

Corporate Governance

Directors' Report

The Directors have pleasure in presenting the second Annual Report and Consolidated Financial Statements of Eurasian Natural Resources Corporation PLC (the 'Company' and, together with its subsidiaries, the 'Group') for the year ending 31 December 2008.

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 and China. The Group has five operating divisions: Ferroalloys, Iron Ore, Alumina and Aluminium, Energy and Logistics.

Business review

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

Chairman's Statement on pages 08 and 09
 Chief Executive Officer's Statement on pages 12 to 15
 Key Performance Indicators on pages 20 and 21
 Risk Management on pages 22 to 25
 Operating Review on pages 26 to 37
 Financial Review on pages 40 to 47
 Corporate Responsibility Review on pages 48 to 55

Dividends

The Company paid an interim dividend of 12 US cents per ordinary share (2007: nil) in November 2008. The Directors recommend a final dividend of 19 US cents per share in respect of the year ended 31 December 2008, making a total for the year of 31 US cents per share (2007: nil) payable on 17 June 2009 to shareholders on the register at the close of business on 3 April 2009. The default payment currency of the final dividend is US dollars, but registered shareholders may elect to receive their dividend in pounds sterling.

On 6 December 2007, the Company declared a pre-IPO interim dividend of US\$500 million, which was paid on 19 December 2007.

Annual General Meeting

The 2009 Annual General Meeting will be held on Wednesday 10 June 2009 at The Lincoln Centre, 18 Lincoln's Inn Fields, London. A separate circular containing the Notice of Meeting, together with an explanation of the items of special business, is enclosed with this Annual Report.

Directors

Details of the current Directors of the Company and their biographies are set out on pages 10 and 11. On 20 February 2008, Mr Daulet Yergozhin resigned as a Director of the Company and Mr Marat Beketayev was appointed in his place. Mr Beketayev, and formerly Mr Yergozhin, are both representatives of the Government of the Republic of Kazakhstan.

Mr Miguel Perry has announced his intention to step down as Chief Financial Officer and from the Board and will leave the Group on 30 June 2009.

At the forthcoming Annual General Meeting, Sir David Cooksey, Gerhard Ammann, Sir Paul Judge and Kenneth Olisa will retire by rotation in accordance with the Company's articles of association and, being eligible, offer themselves for re-election. 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 can be found in the Notice of Meeting accompanying this document.

Directors' interests

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

	As at		
	31 March 2009	31 December 2008	31 December 2007
Dr Johannes Sittard	1,600,000	1,850,000	1,850,000
Mr Miguel Perry	601,832	601,832	601,832
Sir David Cooksey	560,185	560,185	560,185
Mr Gerhard Ammann	22,222	22,222	22,222
Mr Marat Beketayev	–	–	–
Mr Mehmet Dalman	212,500	92,500	92,500
Mr Michael Eggleton	–	–	–
Sir Paul Judge	–	–	–
Mr Kenneth Olisa	–	–	–
Sir Richard Sykes	18,471	18,471	18,471
Mr Roderick Thomson	–	–	–
Mr Eduard Uteпов	–	–	–
Mr Abdraman Yedilbayev	–	–	–
Mr Daulet Yergozhin	–	–	–

Share capital

As at 31 December 2008 the Company's authorised share capital was \$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 2008 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 and to exercise all voting rights and to participate in distributions of income or capital.

At the 2008 Annual General Meeting ('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 25 April 2008.) No market purchases of shares were made during the year.

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

Amendments to the articles of association

The Company's articles of association may only be amended by a special resolution at a general meeting of the shareholders. A special resolution proposing further amendments to the articles of association required as a result of the Companies Act 2006, and to amend the Company's borrowing powers to reflect current practice, will be proposed at the forthcoming AGM.

Conflicts of interest

The articles of association were amended at the 2008 AGM with effect from 1 October 2008 to accommodate the changes implemented by the Companies Act 2006 relating to Directors' conflicts of interest. The new articles permit the Board 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 by the Nomination Committee. In deciding whether to authorise such conflicts or potential conflicts, the Nomination Committee members must act in the way they consider would be most likely to promote the success of the Company and they may impose limits or conditions when giving authorisation or subsequently if they think this is appropriate. The Nomination Committee will provide a formal report to the Board on conflicts of interest on an annual basis.

