# Consolidated Interim Financial Statements
# Explanatory notes

## SAT & Company JSC

## For the period from January 01 to June 30, 2011

# Remarks to consolidated interim financial statements for the period from 01 January to June 30, 2011.

## General Information

### Organization and core activities

Sat & Company JSC (hereinafter Company) is a joint stock company in the meaning defined in the Civil Code of the Republic of Kazakhstan. The Company's registered office is at 38, Tulebaev Str., Almaty, 050004, Republic of Kazakhstan. The Group consists of the Company and consolidated subsidiaries as described below.
The principal activities of the Company and its subsidiaries as at June 30, 2011 are as follows:

| The Company/subsidiary | Principal activity |
|---|---|
| Sat &Company JSC | Investment activities<br>Trading |
| Kazkyr Security LLP | Security services |
| ShalkiyaZinc N.V | Subsoil |
| SAT Trade LLP | Trading activity |
| Astananeftechim LLP | Trading activity |
| Sat Petrochemicals LLP | Trading activity |
| Vostok Munay LLP | Trading activity |
| SAT&CoHOLDING A.S. JSC, Turkey | Trading activity |
| Jinsheng SAT(Tianjin) Commercial&Trading Co LTD China | Trading activity |
| Mining Company SAT Komir LLP | Coal production and sale |
| FNP "Ertys" LLP | Nickel ore exploration |
| "CAICC" LLP | Metallurgical production, subsoil |

Sat & Company JSC was established in October 2001. From 2006 was restructured into Joint-Stock Company.

## Business environment

The Group operations are subject to economic, political and social risks inherent in doing business in Kazakhstan and abroad. These risks include matters arising from the policies of the government, economic conditions, the imposition of or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

The attached consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and financial position of the Group. The future business environment could marginally differ from management's current assessment.

## 2. Basis of preparation

The given financial statement have been prepared in accordance with International Financial Reporting Standards (interpretations IFRS and IFRIC), as issued by International Accounting Standards Board (IASB), including IAS Interim financial statements and also those parts of Kazakhstan legislation which are applicable to the Company, preparing its financial statements according to IFRS.

According to management opinion, all correction necessary for true and not misleading financial position representing, the operating results and cash flows for 6 months of 2011, were included into this financial statements.

### Improvement of IFRS

On May 2008 and April 2009, the Board of IFRS issued the first set of corrections to its standards, mainly, with aim of discrepancy and exact wording. Transitional regulations exist in relation to each standard. The application of the standards (with amendments), listed below has brought to changes in accounting policy, but didn't influence the financial position or the results of the Company operations.

The Company has adopted the following new or revised Standards and Interpretations.

Amendment to IAS 1 "Presentation of Financial Statements" – the given standard brings changes into references, used in relation to main reports. Requirement to include financial statements in the earliest comparative period into full set of financial statements in the case when a company applies retrospectively the accounting policy and prepares retrospective statement on items in its financial statements, or when the organization provides reclassification of the items in its financial statements. Besides this, there are requirements in relation to changes in equity capital, and also in profits and losses.

Amendment to IAS 7 "Cash flow statements" explains that expenses entailing to recognition of the asset may only be classified as cash flows from investments activity.

Amendment to IAS 16 "Fixed Assets": The change of concept "net cost of sale" to fair value less costs". The Company has changed respectively its accounting policy, which didn't bring to changes in the financial position.

Amendment to IAS 36 "Impairment of value": If discounted cash flow is used for assessment of fair value less costs then disclosure of additional information is required on discounting rate, and also the relative information the disclosure of which is required in use of discounting cash flows for assessment of "value in use" This amendment didn't influence the financial position of the Company in this reporting period.

The Company didn't apply the following IFRS and Interpretations IFRIC in view of the operations absence:

Amendment to IFRS 5 "Noncurrent assets, assigned for sale and terminated activity" explains that requirements in relation to disclosure of the information on noncurrent assets and disposal groups, classified as assigned for sale and also for terminated activities are described exclusively in IFRS 5. The requirements in relation to disclosure of the information, containing in other IFRS shall be applied only in cases when specially discussed for such noncurrent assets and terminated activity.

Amendment to IFRS 8 "Operating Segments". This standard establishes that assets and liabilities of the segment shall be reflected only in the case if these assets and liabilities are included in the assessment, used by executive body, responsible for adoption of operational decisions.

