International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

25 November 2010

Dear members of the International Accounting Standards Board,

Re: Draft IFRIC Interpretation on Stripping costs in the production phase of a surface mine

ENRC is a diversified natural resources group. The Group's mining operations comprise the mining of chrome, manganese and iron ore; the mining of bauxite for the extraction of alumina and coal extraction. The Group's production assets are largely located in the Republic of Kazakhstan; other assets, notably the Other Non-ferrous Division, are mainly located in Africa; the Group also has iron ore assets in Brazil.

Our comments are based on our operations in the Republic of Kazakhstan.

The Group's current accounting policy on stripping costs incurred during the production phase of operations is to treat them as a production cost that form part of the cost of inventory.

We understand the issue that there is diversity in practice in accounting for production stripping costs and we therefore support IASB's efforts in trying to eliminate existing differences in accounting practice, however we are not convinced that the proposed draft interpretation solves the issue.

We've provided our responses to all of your questions. Please see our detailed comments below.

Should you wish to get any further explanations from us, please do not hesitate to contact me.

Yours sincerely,

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ENRC

ENRC's comments on Draft IFRIC Interpretation on Stripping costs in the production phase of a surface mine

Question 1 – Definition of a stripping campaign

The proposed Interpretation defines a stripping campaign as a systematic process undertaken to gain access to a specific section of the ore body, which is a more aggressive process than routine waste clearing activities. The stripping campaign is planned in advance and forms part of the mine plan. It will have a defined start date and it will end when the entity has completed the waste removal activity necessary to access the ore to which the campaign is associated.

Do you agree that the proposed definition satisfactorily distinguishes between a stripping campaign and routine waste clearing activities? If not, why?

ENRC's response:

We do not think that the proposed definition satisfactory distinguishes between a stripping campaign and routine waste clearing activities, because the main criteria is purely that the stripping campaign is a "more aggressive process". It is not clear what is meant by "more aggressive process" and we think that this criterion is not enough for the distinction between the two processes. We think that the idea of a stripping campaign becomes clearer when you look at the illustrative examples in the Appendix in the Draft Interpretation. From those illustrative examples we understand that it is more about the timing and matching of stripping works with extraction of a particular ore body rather than about the nature of works, i.e. if the stripping is performed as a preparation for the extraction of ore body planned for the following year/reporting period in accordance with a mining plan then it qualifies for the definition of the stripping campaign. Whereas stripping which is made during the reporting period should be written off to expenses. The fact that the stripping campaign has a defined start date and ends when entity has completed the waste removal activity, in our opinion, does not add much to the definition. Therefore, our suggestion is to revise the definition of the stripping campaign perhaps adding some financial/accounting logic, which, we believe would make it more understandable by accountants. Otherwise, our concern is that there will be still different approaches and interpretations applied in practice in this area.

Question 2 – Allocation to the specific section of the ore body
The proposed Interpretation specifies that the accumulated costs recognised as a stripping campaign component shall be depreciated or amortised in a rational and systematic manner, over the specific section of the ore body that becomes directly accessible as a result of the stripping campaign. The units of production method is applied unless another method is more appropriate.

(a) Do you agree with the proposal to require the stripping campaign component to be depreciated or amortised over the specific section of the ore body that becomes accessible as a result of the stripping campaign?

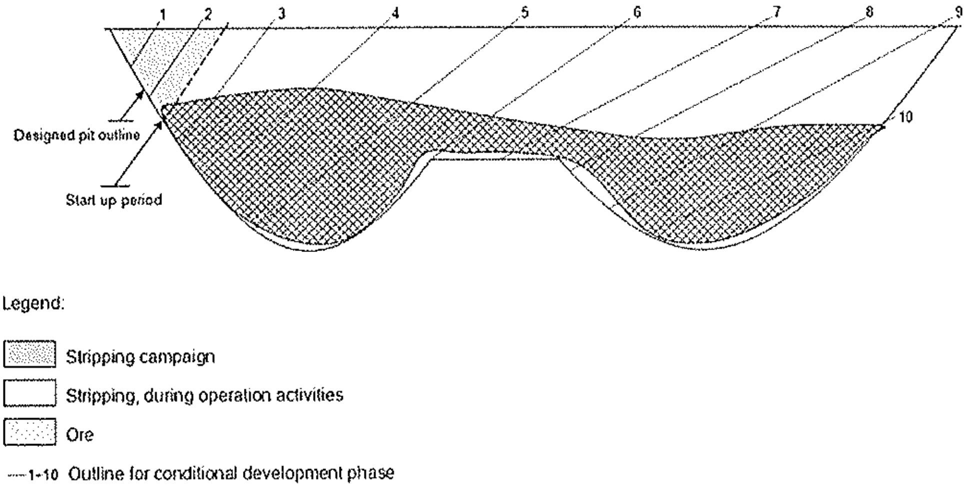
If not, why?