Major interests in shares

The Company has been notified that as at 31 March 2009, the following shareholders own more than 3% of the issued share capital of the Company:

	Number of voting rights	%
Kazakhmys PLC together with Kazakhmys Eurasia BV	334,824,860	26.00
Mr Chodiev	187,836,250	14.59
Mr Ibragimov	187,836,250	14.59
Mr Mashkevitch	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

Relationship agreements

On 7 December 2007, Mr Chodiev, Mr Ibragimov and Mr Mashkevitch entered into a separate relationship agreement with the Company to regulate the ongoing relationship between each Founder Shareholder and the Company. The principal purpose of the relationship agreements is to ensure that transactions and relationships between the Group and the Founder Shareholders are at arm's length and on a normal commercial basis. Under the terms of the relationship agreements, each Founder Shareholder has a right to appoint a Director to the Board as detailed in the Corporate Governance Report on pages 59 to 63. As at the date of this Report, only Mr Ibragimov has exercised this right.

Branches outside the UK

The Group operates sales and marketing offices in Beijing, Dubai, Moscow and Zurich.

Employees

Detailed information about employees is disclosed in the Corporate Responsibility Review on pages 48 to 55.

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. Suppliers in the Republic of Kazakhstan often require prepayment and the average number of creditor days outstanding for the Group as at 31 December 2008 was 34 days (2007: 24 days). The average creditor days outstanding as at 31 December 2008 for the Company was nil days (2007: nil days).

Post balance sheet events

The Company acquired an interest in Shubarkol Komir JSC which was announced 16 February 2009. Details can be found in note 37 to the Consolidated Financial Statements on pages 115 and 116.

Political and charitable donations

Sponsorship and donations amounted to US\$31 million (2007: US\$34 million). During the year, the Group provided the bulk of its charitable financial support through ENRC Komek, a corporate foundation established in the Republic of Kazakhstan during 2008. Komek is a non-commercial and charitable organisation which will finance cultural, educational and other social activities in the Republic of Kazakhstan. The Group regards the provision of charitable donations as an important part of its strategy to maintain good working relationships with local authorities.

For the year ended 31 December 2007, certain Kazakh operating entities of the Group made charitable donations to the 'Umit Oty' fund and the 'Kokzhiiek' fund registered in the Republic of Kazakhstan and controlled by the Founder Shareholders. The total donated to these funds amounted to US\$22.1 million.

A further description of donations can be found in the Corporate Responsibility Review.

Financial instruments

Details of the Group's financial risk management, objectives and policies, together with details of financial instruments are described in the Risk Management section on pages 22 and 25 notes 19 and 34 to the Consolidated Financial Statements on pages 96 and 108 to 111.

Value of land

Most of the Group's interests in mining properties and leases, and in other land and buildings have been included in the financial statements at cost in accordance with its accounting policies. It is not possible to estimate the market value of such interests in land as this will depend on product prices over the long term which will vary with market conditions.

Significant agreements

The following significant agreements contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company.

Corporate Governance continued

Directors' Report continued

Article 71 of the Kazakhstan Subsurface Law

The Republic of Kazakhstan may be entitled to exercise pre-emptive rights over certain issuances or sales of ordinary shares or assets shared by the Group. Article 71 of the Kazakhstan Subsurface Law provides that the Republic of Kazakhstan has pre-emptive rights to purchase certain subsurface use rights or indirect or direct interests in companies having subsurface use rights for sale. This pre-emptive right permits the Republic of Kazakhstan to purchase any such subsurface use rights or equity interests being offered for sale on no less favourable terms than those offered by other purchasers.

Structured Trade Finance Facility

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

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

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

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

Auditors and disclosure of information to auditors

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

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

- (i) so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- (ii) 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 s418 of the Companies Act 2006.

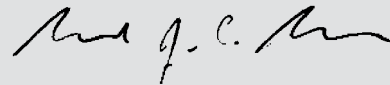
Corporate Governance

The Group's statement on Corporate Governance is included in the Corporate Governance Report on pages 59 to 63 of these financial statements.