Amendment to IAS 1 "Presentation of financial statements": Assets and liabilities, classified as withholding for provision of trading operations in accordance with IAS 39 "Financial instruments: recognition and assessment" are not classified automatically in the report of financial position as short term.

IAS 18 “Revenue”: The Board has included a guideline (supplementing the standard) to define if the Company is a principal or an agent.

Amendment to IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”: According to the changes brought interest-free loans and loans provided with interest lower the market rate shall not be excluded from the sphere of requirement application on accruement of imputed interest. The imputed interest shall be accrued for loan, provided at rate lower the market.

Amendment to IAS 23 “Borrowing costs”: The definition of the expenses on loans was revised with aim of uniting two types of items, which were considered the components of expenses on loans, into one – interest expenses, calculated with use of interest rate method according to IFRS 39.

Amendment to IAS 38 “Intangible assets”: Expenses on advertisements and events on demand incentive are recognized in the expenses at the moment, when the Company has a right of access to the goods or receives the service.

Other amendments to the following standards, adopted in the result of the project “IFRS Improvement” have no impact on the accounting policy, financial position and the operating results of the Company:

IFRS 2 Share-based payments

IFRS 7 Financial Instruments: disclosure of information.

IAS 8 Accounting policy, changes into accounting information and mistakes

IAS 10 Events after the balance sheet date

IAS 19 Employee benefits.

IAS 27 Consolidated and separate financial statements”

IAS 28 Accounting of the investments in Associates

IAS 31 Participation in joint activity.

IAS 34 Interim financial statements

IAS 38 Intangible assets

IAS 39 Financial instruments: recognition and measurement.

IAS 40 Investment property

Interpretation IFRIC 9 “Reassessment of embedded derivates”.

Interpretation IFRIC 16 “Hedging of net investment in a foreign operation”

Interpretation IFRIC 17 “Distribution of non-cash assets to Owners”

**Bases of Consolidation**

These consolidated financial statements reflect the Group’s financial position as at June30, 2011, and also financial performance of the Group for the year ended June 30, 2010 and 2011.

**Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of the entity in order to benefit from these activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date of actual transition of control to the date of its termination. The financial statements of the subsidiaries are prepared for the same reporting year as the Company’s financial statements in accordance with consistent accounting policies. All intergroup accounts and transactions including unrealized gains on transactions in the Group are eliminated. Unrealized losses are eliminated as unrealized gains but they are eliminated only to the extent that there is no evidence of impairment.

**Associates**

Associates are the entities over which the Group has significant control, but not control over financial and operating policies. The Consolidated financial statements include the Group’s share in the recognized incomes and expenses of the associated entities on the base of equity method from the acquisition date of the considerable influence and up to the date when the considerable influence ceases. When the Group share of losses in an associate exceeds its interest in the associate, the interest carrying amount is written off and the Group does not recognize the further losses, unless it has incurred obligations on behalf of the associate.

**Transactions eliminated at consolidation**

All inter group accounts and transactions, and also unrealized gains from inter group transactions are eliminated when preparing consolidated financial statements. Unrealized gains from transactions with associated entities and entities under joint control are eliminated in accordance with share of the Group in these entities. Unrealized gains from the transactions with associated entities are eliminated from investments into the associates. Unrealized losses are eliminated as unrealized gains but they are eliminated to the extent that there is no evidence of impairment.

**Bases of measurement**

These consolidated financial statements were prepared in accordance with historical cost principal.

**Functional currency and presentation currency**

National currency of Kazakhstan is Kazakhstan Tenge (hereinafter "tenge") which is the functional currency of the Company as well as the currency used to prepare these consolidated financial statements in accordance with IFRS. All financial information is presented in thousands of tenge

**Use of estimates and judgments**

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions. Those judgments, estimates and assumptions affect the reported amounts of assets and liabilities, as well as disclosures on potential and contingent assets and liabilities. Actual results obtained in future could differ from those estimates.

Assumptions and estimates made on the basis thereof are regularly reviewed for the need of making changes. Changes in estimates are recognized in the reporting period in which they were revised and in all subsequent periods affected by those changes.

**Summary of significant accounting policy**

When preparing financial statements in accordance with IFRS primary accounting policies were applied. Those accounting policies were applied consistently.

