



GLENCORE COMMENTS ON MOPANI TAX PAYMENTS

Glencore welcomes the investigation by the European Investment Bank (EIB) into matters raised in relation to the amount of tax payable by Mopani Copper Mines plc (Mopani) (73.1 per cent. owned by Glencore) in a draft provisional report prepared by advisers for the Zambian Revenue Authority.

This draft provisional report, which the Zambian Revenue Authority has described as “confidential, preliminary and an incomplete draft”, was unofficially circulated in Zambia in February.

The draft provisional report contains fundamental factual errors and both Mopani and Glencore have publicly refuted its ‘conclusions’ on numerous occasions. In particular the authors, in their findings, did not take into account that almost half of Mopani's copper output is third party ore processed in return for a small tolling fee. As they assumed Mopani had exposure to the copper price and revenue for 100 per cent of its production, they were unable to make sense of the company's numbers. In addition other errors are detailed below.

Mopani is confident that the amount of tax that it has paid has been correctly calculated and discussions continue with the Zambian Revenue Authority and all other interested parties, including the EIB, to clarify and resolve these matters.

Mopani is audited each year by Deloitte. In response to a request from Glencore to review the draft provisional report, Deloitte described “fundamental flaws in terms of methodology and approach applied” and reiterated that “for each of the years subject to audit, Mopani's statutory financial statements were audited by Deloitte Zambia and unqualified audit opinions were issued”.

The EIB signed a Finance Contract with Mopani in 2005 for an amount of USD 50 million out of a total investment of USD 2 billion in Mopani so far since privatisation. Although this is the only loan any Glencore project has applied for from the EIB, Glencore has enjoyed the supportive relationship and assistance of the EIB in modernizing the long-standing assets acquired at Mopani in the 2000 privatisation and improving their environmental performance in line with agreements with the Zambian government.

Glencore will work diligently with the EIB to resolve these issues.

Further information on the fundamental errors in the draft provisional report, as previously publicly disclosed by Mopani on 20th April 2011.

‘Finding’

Sales volumes are lower than expected

Fact:

- The leaked document failed to properly account for the fact that about half of the copper metal produced by Mopani is derived from third party concentrates
- Mopani receives a small, annually-fixed tolling fee per tonne for producing metal from third party concentrates.

- Mopani has been audited every year by a major international audit firm. One of the main audit procedures is the verification of sales. The annual audit has always been unqualified.
- Mopani is regularly audited by the Zambian Revenue Authority. Likewise no major discrepancies have ever been noted.

‘Finding’

Mopani manipulated copper prices to engage in transfer pricing to favour Glencore

Fact:

- This is untrue. All copper is sold at arms-length terms basis prevailing London Metal Exchange prices.
- Again the failure to take third party feed into account properly has led to an erroneous conclusion in this regard

‘Finding’

Gold and Silver hedges were improperly recorded and used to impact taxable income

Fact:

- Mopani does not produce any of its own gold and very little silver
- Gold and silver largely stems from third party purchased materials
- Any hedges recorded were entered into to offset physical price exposure
- The net financial impact on Mopani’s taxable income is zero
- Again a failure to properly understand the business processes of Mopani lead to this erroneous conclusion

‘Finding’

Operating costs rose for unexplained reasons.

Fact:

- The authors of the draft report used general inflation rates and compared these to Mopani increases. It is however a well-documented fact that worldwide mining cost inflation has been running at well above general inflation rates. As examples:
 - At Mopani specifically, unions have successfully negotiated significant pay rises for workers, whose numbers have increased by 50% since privatization.
 - Fuel prices have been increased by between 53% and 63%, electricity by similar margins
- Again costs are audited annually by our external auditors and regularly reviewed by the Zambian Revenue Authority and to date no evidence of wrong doing has been brought to light

In general the document goes wider and questions:

- Mopani's recovery rates on cobalt (which in fact are at design level for this process and in line with historical recoveries achieved at Nkana)
- the lack of record keeping on commissions paid to Glencore when in fact none were ever paid
- Mopani's lack of co-operation when in fact on site facilities and tours of the operations were on offer and the Zambian Revenue Authority thanked Mopani in writing for its co-operation.