Electronic access to ENRC publications

A copy of the 2008 Annual Report, along with other corporate publications, reports and press releases, is available on the Company's website at www.enrc.com

By order of the Board



Randal Barker
General Counsel and Company Secretary
 8 April 2009

Corporate Governance Report

Compliance with the Combined Code

ENRC is committed to high standards of corporate governance. This report details how the Company has applied the principles and provisions of the Combined Code on Corporate Governance (the 'Code') published in June 2006. ENRC has complied fully with the Code during the financial year ended 31 December 2008.

Role of the Board

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

Board composition

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

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

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

Under the Relationship Agreements between the Company and each of the Founder Shareholders (as disclosed in the Directors' Report on pages 56 to 58), each of the Founders Shareholders has the right to appoint one Director to the Board, for so long as his shareholder group controls 10% or more of the voting rights exercisable at general meetings of the Company. Pursuant to this right, Mr Ibragimov has appointed Mr Yedilbayev to the Board. He is not considered to be independent under the Code.

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

Details of the individuals' skills and experience are contained within the Directors' biographies on pages 10 and 11.

Directors' attendance at Board and Committee meetings during 2008

During 2008 there were eight formal Board meetings and attendance at these meetings and the meetings of the Board's main Committees was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	HSES Committee
Total number of meetings held in year	8	5	4	4	3
Gerhard Ammann	7	5		3	
Marat Beketayev ²	6				
Sir David Cooksey	8			4	
Mehmet Dalman	7		3	3	
Michael Eggleton	8	5		2	
Sir Paul Judge	7	3	2	3	
Kenneth Olisa	8	4	2	4	
Miguel Perry	8				
Dr Johannes Sittard	8				3
Sir Richard Sykes	8		4	4	
Roderick Thomson	7	5		3	
Eduard Utepov	6				2
Abdraman Yedilbayev	5				2
Daulet Yergozhin ¹	1				

¹ Resigned 20 February 2008.

² Appointed 20 February 2008.

In addition, a further four meetings of a Sub-Committee of the Board were held during the year to issue formal approvals such as those required in respect of the Preliminary or Interim Results announcements, or deal with other specific matters which had been delegated to the Sub-Committee for approval.

Corporate Governance continued

Corporate Governance Report continued

Information and professional development of the Board

The Board is supplied with regular and timely information in a form that enables it to discharge its duties. Board papers are generally distributed five days in advance of meetings to enable Directors to obtain a thorough understanding of the matters to be discussed. The Board also holds at least one formal meeting per year in the Republic of Kazakhstan to enable Directors to gain a greater understanding of the Group's operating environment.

All Directors have access to the advice and services of the General Counsel and Company Secretary, who is responsible for advising the Board on corporate governance matters and ensuring that Board procedures and applicable laws and regulations are followed. The General Counsel and Company Secretary provides regular updates to the Board on the legal and regulatory environment and is responsible for ensuring that any other training needs are identified and met. On appointment, Directors are provided with adequate information to ensure that they fully understand the business of the Group and their legal and regulatory responsibilities as a Director of the Company. The appointment and removal of the General Counsel and Company Secretary is a matter for the Board.

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

Board Evaluation

As 2008 was the first full year in which the Board worked together, the decision was taken to appoint an external consultant to carry out the first annual Board Evaluation. This was facilitated by means of an in-depth structured interview with each Director. Questions focused on the operation of the Board and its committees, the contributions of individual Directors and a review of the Chairman's performance. The results of the review were then considered with the Chairman and subsequently discussed collectively by the Board.

The Board was satisfied that considerable advances had been made during the first year of working together but additional progress was to be expected over time. There will be additional follow-up meetings during the early part of 2009 to ensure that further improvements in effectiveness are implemented during the year and in 2010.

The non-executive Directors, led by Sir Richard Sykes as Senior Independent Director, carried out an evaluation of the Chairman.

Re-election of Directors

All the Directors offered themselves for election at the AGM held in June 2008 because this was the first general meeting to take place since incorporation. Under the current articles of association, a minimum of one-third of the Directors retire by rotation each year. This ensures that each Director is re-elected at least every three years. Details of the Directors retiring by rotation at the forthcoming AGM are contained in the Notice of Meeting which accompanies the Report & Accounts. The Board remains satisfied that each Director proposed for re-election is competent to carry out his responsibilities as a member of the Board.

