Explanatory notes to the Interim Consolidated Financial Statements SAT & Company JSC For 2 quarter 2013

Explanatory notes to the interim consolidated financial statements for 2 quarter 2013.

General Information

Organization and principal activities

SAT & Company JSC (hereinafter "the 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 241, Mukanov Str., Almaty, 050008, Republic of Kazakhstan. These interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries (hereinafter "the Group").

The principal activities of the Company and its subsidiaries as of June 30, 2013 are as follows:

The Company/subsidiary	**Principal activity**
Sat &Company JSC	Investment activities
ShalkiyaZinc N.V	Subsurface use
Taraz Metallurgy Plant LLP	Metal production
KARUAN LLP	Subsurface use
Saryarka Mining LLP	Subsurface use
Arman 100 LLP	Subsurface use
Taraz Elektrode Plant LLP	Production and sale of electrode paste and repair masses
CAICC LLP	Investment activities
SAT&Co HOLDING A.S. JSC, Turkey	Trading activity
Mining Company SAT Komir LLP	Coal production and sale
FNP "Ertys" LLP	Nickel ore exploration
Kaznickel LLP	Nickel ore exploration
Trade House SAT LLC	Trading activity
Temirtau Electro Metallurgical Plant JSC (TEMP)	Metallurgical production / subsurface use
SAT SinoFerroAlloy B.V. /Netherlands/	Metallurgical production / subsurface use

SAT&Company JSC was established in October 2011. In 2006 the Company was reregistered as Joint Stock Company.

Business environment

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

Basis of preparation

These consolidated interim 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 34 "Interim financial statements" and also those parts of Kazakhstan legislation which are applicable to the Company, that prepares its financial statements in accordance with IFRS.

The management believes, that this consolidated interim financial statements include all the necessary adjustments for the fair presentation of the financial position of the Group, its operating results and the results of cash flows for 2 quarter 2013.

New Accounting Regulations

Standards, amendments and interpretations effective from 2012 and adopted by the Group:

- Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. Adoption of the revised standard resulted in revision of disclosures but did not have effect on the recognition or measurement of transactions and financial position of the Group;

- Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011).

Standards and the interpretations of operating standards which are becoming valid starting from January 1, 2012 or after this date, but did not affect activities of the Group are not described in these notes.

Standards, amendments and interpretations to existing standards which are not effective or early adopted by the Group:

- Amendment to IAS 12, Income Taxes (effective for the annual periods beginning on or after 1 January 2012). Group is considering the implications of the aforementioned new standards, amendments and interpretations to existing standards on its consolidated financial statements and dates of their adoption;
- IFRS 13, Fair value measurement, (issued in May 2011 and effective for periods beginning on or after 1 January 2013). Group is considering the implications of the aforementioned new standards, amendments and interpretations to existing standards on its consolidated financial statements and dates of their adoption;
- Amended IAS 19, Employee Benefits (issued in May 2011 and effective for periods beginning on or after 1 January 2013). Group is considering the implications of the aforementioned new standards, amendments and interpretations to existing standards on its consolidated financial statements and dates of their adoption;
- IFRS 10, Consolidated financial statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities (issued in May 2011 and effective for periods beginning on or after 1 January 2013). Group is considering the implications of the aforementioned new standards, amendments and interpretations to existing standards on its consolidated financial statements and dates of their adoption;
- IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). Group is considering the implications of the aforementioned new standards, amendments and interpretations to existing standards on its consolidated financial statements and dates of their adoption;
- IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). Group is considering the implications of the aforementioned new standards, amendments and interpretations to existing standards on its consolidated financial statements and dates of their adoption;
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (issued in August 2011 and effective for annual periods beginning on or after 1 January 2013). Group is considering the implications of the aforementioned new standards, amendments and interpretations to existing standards on its consolidated financial statements and dates of their adoption;
- IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features of the standard are as follows:
    1. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
    2. An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- The adoption of IFRS 9 from 1 January 2015 is mandatory and early application is permitted. Currently, the Group is considering effects of adoption of the Standard, its influence on the Group and the date of Standard adoption by the Group.

Standards, corrections and interpretations which are not valid yet and the Group did not apply them in view of the operations absence.

