Part IV

Investment considerations

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Part IV Investment considerations

In addition to the other information contained in these Listing Particulars, prospective subscribers of Ordinary Shares should consider carefully the specific investment considerations set out below before making any decision to invest in Ordinary Shares. Additional investment considerations not presently known to the Company or that the Company currently deems immaterial may also impair the Group's business operations. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these investment considerations. The trading price of Ordinary Shares could decline due to any of these investment considerations and investors could lose part or all of their investment.

Industry considerations

Commodity price volatility and cost efficiency

The Group's turnover and earnings are dependent upon prevailing prices for the commodities it produces. 6.D.6 Historically, such prices have been volatile and are subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, such commodities, market uncertainty, the overall performance of world or regional economies and the related cyclicality in industries directly served by the Group and a variety of other factors beyond the control of the Company. Prices may also be affected by governmental actions and, in the case of coal, could be affected when the carbon tax is enforced in certain Central European countries in 2005 and if the Kyoto Protocol is ratified in the countries to which the Group supplies coal. See "Information on the Group – Regulatory and environmental matters" in Part I. In addition, speculative trades in certain commodities (including coal) on the world markets may cause short-term price fluctuations for such commodities. These external factors and the volatile nature of the commodity markets make it difficult to estimate future prices. Any substantial or extended decline in commodity prices would adversely affect the results of operations or financial condition of the Group.

As the Group, in common with its competitors, is unable to influence commodity prices directly, its competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to reduce costs and maintain low-cost, efficient operations. Important cost inputs in the Group's operations generally include the extraction costs of raw materials and consumables such as reductants, power, labour and transport. The Group's production costs are also significantly affected by production volumes and, therefore, the Group's ability to maintain production levels and maximise capacity utilisation is a key factor in determining its overall cost competitiveness. The Group's ability to maintain earnings and undertake capital expenditure would be adversely affected in the event of a sustained material fall in world commodity prices, an appreciable rise in its production costs or a decline in its production volumes. There can be no assurance that the Group will be able to maintain or reduce production costs or maintain or increase its production volumes in the future.

Any increase in the price of a commodity may encourage other producers to increase their production of that commodity. Any over-production in a particular commodity which is in excess of demand could reduce the price of that commodity, thereby adversely affecting the Group's results of operations or financial condition.

Environmental, health and safety

Permits are required for many of the Group's operations and these permits are subject to modification, renewal or revocation by issuing authorities. Governmental authorities have the power to enforce compliance with applicable laws and regulations and violations may result in civil or criminal penalties, the curtailment or cessation of operations or both. Although compliance with these laws, regulations and permits has not had a material adverse effect on the results of operations or financial condition of the Group to date, such laws and regulations are subject to change and the Company is unable to predict the ultimate cost of compliance. Such costs could be substantial. There can be no assurance that the cost of complying with present or future laws or regulations will not adversely affect the results of operations or financial condition of the Group.

The Group's operations are extensively regulated. National, state and local authorities in the countries in which the Group has operations regulate the industries in which the Group operates with respect to matters such as employee health and safety, royalties, permitting and licensing requirements, planning and development, environmental compliance (including, for example, compliance with waste and waste water treatment and disposal, emissions and discharge requirements), plant and wildlife protection, reclamation and restoration of mining properties after mining is complete, surface subsidence from underground mining and the effects that mining has on groundwater quality and availability. Numerous governmental permits and approvals and leases are required for the Group's operations. The Group is required to prepare and present to national, state or local authorities data pertaining to the effect or impact that any proposed exploration, mining or production activities may have upon the environment. The costs, liabilities and requirements associated with complying with these laws and regulations or to comply with changes in these laws and regulations or the manner in which they are applied or the cost of rehabilitation of site operations which have been closed down may be substantial and time-consuming and may delay the commencement or continuation of exploration, mining or production activities. There can be no assurance that compliance with these laws and regulations or changes thereto or the cost of rehabilitation of site operations which have been closed down will not adversely affect the results of operations or financial condition of the Group.

The possibility exists that new legislation or regulations may be adopted that may materially adversely affect the Group's operations, its cost structure or its customers' ability to use the commodities produced by the Group. New legislation or regulations may also require the Group or its customers to change operations significantly or incur increased costs which could have an adverse effect on the results of operations or financial condition of the Group.