Board committees

The Board has established four principal committees.

Audit Committee

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

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

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

The primary responsibilities of the Audit Committee include the following:

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

Committee activities

The Committee met five times during 2008.

During the year the Committee reviewed the Company's Preliminary and Interim announcement of results and received regular reports from the internal audit function, the external auditors and updates on risk management and internal controls. The Committee also reviewed the 2008 Budget and financial reporting procedures to be operated by the Group.

External audit

The overall performance of the auditors is reviewed annually by the Audit Committee. Since 2008 was the first full year since the Company's IPO, this review was carried out shortly after the year end so as to enable full consideration to be given to performance over the year in question.

The Audit Committee is responsible to the Board for ensuring that the external auditor remains independent of the Company in all material respects and that PricewaterhouseCoopers LLP, as external auditors, are adequately resourced so as to enable the delivery of an objective audit to the shareholders. The Audit Committee is also responsible for making formal recommendations each year to the Board in respect of the continuation of the external auditor in office.

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

Internal Audit

During the first half of 2008 the internal audit function was in a developmental stage and the Audit Committee appointed Deloitte & Touche to assist with some of the internal audit work whilst the recruitment of a full team of internal auditors was completed. Deloitte & Touche carried out internal audit work in accordance with the initial annual internal audit plan which was approved by the Audit Committee in February 2008 and regular updates on progress were provided to the Committee during the year.

During the second half of 2008 a new Head of Internal Audit was appointed and his team continued to develop its working practices. The 2009 Internal Plan was approved in December 2008. The Head of Internal Audit reports to the Audit Committee at each of its meetings and provides assurance, independent of the assurance provided by the Chief Financial Officer, that control activities, which have been subject to audit by his team, are operating effectively.

Whistleblowing

The whistleblowing policy approved by the Board in July 2007 was disseminated throughout the Group during 2008. The policy enables employees to raise any concerns they may have about workplace fraud or mismanagement with local management on a confidential basis. The complaint will then be 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 to the Board.

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

The HSES Committee is chaired by Dr Johannes Sittard. The other members comprise Mr Abdraman Yedilbayev and Mr Eduard Utepov who are both non-executive Directors of the Company and Mr Felix Vulis, the Chief Operating Officer for the Republic of Kazakhstan.

The primary role of the HSES Committee is to assist the Board in its oversight of health, safety and environmental risks and to monitor the Group's health and safety performance and its compliance with applicable legal and regulatory requirements.

Further details of the work of the HSES Committee are set out in the Corporate Responsibility Review on pages 48 and 55.

Nomination Committee

The Nomination Committee is chaired by Sir David Cooksey. The other Committee members are Mr Gerhard Ammann, Mr Mehmet Dalman, Mr Michael Eggleton, Sir Paul Judge, Mr Kenneth Olisa, Sir Richard Sykes and Mr Roderick Thomson.

The Committee is responsible for reviewing the size, structure and composition of the Board, taking into account the skills, knowledge and experience of Directors and for recommending to the Board any potential new candidates. The Committee also gives consideration as to whether non-executive Directors have sufficient time to devote to the proper performance of their duties and makes recommendations in relation to the retirement and re-election of Directors at the Company's AGM. In addition, the Committee has assumed day to day responsibility for monitoring Directors' situational conflicts of interest or potential conflicts of interest in accordance with the Companies Act 2006 and will provide a formal report to the Board on an annual basis. However, the actual approval of any conflicts or potential conflicts remains the responsibility of the Board.

The Committee is required to meet at least twice a year and during 2008 it met four times. One of these meetings was to consider a replacement non-executive Director representing the Government of the Republic of Kazakhstan following the resignation of Mr Daulet Yergozhin on 20 February 2008. Accordingly, Mr Marat Beketayev was recommended and subsequently appointed to the Board.

At its other meetings during the year, the Committee reviewed the composition of the Board and considered the succession planning process for the senior management team, including the process around the extension of the CEO's contract and the CFO's decision to step down in June 2009.