Below amendments and interpretations of standards which were published are presented and are obligatory for the reporting periods of Group starting from January 1, 2012 and after this date, or for later periods, but do not concern operating activities of Group:

- Changes to IFRS 1 "First-time Adoption of International Financial Standards" (valid from July 1, 2011 or after this date);
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013);
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).

Bases of Consolidation

These consolidated financial statements reflect the Group's financial position as of June 30, 2013 as well as the result financial operations of the Group for the period ended June 30, 2012 and 2013.

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.

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 income and expense of the associated entities on the base of equity method from the acquisition date of the significant control and up to the date when significant control ceases. If the Group's share of losses in an associate exceeds its carrying value in the associate, the carrying value 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 intergroup accounts and transactions, as well as unrealized profit from intergroup transactions are eliminated when preparing consolidated financial statements. Unrealized profit from transactions with associated entities and entities under joint control are eliminated in accordance with share of the Group in these entities. Unrealized profit from associated entities is eliminated from investments into the associates. Unrealized losses are eliminated as unrealized profit 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 "KzT") which is the functional currency of the Company as well as the currency used to prepare these consolidated interim financial statements in accordance with IFRS. All financial information is presented in thousands of tenge.

Use of assumptions and estimates

For preparation of these consolidated interim financial statements in accordance with IFRS management make judgments, estimates and assumptions, which affects the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities. Actual results might differ from those estimates.

Assumptions and estimates are regularly revised 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 of the consolidated interim 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. Exchange income and losses are recognized in the income statement.

Property, plant and equipment

Recognition and subsequent measurement

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and part of direct construction overhead costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit and loss for the reporting period as incurred.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in profit or loss for the year within other operating income or expenses.

Mining assets are carried at cost less accumulated amortisation and less any impairment losses, if required. Expenditure, including evaluation costs, incurred to establish or expand productive capacity, as well as the costs to conduct mining-construction, mining-capital and mining preparation works during the development or mine reconstruction phase, are capitalised to mining assets.

Depreciation

Land is not depreciated. Mining assets are depreciated using the unit-of-production method based on estimated economically viable recoverable reserves to which they relate. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values. Each item's estimated useful life depends on its own useful life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located.

Estimated useful lives are presented in the table below:

	Useful lives (in years)
Buildings and constructions	5-50
Machinery and equipment	4-25
Vehicles	5-10
Other	3-15

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil, if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Impairment

At the end of each reporting period management assess whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit and loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Exploration and evaluation assets

Initial recognition and subsequent measurement

Exploration and evaluation assets are measured at cost less provision for impairment, where required.

Exploration and evaluation assets include the cost of subsurface use (exploration) rights, capitalised expenditures on drilling of exploratory wells, cost of support equipment and facilities, geological and geophysical studies, stripping costs, as well as production and other general overhead costs that are directly attributable to the exploration fields. Production and other general overhead costs capitalised within exploration and evaluation assets include salaries of personnel involved in the exploration and evaluation activities and other overhead costs directly related to exploration and evaluation activities.

An exploration and evaluation asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral reserve is demonstrable. Once commercial reserves are found, exploration and evaluation assets are transferred to development tangible and intangible assets (within property, plant and equipment and intangible assets) and amortised using the unit-of-production method based on proved and probable mineral reserves.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested by the Group for impairment when reclassified to development tangible or intangible assets or whenever facts and circumstances indicate assets' impairment. An impairment loss is recognised for the amount by which exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

One or more of the following facts and circumstances indicate that the Group should test its exploration and evaluation assets for impairment (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral reserves in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral reserves in the specific area have not led to the discovery of commercially viable quantities of mineral reserves and the Group has decided to discontinue such operations in the specific area;
- sufficient data exists to indicate that, although development works in the specific area are likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full resulting from efficient development or by sale.

For the purpose of assessing impairment, the exploration and evaluation assets subject to impairment testing are grouped by projects.

Intangible assets

The Group's other intangible assets have definite useful lives and primarily include capitalised computer software and subsurface use rights (extraction of mineral resources). Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it to use and is amortised on a straight line basis over useful lives estimated by the management at 3 to 5 years. Subsurface use rights are amortised over the term of the relevant subsurface use contracts.

If impaired, the carrying value of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Finance instruments

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Trade receivables

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less provision for impairment to such receivables. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit and loss for the year. The primary factor that the Group considers in determining whether a financial asset is impaired is its overdue status.