In addition, a violation of health and safety laws relating to a mine or a failure to comply with the instructions of the relevant health and safety authorities could lead to, among other things, a temporary shutdown of all or a portion of the mine, a loss of the right to mine or the imposition of costly compliance procedures. If health and safety authorities require the Group to shut down all or a portion of a mine or to implement costly compliance measures, whether pursuant to existing or new health and safety laws and regulations, such measures could have a material adverse effect on the Group's results of operations and financial condition.

See "Information on the Group – Regulatory and environmental matters" in Part I.

Australian native title and South African land claims

In Australia, the Commonwealth government's Native Title Act 1993 recognises native title and establishes processes relating to mining and exploration rights. Native title represents the traditional rights and interests that the Aboriginal people have in relation to land. If native title has not been extinguished, the Native Title Act 1993 provides procedural rights for registered native title claimants including the 'right to negotiate' with respect to the grant of mining rights, including exploration titles and the compulsory acquisition of land. For further information, see "Information on the Group – Native title and land claims" in Part I. Native title claims have been made over areas where the Group has mining operations and there can be no assurance that such claims or any future claims will not have a material adverse effect on the Group's results of operations or financial condition or that additional claims will not be lodged in the future.

In South Africa, the government's Restitution of Land Rights Act 1994 provides remedies for persons who have been dispossessed of rights in land as a result of past racially discriminatory laws or practices. The Land Claims Court is empowered to make orders concerning the restoration of land or any portion of land, the payment of compensation, compelling the State to include a claimant as a beneficiary in a State support programme for housing or granting the claimant an appropriate right in alternatively designated State land or with any alternative and appropriate relief. For further information, see "Information on the Group – Native title and land claims" in Part I. The Company is aware that a number of land claims have been lodged in relation to the surface rights of the Group's various South African properties, but has limited information about these claims. Accordingly, the Company can give no assurance that these land claims, or any other land claims of which it is not aware, will not have an adverse effect on the Group's rights to the properties that are subject to the land claims.

US steel import tariff

On 5 March 2002, President George W. Bush announced plans to impose tariffs of up to 30% on all steel imported into the United States (other than steel imported from Canada, Mexico, Israel and Jordan). This tariff took effect from 20 March 2002 and shall continue, unless modified, until 21 March 2006. It is not yet clear how the introduction of this tariff will impact on supply of and demand for commodities used in the production of steel (which include coal, zinc, chrome and vanadium) in the United States and elsewhere or what impact the tariff will have on coal, zinc, chrome and vanadium prices. There can be no assurance that the imposition of this tariff or any other tariffs which may be introduced in the future will not adversely affect the results of operations or financial condition of the Group.

Considerations relating to the Group's business

Operational considerations

The success of each of the Group's businesses is affected by a number of factors which are, to a large extent, outside the Group's control. Such factors include the availability of raw materials, water and power. In addition, the Group's businesses are subject to numerous other operating risks which include: unexpected geological features or unexpected seismic activity; climatic conditions such as flooding or drought; interruptions to power supplies; industrial action or disputes; environmental hazards; and technical failures, fires, explosions and other accidents at a mine, processing plant, cargo terminal or related facilities. These risks and hazards could result in damage to, or destruction of, properties or production facilities, may reduce or cause production to cease at those properties or production facilities, may result in personal injury, environmental damage, business interruption and possible legal liability and may result in actual production differing from estimates of production, including those contained in this document whether expressly or by implication. While the Group has insurance covering various types of business interruptions in respect of substantially all of the Group's operations, such insurance may not fully cover the consequences of such business interruptions and, in particular, may not cover interruptions arising from all types of equipment failure or labour dispute. There can be no assurance that operating risks and the costs associated with them will not adversely affect the results of operations or financial condition of the Group.

Metal processing plants are especially vulnerable to interruptions, particularly where events cause a stoppage which necessitates a shutdown in operations. Stoppages in smelting, even if lasting only a few hours, can cause the contents of furnaces to solidify, resulting in a plant closure for a significant period and necessitating expensive repairs, any of which could adversely affect the results of operations or financial condition of the Group.

