Explanatory notes to the Interim Consolidated Financial Statements SAT & Company JSC For 1 quarter 2013

Explanatory notes to the interim consolidated financial statements for 1 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 March 31, 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 1 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.
  3. All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- The adoption of IFRS 9 from 1 January 2015 is mandatory and early application is permitted.

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 March 31, 2013 as well as the result financial operations of the Group for the period ended March 31, 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

	1 quarter 2013	1 quarter 2012
Sale of metal	2 510 885	2 468 115
Sale of carbide calcium	490 928	-
Sale of chalk stone	235 536	-
Sale of coal	226	427 356
Other	7 232	-
Total	**3 244 807**	**2 895 471**

Revenue by location

	1 quarter 2013	1 quarter 2012
The Russian Federation	1 965 808	1 732 179
The Republic of Kazakhstan	1 115 781	1 106 479
The Republic of Moldova	50 002	-
Ukraine	29 067	-
Turkmenia	9 168	-
Tadzhikistan	9 145	-
The Republic of Kyrgystan	9 131	-
Chinese National Republic	-	56 813
Other regions	56 705	-
Total	**3 244 807**	**2 895 471**

Cost of goods sold

	1 quarter 2013	1 quarter 2012
Materials and supplies	1 623 639	1 954 749
Electricity	873 694	481 227
Salary and related taxes	373 778	106 019
Depreciation, amortization and depletion	193 287	98 384
Fuel	130 505	16 629
Taxes	66 624	18 122
Overhead expenses	26 630	-
Rock mass excavation and transportation, refinery services	12 853	104 295
Rent of equipment	6 778	11 236
Repair and maintenance	4 057	17 619
Transportation	3 551	35 305
Business trip expenses	1 342	241
Auxiliary shops services	300	112 290
Changes in finished goods and work in progress	(150 067)	(413 229)
Other	68 275	17 788
Total	**3 235 246**	**2 560 675**

Selling Expenses

	1 quarter 2013	1 quarter 2012
Transportation	129 745	199 050
Materials and Supplies	26 851	38 133
Salary	18 319	26 197
Processing and storage	-	1 115
Other	16 792	22 813
Total	**191 707**	**287 308**

General and administrative expenses

	1 quarter 2013	1 quarter 2012
Salary and related taxes	409 919	244 952
Security	64 106	32 580
Taxes	58 178	37 546
Sponsorship	47 592	302
Depreciation and amortization	30 605	82 180
Materials	27 792	18 141
Legal services, consultations, etc.	20 956	133 323
Business trip expenses	19 152	20 626
Rent	17 866	27 852
Communication	10 773	15 170
Bank services	5 545	17 197
Fines and penalties	2 497	1 971
Other	47 591	104 153
Total	**762 572**	**735 993**

Other operating expenses

	1 quarter 2013	1 quarter 2012
Foreign exchange loss	88 194	205 892
Loss from disposal of fixed assets	61 405	2 665
Loss from sale of investments	-	65 430
Cost of other sales	-	166 293
Other	15 646	30 434
Total	**165 245**	**470 714**

Other operating income

	1 quarter 2013	1 quarter 2012
Foreign exchange gain	297 193	305 730
Income from grab iron and other products	83 840	376 326
Income from sale of fixed assets	4 820	3 322
Other	25 606	98 532
Total	**411 459**	**783 910**

Interest income

	1 quarter 2013	1 quarter 2012
Income from deposits	1 027	4 239
Other	1 458	-
Total	**2 485**	**4 239**

Interest expense

	1 quarter 2013	1 quarter 2012
Interest expenses – bank loans	394 654	515 824
Interest expenses – bonds	367 590	398 140
Dividends	97 298	110 409
Recovery of provision	(94 074)	-
Other	1 820	-
Total	**767 288**	**1 024 373**

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

	1 quarter 2013	1 quarter 2012
Share in the loss of associates and joint ventures	(69 887)	(65 390)
Total	**(69 887)**	**(65 390)**

Notes to consolidated interim statement of financial position
Current assets

Cash and Cash Equivalents

As of March 31, 2013 cash amounted to KzT 621 820 thousand kept on current bank accounts and non restricted.

