 2010 the Group had no unused credit facilities (2009: nil).

**28. Asset retirement obligations**

The Group has a legal obligation to complete landfill site restoration during the mining operations and 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	
		2010	2009
Current provision for asset retirement obligations	30	4	1
Non-current provision for asset retirement obligations		92	108
<b>Total provision for asset retirement obligations</b>		<b>96</b>	<b>109</b>

Movements in asset retirement obligations are as follows:

In millions of US\$	Note	Asset decommissioning costs	Site restoration and re-vegetation	Total
<b>As at 1 January 2010</b>		<b>49</b>	<b>60</b>	<b>109</b>
Capitalisation		(10)	(1)	(11)
Acquisition of subsidiary		–	6	6
Changes in estimate		(12)	(1)	(13)
Transfer		(4)	4	–
Production costs		(3)	4	1
Unwinding of discount	14	2	3	5
Utilisation		–	(2)	(2)
Exchange differences		–	1	1
<b>As at 31 December 2010</b>		<b>22</b>	<b>74</b>	<b>96</b>
As at 1 January 2009		30	43	73
Capitalisation		–	–	–
Acquisition of subsidiary		1	–	1
Change 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

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 their respective mine lives, which varies between 9 and 48 years.

# Notes to the Consolidated Financial Statements

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### 28. Asset retirement obligations continued

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:

	2010			2009	
	Kazakhstani entities	Russian entities	African entities	Kazakhstani entities	Russian entities
Discount rate	7.9%	9.0%	8.1%	6.0%	8.9%
Inflation rate	5.1%–6.7%	5.8%–7.7%	2.1%–2.8%	5.6%–6.0%	6.2%–11.7%

The decrease in the asset retirement obligations for the year ended 31 December 2010 was mainly due to the increase in the discount rate for Kazakhstani 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	Years ended 31 December	
		2010	2009
Present value of unfunded defined benefit obligations as at 1 January		46	37
Business acquisitions		–	2
Interest cost	14	2	2
Benefits paid		(2)	(2)
Curtailement gains		–	(7)
Current service cost		1	2
Actuarial (gains)/losses		(9)	19
Exchange differences		3	(7)
<b>Present value of unfunded defined benefit obligations as at 31 December</b>		<b>41</b>	<b>46</b>
<b>Net liability arising from defined benefit obligations as at 31 December</b>		<b>41</b>	<b>46</b>

The present value of unfunded defined benefit obligations as at 31 December 2008, 2007 and 2006 was US\$37 million, US\$52 million and US\$48 million, respectively.

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	
		2010	2009
Interest cost <sup>1</sup>	14	2	2
Curtailement gains <sup>2</sup>		–	(7)
Current service cost <sup>2</sup>		1	2
Actuarial (gains)/losses <sup>2</sup>		(9)	19
<b>(Income)/expense recognised in the income statement</b>		<b>(6)</b>	<b>16</b>

<sup>1</sup>The interest cost is recognised in the finance cost line in the income statement

<sup>2</sup>The curtailement gains, current service cost and actuarial (gains)/losses are recognised in the following line items in the income statement:

In millions of US\$	Note	Years ended 31 December	
		2010	2009
Cost of sales		(6)	13
General and administrative expenses		(2)	1
<b>Total (income)/expense</b>	12	<b>(8)</b>	<b>14</b>

Principal actuarial assumptions used at the balance sheet date were as follows:

	As at 31 December	
	2010	2009
Discount rate	7.9%–9.0%	6.0%
Future salary increases	5.0%–10.7%	7.0%–10.0%
Average labour turnover rate of production personnel	4.1%–18.7%	6.0%–20.0%
Average labour turnover rate of administrative personnel	2.4%–8.9%	6.0%–14.0%

Assumptions regarding future mortality are based upon advice in accordance with published statistics and experience.

### 29. Employee benefit obligations *continued*

The future average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date are as follows:

	2010	2009
Male	11	11
Female	15	15

The future average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:

	2010	2009
Male	12	12
Female	16	16

### 30. Trade and other payables

In millions of US\$	Note	As at 31 December	
		2010	2009 As restated
Trade payables		197	224
Payable to related parties	5	12	14
Distributions payable		9	7
Deferred Consideration and acquisition related liabilities	6	507	–
<b>Total financial liabilities</b>		<b>725</b>	<b>245</b>
Advances received from customers		53	54
Accruals relating to employee entitlements		92	88
Asset retirement obligations	28	4	1
Other		65	44
<b>Total non-financial liabilities</b>		<b>214</b>	<b>187</b>
<b>Total trade and other payables</b>		<b>939</b>	<b>432</b>

The fair value of trade and other payables (financial liabilities) approximates their carrying amounts, as the impact of discounting is insignificant.

### 31. Other taxes payable

In millions of US\$	As at 31 December	
	2010	2009
Mineral extraction tax and other taxes	72	78
VAT payable	29	6
Social taxes	8	6
<b>Total other taxes payable</b>	<b>109</b>	<b>90</b>

Other taxes include property and environmental taxes.

### 32. Share-based payments

The Group has established a Long-term Incentive Plan ('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 73 to 78.

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 prorated to the date of cessation of employment.

# Notes to the Consolidated Financial Statements

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### 32. Share-based payments continued

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 3
Grant date	07 May 2008	20 April 2009	26 April 2010
Fair value per share (in British pounds)	8.47	3.97	9.23
Share price at grant date (in British pounds)	12.10	5.489	12.08
Estimated average volatility <sup>1</sup>	42%	70%	72%
Estimated dividend yield <sup>2</sup>	1.01%	3.82%	2.23%
Risk free interest rate <sup>3</sup>	2.55%	1.27%	1.67%
Exercise price (in British pounds)	–	–	–
Vesting period	3 years	3 years	3 years

<sup>1</sup>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 and Grant 3 was due to the changes in market conditions over historical periods similar to the life of the awards.

<sup>2</sup>The estimated dividend yields for Grant 2 and Grant 3 were based on the Group's historical dividend payments. For Grant 1, the expected dividend yield was deemed to be average of comparator group of mining companies as the Group had not paid any dividends prior to grant date of Grant 1.

<sup>3</sup>The risk-free interest rate is a government bond rate over a period similar to the life of the awards. The increase in risk-free rate in 2010 compared to 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. At 31 December 2010 the median benchmark comparator was not met. As a result Grant 1 of the LTIP will not vest.

#### Recognition of services received

An expense of US\$8 million (2009: US\$13 million) for share-based payments was recognised during the year ended 31 December 2010 within employee benefit expense in the income statement. During 2010 payments of US\$nil (2009: US\$3 million) were made to LTIP participants.

The table below sets out the movement in shares granted under the LTIP:

Number	Grant 1	Grant 2	Grant 3	Total
As at 1 January 2010	<b>410,269</b>	<b>1,561,625</b>	–	<b>1,971,894</b>
Granted	–	–	<b>1,187,129</b>	<b>1,187,129</b>
Forfeited	<b>(5,400)</b>	<b>(23,859)</b>	<b>(13,029)</b>	<b>(42,288)</b>
<b>As at 31 December 2010</b>	<b>404,869</b>	<b>1,537,766</b>	<b>1,174,100</b>	<b>3,116,735</b>
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

### 33. 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 hedge foreign exchange exposure.

Financial risk management is the responsibility of the treasury function which identifies, evaluates and hedges financial risks in close co-operation 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 to 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' or '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 and liquidity funds were used within the Group's investment portfolio to manage credit exposure.

Where possible, 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.

### 33. Financial risk management continued

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	
		2010	2009 As restated
Cash and cash equivalents	25	1,595	830
Trade and other receivables	24	713	722
Other financial assets	20	413	115
Loans receivable	21	116	195
<b>Total maximum credit risk exposure</b>		<b>2,837</b>	<b>1,862</b>

The maximum exposure to credit risk for trade and other receivables, cash and cash equivalents, loans receivable and other financial assets by geographic region as at 31 December are as follows:

In millions of US\$	Year ended 31 December 2010			
	Cash and cash equivalents	Trade and other receivables	Other financial assets	Loans receivable
Eurasia	521	239	11	23
Europe and Middle East	1,007	145	3	1
Asia Pacific	2	209	–	–
Africa	24	63	354	91
Rest of the World	41	57	45	1
<b>Total</b>	<b>1,595</b>	<b>713</b>	<b>413</b>	<b>116</b>

In millions of US\$	Year ended 31 December 2009 (As restated)			
	Cash and cash equivalents	Trade and other receivables	Other financial assets	Loans receivable
Eurasia	668	278	14	27
Europe and Middle East	146	159	61	–
Asia Pacific	–	241	–	–
Africa	14	22	–	69
Rest of the World	2	22	40	99
<b>Total</b>	<b>830</b>	<b>722</b>	<b>115</b>	<b>195</b>

In 2010 the top 10 customers as a proportion of the outstanding balance of the Group's trade and other receivables accounted for 42% (2009: 65%).

Based on historic default rates, the Group believes that no impairment review is necessary in respect of trade and other receivables not past due by up to 60 days.

#### Foreign currency risk

The majority of the Group's production costs are denominated in Kazakhstani tenge (KZT) and Russian roubles (RUB) while sales are denominated in US dollars (US\$). The Group is therefore exposed to the risk that movements in exchange rates will affect both its 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 in 2009 were partially mitigated through forward foreign exchange contracts which were deemed to be effective hedges on highly probable forecast transactions that achieve an average exchange rate. All forward exchange contracts expired at 31 December 2009.

# Notes to the Consolidated Financial Statements

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### 33. Financial risk management continued

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 presentational currency.

In millions of US\$	KZT	US\$	RUB	EUR	GBP	SA Rand	Other
<b>At 31 December 2010</b>							
Kazakhstani entities (KZT)	n/a	1,167	17	(28)	-	-	-
Marketing and holding entities (US\$)	-	n/a	-	(22)	(3)	354	43
Marketing Russian entities (RUB)	-	(23)	n/a	-	-	-	-
UK management entities (GBP)	-	(85)	-	-	n/a	-	-
Russian Serov entities (RUB)	-	-	n/a	-	-	-	-
African entities (various)	-	(32)	-	(15)	(1)	(20)	-
Brazilian entities (BRL)	-	-	-	-	-	-	-
Chinese entities (CNY)	-	-	-	-	-	-	-
	-	1,027	17	(65)	(4)	334	43
<b>At 31 December 2009</b>							
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	-	-	-	-
African entities (various)	-	(18)	-	-	(23)	-	-
Brazilian entities (BRL)	-	-	-	-	-	-	-
Chinese entities (CNY)	-	(2)	-	-	-	-	n/a
	388	982	(168)	(4)	(1)	-	8

In 2010 and 2009 intercompany 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 1.

The following table demonstrates the sensitivity to a reasonable possible change in the Group's most commonly used exchange rates, with all other variables held constant, of the Group's profit before tax.

In millions of US\$	KZT	US\$	RUB	EUR	GBP	SA Rand	Other
<b>At 31 December 2010</b>							
Total foreign exchange risk	-	1,027	17	(65)	(4)	334	43
Shift in the US\$ exchange rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Increase/(decrease) in profit/equity due to appreciation of US\$	-	51	(1)	(3)	-	(17)	(2)
Increase/(decrease) in profit/equity due to depreciation of US\$	-	(51)	1	3	-	17	2
<b>At 31 December 2009</b>							
Total foreign exchange risk	388	982	(168)	(4)	(1)	-	8
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)	49	8	-	-	-	1
Increase/(decrease) in profit/equity due to depreciation of US\$	19	(49)	(8)	-	-	-	(1)

#### Devaluation of Kazakhstani tenge

The devaluation of the Kazakhstani tenge in early February 2009 gave rise 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 other operating income (note 11) and finance income (note 13), respectively, and a foreign exchange loss of US\$75 million included in finance cost (note 14).