Advances to suppliers are carried at cost less provision for impairment. Advances are classified as non-current when the goods or services relating to the advances are expected to be obtained after one year, or when advances relate to an asset which will itself be classified as non-current upon initial recognition. Advances to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at current bank accounts and short term deposits with maturity less than three months.

Borrowings

Borrowings are initially recognised at fair value net of transaction costs. Borrowings are subsequently measured at amortised cost; the difference between the proceeds amount (net of transaction costs) and the redemption amount is recognised in the profit or loss during the period of the borrowing using the effective interest rate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised.

Trade payables

Trade payables are accrued when the counterparty performed its obligations under the contract. Trade payables, except for advances received, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Advances received are stated at actual amounts received from the third parties.

Revenue

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

Interest income

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

Interest expenses

Interest expenses include interest expenses on borrowings, interest expenses on bonds payable and preferred shares, and amortization of discount on provisions. All interest expenses and other expenses incurred on borrowings are charged to finance expenses incurred.

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 statement.

Dividends

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

Notes to the consolidated interim statement of comprehensive income

Revenue

	2 quarter 2013	2 quarter 2012
Sale of metal	4,328,264	7,858,428
Sale of carbide calcium	905,535	-
Sale of chalk stone	500,997	-
Sale of coal	1,327	508,926
Other	259,662	102,627
Total	**5,995,785**	**8,469,981**

Revenue by location

	2 quarter 2013	2 quarter 2012
The Russian Federation	2,900,364	4,738,310
The Republic of Kazakhstan	2,663,125	3,312,402
The Republic of Moldova	95,399	147,280
Turkmenia	36,208	21,208
Ukraine	36,164	27,777
Uzbekistan	18,337	84,223
The Republic of Kyrgystan	18,294	10,572
Tadzhikistan	16,970	9,968
Chinese National Republic	-	118,241
Other regions	210,924	-
Total	**5,995,785**	**8,469,981**

Cost of goods sold

	2 quarter 2013	2 quarter 2012
Materials and supplies	1,981,222	4,162,645
Electricity	1,695,620	1,719,465
Salary and related taxes	848,967	272,685
Fuel	270,606	251,423
Depreciation, amortization and depletion	265,334	240,357
Taxes	132,294	48,619
Overhead expenses	124,643	393,209
Transportation	100,016	40,621
Payments for usage of wagons	50,651	-
Auxiliary shops services	39,198	79,080
Repair and maintenance	22,092	42,308
Rock mass excavation and transportation, refinery services	5,767	143,609
Rent of land and equipment	5,694	36,185
Business trip expenses	3,098	-
Services of contractors (excavation and other)	-	14,925
Changes in finished goods and work in progress	(33,021)	(156,727)
Other	50,348	100,759
Total	**5,562,529**	**7,389,163**

Selling Expenses

	2 quarter 2013	2 quarter 2012
Transportation	135,497	366,955
Materials and Supplies	52,980	61,199
Salary	37,127	62,058
Other	94,544	37,763
Total	**320,148**	**527,975**

General and administrative expenses

	2 quarter 2013	2 quarter 2012
Salary and related taxes	818,905	623,083
Legal services, consultations, etc.	223,978	143,470
Depreciation and amortization	182,285	180,845
Security	138,208	76,363
Taxes	132,444	128,414
Materials	59,994	50,796
Sponsorship and other financial aid	45,092	90,459
Business trip expenses	36,510	52,967
Rent	35,213	44,709
Fines and penalties	20,463	9,896
Bank services	18,532	47,246
Communication	17,479	33,491
Recovery of provision on taxes	(303,474)	-
Other	204,617	250,618
Total	**1,630,246**	**1,732,357**

Other operating expenses

	2 quarter 2013	2 quarter 2012
Foreign exchange loss	210,417	672,236
Loss from disposal of fixed assets	4,672	26,938
Other	145,969	169,459
Total	**361,058**	**868,633**

Other operating income

	2 quarter 2013	2 quarter 2012
Foreign exchange gain	91,151	518,730
Income from sale of fixed assets	20,573	16,236
Income from grab iron and other products	516,798	362,236
Other	62,041	144,767
Total	**690,563**	**1,041,969**

Interest income

	2 quarter 2013	2 quarter 2012
Recognition of income on discounted receivables	192,276	-
Income from deposits	2,107	4,491
Other	3,687	98,007
Total	**198,070**	**102,498**