**Foreign currency transactions**

Foreign currency transactions are translated into tenge at the exchange rates effective at the date of transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into tenge at the exchange rate effective at this reporting date. Non-monetary assets and liabilities denominated in foreign currency and carried at fair value are translated into tenge at the exchange rate effective at the date when fair value was determined. Gains and losses arising from translation are recognized in the income statement

**Intangible assets**

**Goodwill**

In case a subsidiary or interest in a joint venture or an associate is acquired as well as in case of joint operations, the acquisition cost is distributed on assets and liabilities based on their fair value as at the acquisition date. Goodwill on acquisition is the excess of the acquisition cost over the fair value off the Group's share of the net identifiable assets of the acquired entity. Goodwill is recognized at cost less impairment losses. Goodwill is not amortized but is annually tested for impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing which are expected to benefit from acquisition. Goodwill impairment losses are not recoverable.

**Research and development**
Costs for research and development performed with the purpose to receive new scientific and technical knowledge and experience are recognized in the consolidated income statement as expenses for the period.

Costs for research and development works in the course whereof the exploratory developments are applied for planning or engineering of production of new or considerably improved products and processes are capitalized if those products and processes are feasible from the technical or commercial points of view, and the Group possesses funds sufficient to complete those developments. Capitalized costs include the value of materials, direct labor costs and corresponding part of overheads. Other costs for research and development are charged to the consolidated income statement as expenses for the period. Capitalized costs for research and development are carried at cost less accumulated amortization and impairment losses.

**Other intangible assets**
Other intangible assets acquired by the Group and having a limited useful live are recognized at cost less accumulated depreciation and impairment losses. Expenses on internally generated goodwill and trademarks are included into the consolidated income statement as expenses for the period.

**Amortization**
Intangible assets except for goodwill are amortized using a straight line method over the useful lives starting from the date when those assets are ready for use. Useful live for intangible assets makes up 3-10 years.

**Capital assets**

**Fixed assets**
Fixed assets are shown at cost (or basic) cost less accumulated depreciation and impairment losses. The cost of self-made property includes property; plant and equipment include cost of materials, labor costs and respective manufacturing overheads. The cost of fixed assets main items as of as at 1 January 2005, IFRS transition date, was determined based on their fair value as at the specified date ("implied cost") according to IFRS 1.

Where an item of fixed assets consists of several components having different useful lives, such components are accounted for as separate items of fixed assets.

**Construction in progress**
Construction costs are capitalized as a separate construction in progress asset in Property, plant and equipment. Upon completion of construction the items are transferred to the corresponding category of fixed assets. Items of construction in progress are not depreciated.

**Repairs and maintenance**
Expenses on replacement of the component of Fixed assets item which is separately accounted for are capitalized, and the carrying amount of the component replaced is written off. Other subsequent costs are capitalized only in case they increase future economic benefits from the use of such Fixed assets item. All other expenses including technical control costs, and current repairs are recognized in the income statement as expenses for the period.

**Subsequent expenses**
Expenses on replacement of the component of Fixed assets which is separately accounted for are capitalized in the value of the component being replaced. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditures, including maintenance and capital repair costs, are recognized in the income statement as incurred expenses.

**Depreciation**

Fixed assets are depreciated on a straight-line basis to the Company's expenses throughout the estimated useful lives of separate assets. Depreciation starts with the acquisition date of the asset or, in respect to own construction, with the date when the asset was installed and ready for use. The land is not depreciated.

Estimated useful lives of fixed assets:

| | |
|---|---|
| Buildings and constructions | 15-50 years |
| Machinery and equipment | 4-25 years |
| Other | 3-15 years |

Amortization methods, expected useful lives and residue value of fixed assets are analyzed at each reporting date.

**Investments**

Long-term investments are recognized in the Company's financial statements at cost. The Company reviews investments for impairment in cases when events or changes in events indicate that the carrying amount may not be recoverable. When there are impairment indicators, the Company evaluates recoverable amount. Where carrying amount of the investment exceeds its recoverable amount, such investment is considered impaired and is written down to its recoverable amount. The Group recognizes (cease recognition) investments when circumstances of investment acquiring (selling) arises.

**Impairment**

Carrying amount of long-term assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When there are impairment indicators the evaluation is carried out to determine whether the assets' carrying amount exceeds their recoverable amount or not. Such analysis is performed only in respect to each asset separately except for the assets which do not by themselves generate cash flows. This being the case such analysis is made at the level of cash generating division. Where the carrying amount of a cash generating asset or division of assets exceeds its recoverable amount, a provision for recognition of the asset at the lower cost is formed. Impairment losses are recognized in the income statement.