### 33. Financial risk management continued

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, aluminium, cobalt and copper. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicalities 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 significantly 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\$	2010	2009
High-carbon ferrochrome	90	55
Chrome ore	10	6
Iron ore	92	53
Alumina	19	16
Aluminium	24	10
Cobalt	15	n/a <sup>1</sup>
Copper	7	n/a <sup>1</sup>

<sup>1</sup>Commodity price sensitivity for Copper and Cobalt was not presented for 2009 as they formed an insignificant portion of the Group's revenue.

#### 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.

An increase/(decrease) of 1% in interest rates at the reporting date would have decreased/(increased) profit before tax for the year ended 31 December 2010 by US\$4 million (2009: US\$7 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	
		2010	2009
Borrowings	27	1,632	428
Share capital and share premium	26	3,257	3,257
Reserves <sup>1</sup>		6,515	4,456
<b>Total capital</b>		<b>11,404</b>	<b>8,141</b>

<sup>1</sup>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.

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### 33. Financial risk management continued

#### 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 into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows, translated at balance sheet date exchange rates.

#### Non-derivative financial assets and liabilities

	As at 31 December 2010				
In millions of US\$	Carrying amount	Total contractual cash flows	Less than 1 year	Between 1 and 5 years	After 5 years
Borrowings	(1,632)	(2,196)	(274)	(741)	(1,181)
Trade and other payables	(725)	(725)	(725)	–	–
Other non-current liabilities	(57)	(58)	–	(58)	–
Cash and cash equivalents	1,595	1,595	1,595	–	–
Trade and other receivables	713	713	713	–	–
Other financial assets	388	388	23	2	363
Loans receivable	116	193	11	18	164
<b>Net position</b>	<b>398</b>	<b>(90)</b>	<b>1,343</b>	<b>(779)</b>	<b>(654)</b>

	As at 31 December 2009 (As restated)				
In millions of US\$	Carrying amount	Total contractual cash flows	Less than 1 year	Between 1 and 5 years	After 5 years
Borrowings	(428)	(431)	(363)	(43)	(25)
Trade and other payables	(245)	(245)	(245)	–	–
Other non-current liabilities	(4)	(4)	–	–	(4)
Cash and cash equivalents	830	830	830	–	–
Trade and other receivables	722	722	722	–	–
Other financial assets	80	80	15	61	4
Loans receivable	195	213	37	155	21
<b>Net position</b>	<b>1,150</b>	<b>1,165</b>	<b>996</b>	<b>173</b>	<b>(4)</b>

#### 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 obtaining fair value measurements from other parties.

For the financial instruments measured on the balance sheet at fair value, the Group has adopted the following fair value measurement hierarchy:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of financial instruments traded in the active market is based on quoted market prices at the balance sheet date. These instruments are included in Level 1. As at 31 December 2010 and 2009, the Group's available-for-sale financial assets (note 20) are included in Level 1 of the hierarchy.

As at 31 December 2010 and 2009, the Group did not hold financial instruments that are included in Level 2 or 3 of the hierarchy.

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

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

### 34. Auditor's remuneration

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor as detailed below:

In millions of US\$	Years ended 31 December	
	2010	2009
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	1.4	1.4
Fees payable to the Company's auditor and their associates for other services: The audit of the Company's subsidiaries pursuant to legislation	3.1	3.1
Other services pursuant to legislation – interim review	0.4	0.4
Taxation	0.9	1.0
Other	0.7	0.3
<b>Total</b>	<b>6.5</b>	<b>6.2</b>

### 35. Commitments

#### Capital expenditure commitments

In millions of US\$	As at 31 December	
	2010	2009
Property, plant and equipment	312	268

#### Operating leases

The table below sets out minimum payments for aggregate future minimum lease payments:

In millions of US\$	As at 31 December	
	2010	2009
Less than 1 year	6	27
Between 1 and 5 years	32	37
After 5 years	33	38
<b>Total</b>	<b>71</b>	<b>102</b>

Rental expenses relating to the operating leases of mining facilities and administrative facilities are recognised in 'cost of sales' and 'general and administrative expenses' respectively within the income statement.

#### Assets pledged and restricted

The Group has the following assets pledged as collateral:

In millions of US\$	Note	2010		2009	
		Asset pledged	Related liability	Asset pledged	Related liability
Property, plant and equipment	17	6	3	51	15
Long-term deposits and restricted cash	5,20	11	8	15	23
Restricted cash <sup>1</sup>	24	58	119	54	352
Accounts receivable	27	62		214	
<b>Total assets pledged and restricted</b>		<b>137</b>	<b>130</b>	<b>334</b>	<b>390</b>

<sup>1</sup>Restricted cash represents US\$11 million funds allocated for repayment of the Structured Trade Finance facility (2009: US\$11 million), along with US\$47 million relating to the payment to Steel do Brazil as a part of MIBA/MPB acquisition.

### 36. Contingencies

#### Pending litigation

The Highwind Group, subsidiaries of ENRC's Camrose joint venture, are co-defendants in an action filed on 13 September 2010 in the Eastern Caribbean Supreme Court of the British Virgin Islands by Congo Mineral Developments Limited ('CMD'), a subsidiary of First Quantum Minerals Limited ('FQM'), in relation to the Highwind Group's interest in the tailings exploitation licence (PER 652) covering the Kolwezi Tailings Site. The claim was served on the Highwind Group on 3 December 2010. The total amount claimed by Congo Mineral Developments Limited is an estimated US\$2 billion. The Highwind Group has applied for summary judgement and/or strike out of the claim. The process of the application for summary judgement and/or strike out, including any appeals, could take over 2 years to complete. We consider that the application for summary judgement and/or strike out has good prospects of success. However, should the Highwind Group ultimately be unsuccessful in obtaining summary judgement or having the claim struck out, the Highwind Group intends to defend its position vigorously.

#### Taxation

At the end of 2009, the Kazakhstan tax authorities issued a transfer pricing assessment of US\$126 million on SSGPO in respect of the year ended 31 December 2004. The Group's management are confident that the company was fully compliant with the transfer pricing legislation prevailing at the time, have appealed against the assessment, and are defending the adopted filing position. No provision against additional tax is considered to be necessary. The Kazakhstan tax authorities are currently considering the Group's appeal against the assessment.

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### 37. Reconciliation of Non-GAAP measures

#### 1. Underlying EBIT, EBITDA and EBITDA margin

In millions of US\$ (unless stated otherwise)	Year ended 31 December	
	2010	2009
<b>Profit for the year</b>	<b>2,197</b>	1,062
<b>Adjustments for:</b>		
Finance cost	101	157
Income tax expense	780	377
Acquisition related costs <sup>1</sup>	73	–
Share of profit of joint ventures and associates <sup>2</sup>	(13)	(31)
Finance income	(57)	(191)
Gain arising related to the acquisition of BMBV (note 6)	(298)	–
Foreign exchange gain resulting from devaluation of Kazakhstani tenge	–	(210)
<b>Underlying EBIT</b>	<b>2,783</b>	1,164
<b>Add back:</b>		
Depreciation, amortisation and impairment	411	298
<b>Underlying EBITDA<sup>3</sup></b>	<b>3,194</b>	1,462
<b>Divide by:</b>		
Revenue	6,605	3,831
<b>Underlying EBITDA Margin<sup>4</sup></b>	<b>48.4%</b>	38.2%

<sup>1</sup>Following the adoption of IFRS 3 (Revised) acquisition related costs are now expensed.

<sup>2</sup>Joint ventures and associates for 2009 and 2010 include BML (joint venture) from 19 May 2009 to 21 September 2010, Shubarkol (associate) from 16 February 2009, Earth Centre Investments (Pty) (associate) from 9 November 2009, SMKK (associate) from 9 November 2009 until 22 June 2010, Camrose (joint venture) from 20 August 2010 and Taurus (joint venture) from 14 December 2010.

<sup>3</sup>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 ventures and associates, gain arising related to acquisition of joint venture, acquisition related costs and the impact of the devaluation of the Kazakhstani tenge in 2009.

<sup>4</sup>Underlying EBITDA margin: Underlying EBITDA as a percentage of revenue.

#### 2. Return on capital employed

In millions of US\$ (unless stated otherwise)	Year ended 31 December	
	2010	2009 As restated
<b>Underlying EBIT</b>	<b>2,783</b>	1,164
<b>Divide by:</b>		
<b>Capital employed weighted average<sup>1</sup></b>		
Borrowings	906	580
Equity including non-controlling interests	8,931	7,839
<b>Total capital employed weighted average</b>	<b>9,837</b>	8,419
<b>Return on capital employed</b>	<b>28.3%</b>	13.8%

<sup>1</sup>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.

#### 3. Gearing

In millions of US\$ (unless stated otherwise)	Year ended 31 December	
	2010	2009
<b>Net debt/(cash)</b>	<b>37</b>	(402)
<b>Divide by:</b>		
Net debt/(cash)	37	(402)
Equity attributable to equity holders of the company	9,772	7,713
<b>Gearing</b>	<b>0.4%</b>	(5.5%)

**37. Reconciliation of Non-GAAP measures** continued**4. Like-for-like reconciliation**

In millions of US\$	Year ended 31 December		2010 vs. 2009	
	2010	2009	US\$ million	%
<b>Like-for-like revenue</b>				
<b>Revenue</b>	<b>6,605</b>	3,831	2,774	72.4%
<b>Less:</b>				
Other Non-ferrous Division revenue <sup>1</sup>	(412)	(41)		
African logistics entity	(71)	(14)		
Other entities acquired during 2010 and 2009	(5)	–		
<b>Like-for-like revenue</b>	<b>6,117</b>	3,776	2,341	62.0%
<b>Like-for-like cost of sales</b>				
<b>Cost of sales</b>	<b>2,847</b>	1,947	900	46.2%
<b>Less:</b>				
Other Non-ferrous Division cost of sales <sup>1</sup>	(317)	(39)		
African logistics entity	(79)	(1)		
Other entities acquired during 2010 and 2009	(3)	–		
<b>Like-for-like cost of sales</b>	<b>2,448</b>	1,907	541	28.4%
<b>Like-for-like total costs</b>				
<b>Total costs</b>				
Cost of sales	2,847	1,947		
Distribution costs	485	366		
General and administrative expenses	555	359		
Net other operating expense/(income)	8	(215)		
<b>Total costs</b>	<b>3,895</b>	2,457	1,438	58.5%
<b>Less:</b>				
Foreign exchange gain resulting from devaluation of Kazakhstani tenge	–	210		
Acquisition related costs <sup>2</sup>	(73)	–		
Other Non-ferrous Division total costs <sup>1</sup>	(405)	(41)		
African logistics entity	(88)	(14)		
Other entities acquired during 2010 and 2009	(20)	–		
<b>Like-for-like total costs</b>	<b>3,309</b>	2,612	697	26.7%

<sup>1</sup>Other non-ferrous division amounts comprise CAMEC (in 2009 and 2010), Chambishi, Comit Resources FZE and SMKK (in 2010). Please refer to note 6 for acquisitions made during 2009 and 2010.

<sup>2</sup>Following the adoption of IFRS 3 (Revised) acquisition related costs are now expensed.

