Explanatory notes to the Interim Consolidated Financial Statements SAT & Company JSC For 9 month 2012

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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 September 30, 2012 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 9 month 2012.

New Accounting Regulations

Standards, amendments and interpretations effective from 2011 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, 2011 or after this date, but did not affect activities of the Group.

- Classification of release of the rights to purchase of shares – amendments to IAS 32 Financial instruments: Presentation (issued in October 8, 2009 and effective for the annual periods beginning on or after February 1, 2010);
- Limited exception of requirements for disclosure of comparative information on IFRS 7 – changes to IFRS 1 (effective for the annual periods beginning on or after July 1, 2010);
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for the annual periods beginning on or after July 1, 2010);
- Advance payment on the minimum requirement of financing – amendment to IFRIC 14 (effective for the annual periods beginning on or after January 1, 2011);
- Disclosures – transfer of financial assets – amendments to IFRS 7 (issued in October, 2010 and effective for the annual periods beginning on or after January 1, 2011).

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 September 30, 2012 as well as the result financial operations of the Group for the period ended September 30, 2011 and 2012.

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

	9 month 2012	9 month 2011
Sale of oil products	-	951 134
Sale of metal	8 682 347	2 973 561
Sale of carbide calcium	1 570 894	-
Sale of coal	1 255 248	1 127 451
Sale of chalk stone	518 553	-
Other	171 897	786 009
Total	**12 198 939**	**5 838 155**

Revenue by location

	9 month 2012	9 month 2011
The Republic of Kazakhstan	4 596 986	1 747 050
The Russian Federation	6 934 239	3 929 128
Ukraine	60 075	33 309
Chinese National Republic	162 523	-
The Republic of Moldova	192 302	-
The Republic of Uzbekistan	198 191	-
Other regions	54 623	128 668
Total	**12 198 939**	**5 838 155**

Cost of goods sold

	9 month 2012	9 month 2011
Materials and supplies	5 425 398	1 874 008
Fuel	244 802	829 126
Electricity	1 632 486	466 086
Depreciation, amortization and depletion	463 906	845 271
Salary and related taxes	792 439	590 333
Taxes	125 604	92 327
Stripping costs	310 392	295 336
Rock mass excavation and transportation, refinery services	38 818	-
Repair and maintenance	69 475	27 137
Auxiliary shops services	94 877	525 501
Operating lease	54 606	46 660
Transportation	118 680	77 725
Rent of equipment	12 771	-
Overhead expenses	-	336 113
Changes in finished goods and work in progress	934 937	-
Other	408 430	33 227
Total	**10 727 621**	**6 038 850**

Selling Expenses

	9 month 2012	9 month 2011
Transportation	630 286	529 687
Salary	119 529	50 151
Processing and storage	-	86 700
Materials and Supplies	96 280	50 969
Other	72 859	34 360
Total	**918 954**	**751 867**

General and administrative expenses

	9 month 2012	9 month 2011
Rent	67 498	7 522
Salary	1 188 853	764 441
Depreciation and amortization	219 935	228 975
Security	147 148	89 391
Business trip expenses	69 516	60 208
Supplies	87 554	91 566
Sponsorship	109 172	134 597
Communication	65 683	43 532
Taxes	167 070	154 552
Bank services	39 116	101 627
Fines and penalties	16 578	23 260
Legal services, consultations, etc.	621 401	396 008
Provision on doubtful debts	389 583	-
Other	272 347	2 476
Total	**3 461 454**	**2 098 155**

Other operating expenses

	9 month 2012	9 month 2011
Loss from disposal of fixed assets	69 573	91 533
Loss from sale of investments	-	6 059 089
Foreign exchange loss	798 393	916 663
Other	95 507	217 877
Total	**963 473**	**7 285 162**

Other operating income

	9 month 2012	9 month 2011
Foreign exchange gain	782 888	547 847
Income from sale of fixed assets	41 981	71 726
Income from grab iron and other products	910 612	-
Income from sale of invesments	-	10 822 883
Other	270 884	1 677 458
Total	**2 006 365**	**13 119 914**

Interest income

	9 month 2012	9 month 2011
Income from deposits	5 237	5 120
Other	-	-
Total	**5 237**	**5 120**

Interest expense

	9 month 2012	9 month 2011
Interest expenses – bank loans	1 757 098	1 191 148
Dividends	318 117	-
Interest expenses – bonds	824 852	1 110 211
Other	270 657	-
Total	**3 170 724**	**2 301 359**

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

	9 month 2012	9 month 2011
Share in the loss of associates and joint ventures	(348 895)	(346 119)
Total	**(348 895)**	**(346 119)**

Other non-operating income

	9 month 2012	9 month 2011
Income from business combinations	2 375 236	-
Other income	-	-
Total	**2 375 236**	-

Notes to consolidated interim statement of financial position
Current assets

Cash and Cash Equivalents

As of September 30, 2012 cash amounted to KzT 257 897 thousand kept on current bank accounts and non restricted.