**Calculation of recoverable amount**

Recoverable amount is the higher of value in use and fair value of the asset less selling expenses. When estimating the asset's value in use, expected future cash flows are discounted to their current value at the rate before taxes which reflects current market quotations of time value of money and risks associated with this asset. Recoverable amount of the assets which do not generate cash inflows by themselves is determined as part of the recoverable amount of the unit generating cash inflows to which those assets belong. The Company units generating cash inflows are the smallest identifiable groups of assets generating cash independent of other assets or groups of assets.

**Reversal of impairment loss**

Impairment loss is subject to reversal in case if any changes take place in the estimates used to determine the recoverable amount. Impairment loss is reversed only to the extent to which the carrying amount of the asset does not exceed the carrying amount which would have been determined less depreciation or amortization should the impairment loss has not been recognized.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Inventories' cost is based on average-weighted method and includes acquisition costs, production or processing costs and other expenses on bringing inventories to their location and appropriate condition. Cost of raw materials and consumables is the acquisition cost, while cost of finished products and construction in progress includes cost of production including the corresponding share of depreciation and overheads. Cost of construction in progress and finished products includes corresponding share of overheads calculated based on standard use of production capacities.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs for completion of works and selling costs.

**Trade and other receivables**

Trade and other receivables are recognized to the amount of the invoice issued (which is the fair value of funds receivable) less impairment provision for these receivables. Provision for impairment of receivable is formed when there is objective evidence that the Group will not recover all receivables on initial terms. Provision amount is the difference between initial carrying amount and recoverable amount which is the current value of expected cash flows discounted at initial effective interest rate for the financial instruments.

**Cash and cash equivalent**

Cash and cash equivalents include cash on hand and on bank accounts, short-term on-demand deposits or those with repayment period less than three months.

**Borrowings**

Borrowings are initially recognized at fair value of the funds received less transaction costs incurred in respect to those funds. Later on the borrowings are accounted for at depreciated cost using the effective interest rate method.

**Provisions**

Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. If the effect of time value of money is significant, provisions are calculated by discounting future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, if appropriate, risks specific to the liability. Provision discount amortization is recognized as finance costs.

**Revenues**

Revenues are recognized to the extent that it is more likely that economic benefits will flow to the Company and the amount of revenue may be reliably estimated. Proceeds from goods sold are recognized in the income statement at the time when all material risks and benefits from such ownership are transferred to the buyer, usually after transfer of title for the goods.

**Finance income**

Finance income comprises interest income from investments and proceeds from exchanges difference. Interest income is recognized as it accrues using the effective interest rate.

**Finance expenses**

Finance expenses include interest expenses on borrowings, discount amortization on provisions and exchange difference losses. All interest expenses and other expenses incurred on borrowings are charged to expenses incurred as a component of net finance expenses.

**Income tax**

Income tax for the year comprises current and deferred tax. Income tax is recognized in the income statement except for the cases when it relates to items recognized directly to equity, in which cases it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the reporting year and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences:

- initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss as at the time of transaction.
- investments to subsidiaries if the period of temporary difference reversal may be controlled and it is likely that this temporary difference will not be repaid in the foreseeable future.

The amount of deferred tax and obligations are calculated based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are set off where there is a legal right to set off current tax assets against current tax liabilities and where deferred taxes relate to the same taxable item and the same tax authority.

**Dividends**

Dividends are recognized as liabilities in the period in which they were approved by the shareholders.

**Financial instruments**

**Recognition**

Financial assets and liabilities are recognized by the Group in the balance sheet when it becomes a party to the contract for a certain instrument. Financial assets and liabilities are set off with the total amount being recognized in the balance sheet provided that there is a legal right thereto and intention to work using net revenue/expense method or a right to realize an asset simultaneously with settlement of a liability.

**Assessment**

Financial assets and liabilities are initially recognized at fair value which is the paid or involved consideration including expenses directly attributable to the transaction. Income or expenses are initially recognized in the income and loss statement.

Investments are classified by the Group based on the management intentions at their acquisition. Investments with fixed repayment periods and with fixed or determinable payments are classified as "held to maturity"

Investments available for sale are non-derivative financial assets which include investments held for sale though the period during which the management shall sell them is not determined. They are included into long-term assets if the management has no intention to sell investments within 12 months from the balance sheet date in which case they are charged to current assets. Those assets are accounted for at fair value and non-realized changes in fair value are recognized directly in equity prior to disposal or sale.