Short-term trade and other receivables

	As of March 31, 2013	As of March 31, 2012
Financial aid	9 762 564	11 339 778
Trade receivables	2 938 896	1 913 090
Receivables for securities	-	4 414 280
Short-term receivables from employees	-	19 995
Other receivables	163 971	282 677
Provision for doubtful debts	(918 361)	(3 378 377)
Total	**11 947 070**	**14 591 443**

Inventory

	As of March 31, 2013	As of March 31, 2012
Raw materials	1 225 914	990 362
Finished products	1 045 413	507 558
Work in progress	78 512	41 330
Goods for sale	129	34 455
Other	212 712	-
Provision for obsolete inventory	(336 049)	(95 686)
Total	**2 226 631**	**1 478 019**

Other current assets

	As of March 31, 2013	As of March 31, 2012
Input VAT	1 754 210	1 558 968
Short-term advances paid	643 274	2 266 701
Other current taxes	77 161	73 227
Prepaid expenses	13 641	333 047
Other	77 962	16 818
Provision for doubtful debts	-	(17 835)
Total	**2 566 248**	**4 230 926**

Assets for sale

	На 31марта 2013	На 31 марта 2012
Assets of SAT&Company JSC	761 169	
Assets of ShalkiyaZink	21 858 808	
Assets of SAT Komir JSC	3 058 531	
Total	**25 678 508**	**0**

Non-current assets

Long-term trade and other receivables

	As of March 31, 2013	As of March 31, 2012
Long-term receivables	1 510 836	4 027 097
Long-term receivables from employees	729	960
Other long-term receivables	4 775	300 000
Provision for doubtful debt	(5 026)	-
Total	**1 511 314**	**4 328 057**

Investments accounted for using the equity method

	As of March 31, 2013	As of March 31, 2012
Investments to associates	7 224 290	3 371 089
Total	**7 224 290**	**3 371 089**

Investment property

	На 31марта 2013	На 31 марта 2012
Property included in Temirtau Electro Metallurgical Plant JSC	**2 584 434**	-

Exploration and evaluation assets

	As of March 31, 2013	As of March 31, 2012
Exploration and evaluation assets at the beginning of the period	2 825 714	3 781 538
Depreciation of exploration and evaluation assets	-	-
Additions to exploration and evaluation assets	5 501	-
Transfer to the disposal group	-	-
Impairment	-	21 814
Exploration and evaluation assets at the end of the period	**2 831 215**	**3 803 352**

Intangible assets

	As of March 31, 2013	As of March 31, 2012
Licenses, subsurface use right	55 917	108,104
Other	72,088	1 402
Total	**128 005**	**109 506**

Other long-term assets

	As of March 31, 2013	As of March 31, 2012
Advances paid for fixed assets	1 840 766	2 518 373
Advances paid for other long-term assets	9 800	256 966
Long-term part of input VAT	801 225	771 981
Advances paid for exploration and evaluation assets	21 840	-
Restricted cash	7 454	2 600 000
Other long-term assets	26 580	762 276
Provisions	-	-
Total	**2 707 665**	**6 909 596**

Property, plant and equipment

	Mining Assets	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	**395 199**	**3 383 610**	**8 222 074**	**8 598 812**	**1 269 919**	**2 463 950**	**24 333 564**
Additions	12 040		1 434	10 746	1 353	27 676	**53 251**
Disposals	(3 237)			(78 113)	(526)	(5 816)	**(87 692)**
Depreciation			(40 014)	(158 210)	(8 073)		**(206 297)**
Depreciation on disposals				4 112	526		**4 638**
Carrying amount at the end of the period	**404 002**	**3 383 610**	**8 183 494**	**8 377 347**	**1 263 199**	**2 485 812**	**24 097 464**

As of March 31, 2013 fixed assets of KzT 23 541 902 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 March 31, 2013	As of March 31, 2012
SberBank of Russia JSC	4 876 126	5 134 102
Alliance Bank JSC	2 998 398	-
Bank RBK JSC	419 075	-
NurBank JSC	324 966	-
Eurasian bank JSC	53 107	95 592
Exim Bank Kazakhstan JSC	-	2 600 000
VTB Bank JSC	-	572 279
Other	13 345	34 902
Total short-term loans	**8 685 017**	**8 436 875**