The Committee's terms of reference are available on the Company's website.

Remuneration Committee

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

The main roles of the Remuneration Committee are as follows:

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

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

During 2008 the Remuneration Committee met four times. The Committee met to approve the bonus payments awarded in respect of performance in 2007 and to determine and approve the performance targets for bonus arrangements in respect of 2008. The Committee also determined the performance targets for the Long Term Incentive Plan and approved the awards made under the Plan in May 2008.

The Directors' Remuneration Report is set out on pages 64 to 67. A resolution to approve the Remuneration Report will be proposed at the forthcoming AGM.

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

The Board is responsible for the Group's approach to Risk Management as described in the Risk Management section on pages 22 to 25.

Risk assessment

Assessment of the risks which may adversely affect the achievement of the Group's objectives operates throughout the Group. Management reviewed the Key Business Risk Assessment in June 2008 and reports on Risk Management have been provided to the Audit Committee at each meeting during 2008. Management reviews the risk assessment on a regular basis.

Corporate Governance continued

Corporate Governance Report continued

As part of the risk assessment process the Group has adopted the following approach during 2008:

Management considers risks to the Group under the headings of:

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

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

Response to key business risks

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

The Group recruited a Group Risk Manager in May 2008 to co-ordinate the process of responding to Key Business Risks and to report on these matters to the Chief Financial Officer and the Audit Committee. Each significant Group Company has appointed a Business Risk Manager to be the principal point of contact on matters of risk and control within that business.

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

Assurance on the operation of systems of internal control

The Board considers risk assessment and internal control to be fundamental to achieving the Group's strategic corporate objectives. The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Key elements of the internal control process are as follows:

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

The Audit Committee, on the basis of delegated authority from the Board, has completed an annual assessment of the effectiveness of the systems of internal control of the Group as required by the Code. The 2009 assessment represented the first time this process had been carried out.

The Group decided to focus the annual assessment on workshops which took place in February 2009 and which were attended by the General Directors and Financial Directors of each of the Group's operations, supported by senior financial, sales and marketing, legal and operational management from throughout the Group.

The workshops focused on policies and guidelines designed to address areas identified by management and Internal Audit during 2008 as requiring improvement as well as the control procedures which the Group had already established to manage Key Business Risks. These included:

- Financial reporting – the adoption of more focused monthly management reporting formats, increased interaction between London, Astana and operational business units before each month end and by improved monitoring controls in London and Astana.
- Procurement – the development of a list of approved suppliers, the implementation of tendering procedures for all significant contracts, the creation of an open access procurement website, the restriction of the use of intermediaries and the application of rigorous budgetary cost control.
- Customer credit default – the use of credit insurance for certain commodities, the setting of strict credit limits for each customer, the production of weekly information on outstanding receivables and close monitoring by the Finance Director of Sales and Marketing and the Chief Financial Officer.
- Financial counterparty default – creating a list of approved counterparties on the basis of their credit ratings, or where these are not available, by an internal assessment of the counterparty's financial strength and by restricting the amounts which may be placed with each counterparty.
- Capital projects – adopting new procurement policies for all projects, by greater use of external technical advice at the feasibility stage of a new project, by subjecting all existing and proposed projects to scrutiny by the management of the Group on a regular basis and by challenging the inclusion of project spending within the 2009 Budget process.

The Audit Committee has reviewed a report from the Chief Financial Officer setting out the contents and proceedings of the workshops and explaining the basis on which he has obtained assurance as to the operation of the Group's systems of internal controls.

The workshops enabled the Group to make progress in the development of systems of internal control. The Board recognises that there is still significant progress to be made to achieve improved and consistent standards of internal control across the Group.

Relations with shareholders

During 2008 the Group met with a large number of investors in the United Kingdom, continental Europe and the United States of America.

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

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

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

The second Annual General Meeting is due to be held on 10 June 2008 and the Board welcomes the opportunity to answer questions put forward to them by shareholders of the Company.

Going concern

After making enquiries, the Directors have reasonable expectations that the Company 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.

Corporate Governance continued

Remuneration Report

Introduction

The Remuneration Report has been prepared by the Remuneration Committee and approved by the Board and sets out the Group's remuneration policy for the year ended 31 December 2008.