The Group depends upon seaborne freight, rail, trucking, overland conveyor and other systems to deliver its commodities to market. Disruption of these transportation services because of weather-related problems, key equipment failures, strikes, lock-outs or other events could temporarily impair the Group's ability to supply its commodities to its customers and thus could adversely affect the Group's results of operations or financial condition. In addition, the Group's ability to increase its export sales may be restricted by available port capacity which may adversely affect the Group's ability to increase turnover.

Although the Group maintains liability insurance, its insurance does not cover every potential risk associated with its operations and meaningful coverage at reasonable rates is not obtainable for certain types of environmental hazards. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on the results of operations or financial condition of the Group. See "Information on the Group – Operational hazards and insurance" in Part I.

Tax

Although the Company is incorporated in England and Wales, the Directors currently intend to conduct the affairs of the Company in a manner such that it is regarded as resident in Switzerland, and not in the United Kingdom, for Swiss and UK tax purposes and for the purposes of the United Kingdom-Switzerland double tax treaty. This means, broadly, that the Company's profits, income and gains will be subject to the Swiss tax regime and not, save in the case of UK source income, to the UK tax regime. Any dividends paid by the Company will be regarded as Swiss dividends rather than UK dividends. For further information see "Additional information – UK Taxation", "Additional information – Swiss Taxation" and "Additional information – US Taxation" in paragraphs 15,16 and 17 of Part VIII.

It is possible that in the future, whether as a result of a change of law or the practice of any relevant tax authority or the renegotiation of the United Kingdom-Switzerland double tax treaty, or as a result of any change in the management or the conduct of the Company's affairs, the Company could become, or be regarded as having been, resident in the United Kingdom, therefore becoming subject to the UK tax regime, which could adversely affect the results of operations or financial condition of the Group.

A number of arrangements entered into by companies in the Group have been structured in a tax efficient manner. If any of these arrangements are successfully challenged by the relevant tax authorities, Group companies may incur additional tax liabilities which could adversely affect the results of operations or financial condition of the Group.

Currency fluctuations

The Group produces and sells commodities that are typically priced in US dollars, while a large portion of the costs of the Group's Coal, Zinc and Ferroalloys Businesses and forestry operation are incurred in local currencies, in particular the Australian dollar and the Rand. Accordingly, if the Australian dollar or the Rand were to strengthen against the US dollar this could have a detrimental effect on the Group's results of operations and financial condition. See "Operating and financial review" in Part V.

The Group's operations are conducted by members of the Group in many countries and the results of operations and the financial condition of individual Group companies are reported in the relevant local currencies which, in most cases, is not the US dollar. These results are then translated into US dollars at the applicable foreign currency exchange rates for inclusion in the Group's consolidated financial statements. The exchange rates between relevant local currencies and the US dollar have historically fluctuated, and the translation effect of such fluctuations may have a material adverse effect on both Group members' individual, and the Group's consolidated, results of operations or financial condition.

Borrowings

Certain members of the Group may borrow up to US$1.4 billion for certain purposes including to fund in part the Acquisitions. See "Additional information – Agreements relating to the Acquisitions and the Merger – Syndicated Loan Facility Agreement" in paragraph 10.14 of Part VIII. The Company will have to allocate significant proportions of cash flow to meet its obligations under the loan facility, depending on the level of borrowings, prevailing interest rates and, to a lesser extent, exchange rate fluctuations.

Integration of existing operations and acquisitions

A substantial portion of the Group's growth in turnover and earnings has historically been generated from acquisitions and subsequent improvements in the performance of the businesses acquired. The Company expects to continue a strategy of identifying and acquiring businesses with a view to expanding its operating businesses or diversifying into other natural resources. Within the past 18 months the Group has carried out a number of relatively large acquisitions, including the acquisition of the Coal Assets, which will occur simultaneously with the Merger becoming effective and Admission, and the acquisition of the Zinc Business. The Company believes that acquisitions will continue to be an important part of its business strategy. The Group also generates a portion of its turnover and earnings from interests it acquires in joint ventures.