Interest expense

	2 quarter 2013	2 quarter 2012
Interest expenses – bank loans	934,367	1,030,287
Interest expenses – bonds	551,729	782,470
Dividends	194,596	220,819
Other	184,081	109,345
Total	**1,864,773**	**2,142,921**

Share of the organization in profit (loss) of associates and joint ventures accounted under the equity method

	2 quarter 2013	2 quarter 2012
Share in the loss of associates and joint ventures	(69,888)	(65,390)
Total	**(69,888)**	**(65,390)**

Notes to consolidated interim statement of financial position
Current assets

Cash and Cash Equivalents

As of June 30, 2013 cash amounted to KzT 4,045,110 thousand kept on current bank accounts and non restricted.

Short-term trade and other receivables

	As of June 30, 2013	As of June 30, 2012
Financial aid	9,818,498	9,734,190
Trade receivables	825,902	476,447
Short-term receivables from employees	6,240	-
Receivables for securities	-	2,151,768
Other receivables	135,936	99,954
Provision for doubtful debts	(760,392)	(556,305)
Total	**10,026,184**	**11,906,054**

Inventory

	As of June 30, 2013	As of June 30, 2012
Raw materials	1,177,529	1,073,344
Finished products	873,127	808,756
Work in progress	68,065	230,999
Goods for sale	28,219	11,189
Other	14,975	171,185
Provision for obsolete inventory	(299,507)	(171,161)
Total	**1,862,408**	**2,124,312**

Other current assets

	As of June 30, 2013	As of June 30, 2012
Input VAT	1,805,329	1,532,791
Short-term advances paid	251,950	327,417
Other current taxes	78,997	-
Prepaid expenses	18,076	-
Other	257,259	55,136
Provision for doubtful debts	(30,136)	(8,023)
Total	**2,381,475**	**1,907,321**

Assets for sale

	As of June 30, 2013	As of June 30, 2012
Assets of SAT&Company JSC	761,169	761,169
Assets of ShalkiyaZink	21,922,290	21,929,691
Assets of SAT Komir JSC	-	2,983,817
Total	**22,683,459**	**25,674,677**

Non-current assets

Long-term trade and other receivables

	As of June 30, 2013	As of June 30, 2012
Long-term receivables from employees	352,102	352,102
Other long-term receivables	1,516,500	1,268,039
Total	**1,868,602**	**1,620,141**

Investments accounted for using the equity method

	As of June 30, 2013	As of June 30, 2012
Investments to associates	7,224,290	6,829,171
Total	**7,224,290**	**6,829,171**

Investment property

	As of June 30, 2013	As of June 30, 2012
Property included in Temirtau Electro Metallurgical Plant JSC	2,851,690	2,853,372

Exploration and evaluation assets

	As of June 30, 2013
Exploration and evaluation assets at the beginning of the period	3,825,714
Depreciation of exploration and evaluation assets	-
Additions to exploration and evaluation assets	-
Transfer to the disposal group	-
Transfer to presentation currency	(116,674)
Impairment	-
Exploration and evaluation assets at the end of the period	**3,709,040**

Intangible assets

	As of June 30, 2013	As of June 30, 2012
Licenses, subsurface use right	2,019,419	2,019,419
Other	41,453	44,190
Total	**2,060,872**	**2,063,609**

Other long-term assets

	As of June 30, 2013	As of June 30, 2012
Advances paid for fixed assets	1,167,462	1,186,301
Long-term part of input VAT	793,135	1,095,735
Advances paid for other long-term assets	479,536	540,000
Advances paid for exploration and evaluation assets	449,409	35,825
Restricted cash	2,500	44,857
Other long-term assets	16,235	473,594
Provisions	-	(394,540)
Total	**2,908,277**	**2,981,772**

Property, plant and equipment

	Land	Buildings and Construction	Machinery and Equipment	Transport, furniture, computers and other office equipment	Construction in progress	Total
Carrying amount at the beginning of the period	**3,397,447**	**8,075,732**	**9,101,936**	**1,211,948**	**2,647,744**	**24,434,807**
Additions	-	6,064	74,855	53,324	146,289	**280,532**
Disposals	-	(12)	(1,203)	-	-	**(1,215)**
Depreciation	-	(84,205)	(306,969)	(65,937)	-	**(457,111)**
Depreciation on disposals	-	12	506	-	-	**518**
Carrying amount at the end of the period	**3,397,447**	**7,997,591**	**8,869,125**	**1,199,335**	**2,794,033**	**24,257,531**

As of June 30, 2013 fixed assets of KzT 17,201,333 thousand are pledged as bank collateral.