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 April 2008. The terms of reference are designed to enable the Committee to comply with the requirements relating to remuneration policy set out in the Code. A copy of the terms of reference can be found on the Company's website.

The principal responsibilities of the Remuneration Committee are:

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

Membership of the Remuneration Committee

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

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

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

Advisors to the Remuneration Committee

During the year, the Committee retained New Bridge Street Consultants and Kepler Associates to provide advice in relation to the Long Term Incentive Plan. Neither advisor provided any other service to the Group during the year. In making its decisions, the Committee has consulted with the Chief Executive Officer and the General Counsel and Company Secretary.

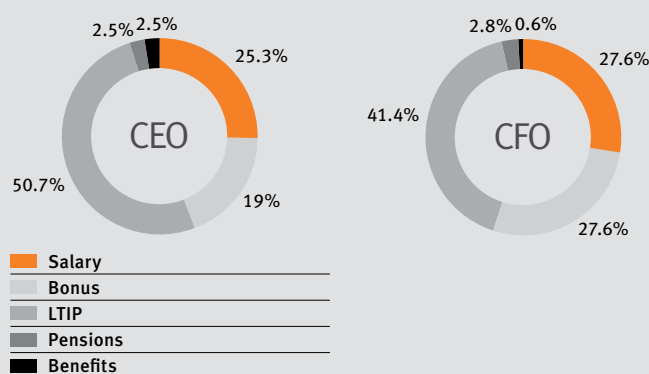
Remuneration policy

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

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

Components of Executive Directors' remuneration

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



Base Salary

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

Annual Bonus

During the year ended 31 December 2008, Executive Directors participated in an annual bonus arrangement with performance measures based on Group financial performance (80% of bonus potential), personal performance (10% of bonus potential) and health and safety performance (10% of bonus potential). Specific financial targets have not been disclosed as they are considered to be commercially confidential but they are deemed to be appropriately challenging by the Committee and will only pay out in full for exceptional performance.

The maximum bonus potential for 2008, payable for exceptional levels of performance, was set at 100% of base salary for the Chief Executive Officer and 100% of base salary for the Chief Financial Officer. Half of the maximum bonus potential was payable at target performance levels. Details of the actual amounts paid for 2008 are set out in the Directors' emoluments table on page 65.

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

Long Term Incentive Plan (LTIP)

The LTIP awards made on 7 May 2008 had a performance condition based on the Company's Total Shareholder Return performance measured against a comparator group of 22 other international mining companies. The comparator companies are BHP Billiton, Rio Tinto, Xstrata, Alcoa, Freeport-McMoRan Copper & Gold, Teck Cominco, Vedanta Resources, Mount Gibson, Antofagasta, Cameca, Kazakhmys, Peabody Energy, Forescure Metals, CVRD, Grupo Mexico, Ferrexpo,

Aricom, Portman, Aluminium Corp of China, Mitsubishi Materials Corp, Outokumpo OYJ and Cleveland Cliffs Inc. Of these comparator companies, Portland was acquired by Cleveland Cliffs Inc on 11 December 2008 and awards made in 2009 will be measured against a resulting comparator group of 21 companies. The performance condition will be measured over the three year period from 1 January 2008 until 31 December 2010 and the final number of shares released to employees will depend on the final ranking of the Company against its comparators in terms of Total Shareholder Return. If the ranking is equal to the upper quartile then 100% of the allocated shares will be released; if the ranking is equal to the median ranked company then 25% of the allocated shares will be released. Between these two levels of performance, vesting is on a pro-rata basis. No shares will be released if the ranking is below median.

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

The Committee considers that Total Shareholder Return remains the most appropriate measure of long-term Company performance, providing alignment of interests between management and shareholders, and therefore intends that 2009 LTIP awards will be subject to the same performance condition. Any acquired comparator companies will be dropped from the comparator group.

In 2008, the maximum level of award under the LTIP was set at 200% of base salary for the Chief Executive Officer and 150% 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.

Long Term Incentive Plan	Share awards held at 1 January 2008	Share awards granted during the year ¹	Share awards held at 31 December 2008
Director			
Dr Johannes Sittard	–	249,792	249,792
Miguel Perry	–	74,938	74,938

¹ The average market value of the Company's ordinary shares over the five days preceding the date of grant was £12.01.