**5. Gross available funds, net available funds and net cash**

In millions of US\$	Year ended 31 December	
	2010	2009
<b>Gross available funds</b>		
Cash and cash equivalents	1,595	830
Term deposits (included in trade and other receivables)	54	126
Other financial assets	413	115
<b>Less:</b>		
Investment in quoted equity shares (non-current)	(354)	–
Investment in unquoted options	(25)	(35)
Other restricted financial assets	(11)	(15)
<b>Total gross available funds</b>	<b>1,672</b>	1,021
Borrowings – current	(226)	(360)
Borrowings – non-current	(1,406)	(68)
<b>Total net available funds</b>	<b>40</b>	593
<b>Net cash</b>		
Cash and cash equivalents	1,595	830
Borrowings – current	(226)	(360)
Borrowings – non-current	(1,406)	(68)
<b>Total net (debt)/cash</b>	<b>(37)</b>	402

# Notes to the Consolidated Financial Statements

## continued

### 38. Principal subsidiaries

The Group comprises a large number of companies and it is not practical to include all of them in the Annual Report. Therefore, as permitted by section 410 of the Companies Act 2006, we disclose below only those companies that have a more significant impact on the profit or assets of the Group. A full list is available at Companies House in the United Kingdom, and is annexed to the Company's annual return.

As at 31 December 2010					
Subsidiary	Principal activity	Country of incorporation	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 ('Aok')	Mining and processing of raw materials	Kazakhstan	–	98.12	82.81
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 ('KAS')	Metals Processing	Kazakhstan	–	100.00	–
Chambishi Metals PLC	Metals Processing	Zambia	–	90.00	–
TNC Kazchrome JSC ('Kazchrome')	Mining	Kazakhstan	–	99.56	86.52
SSGPO JSC ('SSGPO')	Mining	Kazakhstan	–	100.00	81.47
Zhairemsky GOK JSC	Mining	Kazakhstan	–	100.00	37.18
Boss Mining Sprl	Mining	DR Congo	–	67.82	–
Bahia Mineração Ltda	Mineral Exploration	Brazil	–	100.00	–
Mineração Minas Bahia SA ('MIBA')	Mineral Exploration	Brazil	–	100.00	–
Mineração Peixe Bravo SA ('MPB')	Mineral Exploration	Brazil	–	51.00	–
Societe Miniere de Kabolela et Kipese Sprl ('SMKK')	Mineral Exploration	DR Congo	–	100.00	–
ENRC Mozambique Limitada	Mineral Exploration	Mozambique	–	96.88	–
Todal Mining (Pvt) Limited	Mineral Exploration	Zimbabwe	–	58.13	–
Eurasian Energy Corporation JSC ('EEC')	Power Generation	Kazakhstan	–	100.00	76.67
Corporate Fund ENRC Komek	Charity	Kazakhstan	–	100.00	–
MEK Transsystema LLP	Transportation	Kazakhstan	–	100.00	–
TransCom LLP	Transportation	Kazakhstan	–	100.00	–
ENRC Logistics LLP	Transportation	Kazakhstan	–	100.00	–
Sabot Management Holdings Limited	Transportation	Seychelles	–	96.88	–
Sabot Holdings Malawi Limited	Transportation	Malawi	–	96.88	–
Sabot Holdings SA (Pty) Limited	Transportation	South Africa	–	96.88	–
Sabot Holdings Zambia Limited	Transportation	Zambia	–	96.88	–
ENRC Marketing AG	Sales & Marketing	Switzerland	–	100.00	–
ENRC Marketing Africa AG	Sales & Marketing	Africa	–	100.00	–
ENRC Marketing LLP	Sales & Marketing	Kazakhstan	–	100.00	–
ENRC Marketing LLC	Sales & Marketing	Russian Federation	–	100.00	–
Bahia Minerals BV	Intermediate Holding Company	Netherlands	–	100.00	–
Enya Holdings BV	Intermediate Holding Company	Netherlands	–	100.00	–
ENRC Kazakhstan LLP	Holding Company	Kazakhstan	–	100.00	–
ENRC NV	Holding Company	Netherlands	–	100.00	–
ENRC Africa Holdings Limited	Holding Company	United Kingdom	–	96.88	–
ENRC Africa BV	Holding Company	United Kingdom	–	100.00	–
ENRC Finance Limited	Treasury & Holding Company	United Kingdom	100.00	–	–
ENRC Management (UK) Limited	Group Managing Company	United Kingdom	100.00	–	–

### 39. Events after the balance sheet date

#### **Shubarkol Call Option Extension**

On 31 January 2011, the Group announced the extension of a call option (the 'Call Option') originally granted in conjunction with the acquisition of a 25% interest in Shubarkol Komir JSC ('Shubarkol') in February 2009 (the 'Call Option Extension'). The Call Option gives the Group the right to acquire the outstanding 75% of the ordinary shares of Shubarkol for a consideration of some US\$600 million. The Call Option Extension, which has been granted for nil consideration, extends the expiry date of the Call Option by up to 12 months, to 31 January 2012. All other significant terms of the Call Option are unchanged. Shubarkol, one of Kazakhstan's largest thermal coal producers, is majority owned by Eurasian Industrial Company JSC ('EIC'), a private company beneficially wholly owned by the Founder Shareholders of the Group.

#### **Funding arrangements**

On 7 February 2011, the Group entered into an Export Credit Facility agreement for the amount of €185 million. The facility is an 11-year draw-down facility and bears an interest rate of six-month EURIBOR plus a margin of 1.2%. 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 programme.

On 18 March 2011, the Group signed an unsecured senior US\$500 million revolving credit facility which will significantly enhance the Group's headroom and provide significant liquidity to the Group's business operations.

#### **2010 Final Dividend**

For 2010 the Board has recommended a final dividend of US 18.0 cents per share, amounting to US\$232 million, to be paid on 15 June 2011 to shareholders on the register at the close of business on 1 April 2011.

# 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 2010 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 79, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## 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 2010;
- 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 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 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 2010.

## Charles Joseland (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

18 April 2011

# Parent Company Balance Sheet

(Company number: 6023510)

In millions of US\$	Notes	As at 31 December	
		2010	2009
<b>Fixed assets</b>			
Investments	5	<b>1,224</b>	1,216
<b>Current assets</b>			
Amount owed by ENRC Finance Limited	6	<b>2,855</b>	2,652
Accrued interest receivable		<b>129</b>	69
Other debtors		–	1
<b>Total current assets</b>		<b>2,984</b>	2,722
<b>Creditors – amounts falling due within one year</b>			
Amount owed to ENRC Management (UK) Limited	7	<b>(41)</b>	(44)
Accrued interest payable		<b>(1)</b>	–
Other creditors		–	(2)
<b>Total creditors – amounts falling due within one year</b>		<b>(42)</b>	(46)
<b>Net current assets</b>		<b>2,942</b>	2,676
<b>Total assets less current liabilities</b>		<b>4,166</b>	3,892
<b>Creditors – amounts falling due after more than one year</b>			
Term borrowings	8	<b>(500)</b>	–
<b>Net assets</b>		<b>3,666</b>	3,892
<b>Capital and reserves</b>			
Called up share capital	9	<b>258</b>	258
Share premium account	10	<b>2,999</b>	2,999
Other reserves	10	<b>21</b>	13
Profit and loss account	10	<b>388</b>	622
<b>Total shareholders' funds</b>	10	<b>3,666</b>	3,892

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements.

The financial statements on pages 139 to 143 were approved by the Board of Directors on 18 April 2011 and were signed on its behalf by:



**Felix Vulis**  
Chief Executive Officer



**Dr Zaure Zaubekova**  
Chief Financial Officer

# Notes to the Parent Company Financial Statements

## 1. Principal accounting policies

### a) Basis of preparation

These financial statements represent the individual parent company.

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The Directors have reviewed the Company's existing accounting policies and consider that they are consistent with last year. The principal accounting policies are set out below.

The functional and presentation currency of the Company is US dollars. At 31 December 2010, the exchange rate was £1 = US\$1.5477 (2009: £1 = US\$1.6139) and the average rate for the year was £1 = US\$1.5451 (2009: £1 = US\$1.5664).

### b) Investments

Investments in subsidiary undertakings are stated in the balance sheet at cost less provisions for impairment. Investments are tested for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the investment exceeds the higher of net realisable value and the discounted future earnings from the investment.

### c) Financial assets and liabilities

Amounts owed by group companies, which are interest bearing, are initially recorded at fair value and subsequently remeasured at amortised cost using the effective interest method.

Amounts owed to group companies and term borrowings, which are interest and non-interest bearing, are initially recorded at fair value, net of transaction costs incurred, and subsequently remeasured at amortised cost using the effective interest method.

Finance income and expenses are accounted for on an accrual basis using the effective interest method.

### d) Foreign currencies

Transactions denominated in currencies other than US dollars are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in currencies other than US dollars are translated using the rate of exchange ruling at the balance sheet date. Exchange differences are charged or credited to the profit and loss account in the year in which they arise.

### e) Taxation including deferred tax

Current tax in respect of the taxable profit or loss for a period is provided using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are generally recognised in respect of all timing differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured using the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised on an undiscounted basis.

Current and deferred tax are recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or a loss recognised directly in the statement of total recognised gains and losses, in which case tax attributable to that gain or loss is also recognised directly in the statement of total recognised gains and losses.

### f) Share-based payments

The Company has adopted a Long Term Incentive Plan ('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 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, based on the estimate of the number of shares that will eventually vest. Failure to vest as a result of market conditions is not reversed.

Further details on the share-based payments can be found in the Directors' remuneration report section of this Annual Report and notes to the consolidated financial statements.

## 1. Principal accounting policies continued

### Change in accounting policy

The Company has changed its accounting policy when the Amendment to FRS 20, 'Share-based payment – Group cash-settled share-based payment transactions' became effective. The amendment clarifies the scope of FRS 20 by incorporating the requirements of UITF 41 'Scope of FRS 20' and UITF 44 'Group and treasury share transactions', and sets out the accounting for Group cash-settled share-based payment transactions in an entity's individual financial statements. Where an entity receives goods or services but has no obligation to settle the share-based payment transaction or the awards granted are in the entity's own equity instruments it would treat the transaction as an equity-settled share-based payment.

The change in accounting policy has no direct impact on the accounting previously adopted by the Company.

### g) 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 presenting financial instruments disclosures under the terms of FRS 29. The Company has not prepared a cash flow statement as a consolidated cash flow statement has been presented in the consolidated financial statements of the Company.

In accordance with exemptions under FRS 8 'Related party disclosures', the Company has not disclosed transactions with wholly owned subsidiaries, as the Company's financial statements are presented together with its consolidated financial statements.

## 3. Directors' report, Directors' emoluments and employee information

The Directors' report and the Directors' Responsibilities Statement have been set out on pages 62 to 64 and page 79.

The Company had 3 employees in 2010 (2009: 2 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 2010 are set out in the Directors' remuneration report section of this Annual Report and Accounts.

## 4. Taxation including deferred tax

The Company has unrecognised deferred tax assets in respect of deductible temporary differences of US\$4 million (2009: US\$3 million).

A change in the UK main corporation tax rate from 28% to 27% was enacted on 20 July 2010 and will be effective from 1 April 2011 as further detailed at note 15 to the Consolidated financial statements. On the basis that the Company currently does not have any recognised deferred tax assets or liabilities, no remeasurement of these balances is necessary.