Current liabilities

Short term borrowings

This note discloses information about loans and credit arrangements of the Group.

	As of June 30, 2013	**As of June 30, 2012**
SberBank of Russia JSC	3,819,843	4,894,760
Alliance Bank JSC	2,998,000	3,032,135
Bank RBK JSC	533,108	252,051
NurBank JSC	320,572	402,161
Eurasian bank JSC	21,261	85,679
Other	1,708	-
Total short-term loans	**7,694,492**	**8,666,786**

Other short-term financial liabilities

	As of June 30, 2013	**As of June 30, 2012**
Bonds as part of other short-term financial liabilities	322,280	322,280
Debt of preferred shares	389,192	194,596
Total	**711,472**	**516,876**

Short-term trade and other payables

	As of June 30, 2013	**As of June 30, 2012**
Trade payables to suppliers	7,302,558	3,008,368
Interest payable	946,499	1,047,681
Other payables	315,511	579,797
Total	**8,564,568**	**4,635,846**

Other current liabilities

	As of June 30, 2013	As of June 30, 2012
Advances received	1,479,286	850,139
Taxes payable	428,769	528,363
Short-term part of deferred income	143,213	218,623
Other current liabilities	27,781	122,834
Total	**2,079,049**	**1,719,959**

Liabilities of subsidiaries for sale

	As of June 30, 2013	As of June 30, 2012
Liabilities of ShalkiyaZink	4,284,948	4,324,629
Liabilities of SAT Komir JSC	-	1,703,135
Total	**4,284,948**	**6,027,764**

Non-current liabilities.

Long term borrowings

	As of June 30, 2013	As of June 30, 2012
SberBank of Russia JSC	8,882,821	8,005,701
Other	3,748	14,522
Total loans	**8,886,569**	**8,020,223**

Long-term trade and other payables

	As of June 30, 2013	As of June 30, 2012
Other payables	-	2,777,061
Total	-	**2,777,061**

Other long-term liabilities

	As of June 30, 2013	As of June 30, 2012
Debt component of preferred shares	3,689,195	3,689,195
Deferred income	2,769,228	2,769,228
Commercial discovery bonus	529,519	529,519
Historic expenses	80,743	80,743
Other long-term liabilities	11,279	107,198
Total	**7,079,964**	**7,175,883**

Issued bonds

The Group registered two bonds payable issuance:

1st bond issuance:

On January 3, 2008 the Company issued 150 million of unsecured coupon bonds, with nominal value of KzT 100. Bonds are subject to repayment in seven years from the date of issue at their nominal value. Payment of coupon is performed twice a year, on January 3 and on June 3. Coupon rate for 11 coupon period ending July 3, 2013 is 8% per annum. As of June 30, 2013 the bonds are placed in the quantity of 120 049 547.

Company recognized discount on bonds. Discount is depreciated using effective interest rate method; the interest rate is defined at each coupon payment date.

	As of June 30, 2013	As of June 30, 2012
Bonds at nominal value	12,004,956	12,004,956
Discount	(618,603)	(801,660)
Bonds part of other short-term financial liabilities	(322,280)	(322,280)
Carrying value of long-term financial liabilities on the 1st bond issue	**11,064,073**	**10,881,016**

2nd bond issuance:

On August 2, 2012 the Company issued 60 million of unsecured coupon bonds, with nominal value of KzT 100. Bonds are subject to repayment in seven years from the date of issue at their nominal value.

Payment of coupon is performed twice a year, on February 2 and on August 2. For the first year coupon rate is 12% per annum and starting from the second year coupon rate is flexible depending on inflation defined each 6 months.

Upper limit is defined on the level of max=12% per annum and lower level as min=3% per annum.

Coupon rate for 2 coupon period ending on August 2, 2013 is 12% per annum. As of June 30, 2013 the bonds are placed in the quantity of 11 855 880.

Company recognized premium on bonds. Discount is depreciated using effective interest rate method; the interest rate is defined at each coupon payment date.