Recognition of Financial assets is ceased in case, when the Group looses control over the rights to this asset under the contract. Such situation arises when rights are sold, transferred or ceased to be in force. Recognition of finance obligations is ceased in case it is repaid. Recognition of investments, withhold before payment and also released loans and accounts receivables is ceased as of the date of their transfer by the Group.

**Segmental Information**

The Group operates primarily in the territory of Kazakhstan and in the territory of Turkey, thus represents two geographic segments. Segment information is provided in respect to industry segments.
Segment is a separate component of the Group connected with the production of goods or services in a certain industry and exposed to risks and benefits other than those of other segments. Segment information is presented according to the primary industry segmentation adopted by the Group which is based on the management structure and internal reporting of the Group.

Performance of the segment, its assets and liabilities include items directly attributable to the segment as well as those which may reasonably be attributed to it. The Group operations are primarily connected with:

- Trade activity including sale of petrochemicals, coal ore and etc. In addition this segment includes other operations the output whereof does not form a separate segment, such as letting the assets on lease, sale of materials, etc
- Industrial production including steel making
- Operations of the Head Office including acquisition and sale of investment assets and securities

The management monitors financial performance for each industry segment separately in order to make investment decisions and evaluate operating activity. The segments are evaluated based on operating income or losses. Financing and taxation are planned at the Group level.

**Disclosure of items of complex income report**
**Profits from selling**

| | 6 month of 2011 | 6 month of 2010 |
|---|---|---|
| Selling of oil products | 728 216 | 963 143 |
| Selling of metals | 1 968 203 | 653 939 |
| Selling of coal | 631 204 | 134 364 |
| Selling of chrome concentrate | 44 897 | 13 157 |
| Income from services provision | 142 628 | 27 363 |
| **Total** | **3 515 148** | **1 791 966** |

**Cost of Sales**

| | 6 month of 2011 | 6 month of 2010 |
|---|---|---|
| Materials and reserves | 1 199 410 | 917 330 |
| Fuel and POL | 595 284 | 20 667 |
| Electrical power | 394 975 | 6 536 |
| Depreciation, depletion and amortization | 78 354 | 168 731 |
| Cost for labor, including short-terms reserves | 313 840 | 268 506 |
| Taxes | 54 991 | 35 175 |
| Stripping | 334 277 | 48 147 |
| Repair and maintenance | 20 360 | 16 357 |
| Services of auxiliary workshops | 136 507 | 30 142 |
| Operational rent | 13 210 | 4 016 |
| Railcar usage fee | 10 613 | 62 384 |
| Business trip expenses | 1 700 | 1 513 |
| overheads | 134 051 | |
| Other (specify significant items) | 30 745 | 6 629 |
| **Total** | **3 318 317** | **1 586 133** |

**Selling Expenses**

| | 6 month of 2011 | 6 month of 2010 |
|---|---|---|
| Transportation | 338 010 | 132 571 |
| Salaries | 29 062 | 3 128 |
| Processing and storing | 26 751 | 24 782 |
| Materials | 53 548 | 8 005 |
| Other | 40 470 | 21 899 |
| **Total** | **487 841** | **190 385** |

**Administrative Costs**

| | 6 month of 2011 | 6 month of 2010 |
|---|---|---|
| Rental | 43 132 | 49 713 |
| Salaries | 443 855 | 147 296 |
| Amortization and depreciation | 151 896 | 132 749 |
| Security costs | 54 563 | 74 829 |
| Sponsor and welfare aid | 83 838 | 431 635 |
| Transport maintenance | 13 507 | 68 162 |
| Consulting and audit services | 19 198 | 40315 |
| Informational, legal services | 135 785 | 15 003 |
| Business trip expenses | 32 264 | 35 172 |
| Communications | 13 208 | 7 820 |
| Materials | 48 580 | 10120 |
| Taxes | 81 919 | 73 674 |
| Bank services | 84 520 | 10 042 |
| Fines and dues | 13 232 | 11 250 |
| Other significant items to be added | 80 013 | 70 426 |
| **Total** | **1 299 510** | **1 178 206** |

**Other Operation Costs**

| | 6 month of 2011 | 6 month of 2010 |
|---|---|---|
| Expenses caused by retirement of fixed assets | 59 002 | 163 951 |
| Return rail rate | 222 525 | |
| Exchange loss | 67 590 | 72 531 |
| Other | 131 954 | 57 087 |
| **Total** | **481 071** | **293 569** |

**Other Profits**

| | 6 month of 2011 | 6 month of 2010 |
|---|---|---|
| Exchange gain | 259 979 | 238 517 |
| Profit from services | 222 413 | |
| Other profits | 117 769 | 125 311 |
| **Total** | **600 188** | **363 828** |