## 5. Investments

At 31 December 2010, the Company held the following principal investments:

In millions of US\$	Country of incorporation	As at 31 December	
		2010	2009
<b>Cost and net book value</b>			
ENRC Finance Limited	United Kingdom	<b>1,200</b>	1,200
ENRC Management (UK) Limited	United Kingdom	<b>15</b>	12
ENRC Marketing AG	Switzerland	<b>2</b>	1
ENRC Kazakhstan LLP (formerly ENRC Management KZ LLP)	Kazakhstan	<b>2</b>	1
Aluminium of Kazakhstan JSC	Kazakhstan	<b>1</b>	1
Eurasian Energy Corporation JSC	Kazakhstan	<b>1</b>	1
SSGPO JSC	Kazakhstan	<b>1</b>	–
TNC Kazchrome JSC	Kazakhstan	<b>1</b>	–
ENRC Logistics LLP	Kazakhstan	<b>1</b>	–
<b>Total investments</b>		<b>1,224</b>	1,216

In accordance with UITF 44 and FRS 20, the cost of investments in ENRC Management (UK) Limited, ENRC Marketing AG, ENRC Kazakhstan LLP, Aluminium of Kazakhstan JSC, Eurasian Energy Corporation JSC, SSGPO JSC, TNC Kazchrome JSC and ENRC Logistics LLP increased during the year 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.

The Company holds 250 million ordinary shares representing 100% of the issued share capital of ENRC Finance Limited. The principal activities of ENRC Finance Limited are acting as the treasury company for the Company and its subsidiaries as well as holding investments in subsidiary companies of the Group.

The Company holds 1,000 ordinary shares representing 100% of the issued share capital of ENRC Management (UK) Limited. ENRC Management (UK) Limited provides management services for the headquarters of the Company and its subsidiaries.

# Notes to the Parent Company Financial Statements

## continued

### 6. Amount owed by Group companies

In millions of US\$	As at 31 December	
	2010	2009
ENRC Finance Limited	<b>2,855</b>	2,652

The amount due from ENRC Finance Limited at 31 December 2010 and 2009 bears interest at LIBOR plus 2.056%. The loan is unsecured and is repayable on demand.

### 7. Amount owed to Group companies

In millions of US\$	As at 31 December	
	2010	2009
ENRC Management (UK) Limited	<b>41</b>	44

The amount due to ENRC Management (UK) Limited at 31 December 2010 and 2009 relates to management recharges. It is repayable on demand and is not interest bearing.

### 8. Term borrowings

The Company entered into an agreement with JSC Wealth Fund 'Samruk-Kazyna' for a loan amounting to US\$500 million. JSC Wealth Fund 'Samruk-Kazyna', a related party, is an entity controlled by the Republic of Kazakhstan, one of the Company's shareholders. The loan is unsecured and repayable in September 2020. Interest is payable semi-annually at a fixed interest rate of 7.5% in March and September of each year.

### 9. Called up share capital

In millions of US\$	As at 31 December	
	2010	2009
Authorised: 2,000,000,000 ordinary shares of US\$0.20 each	<b>400</b>	400
Allotted and fully paid: 1,287,750,000 ordinary shares of US\$0.20 each	<b>258</b>	258

### 10. Reconciliation of other reserves and movement in shareholders' funds

In millions of US\$	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total shareholders' funds
At 31 December 2008	258	2,999	3	233	3,493
Profit for the financial 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
Profit for the financial year	-	-	-	<b>4</b>	<b>4</b>
Dividends paid	-	-	-	<b>(238)</b>	<b>(238)</b>
FRS 20 Share-based payment cost	-	-	<b>8</b>	-	<b>8</b>
<b>At 31 December 2010</b>	<b>258</b>	<b>2,999</b>	<b>21</b>	<b>388</b>	<b>3,666</b>

The Company has recognised a net amount of US\$8 million in other reserves in relation to the share-based payments (2009: US\$10 million). Details of the share-based payments are disclosed in the notes to the consolidated financial statements.

The profit and loss account for the year ended 31 December 2010 includes a nil charge in relation to foreign exchange losses on dividends (2009: US\$2 million). Details of the dividends declared and paid during the year are disclosed in the notes to the consolidated financial statements.

Disclosure of fees payable to the auditor and its associates for other (non-audit) services are provided in the notes to the consolidated financial statements.

### 11. Guarantees and commitments

Guarantees provided by the Company as at 31 December 2010 to third party banks in relation to finance arrangements and payment obligations on behalf of its subsidiary companies amounted to US\$1,021 million (2009: US\$11 million).

Guarantees provided by the Company as at 31 December 2010 to third party contractors on behalf of its subsidiary companies amounted to US\$305 million (2009: US\$53 million).

Guarantees provided by the Company as at 31 December 2010 to third party banks in relation to hedge contracts on behalf of its subsidiary companies amounted to US\$170 million (2009: US\$20 million). The Company did not enter into hedge contracts during the year.

### 12. Events after the balance sheet date

On 7 February 2011, ENRC Finance Limited entered into an Export Credit Facility agreement for the amount of €185 million. The unsecured loan is an 11 year facility and bears an interest rate of EURIBOR plus a margin of 1.2%. 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. The Company acts as guarantor to third party banks in relation to finance arrangements and repayment obligations on behalf of ENRC Finance Limited.

ENRC Finance Limited has declared on 16 March 2011 and paid on 23 March 2011 a dividend of US\$500 million to the Company in respect of the financial year ended 31 December 2010. In accordance with FRS 21, these financial statements do not reflect this dividend receivable at 31 December 2010, which will be accounted for as dividend income in 2011.

On 18 March 2011, ENRC Finance Limited entered into an unsecured senior US\$500 million revolving credit facility which enhances the borrowing headroom and provides significant liquidity to the business's operations. The Company acts as guarantor to third party banks in relation to finance arrangements and repayment obligations on behalf of ENRC Finance Limited.

On 23 March 2011, ENRC Finance Limited has drawn down an amount of US\$490 million on the Company's loan facility.

For 2010 the Board has recommended a final dividend of US 18.0 cents per share, amounting to US\$232 million, to be paid on 15 June 2011 to shareholders on the register at the close of business on 1 April 2011.

# Independent Expert Ore Reserves Report for the year ended 31 December 2010

SRK Consulting (UK) Ltd ('SRK') has reviewed and restated in line with the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the mineral resources and ore reserves for the various mining assets of ENRC. For the Kazakhstan assets this involved reviewing the GKZ 'reserve' statements as prepared in accordance with the local regulatory requirements of Kazakhstan, as at 31 December 2010. SRK has modified and translated ENRC's GKZ 'reserve' statements and restated these as Mineral Resources and Ore Reserves in accordance with the terms and definitions given in the JORC Code, without recourse to fundamental recalculation.

Since preparing an independent Mineral Expert's Report ('MER') on the mining, processing, smelting and power generating assets of ENRC in 2007, SRK has prepared annual updates of the JORC Code compliant Mineral Resources and Ore Reserves with site visits being undertaken on a two to three year basis. Site visits to Kazchrome's Donskoy GOK chrome operations and Zhairmsky GOK's manganese and iron-manganese operations were undertaken in February 2009. Site visits to Eurasian Energy Corporation's ('EEC') Vostochny Open Pit Coal Mine and the SSGPO iron ore mines were undertaken in February 2010, and Aluminium of Kazakhstan's ('AoK') KBRU and TBRU bauxite mines were most recently visited in February 2011. The Mineral Resource and Ore Reserve Statements as of 31 December 2009 form the basis for the current update.

In addition to the Kazakhstan assets, Mineral Resource and, where appropriate, Ore Reserve statements have been reviewed and restated for Bahia Mineração Limitada's ('BML') Pedra de Ferro iron ore project in Brazil and several of the Other Non-ferrous Division's copper and cobalt assets in the Democratic Republic of the Congo ('DRC'), being Boss Mining's Mukondo Mountain, Kakanda North and South, and SMKK's Kabolela deposits. The dates of these statements relied on the data availability and are therefore not stated per 31 December 2010. For BML, in line with the Bankable Feasibility Study ('BFS') statement, the Mineral Resources are stated as of March 2009, and the Ore Reserves as of April 2010. For the Boss Mining and SMKK assets, the date of the statement is as of 31 January 2011. A site visit to the DRC assets was carried out in February 2011.

SRK has reviewed the Ore Reserve statements in conjunction with ENRC's price forecasts, or where not considered appropriate in line with consensus market forecasts. The long term prices used to support the current Ore Reserve declarations are:

- Chromite at US\$271/tonne and HCFeCr at US\$1,581/tonne;
- Manganese concentrate products around US\$259/tonne and iron manganese concentrate products of US\$81/tonne;
- SSGPO iron ore at US\$59/tonne for 66% concentrates, US\$68/tonne for 69% concentrates, US\$74/tonne for 63.5% pellets, US\$92/tonne for 67% pellets, and US\$377/tonne for HBI briquettes;
- BML Blast Furnace product at US\$47/tonne, and US\$58/tonne for Direct Reduction product;
- Alumina at US\$338/tonne; and
- EEC at US\$10/tonne for domestic coal sales and US\$35/tonne for export coal sales.

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 2011.

The Mineral Resource and Ore Reserve statements are based on the following assumptions, assessments, recommendations and material changes:

## Ferroalloys Division

### Kazchrome

#### Donskoy GOK (Chrome ore)

In 2010 the Group produced 4.6 mt of ore. Molodezhnaya Underground Mine produced 2.5 mt and has a mine life of 14 years, producing between 2.2 and 2.5 mtpa for the next ten years. 10th Anniversary Underground Mine produced 1.7 mt and has a mine life of 38 years, with an average 2.5 mtpa from Phase 1. The deeper Phase 2 commences production in 2020, with production building up to around 4.4 mtpa in 2029, continuing to 2048. A significant portion of the Ore Reserves is dependent on successful application of new mining methods for both near surface and deposits at depth. Whilst studies have been carried out for these, the methods have not been trialled and will be at a higher cost than the current method being utilised. Due to the integrated structure of the Donskoy mines with the Aksu and Aktobe smelters, this higher mining cost will not negatively impact on the current Ore Reserve statement. Yuzhny open pit mined 0.3 mt in 2010 and is due to produce 2.5 mt ore between 2013 and 2018, at a high stripping ratio. The Mineral Resource has marginally decreased in line with depletion from the 2010 production. The Ore Reserves for Yuzhny and Molodezhnaya have not materially changed. However, the Ore Reserves for the 10th Anniversary Mine have slightly increased due to a re-evaluation of the modifying factors. 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.

#### Kazmarganets (Manganese ore)

The Ore Reserves for Tur are based on a life of mine plan ending in 2020. The current mining contract for Tur expires on 7th October 2021. The Vostochny Kamys Ore Reserves are based on a life of mine plan ending in 2013. The current mining contract for Vostochny Kamys expires on 28th June 2018. No operational changes are planned. Kazmarganets product is consumed by the Aksu smelter, and the Ore Reserves have therefore been stated on the basis that they are part of the integrated Kazchrome operations.

#### 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.

### Zhairesky GOK (Manganese and Iron-Manganese ores)

The Mineral Resources and Ore Reserves at Zhairesky GOK have been reduced by 2.5 mt and 1.6 mt respectively as a result of mining activities and stockpile depletion. The majority of production has been sourced from the Ushkatyn III open pit manganese operations, with additional manganese ore sourced from the Ushkatyn III underground mine. A minor amount of iron ore has been sourced from existing surface stockpiles. There have been no material changes to the Mineral Resources and Ore Reserves for Zhairesky GOK outside of mining depletion activities in 2010. The current mining contract for Ushkatyn III expires in June 2015 and for Zhomart in June 2013. The Reserves for the Zhairam deposit are based on a life of mine plan to the end of 2023. SRK has declared the Reserves on the understanding that Zhairesky GOK can extend these mining contracts under similar terms for periods that match their life of mine plans.

### Iron Ore Division

#### SSGPO (Iron ore)

In 2010 SSGPO produced 43.6 mt of iron ore at 32.0% 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. Two new deposits (Sorksy and Shagyrkul'sky) have been added to the Mineral Resource base for 31 December 2010. Currently no Ore Reserves are stated for these deposits, but technical studies are currently being completed for the Sorksy deposit, which could potentially support full or partial conversion of the Indicated Mineral Resources to Ore Reserves. The Mineral Resources can support operations continuing beyond 2040.