	As of June 30, 2013	As of June 30, 2012
Bonds at nominal value	1,185,588	1,185,588
Premium	76,471	80,154
Carrying value of long-term financial liabilities on the 2nd bond issue	**1,262,059**	**1,265,742**

As of June 30? 2013 total carrying amount of bonds payable amounted to KzT 12,326,132 thousand.

Equity

The equity of the Group amounting to KzT 31,243,865 thousand, consists of share capital, debt component of preferred shares, treasury equity, reserves, retained earnings and non-controlling interests as of the reporting date.

Total number of authorized ordinary shares and preferred shares equaled to 3 000 000 000 (three billion) and the number of the preferred shares amounted to 750 000 000 (seven hundred fifty million), respectively.

As of reporting date treasury shares amounted to KzT 31,453,736 thousand and included:

- placed ordinary shares 1,236,321,721 for the total amount of KzT 19,381,199 thousand;
- placed preferred shares 389,192,270 for the total amount of KzT 12,072,538 thousand.

There were no placement of ordinary or preferred shares in the reporting period.

Debt component totaling to KzT 3,689,195 thousands was comprised from preferred shares.

As of reporting date repurchased ordinary shares equaled to 10,116,146 for the total amount of KzT 599,346 thousand. During the reporting period repurchased ordinary shares equaled to 204,731 for the total amount of KzT 14,331 thousand.

Reserves include recalculated effect of investment in the amount of KzT 11,290,420 thousand and foreign currency translation reserve in the amount of KzT 219,241 thousand and total amounted to – KzT 11,509,661 thousand.

Share of minority interest amounted to KzT 814,329 thousand.

Carrying amount of one ordinary share

	As of June 30, 2013	As of June 30, 2012
Total assets	**86,736,242**	**87,590,519**
Intangible assets	2,060,872	2,063,609
Liabilities	55,492,377	55,570,704
Preferred shares	12,072,538	12,072,538
Net assets for ordinary shares	**17,110,455**	**17,883,668**
Number of ordinary shares, thousand pcs.	1,236,322	1,236,527
Carrying amount KzT	**13,84**	**14,46**

Balance value of one ordinary share is calculated as proportion of net assets for ordinary shares to the number of ordinary shares as of reporting date.
Net assets are calculated as difference between assets and liabilities, less intangible assets and less preferred shares.

Carrying amount of one preferred share:

	As of June 30, 2013	As of June 30, 2012
Accrued dividends	389,192	194,596
Preferred shares	12,072,538	12,072,538
Including debt component of the preferred shares	3,689,195	3,689,195
Number of preferred shares, pcs	389,192	389,192
Carrying amount, KzT	**32,02**	**31,52**

Balance value of one preferred share is calculated as proportion of balance of preferred shares including accrued dividends liabilities and debt component of the preferred shares to the number of preferred shares as at the reporting date.

Company owners:

Shareholders possessing ten and more percent of placed ordinary shares of the JSC (less the shares repurchased by the Company) as of reporting date.

- Rakishev Kenges Khamituly - 51.83%;
- SFK KOR Invest LLP – 22.91%

Profit per Share

Profit per share is calculated as relation of the net profit to weighted average number of ordinary shares as at the reporting date. Profit per share takes into accounts the split of shares of November 20, 2008. There is no potential ordinary shares with dilution effect in the Group.

	As of June 30, 2013	As of June 30, 2012
Net income/(loss) attributable to shareholders	(408,679)	(741,536)
Weighted average number of ordinary shares in thousands	1,236,380	1,199,385
Profit (loss) per share attributed to JSC shareholders (KzT)	**(0,33)**	**(0,62)**

Capital Management

Management of the Group keeps the capital leverage which is sufficient to ensure confidence of the investors, creditors and market as a whole, and to provide business growth rate in the future. Group Management controls the return on investments ratio and tries to keep the balance between high profitability (which is possible with higher borrowings level) and advantages and security of the stable capital funds. There were no changes in the Group's capital management policy during the reporting period.

Actions at Law

In the main course of the business the Group faces the litigations and claims. Management believes that total liabilities, if such will appear, arising as a result of such proceedings and claims, will not have a significant negative influence on the financial position of the Group.

As of June 30, 2013 the Group was not involved into any significant litigation issues including arbitration considerations.

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

N. Sharabok
Chief Accountant