Pensions and benefits

Both Executive Directors are members of the ENRC Personal Pension Plan, a defined contribution pension scheme. An employer contribution of 10% of base salary is made to the Plan on behalf of each Executive Director, subject to the UK Government's annual cap on such contributions. Accordingly, for the year ended 31 December 2008 amounts of £150,000 and £60,000 were paid into the Plan in respect of the Chief Executive Officer and the Chief Financial Officer respectively.

Benefits comprise life assurance, private healthcare, travel insurance and income protection insurance. The Chief Executive Officer receives a fully funded car and driver, and a gardener. The taxable value of these benefits is included in the emoluments table below.

Directors' remuneration for the period 1 January 2008 to 31 December 2008

The following table gives details of Directors' remuneration for the period 1 January to 31 December 2008:

Stated in £'000 sterling	Base salary and fees	Annual performance bonus	Value of LTIP awards	Benefits in kind	Pension contributions	Total 2008	Total 2007
Executive Directors							
Dr Johannes Sittard	1,500	1,125	3,000	150	150	5,925	13,879
Miguel Perry	600	600	900	13	60	2,173	3,803
Non-executive Directors							
Sir David Cooksey	500	–	–	–	–	500	2,108
Gerhard Ammann	120	–	–	–	–	120	8
Marat Beketayev ²	84	–	–	–	–	84	0
Mehmet Dalman	100	–	–	–	–	100	7
Michael Eggleton	100	–	–	–	–	100	7
Sir Paul Judge	100	–	–	–	–	100	7
Kenneth Olisa	100	–	–	–	–	100	7
Sir Richard Sykes	250	–	–	–	–	250	17
Roderick Thomson	100	–	–	–	–	100	7
Eduard Utepov	100	–	–	–	–	100	7
Abdraman Yedilbayev	100	–	–	–	–	100	7
Daulet Yergozhin ¹	16	–	–	–	–	16	7
Total	3,770	1,725	3,900	163	210	9,768	19,871

¹ Daulet Yergozhin resigned from the Board on 20 February 2008.

² Marat Beketayev was appointed as a Director on 20 February 2008.

Remuneration Report continued

Directors' contracts

Executive Directors

Both Executive Directors have service agreements which can be terminated by either the Group or the Executive Director giving 12 months' notice. Under the terms of the contracts, the Group reserves the right, in its absolute discretion, to terminate an Executive Director's employment by making a payment in lieu of notice. In the event of a contract being terminated, the Remuneration Committee would determine the level of any compensation to be paid, normally by reference to fixed elements of remuneration and the notice period. Any annual bonus payment or vesting of shares under the Long Term Incentive Plan would be at the discretion of the Remuneration Committee. Payments would normally be pro-rated and subject to the performance conditions under which the awards were granted.

Dates of the service agreements are:

Name	Date of contract	Notice period
Dr Johannes Sittard	1 May 2007	12 months
Miguel Perry	12 March 2007	12 months

The Company announced on 25 March 2009 that the Chief Executive Officer had agreed to extend his contract of employment and will remain with the Group up until 30 September 2010. The Company also announced that Mr Miguel Perry would step down as Chief Financial Officer and from the Board and will leave the Group with effect from 30 June 2009.

Subject to Board approval, Executive Directors are permitted to accept outside appointments on external boards or committees so long as these are not deemed to interfere with the business of the Company. Any fees in respect of those appointments are retained by the Executive Directors concerned. During 2008, the Chief Executive Officer received US\$200,000 in respect of external directorships (2007: US\$2,036,074).

Non-executive Directors

Non-executive Directors do not have service contracts with the Company, but each has a Letter of Appointment. These specified that each non-executive Director would be appointed until the conclusion of the Company's AGM in June 2008. They retired and were all duly re-elected at this meeting. Each appointment was then continued a further three years from the date of the 2008 AGM. Details of the Letters of Appointment are summarised below.