Available-for-sale financial assets

Includes securities held for sale in amount of KzT 6 thousand.

Short-term trade and other receivables

	As of September 30, 2012	As of September 30, 2011
Trade receivables	1 038 858	6 790 727
Short-term receivables from employees	91 613	173 401
Financial aid	8 875 535	-
Receivables for securities	1 462 397	-
Receivable for rent	-	47 039
Other receivables	218 786	10 185 105
Provision for doubtful debts	(3 313 269)	(3 566 077)
Total	**8 373 920**	**13 630 195**

Inventory

	As of September 30, 2012	As of September 30, 2011
Raw materials	1 803 388	845 460
Work in progress	63 228	76 557
Finished products	975 236	1 433 466
Goods for sale	179 222	34 317
Other	14 549	-
Provision for obsolete inventory	(610 395)	(333 667)
Total	**2 425 228**	**2 056 133**

Other current assets

	As of September 30, 2012	As of September 30, 2011
Input VAT	1 748 582	1 487 514
Other current taxes	70 829	84 167
Short-term advances paid	978 937	454 773
Prepaid expenses	361 369	289 015
Other	164 463	842
Provision for doubtful debts	(103 347)	(17 835)
Total	**3 220 833**	**2 298 476**

Non-current assets

Long-term trade and other receivables

	As of September 30, 2012	As of September 30, 2011
Long-term receivables	3 927 819	2 403
Long-term receivables from employees	332 847	364 736
Other long-term receivables	2 779	384 121
Provision for doubtful debt	(32 926)	(48 993)
Total	**4 230 519**	**702 267**

Investments accounted for using the equity method

	As of September 30, 2012	As of September 30, 2011
Investments to associates	7 389 453	3 503 325
Total	**7 389 453**	**3 503 325**

Exploration and evaluation assets

	As of September 30, 2012	As of September 30, 2011
Exploration and evaluation assets at the beginning of the period	3 781 538	9 196 785
Depreciation of exploration and evaluation assets	-	-6 540
Additions to exploration and evaluation assets	550 485	-
Exploration and evaluation assets at the end of the period	**4 332 023**	**9 190 245**

Intangible assets

	As of September 30, 2012	As of September 30, 2011
Licenses, subsurface use right	75 497	1 779 835
Other	48 313	10 801
Total	**123 810**	**1 790 636**

Property, plant and equipment

	Mining Assets	Land	Buildings and Construction	Machinery and Equipment	Transport, furniture, computers and other office equipment	Construction in progress	Total
Initial cost	**594 580**	**3 374 780**	**26 688 382**	**7 881 441**	**713 167**	**3 494 830**	**42 747 180**
Accumulated depreciation and impairment	(34 717)		(1 185 206)	(1 260 352)	(261 381)	-	(2 741 656)
Carrying amount at the beginning of the period	**559 863**	**3 374 780**	**25 503 176**	**6 621 089**	**451 786**	**3 494 830**	**40 005 524**
Additions	-	4 583	107 482	1 026 414	419 348	1 985 931	3 543 758
Additions through business combinations	-	2 526	347 350	6 239 644	315 297	577 781	7 206 704
Disposals	-	(2 333)	(5 142)	(131 580)	(113 159)	(114 380)	(366 594)
Depreciation	(4 667)	-	(189 204)	(522 025)	(173 300)	-	(889 196)
Depreciation on disposals	-	-	3 253	44 552	27 000	-	74 805
Carrying amount at the end of the period	**555 196**	**3 379 556**	**25 766 915**	**13 278 094**	**926 972**	**5 944 162**	**49 575 001**

As of September 30, 2012 fixed assets of KzT 25 310 182 thousand are pledged as bank collateral.