There can be no assurance that the Company will continue to identify suitable acquisitions or joint venture opportunities, obtain the financing necessary to complete and support such acquisitions or its investment in such joint ventures or acquire businesses on satisfactory terms, or that any business acquired will prove to be profitable. In addition, acquisitions and investments in joint ventures 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 of the operations, technologies, systems, services and products of the acquired companies or the joint ventures. Any failure to achieve successful integration of such acquisitions or joint ventures could have a material adverse effect upon the results of operations or financial condition of the Group. Moreover, the Group has no operating history as a consolidated entity and has a devolved management structure, and its failure to integrate the Coal Business successfully could have a material adverse effect on the Group's results of operations or financial condition.

Labour

The majority of the Group's workforce is unionised. The Company believes that all of the Group's operations have, in general, good relations with their employees and unions, but the Group's operations in South Africa and Australia have from time to time experienced limited work stoppages and other forms of industrial action in recent years. See "Information on the Group – Labour and employee relations" in Part I. There can be no assurance that the Group's operations will not be affected by such problems in the future. In addition, the Group has been subject to union demands for pay rises and increased benefits. There can be no assurance that work stoppages or other labour-related developments (including the introduction of new labour regulations in countries where the Group operates) will not adversely affect the results of operations or financial condition of the Group.

There is a serious problem with HIV/AIDS infection of the Group's South African workforce, as there is in South Africa generally. The World Health Organisation estimates that approximately 20% of the South African population is living with HIV/AIDS. The HIV/AIDS infection rate of the Group's South African workforce is expected to increase significantly over the next decade. The costs and lost workers' time associated with HIV/AIDS may adversely affect the Group's South African results of operations or financial condition. See "Information on the Group – Safety and health" in Part I.

Political risk

The Group has significant operations in South Africa. As a result, there are important political and economic risks relating to South Africa which could affect an investment in the Company. Large parts of the population do not have access to adequate education, healthcare, housing and other services, including water and electricity. Furthermore, in recent years, South Africa has experienced high levels of crime and unemployment. These problems have impeded fixed inward investment into South Africa and prompted the emigration of skilled workers.

Although the South African government has indicated on numerous occasions that it is committed to creating a stable free market democracy, including the phasing out of exchange controls, it is difficult to predict the future political, social and economic direction of South Africa or how the government will try to address South Africa's problems. It is also difficult to predict the effect on the Group's business of these problems or of the government's efforts to solve them.

Further, there has been regional political and economic instability in the countries surrounding South Africa. As discussed above, any resulting political or economic instability in South Africa could have a negative impact on the Group's ability to manage and operate its South African operations and therefore on its results of operations or financial condition.

Key employees

The management of the Group's operations depends on a relatively small number of key employees. The loss of the services of certain key employees, particularly to competitors, could have a material adverse effect on the results of operations or financial condition of the Group. In addition, as the Group's business develops and expands, the Company believes that the Group's future success will depend on its ability to attract and retain highly skilled and qualified personnel, which is not guaranteed.

Joint ventures

Members of the Group hold, and expect to hold in the future, undivided interests in joint ventures. Joint ventures may involve special risks associated with the possibility that the joint venture partners may (i) have economic or business interests or goals that are inconsistent with those of the Group; (ii) take action contrary to the Group's policies or objectives with respect to its investments, for instance by veto of proposals in respect of the joint venture operations; (iii) be unable or unwilling to fulfil their obligations under the joint venture or other agreements; or (iv) experience financial or other difficulties. Any of the foregoing may have a material adverse effect on the results of operations or financial condition of the Group. In addition, the termination of certain of these joint venture agreements, if not replaced on similar terms, could have a material adverse effect on the results of operations or financial condition of the Group.

Several of the joint venture agreements that members of the Enex Group are a party to contain provisions that give the joint venture partners certain rights in the event of a change of control of the Enex Group. For information relating to consents required from joint venture partners in connection with the Acquisitions, see "Information on the Group – The acquisition of the Coal Assets and the Merger – Joint venture consents" in Part I.

Holding company structure; restrictions on dividends; dependence on subsidiaries

The Company's results of operations and financial condition are entirely dependent on the trading performance of members of the Group. The Company's ability to pay dividends will depend upon the level of distributions, if any, received from the Company's operating subsidiaries and interests, any amounts received on asset disposals and the level of cash balances. Certain of the Company's operating subsidiaries and interests may, from time to time, be subject to restrictions on their ability to make distributions to the Company including as a result of restrictive covenants contained in loan agreements, foreign exchange limitations and other regulatory restrictions and agreements with the other shareholders of such subsidiaries or associated companies. There can be no assurance that such restrictions will not have a material adverse effect on the Group's results of operations or financial condition.