Non-executive Director	Effective date of letter of appointment	Unexpired term
Sir David Cooksey	15 November 2007	2 years 3 months
Gerhard Ammann	9 November 2007	2 years 3 months
Marat Beketayev	20 February 2008	2 years 3 months
Mehmet Dalman	23 November 2007	2 years 3 months
Michael Eggleton	15 November 2007	2 years 3 months
Sir Paul Judge	14 November 2007	2 years 3 months
Kenneth Olisa	14 November 2007	2 years 3 months
Sir Richard Sykes	4 December 2007	2 years 3 months
Roderick Thomson	15 November 2007	2 years 3 months
Eduard Utepov	9 November 2007	2 years 3 months
Abdraman Yedilbayev	21 November 2007	2 years 3 months
Daulet Yergozhin (resigned 20 February 2008)	9 November 2007	n/a

Copies of all Executive Directors' service contracts and the Letters of Appointment of the non-executive Directors are available for inspection during normal business hours at the registered office of the Company.

Non-executive Directors' fees

The remuneration of the non-executive Directors (other than the Chairman) is a matter for the Chairman and the Executive Directors. Fees are designed to ensure that the Company attracts and retains high calibre individuals. They are reviewed on an annual basis and account is taken of the level of fees paid by other companies of a similar size and complexity. Non-executive Directors do not participate in any annual bonus plan, long-term incentive plan or pension arrangements. The Company reimburses 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 following a review, the level of fees remain unchanged for 2009.

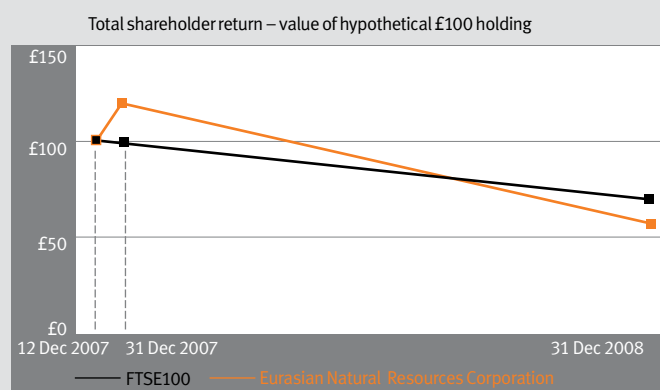
During 2008 the base fee for non-executive Directors was £100,000 per annum. There was no increase in this fee for 2009.

Additional fees of £20,000 per annum are payable to Gerhard Ammann as chairman of the Audit Committee and additional fees of £150,000 per annum are payable to Sir Richard Sykes in relation to his chairmanship of the Remuneration Committee and his role as Senior Independent Director. There was no increase in these additional fees for 2009.

As members of the Kazakh Government, neither Mr Beketayev nor Mr Utepov are permitted to receive their fees personally. The fee for Mr Beketayev and Mr Yergozhin was donated to the London School of Economics and Political Science. As part of a larger and already ongoing engagement with the Republic of 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 the Republic of Kazakhstan in 2009. Mr Utepov intends to donate his fee to a charitable organisation to be determined in 2009.

Performance graph

As required by Schedule 7A of the Companies Act 1985, the Company's TSR performance is shown against a recognised share index. ENRC became a constituent of the FTSE 100 index on 28 March 2008 and this index is considered to be the most appropriate. The following graph charts the total cumulative shareholder return of ENRC compared with the FTSE 100 since 12 December 2007 (being the first date of trading for ENRC shares).



Source: Bloomberg

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

The mid-market price of ENRC shares at 31 December 2008 was 330p and between 31 December 2007 and 31 December 2008, the lowest and highest share price was 183p and 1,550p respectively.

Auditors

This Report contains both audited and non-audited information. As required under Part 3 of Schedule 7A to the Companies Act 1985, 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.
- The awards made during 2008 under the Long Term Incentive Plan.
- The disclosure of Directors' defined contribution pension costs.

Annual General Meeting

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

Signed on behalf of the Board of Directors



Sir Richard Sykes

Chairman of the Remuneration Committee

8 April 2009

Corporate Governance continued

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the parent company 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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, The Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state that the Group financial statements comply with IFRSs as adopted by the European Union and with regard to the parent company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and The Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the Group 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 10 and 11, confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; 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.