#### BML (Iron ore)

The Statement is in line with the Pedra de Ferro project Bankable Feasibility Study issued in April 2010 with an effective date of December 2009. The Mineral Resources for Block 3 have been derived from those mineral rights licence areas that are attributable to Bamin as at December 2009, namely 870.830/2004 and 870.283/2005. At the planned annual production rate for the BFS of 18 mt of product, the life of mine will be 15 years, assuming production commences in 2013 and extends to 2027. In addition to the Mineral Resources for Block 3, BML also has Mineral Resources for Blocks 1 & 4 (also referred to as 'Jurema') dated as at 9 January 2009.

### Alumina and Aluminium Division – AoK (Bauxite)

In 2010 the two divisions of AoK produced 5.3 mt of bauxite: 4.9 mt from nine operating open pits in three areas of KBRU and 0.4 mt from three operating open pits at TBRU. All mining contracts expire on 21 January 2017, with the exception of the mining contract for Vostochno-Ayatskoye, which expires on 26 July 2031. SRK has declared the Ore Reserves on the understanding that AoK can extend these contracts under similar terms for periods that match their life of mine plans. The Ore Reserves are based on an overall life of mine plan for AoK to the end of 2045. SRK notes that the economic viability of TBRU is dependent on the production from KBRU.

### Energy Division – EEC (Coal)

Vostochny Open Pit Coal Mine produced 20 mt of coal in 2010. The current mining contract expires on 18 March 2022. The Coal Reserves are based on a life of mine plan up to 2046 and on the understanding that EEC can extend the contract under similar terms for a period that matches the life of mine plan. The Resources can support operations continuing beyond 2045.

### Other Non-ferrous Division – Boss Mining & SMKK (Copper/Cobalt ores)

SRK reviewed four of ENRC's copper-cobalt deposits located in the Democratic Republic of the Congo (DRC), which ENRC acquired through its majority shareholding in Central African Mining and Exploration Plc (CAMEC) acquired in 2009 and through the acquisition of Société Minière de Kabolela et Kipese Sprl ('SMKK') in 2009 and 2010. The deposits reviewed and visited by SRK in February 2011 are: Kakanda North, Kakanda South, Mukondo Mountain and Kabolela. The projects all had mineral resource estimates issued in accordance with the SAMREC reporting code and prepared by international mining consultants, Coffey Mining. No Ore Reserves are stated for these deposits and current production is undertaken according to an internal mine plan. All Mineral Resources are presented on a 100% attributable basis.

For and on behalf of SRK Consulting:

Competent Persons for Mineral Resources and Ore Reserves

#### Donskoy GOK and Kazmarganets

Dr Lucy Roberts and Jurgen Fuykschot

#### Zhairesky GOK

Mark Campodonic and Chris Bray

#### SSGPO

Dr Lucy Roberts and Rick Skelton

#### AoK

Mark Campodonic and Sean Cremin

#### EEC

Paul Bright and Jon Woolliscroft

#### BML

Dr John Arthur (Block 3), Dr Lucy Roberts (Blocks 1&4) and Rick Skelton (Block 3 only)

#### Boss Mining & SMKK (Mineral Resources only)

Tracey Laight

# Ore Reserves/Mineral Resources Estimates

## Summary of Ore Reserves of ENRC

Minerals type	Reserves as of 31 December 2010						Reserves as of 31 December 2009		Reserves <sup>1</sup> life at 2010 mining volumes
	Proved		Probable		Total		Total		
	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	
<b>Ferroalloys Division</b>									
Chrome ore	76.2	Cr <sub>2</sub> O <sub>3</sub> 42.3	146.2	Cr <sub>2</sub> O <sub>3</sub> 41.1	222.4	Cr <sub>2</sub> O <sub>3</sub> 41.6	225.8	Cr <sub>2</sub> O <sub>3</sub> 41.5	48 years
Manganese ore	–	Mn –	26.0	Mn 20.2	26.0	Mn 20.2	28.1	Mn 21.0	9 years
Iron-manganese ore	–	Fe/Mn –	6.9	Fe/Mn 38.7/4.0	6.9	Fe/Mn 38.7/4.0	6.8	Fe/Mn 38.6/4.0	n/a <sup>3</sup>
<b>Iron Ore Division</b>									
Iron ore (SSGPO)	255.1	Fe 38.7	1,126.5	Fe 33.2	1,381.6	Fe 34.2	1,411.9	Fe 34.2	32 years
<b>Reserves as of 1 April 2010</b>									
Iron ore (BML Block 3)	257.0	39.7	187.0	43.0	444.0	41.1	n/a	n/a	n/a <sup>4</sup>
<b>Alumina and Aluminum Division</b>									
Bauxite	53.3	Al <sub>2</sub> O <sub>3</sub> 43.4	100.7	Al <sub>2</sub> O <sub>3</sub> 43.4	154.0	Al <sub>2</sub> O <sub>3</sub> 43.4	158.1	Al <sub>2</sub> O <sub>3</sub> 43.3	35 years
<b>Energy Division</b>									
Coal <sup>2</sup>	702.9	*	–	*	702.9	*	723.0	*	35 years
<b>Reserves as of 31 January 2011</b>									
<b>Non-ferrous Division</b>									
Copper and Cobalt	–	Cu/Co –	–	Cu/Co –	–	Cu/Co –	–	Cu/Co –	–

<sup>1</sup>The Reserves mine life has been calculated using 2010 mining volumes, from all relevant mine sites and does not take into account any mine expansion plans.

<sup>2</sup>Coal reserves quality parameter: Calorific value = 3,990 kcal/kg (net as received); 0.56% S (air dried); 42.5% ash (air dried).

<sup>3</sup>Iron-manganese ore reserves life is not calculated due to immaterial mining activity for this product in 2010.

<sup>4</sup>At the planned production rate of 18 mtpa of product, the reserves life will be 15 years, assuming production commences in 2013.

## Summary of Mineral Resources of ENRC

(Mineral Resources are inclusive of Ore Reserves)

Minerals type	Resources as of 31 December 2010								Resources as of 31 December 2009	
	Measured		Indicated		Inferred		Total		Total	
	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
<b>Ferroalloys Division</b>										
Chrome ore	74.5	Cr <sub>2</sub> O <sub>3</sub> 50.8	192.4	Cr <sub>2</sub> O <sub>3</sub> 48.9	48.8	Cr <sub>2</sub> O <sub>3</sub> 48.4	315.7	Cr <sub>2</sub> O <sub>3</sub> 49.3	322.2	Cr <sub>2</sub> O <sub>3</sub> 49.2
Manganese ore <sup>2</sup>	–	Mn –	44.1	Mn 17.9	175.8	Mn 22.9	219.9	Mn 21.9	222.9	Mn 24.1
Iron-manganese ore	–	Fe/Mn –	10.4	Fe/Mn 41.9/1.9	5.1	Fe/Mn 43.4/1.6	15.5	Fe/Mn 42.3/1.8	15.7	Fe/Mn 42.0/1.7
<b>Iron Ore Division</b>										
Iron ore (SSGPO)	359.5	Fe 44.1	3,165.2	Fe 38.4	862.8	Fe 38.7	4,387.5	Fe 38.9	4,256.2	Fe 38.9
<b>Resources as of 1 March 2009</b>										
Iron ore (BML Block 3)	267.0	40.9	364.0	37.0	345.0	32.5	976.0	36.5	n/a	n/a
<b>Resources as of 9 January 2009</b>										
Iron ore (BML Blocks 1 and 4)	–	–	301.0	28.3	531.0	25.8	832.0	26.7	n/a	n/a
<b>Alumina and Aluminum Division</b>										
Bauxite	57.2	Al <sub>2</sub> O <sub>3</sub> 43.8	106.9	Al <sub>2</sub> O <sub>3</sub> 43.7	2.6	Al <sub>2</sub> O <sub>3</sub> 46.0	166.7	Al <sub>2</sub> O <sub>3</sub> 43.8	171.0	Al <sub>2</sub> O <sub>3</sub> 43.8
<b>Energy Division</b>										
Coal <sup>1</sup>	1,009.3	*	195.3	*	–	*	1,204.6	*	1,220.8	*
<b>Resources as of 31 January 2011</b>										
<b>Non-ferrous Division</b>										
Copper and Cobalt	–	Cu/Co –	26.0	Cu/Co 2.4/0.3	24.5	Cu/Co 2.4/0.3	50.5	Cu/Co 2.4/0.3	n/a	n/a

<sup>1</sup>Coal resources quality parameter: Calorific value = 4,580 kcal/kg (net as received); 0.57% S (air dried); 36% ash (air dried).

<sup>2</sup>These resources include the Ushkatyn-1 resources which relate to a particular high-iron manganese mineralisation (jacobsite), which were grouped for the purpose of this report together with the other manganese resources.

### Ferroalloys Division

Mining facilities of the Ferroalloys Division produce chrome ore, manganese ore and iron-manganese ore. These facilities are represented by Joint Stock Company (JSC) Kazchrome and JSC Zhairemsky 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 2010						Reserves as of 31 December 2009	
		Proved		Probable		Total		Total	
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
<b>Donskoy GOK</b>									
10th Anniversary	U/G	61.1	42.8	115.6	42.5	176.7	42.6	176.7	42.6
Molodezhnaya	U/G	15.0	40.5	12.3	40.5	27.3	40.8	27.7	40.5
Yuzhny	O/P	0.1	42.4	2.4	42.4	2.5	42.4	2.8	42.4
Stockpiles		–	–	15.9	31.3	15.9	31.3	18.6	32.3
<b>Donskoy GOK total</b>		<b>76.2</b>	<b>42.3</b>	<b>146.2</b>	<b>41.1</b>	<b>222.4</b>	<b>41.6</b>	225.8	41.5

#### Mineral Resources – Chromite Deposits

(Mineral Resources are inclusive of Ore Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2010								Resources as of 31 December 2009	
		Measured		Indicated		Inferred		Total		Total	
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
<b>Donskoy GOK</b>											
10th Anniversary	U/G	60.4	50.8	162.9	50.5	48.8	48.4	272.1	50.2	273.6	50.2
Molodezhnaya	U/G	14.0	51.0	11.4	51.0	–	–	25.4	51.0	27.4	51.0
Yuzhny	O/P	0.1	48.8	2.2	48.8	–	–	2.3	48.8	2.6	48.8
Stockpiles		–	–	15.9	31.3	–	–	15.9	31.3	18.6	32.3
<b>Donskoy GOK total</b>		<b>74.5</b>	<b>50.8</b>	<b>192.4</b>	<b>48.9</b>	<b>48.8</b>	<b>48.4</b>	<b>315.7</b>	<b>49.3</b>	322.2	49.2