Exchange controls

South African exchange control regulations provide for a common monetary area consisting of South Africa, Lesotho, Namibia and Swaziland (the "CMA"). Transactions between CMA residents and non-CMA residents are subject to South African exchange control regulations. The present exchange control system in South Africa is used principally to control capital movements. South African residents, including companies, are generally not permitted (other than subject to certain monetary limits and within certain parameters), without the approval of the exchange control authorities, to export capital from South Africa or to hold foreign currency or foreign investments, as restrictions are imposed on foreign investments by South African residents. It is impossible to predict whether any further modifications may be made by the South African government. There can be no assurance that the expansion of existing, or imposition of new, exchange controls would not adversely affect the Group's results of operations or financial condition.

Part IV Investment considerations

Market considerations

Shares available for future sale

The Group is unable to predict whether substantial amounts of Ordinary Shares will be sold in the open market following the termination of the restrictions under the lock-up arrangements described in "The Global Offer and related matters – Lock-up arrangements" in Part III. Any sales of substantial amounts of Ordinary Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Ordinary Shares.

Absence of prior public trading

Prior to the Global Offer, there has been no public market for the Ordinary Shares. The Offer Price will be agreed between JPMorgan, in consultation with the other Joint Bookrunners, and the Company and may not be indicative of the market price for the Ordinary Shares following Admission and Swiss Admission. Although the Company has applied for the Ordinary Shares to be admitted to trading on the London Stock Exchange and SWX and it is expected that both applications will be approved, there can be no assurance that an active trading market for the Ordinary Shares will develop or, if developed, that it will be maintained following the closing of the Global Offer. If an active trading market is not developed or maintained, the liquidity and market price of the Ordinary Shares could be adversely affected.

Possible volatility of the price of the Ordinary Shares

Following Admission and Swiss Admission, the market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Ordinary Shares (or securities similar to them) or in response to various facts and events, including any regulatory changes affecting the Group's operations, variations in the Group's operating results and business developments of the Group or its competitors. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Group's operating performance or prospects. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Ordinary Shares.

Possible unavailability of pre-emptive rights for US and other non-UK holders of Ordinary Shares

In the case of an increase of the share capital of the Company for cash, the existing Shareholders are generally entitled to pre-emption rights pursuant to the Companies Act 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 requirement thereunder 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 to it 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 then to make a decision as to how to proceed and whether to file such a registration statement or otherwise or any other steps necessary to extend the rights offering into the other jurisdictions (including complying with local law requirements in other jurisdictions). 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.

Major shareholder

Immediately following the completion of the Merger and Admission, Glencore International will hold 40% of the 6.C.15
issued outstanding Ordinary Shares (even if the Manager's Option is exercised). As a result of this shareholding 6.C.16
Glencore International will have a significant influence on all matters requiring Shareholder approval, including the approval of significant corporate transactions. This concentration of ownership may have the effect of delaying, preventing or deterring a change in control of the Group, could deprive Shareholders of an opportunity to receive a premium for their Ordinary Shares as part of a sale of the Group and might affect the market price of the Ordinary Shares. Further, although Glencore International has agreed not to dispose of any of its holding of Ordinary Shares for a period of six months from the date of this document (see "Additional information – Underwriting arrangements – Lock-up Agreement" in paragraph 9 of Part VIII) Glencore International may

subsequently sell all or part of its holding of Ordinary Shares. Any such sale may adversely affect the market price of the Ordinary Shares.

Takeovers

It is currently understood that neither the City Code on Takeovers and Mergers nor the Swiss Stock Exchange and Securities Trading Act will apply to the Company and therefore, a takeover of the Company will be unregulated by each of the UK and Swiss takeover authorities. The Articles contain certain takeover protections designed to ensure that no person acquires 30% or more of the Company's voting rights or, if they already hold more than 30% (but less than 50%) of the Company's voting rights, acquires any additional voting rights, without making a cash offer to all Shareholders, although these will not provide the full protections afforded by the City Code (see "Information on the Group - Takeover regulation" in Part I).

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