(b) Do you agree with the proposal to require the units of production method for depreciation or amortisation unless another method is more appropriate? If not, why not?

ENRC's response:

(a) We do not agree with the proposal to depreciate the stripping campaign component over the specific section of the ore body. In most cases it will be very difficult and sometimes impossible to match stripping campaign costs with a specific section of the ore body as, e.g. at our entities it is often the case that a stripping campaign provides access to two or three ore bodies. We believe that costs to collect the required information are not justified by the benefits this information could bring. Theoretically a detailed mining plan could address such cases, however often in reality even a very detailed plan differs from the actual occurrence of ore bodies. Also, the proposed approach is based mainly on a case with a vertical layout of the ore body, when stripping works are performed by deepening down, as illustrated in the examples in the Appendix in the Draft Interpretation. However, in some of our entities the geology of the ore bodies is different as illustrated in the example in the following chart:

Mining Plan



In addition, we think that asset recognition criteria for the stripping campaign discussed in paragraph 7 of the draft interpretation may similarly be applied to a routine waste removal.

(b) If the draft Interpretation does progress to a final Interpretation we agree with the proposal to require the units of production method for depreciation unless another method is more appropriate.

Question 3 – Disclosures

The proposed Interpretation will require the stripping campaign component to be accounted for as an addition to, or an enhancement of, an existing asset.

The stripping campaign component will therefore be required to comply with the disclosure requirements of that existing asset. Is the requirement to provide disclosures required for the existing asset sufficient? If not, why not, and what additional specific disclosures do you propose and why?

ENRC's response:

In our practice due to certain historical issues there have been instances where there is no separate asset in PPE category neither is there an appropriate intangible asset to which an entity could add the costs of the stripping campaign. Therefore, we suggest considering removal of words "addition" and "component" or adding an option of treating these costs as a separate new asset. However, in principle, the general requirement for disclosure to be in compliance with the disclosure requirements of the existing asset in our opinion is acceptable.

Question 4 – Transition
Entities would be required to apply the proposed Interpretation to production stripping costs incurred on or after the beginning of the earliest comparative period.
(a) Do you agree that this requirement is appropriate? If not, what do you propose and why?

The proposed Interpretation requires any existing stripping campaign component to be recognised in profit or loss, unless the component can be directly associated with an identifiable section of the ore body. The proposed Interpretation also requires any stripping cost liability balances to be recognised in profit or loss on transition.
(b) Do you agree with the proposed treatment of existing stripping cost balances? If not, what do you propose and why?

ENRC's response:

(a) We disagree with the requirement as we think that, should the Interpretation progress to a final stage, for the current period (i.e. first year of application) we could work out certain method of collating the data going forward, whereas for the past comparative period it could be impossible to do. We do not see benefit from such requirement as information for the previous periods can be manipulated.

Also, we see an inconsistency in the messages in paragraph 21 and BC22 as the latter paragraph states that the Committee decided that the proposed Interpretation should require prospective application.

(b) We believe that the proposed approach contradicts with IAS 8 requirements and serves as an exception to the general rules (usually it should be either full retrospective or prospective application) under the proposed treatment as entities would have to adjust the comparative period only. Also we do not think that the proposal to adjust prior year profit and loss numbers would be supported by many companies as this may cause issues with distributable profits which would need to be adjusted too whilst dividends for that period may already have been paid.