#### Ore Reserves – Manganese Deposits

Enterprise and mine name	Type of mine	Reserves as of 31 December 2010						Reserves as of 31 December 2009	
		Proved		Probable		Total		Total	
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
<b>Kazmarganets</b>			<b>Mn</b>		<b>Mn</b>		<b>Mn</b>		<b>Mn</b>
Tur	O/P	–	–	4.9	20.0	4.9	20.0	5.3	22.3
Vostochny Kamys	O/P	–	–	0.5	15.2	0.5	15.2	0.7	16.0
<b>Kazmarganets total</b>		<b>–</b>	<b>–</b>	<b>5.4</b>	<b>19.6</b>	<b>5.4</b>	<b>19.6</b>	6.0	21.6
<b>Zhairemsky GOK</b>									
Ushkatyn-I	O/P	–	–	–	–	–	–	–	–
Ushkatyn-III	O/P	–	–	8.9	20.4	8.9	20.4	10.1	21.1
Ushkatyn-III	U/G	–	–	8.4	20.9	8.4	20.9	8.7	21.7
Zhomart (including Zapadny)	O/P	–	–	3.0	19.0	3.0	19.0	3.0	19.0
Perstenevsky	O/P	–	–	–	–	–	–	–	–
Stockpiles		–	–	0.3	14.2	0.3	14.2	0.3	13.9
<b>Zhairemsky GOK total</b>		<b>–</b>	<b>–</b>	<b>20.6</b>	<b>20.3</b>	<b>20.6</b>	<b>20.3</b>	22.1	20.9
<b>Grand total</b>		<b>–</b>	<b>–</b>	<b>26.0</b>	<b>20.2</b>	<b>26.0</b>	<b>20.2</b>	28.1	21.0

# Ore Reserves/Mineral Resources Estimates

## continued

### Mineral Resources – Manganese Deposits

(Mineral Resources are inclusive of Ore Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2010								Resources as of 31 December 2009	
		Measured		Indicated		Inferred		Total		Total	
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
			<b>Mn</b>		<b>Mn</b>		<b>Mn</b>		<b>Mn</b>		<b>Mn</b>
Tur	O/P	–	–	4.9	22.6	2.5	20.4	7.4	21.8	7.9	22.7
Vostochny Kamys	O/P	–	–	0.5	15.7	1.2	19.3	1.7	18.2	1.9	19.0
<b>Kazmarganets total</b>		–	–	5.4	21.9	3.7	20.0	9.1	21.1	9.8	22.0
<b>Zhairemsky GOK</b>											
Ushkatyn-I'	O/P	–	–	18.7	11.8	0.4	11.5	19.1	11.8	19.1	11.9
Ushkatyn-III	O/P	–	–	8.3	23.2	0.5	23.2	8.8	23.2	9.9	24.0
Ushkatyn-III	U/G	–	–	7.9	23.3	48.7	21.5	56.6	22.0	57.4	21.9
Zhomart (including Zapadny)	O/P	–	–	3.0	21.3	6.7	21.3	9.7	21.2	9.8	22.0
Perstenevsky	O/P	–	–	–	–	0.8	21.0	0.8	21.0	0.8	21.0
Perstenevsky	U/G	–	–	–	–	115.0	23.8	115.0	23.8	115.0	27.7
Stockpiles		–	–	0.8	15.5	–	–	0.8	15.5	1.1	15.0
<b>Zhairemsky GOK total</b>		–	–	38.7	17.4	172.1	23.0	210.8	21.9	213.1	24.1
<b>Grand total</b>		–	–	44.1	17.9	175.8	22.9	219.9	21.9	222.9	24.1

<sup>1</sup>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 2010						Reserves as of 31 December 2009	
		Proved		Probable		Total		Total	
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
			<b>Fe/Mn</b>		<b>Fe/Mn</b>		<b>Fe/Mn</b>		<b>Fe/Mn</b>
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		–	–	0.5	37.0/3.1	0.5	37.0/3.1	0.4	35.8/3.8
<b>Zhairemsky GOK total</b>		–	–	6.9	38.7/4.0	6.9	38.7/4.0	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 2010								Resources as of 31 December 2009	
		Measured		Indicated		Inferred		Total		Total	
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
			<b>Fe/Mn</b>		<b>Fe/Mn</b>		<b>Fe/Mn</b>		<b>Fe/Mn</b>		<b>Fe/Mn</b>
Ushkatyn-I	O/P	–	–	5.6	44.0/1.6	–	–	5.6	44.0/1.6	5.6	44.0/1.6
Ushkatyn-III	O/P	–	–	–	–	0.1	40.7/1.6	0.1	40.7/1.6	0.1	23.8/0.6
Ushkatyn-III	U/G	–	–	3.4	40.7/1.6	–	–	3.4	40.7/1.6	3.6	40.1/1.5
Zhomart	O/P	–	–	0.3	43.5/1.6	5.0	43.5/1.6	5.3	43.5/1.6	5.4	43.4/1.3
Stockpiles		–	–	1.1	33.9/4.5	–	–	1.1	33.9/4.5	1.0	32.9/4.9
<b>Zhairemsky GOK total</b>		–	–	10.4	41.9/1.9	5.1	43.4/1.6	15.5	42.3/1.8	15.7	42.0/1.7

## Iron Ore Division

Mining facilities of the Iron Ore Division consist of SSGPO mines and the BML project.

### Ore Reserves – Iron Deposits

Enterprise and mine name	Type of mine	Reserves as of 31 December 2010						Reserves as of 31 December 2009	
		Proved		Probable		Total		Total	
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
<b>SSGPO</b>			<b>Fe</b>		<b>Fe</b>		<b>Fe</b>		<b>Fe</b>
Sokolovsky	U/G	14.7	39.0	223.5	31.1	238.2	31.6	242.2	31.7
Sokolovsky	O/P	–	–	27.8	32.8	27.8	32.8	27.8	32.8
Sarbaisky (main)	O/P	27.0	36.9	66.3	32.1	93.3	33.5	100.9	33.5
Sarbaisky (southern)	O/P	59.2	40.3	83.7	40.2	142.9	40.2	142.9	40.2
Kacharsky	O/P	154.2	38.3	656.4	32.5	810.6	33.6	827.6	33.5
Korzhinkol'skoye	O/P	–	–	68.8	40.0	68.8	40.0	70.5	39.2
Sorsky	O/P	–	–	–	–	–	–	–	–
Shagyrkul'sky	O/P	–	–	–	–	–	–	–	–
<b>SSGPO total</b>		<b>255.1</b>	<b>38.7</b>	<b>1,126.5</b>	<b>33.2</b>	<b>1,381.6</b>	<b>34.2</b>	<b>1,411.9</b>	<b>34.2</b>

Enterprise and mine name	Type of mine	Reserves as of 1 April 2010						Reserves as of 31 December 2009	
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
<b>BML Block 3</b>									
Haematite	O/P	56.0	64.8	62.0	64.7	118.0	64.7	n/a	n/a
Itabirite	O/P	201.0	32.7	125.0	32.2	326.0	32.5	n/a	n/a
<b>BML Block 3 total</b>		<b>257.0</b>	<b>39.7</b>	<b>187.0</b>	<b>43.0</b>	<b>444.0</b>	<b>41.1</b>	<b>n/a</b>	<b>n/a</b>

### Mineral Resources – Iron Deposits

(Mineral Resources are inclusive of Ore Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2010								Resources as of 31 December 2009	
		Measured		Indicated		Inferred		Total		Total	
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
<b>SSGPO</b>			<b>Fe</b>		<b>Fe</b>		<b>Fe</b>		<b>Fe</b>		<b>Fe</b>
Sokolovsky	U/G	56.2	48.2	989.2	39.1	267.3	42.3	1,312.7	40.2	1,315.0	40.2
Sokolovsky	O/P	–	–	26.3	33.6	3.4	26.6	29.7	32.8	27.5	33.3
Sarbaisky (main)	O/P	42.4	37.6	792.0	37.4	157.8	38.8	992.2	37.6	1,000.9	37.6
Sarbaisky (southern)	O/P	59.2	46.3	170.1	44.5	62.2	48.1	291.5	45.6	291.5	45.6
Kacharsky	O/P	173.0	44.0	974.9	36.7	299.4	33.2	1,447.3	36.9	1,444.2	37.0
Korzhinkol'skoye	O/P	–	–	102.1	42.2	72.7	40.1	174.8	41.3	177.1	41.3
Sorsky	O/P	8.7	41.6	51.7	41.6	–	–	60.4	41.6	–	–
Shagyrkul'sky	O/P	20.0	41.9	58.9	41.9	–	–	78.9	41.9	–	–
<b>SSGPO total</b>		<b>359.5</b>	<b>44.1</b>	<b>3,165.2</b>	<b>38.4</b>	<b>862.8</b>	<b>38.7</b>	<b>4,387.5</b>	<b>38.9</b>	<b>4,256.2</b>	<b>38.9</b>

Enterprise and mine name	Type of mine	Resources as of 1 March 2009						Resources as of 31 December 2009			
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %		
<b>BML Block 3</b>											
Haematite	O/P	58.0	66.8	64.0	66.7	10.0	65.4	132.0	66.6	n/a	n/a
Itabirite	O/P	209.0	33.7	300.0	30.7	335.0	31.5	844.0	31.8	n/a	n/a
<b>BML Block 3 total</b>		<b>267.0</b>	<b>40.9</b>	<b>364.0</b>	<b>37.0</b>	<b>345.0</b>	<b>32.5</b>	<b>976.0</b>	<b>36.5</b>	<b>n/a</b>	<b>n/a</b>

Enterprise and mine name	Type of mine	Resources as of 9 January 2009						Resources as of 31 December 2009			
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %		
<b>BML Blocks 1 and 4</b>											
Magnetite		–	–	301.0	28.3	531.0	25.8	832.0	26.7	n/a	n/a
<b>BML Blocks 1 and 4 total</b>		<b>–</b>	<b>–</b>	<b>301.0</b>	<b>28.3</b>	<b>531.0</b>	<b>25.8</b>	<b>832.0</b>	<b>26.7</b>	<b>n/a</b>	<b>n/a</b>

# 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 2010						Reserves as of 31 December 2009	
		Proved		Probable		Total		Total	
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
<b>Aluminium of Kazakhstan – KBRU</b>			<b>Al<sub>2</sub>O<sub>3</sub></b>		<b>Al<sub>2</sub>O<sub>3</sub></b>		<b>Al<sub>2</sub>O<sub>3</sub></b>		<b>Al<sub>2</sub>O<sub>3</sub></b>
Krasnooktyabr'skoye	O/P	31.3	43.3	63.0	43.0	94.3	43.1	95.8	43.1
Belinskoye	O/P	7.7	42.1	1.9	41.8	9.6	42.0	11.1	41.9
Ayatskoye	O/P	6.0	44.8	–	–	6.0	44.8	6.1	44.8
Vostochno-Ayatskoye	O/P	5.2	43.5	35.2	44.2	40.4	44.1	41.1	44.1
<b>KBRU total</b>		<b>50.2</b>	<b>43.3</b>	<b>100.1</b>	<b>43.4</b>	<b>150.3</b>	<b>43.4</b>	154.1	43.3
<b>Aluminium of Kazakhstan – TBRU</b>									
Amangel'dinsky	O/P	3.1	44.2	0.6	41.5	3.7	43.7	4.0	43.7
<b>TBRU total</b>		<b>3.1</b>	<b>44.2</b>	<b>0.6</b>	<b>41.5</b>	<b>3.7</b>	<b>43.7</b>	4.0	43.7
<b>Grand total</b>		<b>53.3</b>	<b>43.4</b>	<b>100.7</b>	<b>43.4</b>	<b>154.0</b>	<b>43.4</b>	158.1	43.3

#### Mineral Resources – Bauxite

(Mineral Resources are inclusive of Ore Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2010								Resources as of 31 December 2009	
		Measured		Indicated		Inferred		Total		Total	
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
<b>Aluminium of Kazakhstan – KBRU</b>			<b>Al<sub>2</sub>O<sub>3</sub></b>		<b>Al<sub>2</sub>O<sub>3</sub></b>		<b>Al<sub>2</sub>O<sub>3</sub></b>		<b>Al<sub>2</sub>O<sub>3</sub></b>		<b>Al<sub>2</sub>O<sub>3</sub></b>
Krasnooktyabr'skoye	O/P	33.2	43.7	66.6	43.4	–	–	99.8	43.5	101.4	43.5
Belinskoye	O/P	8.1	42.2	2.0	41.9	–	–	10.1	42.2	11.7	42.0
Ayatskoye	O/P	6.3	45.1	–	–	–	–	6.3	45.1	6.4	45.1
Vostochno-Ayatskoye	O/P	5.5	43.7	37.3	44.4	0.1	42.2	42.9	44.3	43.6	44.3
<b>KBRU total</b>		<b>53.1</b>	<b>43.7</b>	<b>105.9</b>	<b>43.7</b>	<b>0.1</b>	<b>42.2</b>	<b>159.1</b>	<b>43.7</b>	163.1	43.7
<b>Aluminium of Kazakhstan – TBRU</b>											
Amangel'dinsky	O/P	4.1	45.0	1.0	42.0	2.5	46.2	7.6	45.0	7.9	45.0
<b>TBRU total</b>		<b>4.1</b>	<b>45.0</b>	<b>1.0</b>	<b>42.0</b>	<b>2.5</b>	<b>46.2</b>	<b>7.6</b>	<b>45.0</b>	7.9	45.0
<b>Grand total</b>		<b>57.2</b>	<b>43.8</b>	<b>106.9</b>	<b>43.7</b>	<b>2.6</b>	<b>46.0</b>	<b>166.7</b>	<b>43.8</b>	171.0	43.8

### Energy Division

Mining facilities of the Energy Division are represented by the Vostochny open pit of JSC Eurasian Energy Corporation (EEC).

