Risk factors

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

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

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

Risks relating to the Group's business and industry

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

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

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

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

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

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

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

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

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

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

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

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

The Group's business requires substantial capital expenditures.

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

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

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

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

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

The Group intends to continue expanding and developing its existing reserves and asset portfolio in its region's natural resources sector through acquisitions. The Group may face significant competition in acquiring additional mining properties, and many of its competitors may have greater financial resources and larger technical staffs than the Group has. There can be no assurance that the Group will be able to continue to identify suitable acquisitions and strategic investment opportunities, acquire interests on satisfactory terms or obtain the financing necessary to complete and support such acquisitions. It is likely that businesses acquired by the Group in the future will be located in emerging markets, such as Russia. Emerging markets are generally subject to greater risks, including legal, regulatory, economic and political risks, than more developed markets. For more information, see "—Risks related to operating in Kazakhstan—The Group is exposed to the general risks associated with operating in an emerging market". The Group may face political and legal obstacles in consummating acquisitions in its region of operations outside of Kazakhstan, such as in Russia. New legislation limiting foreign ownership of strategic sectors may be adopted, which could present difficulties for the Group in acquiring new assets or restricting the Group's ability to form strategic partnerships. Any failure to identify and execute future acquisitions successfully could adversely impact the Group's growth strategy. In addition, acquisitions and investments involve a number of risks, including possible adverse effects on the Group's operating results, diversion of management's attention, failure to retain key personnel, risks associated with unanticipated events or liabilities and difficulties in the assimilation and integration of the operations.

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

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

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

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

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

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

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

The Group's competitiveness and profitability depend in part on low transportation costs. The Group's transportation costs have significantly increased over the last two years, rising from US$197 million in 2004 to US$309 million in 2006 and were US$147 million for the six months ended 30 June 2007. Transport costs per tonne have been impacted by increased sales to China, which incur higher transport costs than sales to Russia and within Kazakhstan. In addition, Kazakhstan, China and Russia exercise significant control over their transport systems. The Kazakhstan national railway system is a national monopoly and, currently, the National Monopolies Regulation Agency must approve its rail tariffs. The Kazakhstan and Russian national railway systems are undergoing fundamental reorganisations, and the long-term effect on rail tariffs and services is uncertain. The Chinese rail system is also a state-owned monopoly responsible for setting prices. Chinese rail tariff increases in recent years have generally outpaced inflation, and such tariffs may continue to rise in the future. The Group may also become subject to customs duties in Russia and China. Increases in the Group's transportation costs, including rail and road tariffs and customs duties, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group currently aims to comply with the Kazakh standards for asset retirement obligations. These standards are below international standards, which additionally include, for example, the demolition and rehabilitation of plant areas. If the Group chooses, or becomes required, to meet international standards, the Group would incur significant additional costs, which could materially and adversely affect its business, financial condition, results of operations and prospects.

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

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

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

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

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

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

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

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

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

The Group produces commodities that typically are priced by reference to prices expressed in US Dollars and, accordingly, payments to the Group are typically made in US Dollars. The Group's principal expenses are incurred in Tenge. From the introduction of the Tenge in 1993 until 2002, the value of the Tenge declined against the US Dollar by 2,366%. From 2004 to 30 June 2007, however, the value of the Tenge increased against the US Dollar by 21% (see "Presentation of information and general disclosures—Exchange Rates"), which increased the Group's expenses in US Dollar terms. Future appreciation of the Tenge compared to the US Dollar would further increase the Group's costs relative to its revenue and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks relating to operating in Kazakhstan

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

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

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

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

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

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

Some of the Group's assets were acquired through privatisation. Privatisations in certain other former Soviet republics have been subject to political controversy and legal challenge. If privatisations in Kazakhstan were to be successfully challenged, or if the Kazakh government sought to re-nationalise any privatised assets, the Group could lose its ownership interest in its mineral properties or production facilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks relating to the Group's structure

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

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

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

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

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

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

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

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

The Group has encountered certain challenges in its efforts to consolidate its activities and financial reporting. In connection with the audit of the Group's consolidated accounts for the three years ended 31 December 2006, PricewaterhouseCoopers LLP informed the Company that it suspected that certain audit confirmations purported to have been given by the end customers of the Russian Trading System had been falsified and that the independent agency involved in the former trading structure, referred to above, had been unable to substantiate certain payments which may have related to irregular business practices. See "Part XIII: Additional Information—Reorganisation and Formation of the Group—Introduction".

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

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

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

Risks relating to the Ordinary Shares

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

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

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

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

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

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

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

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

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

The price of the Ordinary Shares may fluctuate significantly.

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

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

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