**Financing Profits**

| **Profits** | **6 month of 2011** | **6 month of 2010** |
|---|---|---|
| Securities compensations | | 725 085 |
| Deposit compensations | 12 120 | 15 074 |
| **Total** | **12 120** | **740 159** |

**Financing Expenses**

| Expenses | 6 month of 2011 | 6 month of 2010 |
|---|---|---|
| Expenses at banking loans interest | 923 304 | 248 744 |
| Coupon payment expenses | 550 955 | 446 460 |
| **Total** | **1 474 259** | **695 204** |

**Share of the Organization in incomes (expenses) of associates and joint activity determined on the basis of equity method.**

| | 6 month of 2011 | 6 month of 2010 |
|---|---|---|
| Share in finance result of associates | 207 066 | 107 002 |
| **Total** | **207 006** | **107 002** |

**Other non operational profits**

| | 6 month of 2011 | 6 month of 2010 |
|---|---|---|
| Profit of investments selling | 2 950 000 | 1 159 000 |
| Other profits | 297 869 | |
| **Total** | **3 247 869** | **1 159 000** |

**Other non operational expenses**

| | 6 month of 2011 | 6 month of 2010 |
|---|---|---|
| Cost of investments selling | 1 587 296 | 50 779 |
| Other profits | 231 608 | |
| **Total** | **1 818 904** | **50 779** |

**Disclosure of Balance Sheet Items**

**Short-Term Assets**

**Cash and Cash Equivalents**

As of June 30 of 2011 cash assets make a sum of 674 873 thousands of tenge, all cash assets are on current accounts in banks and are not limited for use.

**Finance assets, available for sale**

Include securities withhold for sale

| | 6 month of 2011 | 6 month of 2010 |
|---|---|---|
| Securities for sale | 6 | 232 274 |
| **Total** | **6** | **232 274** |

**Investments**

In the table below you can see the investments which are listed in separate accountability of SAT & Company JSC.

| Type of Investment | Opening Balance | Debit | Credit | Closing Balance |
|---|---|---|---|---|
| Securities Portfolio, total | 20 915 026 | 258 430 | 40 345 | 21 133 112 |
| including: | | | | |
| Private securities | 20 915 026 | 258 430 | 40 345 | 21 133 112 |
| Other investments* | 8 340 038 | 209 | 166 881 | 8 173 367 |
| **Total investments** | **29 255 064** | **258 639** | **207 226** | **29 306 478** |

In March – April 2011 additional shares of ShalkiyaZink NV was purchased in the amount of 258 430 thousand tenge.

In February of 2011 the "Trading House SAT" LLC in Russia was established with share equal to 48 thousand tenge.

Cost of investments, included into consolidation comes to the amount of 21 187 075 thousand tenge.

Cost of investments, determined on the basis of equity method with impairment comes to 3 642 379 thousand tenge.

Cost of investments on the basis of fair value comes to 1 040 470 thousand tenge.

Investments impairment determined on the basis of equity method to the amount of 207 066 thousand tenge was reflected.

**Short-Term Accounts Receivable and other Current Assets**

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Debts of customers and consumers | 2 045 459 | 547 201 |
| Short-Term employeesreceivable | 200 049 | 80 315 |
| Rental receivable | 53 233 | 32 101 |
| Other accounts receivable | 3 093 419 | 6 329 938 |
| Reserve for doubtful claims | - 3 546 517 | 2 006 683 |
| **Total** | **1 845 643** | **4 982 872** |

**Inventory**

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Inventories | 1 160 825 | 680707 |
| Goods in process | 46 294 | 58 240 |
| Finished production | 1 034 571 | 145 534 |
| Goods | 87 982 | 4 726 |
| Reserve | -43 043 | -181 981 |
| **Total** | **2 286 629** | **707 226** |

**Other Short-Term Assets**

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Offset VAT | 1 371 655 | 790 383 |
| Other current taxes | 95 636 | 12 501 |
| Short – term advance pay issue | 769 030 | 2 231 373 |
| Expenses of future periods | 511 921 | 152 710 |
| other | 1 259 | 103769 |
| Reserve for doubtful receivable | -178 874 | -75 969 |
| **Total** | **2 570 627** | **3 214 767** |

## Long-Term Assets

### Investments at cost

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Investments in China | 1 040 470 | 4 471 639 |
| **Total** | **1 040 470** | **4 471 639** |