#### Coal Reserves

Enterprise and mine name	Type of mine	Reserves as of 31 December 2010						Reserves as of 31 December 2009	
		Proved		Probable		Total		Total	
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
EEC									
Vostochny	O/P	702.9	*	–	*	702.9	*	723.0	*
<b>Grand total</b>		<b>702.9</b>	<b>*</b>	<b>–</b>	<b>*</b>	<b>702.9</b>	<b>*</b>	723.0	*

\*Coal reserves quality parameter: Calorific value = 3,990kcal/kg (net as received); 0.56% S (air dried); 42.5% ash (air dried).

## Coal Resources

(Coal Resources are inclusive of Coal Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2010								Resources as of 31 December 2009	
		Measured		Indicated		Inferred		Total		Total	
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
EEC											
Vostochny	O/P	1,009.3	*	195.3	*	–	*	1,204.6	*	1,220.8	*
<b>Grand total</b>		<b>1,009.3</b>	<b>*</b>	<b>195.3</b>	<b>*</b>	<b>–</b>	<b>*</b>	<b>1,204.6</b>	<b>*</b>	<b>1,220.8</b>	<b>*</b>

\*Coal reserves quality parameter: Calorific value = 4,580kcal/kg (net as received); 0.57% S (air dried); 36% ash (air dried).

## Other Non-ferrous Division

Mineral Resources of the Other Non-ferrous Division are represented through the Kakanda North, Kakanda South, Mukondo Mountain (all acquired through the CAMEC transaction) and Kabolela deposits (acquired through the SMKK transaction).

## Mineral Resources – Copper and Cobalt

Enterprise and mine name	Type of mine	Resources as of 31 January 2011								Resources as of 31 December 2009	
		Measured		Indicated		Inferred		Total		Total	
		Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %	Tonnage mt	Grade %
<b>Boss Mining</b>			<b>Cu/Co</b>		<b>Cu/Co</b>		<b>Cu/Co</b>		<b>Cu/Co</b>		<b>Cu/Co</b>
Kakanda South	O/P	–	–	–	–	12.6	2.2/0.1	12.6	2.2/0.1	n/a	n/a
Kakanda North	O/P	–	–	12.6	3.1/0.2	6.0	3.6/0.2	18.6	3.3/0.2	n/a	n/a
Mukondo Mountain	O/P	–	–	2.3	1.8/0.9	3.6	1.5/1.2	5.9	1.6/1.1	n/a	n/a
<b>Boss Mining total</b>		–	–	<b>14.9</b>	<b>2.9/0.3</b>	<b>22.2</b>	<b>2.5/0.3</b>	<b>37.1</b>	<b>2.7/0.3</b>	n/a	n/a
<b>SMKK</b>											
Kabolela	O/P	–	–	11.1	1.8/0.4	2.3	1.3/0.3	13.4	1.7/0.4	n/a	n/a
<b>SMKK total</b>		–	–	<b>11.1</b>	<b>1.8/0.4</b>	<b>2.3</b>	<b>1.3/0.3</b>	<b>13.4</b>	<b>1.7/0.4</b>	n/a	n/a
<b>Grand total</b>		–	–	<b>26.0</b>	<b>2.4/0.3</b>	<b>24.5</b>	<b>2.4/0.3</b>	<b>50.5</b>	<b>2.4/0.3</b>	n/a	n/a

# Glossary

<b>Al<sub>2</sub>O<sub>3</sub></b>	Aluminium oxide
<b>AoK</b>	Aluminium of Kazakhstan
<b>Bamin / or BMBV</b>	Bahia Minerals BV
<b>BML</b>	Bahia Mineração Ltda
<b>BRIC</b>	Fast growing developing economies of Brazil, Russia, India and China
<b>BRL</b>	Brazilian real
<b>CAMEC</b>	Central African Mining & Exploration Company Plc
<b>CCC</b>	Congo Cobalt Corporation SprL
<b>CIS</b>	Commonwealth of Independent States
<b>CIT</b>	Corporate Income Tax
<b>CNY</b>	Chinese yuan
<b>Cr<sub>2</sub>O<sub>3</sub></b>	Chromium oxide
<b>DRC</b>	Democratic Republic of the Congo
<b>EEC</b>	Eurasian Energy Corporation
<b>EMTN</b>	European Medium Term Note Programme
<b>ENRC</b>	Eurasian Natural Resources Corporation PLC
<b>EPS</b>	Earnings per share
<b>EPT</b>	Excess Profits Tax in the Republic of Kazakhstan
<b>EU</b>	European Union
<b>Fe<sub>2</sub>O<sub>3</sub></b>	Iron oxide
<b>GAAP</b>	Generally Accepted Accounting Practices
<b>GBP</b>	British pound
<b>GDP</b>	Gross Domestic Product
<b>GKZ</b>	State Reserves Commissions of countries of the former Soviet Union
<b>IAS</b>	International Accounting Standards
<b>IFRIC</b>	International Financial Reporting Interpretation Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>IPO</b>	Initial Public Offering
<b>JSC</b>	Joint Stock Company
<b>KAS</b>	Kazakhstan Aluminium Smelter
<b>KASE</b>	Kazakhstan Stock Exchange
<b>KBRU</b>	Krasno Oktyabrskoye bauxite mine
<b>KZT</b>	Kazakhstani tenge
<b>LME</b>	London Metal Exchange
<b>LSE</b>	London Stock Exchange
<b>LTIFR</b>	Lost time injury frequency rate defined as the number of lost time injuries per million hours worked.
<b>LTIP</b>	Long Term Incentive Plan
<b>MET</b>	Mineral Extraction Tax
<b>MIBA</b>	Mineração Minas Bahia SA
<b>MMK</b>	Magnitogorsk Iron and Steel Works Open Joint Stock Company
<b>Mn</b>	Manganese
<b>MPB</b>	Mineração Peixe Bravo SA
<b>n/a</b>	Not applicable
<b>OJSC</b>	Open Joint Stock Company
<b>O/P</b>	Open pit
<b>PBT</b>	Profit before tax
<b>RUB</b>	Russian rouble
<b>SMKK</b>	Société Minière de Koboleta et Kipese SprL
<b>SRK</b>	SRK Consulting (UK) Limited
<b>SSGPO</b>	Sokolovsko Sarbaiskoye Ore Mining and Processing Association
<b>SX/EW</b>	Solvent extraction/electro-winning
<b>TBRU</b>	Torgay bauxite mine
<b>TSR</b>	Total shareholder return
<b>UC Rusal</b>	United Company Rusal
<b>UK</b>	United Kingdom
<b>US</b>	United States of America
<b>US\$</b>	US dollar
<b>U/G</b>	Underground mine

<b>alumina</b>	Any of several forms of aluminium oxide, $Al_2O_3$ , occurring naturally as corundum, or obtained by refining of bauxite ore.
<b>aluminium smelter</b>	An electrolysis process plant used to convert alumina to aluminium metal.
<b>bauxite</b>	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.
<b>beneficiation</b>	The process used to remove unwanted material from mined ore, in order to increase the proportion of useful metal compounds (minerals).
<b>blast furnace</b>	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).
<b>brownfield</b>	A development project that is close to existing industrial operations with proximity to existing infrastructure, often an extension and with known geological conditions.
<b>calcite</b>	A common rock forming mineral, calcium carbonate $CaCO_3$ .
<b>capacity</b>	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.
<b>capital expenditure</b>	Expenditures incurred during the process of commencing, expanding or sustaining production.
<b>charge chrome</b>	A ferrochrome alloy where the percentage of chromium is between 50%-55%. This is a material charged to a steel production furnace.
<b>chromite</b>	Chromium spinel (Fe, Mg) $O.(Fe,Al,Cr)_2O_3$ , the principal chromium ore mineral, chromium content 43%-68%.
<b>chromium</b>	Chemical element with symbol Cr, commonly used in steel industry to procure stainless steel.
<b>cobalt</b>	A chemical element with the symbol Co. A hard, lustrous grey metal.
<b>cobalt concentrate</b>	A washed and/or floated ore that contains elevated levels of cobalt.
<b>solvent extraction and electro-winning (SX/EW) plant</b>	After ore is leached with acid the liquid product is further purified in a chemical process known as solvent extraction (SX). The resultant liquid product from this is known as a pregnant solution (acidic metal-laden water) and is sent to an electro-winning (EW) Plant where the cobalt is deposited in metal form through electrolysis.
<b>coke</b>	Bituminous coal from which the volatile components have been removed. Is used as a fuel and as a reducing agent in smelting.
<b>community and social investment</b>	The total value of donations and gifts in kind devoted to communities in which ENRC operates and includes sponsorship and charitable donations as well as provision of finance for investment in development of cultural and health facilities.
<b>concentrate</b>	A material that has been processed to increase the content of the contained valuable component or mineral relative to the contained waste.
<b>copper</b>	A chemical element with the symbol Cu. It is a ductile metal with very high thermal and electrical conductivity.
<b>copper cathode</b>	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.
<b>copper sludge</b>	A mix of copper flakes and powder recovered from the bottom of the electro-winning tanks.
<b>corundum</b>	A mineral with the ideal composition $Al_2O_3$ , natural alumina.
<b>crushing</b>	Size reduction into relatively coarse particles by stamps, crushers, or rolls.
<b>deferred</b>	Projects which have been identified and put on hold.
<b>dilution</b>	The contamination of ore with barren wall rock leading to lower grade in the mined product than in the in situ ore itself.
<b>dip</b>	The angle at which a bed, stratum, or vein is inclined from the horizontal, measured perpendicular to the strike.
<b>enrichment</b>	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).
<b>excavator</b>	Mobile machine used in open pit mining for the digging of ore and waste from the mine and loading them onto vehicles for transportation.
<b>exceptional items</b>	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.
<b>execution</b>	Projects which have full Board approval with equipment ordered and construction in progress.
<b>fault</b>	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.
<b>ferroalloys</b>	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.
<b>ferrochrome</b>	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.
<b>ferrosilicochrome</b>	An alloy with iron, chrome and silicon as the main elements.