Other short-term financial liabilities

	As of March 31, 2013	As of March 31, 2012
Bonds as part of other short-term financial liabilities	622 377	1 045 952
Total	**622 377**	**1 045 952**

Short-term trade and other payables

	As of March 31, 2013	As of March 31, 2012
Trade payables to suppliers	3 497 005	2 859 809
Interest payable	553 906	-
Other payables	120 921	4 004 032
Total	**4 171 832**	**6 863 841**

Other current liabilities

	As of March 31, 2013	As of March 31, 2012
Advances received	3 690 212	390 385
Taxes payable	240 526	96 948
Short-term part of deferred income	163 967	-
Other current liabilities	364 217	46 440
Total	**4 458 922**	**533 773**

Liabilities of subsidiaries for sale

	На 31марта 2013	На 31 марта 2012
Liabilities of ShalkiyaZink	4 449 168	-
Liabilities of SAT Komir JSC	1 675 399	-
Total	**6 124 567**	-

Non-current liabilities.

Long term borrowings

	As of March 31, 2013	As of March 31, 2012
SberBank of Russia JSC	7 944 700	7 315 595
Eurasian Bank JSC	-	84 971
Other	3 962	-
Total loans	**7 948 662**	**7 400 566**

Other Long-term financial liabilities

Long-term trade and other payables

	As of March 31, 2013	As of March 31, 2012
Other payables	2 866 218	3 212 723
Total	**2 866 218**	**3 212 723**

Other long-term liabilities

	As of March 31, 2013	As of March 31, 2012
Debt component of preferred shares	3 689 195	-
Deferred income	2 769 228	2 933 196
Commercial discovery bonus	529 520	-
Employee benefits	100 464	-
Historic expenses	80 743	-
Other long-term liabilities	10 523	4 576 403
Total	**7 179 673**	**7 509 599**

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 March 31, 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 March 31, 2013	As of March 31, 2012
Bonds at nominal value	12 004 955	12 630 906
Discount	(710 130)	(1 120 845)
Bonds part of other short-term financial liabilities	(322 280)	(770 702)
Carrying value of long-term financial liabilities on the 1st bond issue	**10 972 545**	10 739 359

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 yaet 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 March 31, 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 March 31, 2013	As of March 31, 2012
Bonds at nominal value	1 185 588	-
Premium	78 695	-
Carrying value of long-term financial liabilities on the 2nd bond issue	**1 264 283**	-

Total carrying amount of bonds payable amounted to to KzT 12 236 828 thousand.

Equity

The equity of the Group amounting to KzT 26 763 810 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 19 381 198 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 14 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 14 330 970 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 139 289 thousand and total amounted to – KzT 11 429 709 thousand.

Share of minority interest amounted to KzT 592 124 thousand.

Carrying amount of one ordinary share

	As of March 31, 2013	As of March 31, 2012
Total assets	84 450 659	79 001 815
Intangible assets	128 005	109 506
Liabilities	57 686 849	50 746 644
Preferred shares	12 072 538	8 304 338
Net assets for ordinary shares	**14 563 267**	**19 841 327**
Number of ordinary shares, thousand pcs.	1 236 322	1 200 000
Carrying amount KzT	**11,78**	**16,53**

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 March 31, 2013	As of March 31, 2012
Accrued dividends	-	-
Preferred shares	12 072 538	8 304 338
Including debt component of the preferred shares	3 689 195	3 659 755
Number of preferred shares, pcs	389 192 270	385 659 516
Carrying amount, KzT	**31,02**	**31,02**

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 - 49.68%;
- SFK KOR Invest LLP – 23.49%

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 March 31, 2013	As of March 31, 2012
Net income/(loss) attributable to shareholders	(1 558 074)	(1 466 097)
Weighted average number of ordinary shares in thousands	1 236 424	1 168 389
Profit (loss) per share attributed to JSC shareholders (KzT)	**(1,26)**	**(1,25)**

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 March 31, 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