### Long-Term trade and other receivable

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Pre – term account receivable | 2 000 | 94 552 |
| Pre – term account receivable of employees | 315 522 | 1820 |
| Other pre – term account receivable | 337 969 | |
| **Total** | **655 491** | **96 372** |

### Investment on the basis of equity method

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Investments to associates | 3 642 379 | 4 798 292 |
| **Total** | **3 642 379** | **4 798 292** |

## Fixed Assets

| | Mining assets | Land | Buildings and Constructions | Machinery and Equipment | Transport Vehicles Furniture, computers and other office equipment | Construction in Process | Total |
|---|---|---|---|---|---|---|---|
| Initial value | 2 102 681 | 68 036 | 28 307 094 | 8 719 007 | 848 904 | 3 911 745 | 43 957 467 |
| Accumulated Depreciation and Amortization | - 122 448 | | - 34 008 | - 66 051 | - 86 705 | | - 309 212 |
| Balance value as of period opening | **1 980 233** | **68 036** | **28 273 086** | **8 652 956** | **762 199** | **3 911 745** | **43 648 255** |
| arrival | 658 049 | | 862 972 | 2 752 274 | 97 359 | 2 375 874 | 6 746 528 |
| retirement | -2 | | - 13 566 | - 4 455 | - 15 097 | - 3 586 121 | - 3 619 241 |
| Depreciation expenses | | | - 49 061 | - 171 878 | - 42 731 | | - 263 670 |
| Depreciation Retirement | | | 1 383 | 653 | 6 343 | | 8 379 |
| Balance value as of period closing | **2 638 280** | **68 036** | **29 074 814** | **11 229 550** | **808 073** | **2 701 498** | **46 520 251** |

As of June 30 of 2011 the fixed assets with balance value of 17 744 845 thousands of tenge act as collateral security for banking loans.

### Exploration and estimation assets

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Exploration and estimation assets | 7 892 371 | 960 439 |
| Depreciation of Exploration and estimation assets | -19 853 | -6820 |
| Balance value as of period closing | **7 872 518** | **953 619** |

**Intangible Assets**

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Licenses for subsoil | 1 747 291 | 13 817 390 |
| other | 13 648 | 11 883 |
| **Total** | **1 760 939** | **13 829 273** |

**Other Long-Term Assets**

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Advance payments for fixed asstes | 1 030 297 | 263 420 |
| Other long-term assets | 3 706 802 | |
| **Other** | **4 737 099** | **263 420** |

**Liabilities**

**Loans**

Below there is a note to accounts containing data on loan and borrowing agreements of the Group.

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| **Short-term financial liabilities** | | |
| Current part of banking loans | 8 661 963 | 1 406 173 |
| **Total loans** | **8 661 963** | **1 406 173** |

**Short-Term trade and other account receivables**

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Short term account receivables to Contractors | 2 900 777 | 2 541 005 |
| Rental short term account receivables | 205 440 | 3 512 |
| Short term remuneration for payment | 1 248 379 | 453 985 |
| Other account receivables | 626 338 | 185 423 |
| **Total** | **4 980 933** | **3 183 925** |

**Employee benefit**

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Employee benefit | **157 338** | **72 003** |

**Other Short – term liabilities**

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Short term advances received | 553 212 | 903 689 |
| Other short-term liabilities | 160 720 | 95 296 |
| Tax liabilities | 151 742 | 153 282 |
| **Total** | **865 673** | **1 152 267** |

**Long – term Liabilities**

**Loans**

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| **Long – term finance liabilities** | | |
| Banking loans | 7 106 844 | 3 002 695 |
| **Total loans** | **7 106 844** | **3 002 695** |

**Other long – term finance liabilities**

**Outstanding Bonds**

On January 3, 2008 the Company issued 150 million of unsecured coupon bonds, with nominal value of 100 tenge. Bonds are subject to repayment in seven years from the date of issue at their nominal value. Payment of compensation is performed two times a year, on January 3 and on June 3. Fee rate for 7-coupon period ending on July 3 of 2011 is 9,8% annual. As of June 30, 2011 the bonds are placed in the amount of 112 439 817 pieces.
As of placement date of bonds the Company recognized the discount. Discount is depreciated by method of effective interest rate which is defined for each date of coupon payment.