# Glossary continued

<b>ferrosilicomanganese</b>	An alloy with iron, manganese and silicon as the main elements.
<b>ferrosilicon</b>	An alloy with iron and silicon as the main elements.
<b>fluorite</b>	Also known as fluorspar. A halide mineral composed of calcium fluoride, CaF <sub>2</sub> . Used for making steel and aluminium amongst other purposes.
<b>furnace</b>	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.
<b>grade</b>	Quantity of metal in a specified quantity of rock, concentrate, alloy or other material, usually expressed as a percentage of the primary element.
<b>greenfield</b>	A term used to describe an area of undeveloped land, either currently used for agriculture or just left to nature.
<b>Group</b>	ENRC and each of its subsidiaries.
<b>hematite</b>	Common iron oxide mineral, Fe <sub>2</sub> O <sub>3</sub> .
<b>impurity loadings</b>	Impurities in the product or chemical process.
<b>JORC Code</b>	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.
<b>limestone</b>	Sedimentary rock comprised mostly of calcium carbonate (calcite).
<b>magnetite</b>	A mineral of iron, Fe <sub>3</sub> O <sub>4</sub> , a common ore forming mineral with characteristic magnetic properties.
<b>metallurgy</b>	The science that deals with procedures used in extracting metals from their ores, purifying and alloying metals.
<b>mill</b>	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.
<b>mineral resources</b>	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.
<b>mineralisation</b>	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.
<b>open pit mining</b>	Method of mining in which the ore is extracted from an excavation open to the sky.
<b>ore</b>	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.
<b>ore reserves</b>	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 and 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.
<b>overburden</b>	In an open pit mine, the unwanted material that must be stripped away to reveal the ore beneath.
<b>oxide ore</b>	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).
<b>pelletising</b>	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.
<b>planning and design</b>	Projects that have received initial Board approval for feasibility studies.
<b>plant</b>	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.
<b>pre-feasibility</b>	Projects at the stage of pre-feasibility study that have not had Board approval.
<b>probable ore reserves</b>	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.
<b>product cost per tonne</b>	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.

<b>proved ore reserves</b>	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.
<b>refinery</b>	An electrolytic or chemical facility producing pure metals or metal compounds.
<b>return on capital employed or ROCE</b>	Profit before interest and taxation and exceptional items over average capital employed (borrowings and total equity, including minority interests) less IPO proceeds.
<b>saleable product</b>	Products that have been upgraded into a form that may be sold to customers.
<b>Samruk Kazyna</b>	The sovereign wealth fund of the Republic of Kazakhstan.
<b>scrap</b>	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.
<b>sediment</b>	Particulate matter that can be transported by fluid flow, glaciers or wind and which eventually is deposited as a layer of solid particles.
<b>semi-coke</b>	Any of a range of products intermediate in composition and consistency between coke and pitch formed by the incomplete carbonisation of coal.
<b>silicomanganese</b>	A ferroalloy composed principally of manganese, silicone and iron, used in steel production.
<b>smelting</b>	A thermal process whereby molten metals (or amalgamated metals) are liberated from beneficiated ore or concentrate with impurities speared as lighter slag.
<b>spot price</b>	The current price of a metal for immediate delivery.
<b>stockpile</b>	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.
<b>strike</b>	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.
<b>stripping ratio</b>	The ratio between the volume of tonnage of waste and ore that must be removed during open pit mining.
<b>sulphide ore</b>	A sulphur bearing ore containing appreciable levels of metals that ideally can be extracted and recovered profitably through various process techniques.
<b>super alloys</b>	An alloy that exhibits excellent mechanical strength, good surface stability, corrosion and oxidation resistance.
<b>total shareholder return or TSR</b>	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.)
<b>tailings</b>	Tailings are the materials left over after the process of separating the valuable fraction from the uneconomic fraction of an ore.
<b>turbines</b>	A rotating machine for producing electricity, driven by steam or gas.
<b>underlying EBITDA</b>	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, gain arising related to acquisition of joint venture, acquisition related costs and the impact of the devaluation of the Kazakhstani tenge. Non-GAAP measures are defined in note 37 to the financial statements.
<b>vein</b>	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.
<b>waste</b>	Rock lacking sufficient metal grade and/or other characteristics to be a source of economic revenue.
<b>Units</b>	
%	per cent
°	degree
<b>GWh</b>	gigawatt hour
<b>kcal/kg</b>	thousand calories per thousand grammes
<b>kg</b>	kilogramme
<b>kt</b>	thousand metric tonnes
<b>KWh</b>	kilowatt hour
<b>mt</b>	million metric tonnes
<b>MWh</b>	megawatt hour
<b>m<sup>3</sup></b>	cubic metres
<b>pa</b>	per annum

# Shareholder Information

## General Information

ENRC's shares are quoted on the London Stock Exchange ('LSE') and the Kazakhstan Stock Exchange ('KASE'). Information on the Company's current share price together with copies of the Group's annual reports, interim results and interim management statements and major presentations to analysts and institutional shareholders are available on the ENRC website, [www.enrc.com](http://www.enrc.com)

## Dividends

As noted in the Directors' Report on page 62, and in the AGM Notice, the Board proposes a final dividend of 18 US cents per share, subject to shareholder approval being given at the AGM to be held on 8 June 2011. If the proposed final dividend is approved, it will be paid on 15 June 2011 to all ordinary shareholders on the register of members on 1 April 2011.

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 Registrars. Shareholders who have not submitted a currency election form, but who wish to do so, may lodge their form at any time. However, in order for the submission to be effective for the next 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 2010, this date was 22 March 2011.

Any currency election form lodged with the 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 payments service

The global payments service allows shareholders resident in certain countries to receive their dividend payment to their local bank and in their local currency (over 65 currencies are catered for). Shareholders wishing to make use of the global payments service should register for Investor Centre at [www.investorcentre.co.uk](http://www.investorcentre.co.uk) or contact the Registrars.

## Registrars and transfer office

The Company's ordinary share register is maintained by:

Computershare Investor Services PLC  
The Pavillions  
Bridgwater Road  
Bristol BS99 6ZZ  
United Kingdom

Tel: +44 (0) 870 707 1680  
[www.investorcentre.co.uk/contactus](http://www.investorcentre.co.uk/contactus)

Any queries about the administration of holdings of ordinary shares, such as change of address, change of ownership or dividend payments, should be directed to the Company's Registrars. Holders of ordinary shares in the UK may also view and update details of their shareholding, after a brief registration process, via our Registrars' Investor Centre service at: [www.investorcentre.co.uk](http://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](http://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.

Shareholders may also contact the General Counsel and Company Secretary at the Company's Registered office: 16 St James's Street, London, SW1A 1ER, United Kingdom Tel: +44 (0) 20 7389 1440; Fax: +44 (0) 20 7389 1441.

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 18 April 2011

	Number of holders	%	Number of shares
1 to 1,000 shares	472	0.01	198,793
1,001 to 5,000	198	0.04	492,691
5,001 to 10,000	79	0.05	588,722
10,001 to 100,000	254	0.79	10,138,247
100,001 to 500,000	137	2.47	31,834,029
500,001 and over	89	96.64	1,244,497,518

## Events calendar 2011

Wednesday, 30 March 2011	Ex-dividend date
Friday, 1 April 2011	Final dividend record date
Thursday, 12 May 2011	May 2011 Interim Management Statement/2011 Q1 Production Report
Wednesday, 8 June 2011	Annual General Meeting
Wednesday, 15 June 2011	Final dividend payment date
Wednesday, 3 August 2011	2011 Q2 Production Report
Wednesday, 17 August 2011	2011 Half Year Results Announcement
Thursday, 10 November 2011	November 2011 Interim Management Statement/2011 Q3 Production Report
Wednesday, 1 February 2012	2011 Q4 Production Report

# Shareholder Information continued

## Registered Offices

### **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 7398 1441  
Website: [www.enrc.com](http://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**

96 Baitursynov Street  
Almaty 050022  
Kazakhstan

## Auditors

### **PricewaterhouseCoopers LLP**

1 Embankment Place  
London  
WC2N 6RH  
United Kingdom

## Financial PR

### **M: Communications**

1 Ropemaker Street, 9th Floor  
London  
EC2Y 9HT  
United Kingdom

# Financial Summary

In millions of US\$	2010	2009 As restated	2008	2007	2006	2005	2004
<b>Results</b>							
<b>Revenue</b>	<b>6,605</b>	3,831	6,823	4,106	3,256	2,950	2,691
Depreciation, amortisation and impairment	<b>(411)</b>	(298)	(311)	(303)	(253)	(237)	(230)
Profit before income tax	<b>2,977</b>	1,439	3,827	1,321	971	1,098	1,255
<b>Profit for the year</b>	<b>2,197</b>	1,062	2,684	814	686	777	1,022
Profit attributable to equity holders of the Company	<b>2,185</b>	1,045	2,642	798	550	580	884
<b>Underlying EBIDTA</b>	<b>3,194</b>	1,462	4,161	1,918	1,256	1,363	1,502
Underlying EBITDA margin	<b>48.4%</b>	38.2%	61.0%	46.7%	38.6%	46.2%	55.8%
Underlying EBIT	<b>2,783</b>	1,164	3,850	1,421	997	1,126	1,272
<b>Effective tax rate</b>	<b>26.2%</b>	26.2%	29.9%	38.4%	29.4%	29.2%	18.6%
Earnings per share before exceptional item (US cents) <sup>1</sup>	<b>170</b>	81	205	97	56	58	88
Dividends per share (US cents)	<b>30.5</b>	12	31	49	–	–	–
<b>Balance sheet</b>							
Non-current assets	<b>10,761</b>	7,127	5,621	3,959	3,008	2,294	2,025
Current assets	<b>3,557</b>	2,489	4,393	4,229	1,595	1,108	1,008
Borrowings	<b>1,632</b>	428	727	1,424	1,484	239	227
Non-current liabilities (excluding borrowings)	<b>1,366</b>	613	294	484	372	318	336
Current liabilities (excluding borrowings)	<b>1,287</b>	596	695	491	475	497	289
<b>Net assets</b>	<b>10,033</b>	7,979	8,298	5,789	2,272	2,348	2,181
Non-controlling interests	<b>261</b>	266	126	75	61	681	582
<b>Attributable to equity holders of the Company</b>	<b>9,772</b>	7,713	8,172	5,714	2,211	1,667	1,599
<b>Net (debt)/cash</b>	<b>(37)</b>	402	1,766	1,124	(1,148)	(74)	(44)
<b>Gross available funds</b>	<b>1,672</b>	1,021	2,768	2,921	395	247	304
<b>Capital expenditure</b>	<b>1,187</b>	1,147	1,294	911	563	507	356
<b>Net cash generated from operating activities</b>	<b>2,303</b>	1,209	2,766	1,079	744	1,070	1,146
<b>Return on capital employed</b>	<b>28.3%</b>	13.8%	47.5%	40.3%	31.6%	45.1%	60.4%
<b>Divisional underlying EBIDTA</b>							
Ferroalloys	<b>1,403</b>	707	2,789	1,140	547	606	669
Iron Ore	<b>1,133</b>	485	919	470	323	479	576
Alumina and Aluminium	<b>267</b>	78	295	214	277	182	186
Other Non-ferrous	<b>60</b>	5	n/a	n/a	n/a	n/a	n/a
Energy	<b>308</b>	213	177	107	77	67	66
Logistics	<b>75</b>	40	50	44	54	47	19
Corporate	<b>(52)</b>	(66)	(69)	(57)	(22)	(18)	(14)

<sup>1</sup>The exceptional item is costs expensed in relation to the initial public offering and impacted 2006 and 2007 only.

## Forward-looking statements

This Annual 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 Annual 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 Annual 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. Nothing in this Annual Report should be construed as a profit forecast. The forward-looking statements contained in this document speak only as at the date of this document.

# Notes

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