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Bonds at nominal value | 11 243 982 | 11 249 257 |
| Discount | -1 376 751 | -1 799 812 |
| Balance value | **9 867 230** | **9 449 445** |

**Long – term trade and other account receivables**

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Other account receivables | 932 059 | 18 831 |
| **Total** | **932 059** | **18 831** |

**Deferred tax liabilities**

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Deferred tax liabilities | **6 852 016** | **128 509** |

**Other long-term liabilities**

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Debt component of privileged share | 912 907 | |
| Contract liabilities | 212 036 | |
| Other long-term liabilities | 833 | 171 031 |
| **Total** | **1 125 776** | **171 031** |

**Capital**
Owned capital of the Company as of reporting date was 32 528 988 thousands of tenge which is divided into share capital, reacquired stock, translation reserve and unallocated profits.

The authorized capital of the Company makes 17 409 943 thousands of tenge, including debt component of privileged share in the amount of 912 907 thousand tenge.

In balance the authorized capital shown in the amount of 16 506 536, taking into account that debt component referred to long –term liabilities.

Total amount of ordinary shares declared for issue - 3 000 000 000 (three billions) pieces, privileged shares - 750 000 000 (seven hundred fifty millions) pieces;

Number of ordinary shares placed on the reporting date is 1 173 603 294 pieces,

also there are 133 802 pieces of shares placed in the reporting period,

Number of bought out shares for the reporting date is 534 281 ordinary share for a sum of 37 917 thousands of tenge,

Number of bought out shares in the reporting period is 167 551 for a sum of 11 896 thousands of tenge.

Translation reserve is 277 867 thousands of tenge.

Unallocated profits is 11 477 134 thousands of tenge.

**Balance value of one ordinary share as of June 30, 2011**

| | |
|---|---|
| Assets as of 30.06.2011, total | 74 161 418 |
| Intangible assets | -1 760 939 |
| Liabilities as of 30.06.2011 | - 41 545 972 |
| Authorized capital balance – privileged share | -2 287 093 |
| **Net assets for ordinary share** | **28 394 498** |
| Number of ordinary shares, thousand pieces | 1 173 737 |
| **Balance value, tenge** | **24,19** |

Balance value of one ordinary share is calculated as Net assets for ordinary shares against number of ordinary shares as of reporting date

Net assets are calculated as difference between assets and liabilities , mines intangible assets and mines balance of Authorized capital account – privileged share.

**Balance value of one privileged share as of June 30, 2011**

| | |
|---|---|
| Amount of accrued dividends | |
| Authorized capital balance – privileged share | 2 287 093 |
| Debt component of privileged share in liabilities | - |
| Number of privileged share | 106 667 |
| **Balance value, tenge** | **21,44** |

Balance value of one privileged share is calculated as Balance of Authorized capital on privileged share including Amount of accrued dividends and liabilities effect against Number of privileged shares as of reporting date

Company owners:

Shareholders owning ten and more percent of placed shares of the Company (less shares bought out by the Company) for the reporting date.

- Rakishev Kenges Khamituly - 50.46%
- MAC ALIANS LLP - 22.96%

**Profit per Share**

Profit per share is calculated by dividing the net profit by weighted average number of ordinary shares which are in circulation and placed by subscription before the date of accountability publishing. Profit per share is calculated taking into account the splitting of shares as of November 20 of 2008. The Company doesn't have potential ordinary shares with dilution effect.

| | As of June 30, 2011 | As of June 30, 2010 |
|---|---|---|
| Net profit of company shareholders | -1 722 333 | 111 802 |
| Average weighted number of ordinary shares in circulation in thousands of pieces | 1 173 630 | 1 099 411 |
| Profit per share attributed to the company shareholders (in tenge) | -1.47 | 0,10 |

**Capital Management**

Management of the Group follows the policy of capital level maintenance which is enough for ensuring the confidence of investors, creditors and market as a whole, and for keeping the business growth rate in the future. Group Management controls the indicator of profit rate of capital and seeks to maintain the balance between a higher profitability which is possible to be reached if having a higher borrowing level and advantages and security which ensure a stable position in the capital share. There have been no changes in the Group policy on capital management during the reporting periods.

**Actions at Law**

During the current activity Group from time to time becomes an object of judicial proceedings and claims. Managements believes that total liabilities, if such will appear, arising as a result of such proceedings and claims, will not represent a significant negative influence for financial position or results of activity of the Group.

As of June 30, 2011 the Group was not involved into any significant judicial proceedings including the arbitrage proceedings.

R. Sagitova
*Deputy Chairman of the Board of Finance and Investments*

N. Sharabok
*Chief Accountant*