Other long-term assets

	As of September 30, 2012	As of September 30, 2011
Advances paid for fixed assets	1 535 535	492 447
Restricted cash	2 604 950	2 600 000
Advances paid for exploration and evaluation assets	279 218	529 522
Long-term part of input VAT	918 079	764 443
Advances paid for other long-term assets	1 810 233	-
Other long-term assets	165 843	283 949
Provisions	(6 992)	-
Total	**7 306 866**	**4 670 361**

Current liabilities

Short term borrowings

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

	As of September 30, 2012	As of September 30, 2011
SberBank of Russia JSC	5 942 075	3 916 428
ExIm Bank Kazakhstan JSC	2 600 000	-
Alliance Bank JSC	3 000 000	-
VTB Bank JSC	1 157 950	416 646
Eurasian bank JSC	31 864	31 864
Bank RBK JSC	390 000	-
NurBank JSC	308 990	85 000
Other	19 991	65 190
Total short-term loans	**13 450 870**	**4 515 128**

Other short-term financial liabilities

	As of September 30, 2012	As of September 30, 2011
Accrued dividends on preferred shares	97 298	-
Bonds as part of other short-term financial liabilities	770 702	-
Other liabilities	8 203	831 204
Total	**876 203**	**831 204**

Short-term trade and other payables

	As of September 30, 2012	As of September 30, 2011
Trade payables to suppliers	2 837 457	2 646 782
Rent payables	1 026	62 603
Interest payable	996 888	813 854
Other payables	3 747 247	1 259 504
Total	**7 582 618**	**4 782 743**

Other current liabilities

	As of September 30, 2012	As of September 30, 2011
Advances received	1 179 399	302 896
Short-term part of deferred income	54 656	-
Other current liabilities	131 726	4 584 354
Taxes payable	325 567	118 342
Total	**1 691 348**	**5 005 592**

Non-current liabilities.

Long term borrowings

	As of September 30, 2012	As of September 30, 2011
SberBank of Russia JSC	7 159 138	4 679 521
Exim Bank JSC	-	2 600 000
Eurasian Bank JSC	84 971	212 427
Other	8 882	138 363
Total loans	**7 252 991**	**7 630 311**

Other Long-term financial liabilities

Issued bonds

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 10 coupon period ending July 03 of 2013 is 7% per annum. As of September 30, 2012 the bonds are placed in the quantity of 126 094 463.

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 September 30, 2012	As of September 30, 2011
Bonds at nominal value	12 609 446	12 727 396
Discount	(942 150)	(1 309 999)
Bonds part of other short-term financial liabilities	770 702	-
Total	**10 896 594**	**11 417 397**

Long-term trade and other payables

	As of September 30, 2012	As of September 30, 2011
Other payables	3 238 910	3 391 535
Total	**3 238 910**	**3 391 535**

Deferred tax liabilities

	As of September 30, 2012	As of September 30, 2011
Deferred tax liabilities	**4 775 588**	**6 842 635**

Other long-term liabilities

	As of September 30, 2012	As of September 30, 2011
Debt component of preferred shares	3 689 195	929 068
Commercial discovery bonus	803 405	
Deferred income	2 987 851	3 261 130
Employee benefits	28 811	
Other long-term liabilities	154 855	31 135
Total	**7 635 306**	**4 221 333**

Equity

The equity of the Group amounting to KzT 28 375 289 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 28 214 896 thousand and included:

- placed ordinary shares 1 200 820 395 for the total amount of KzT 16 142 358 thousand;
- placed preferred shares 389 192 270 for the total amount of KzT 12 072 538 thousand.

Number of placed preferred shares as of reporting date amounts 59 510 617 for the total amount of KzT 1 856 633 thousand. There was no placement of ordinary shares.

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

As of reporting date repurchased ordinary shares equaled to 9 240 177 for the total amount of KzT 555 757 thousand. During the reporting period repurchased ordinary shares equaled to 7 425 872 for the total amount of KzT 427 048 thousand.

Reserves include foreign currency translation reserve and recalculated effect of investment amounted to KzT 11 290 420 thousand, effect of foreign currency translation – KzT 310 236 thousand and debt component of preferred shares – KzT 3 689 195 thousand and amounted to – KzT 15 289 851 thousand.

Retained earnings and share of minority interest amounted to KzT 14 848 210 thousand and KzT 1 157 791 thousand, respectively.

Carrying amount of one ordinary share

	As of September 30, 2012	As of September30, 2011
Total assets	87 568 136	86 923 914
Intangible assets	(123 810)	(1 790 636)
Liabilities as of September 30, 2012	(59 192 847)	(50 499 975)
Preferred shares	(12 072 538)	(2 377 599)
Net assets for ordinary shares	**16 178 941**	**32 255 704**
Number of ordinary shares, thousand pcs.	1 191 580 218	1 200 000
Carrying amount KzT	**13,57**	**26,88**

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 September 30, 2012

	As of September 30, 2012	As of September30, 2011
Accrued dividends	97 298	80 445
Preferred shares	12 072 538	3 306 667
Including debt component of the preferred shares	3 689 195	929 068
Number of preferred shares, pcs	389 192 270	108 444
Carrying amount, KzT	**31,27**	**31,23**

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 - 49.14%;
- SFK KOR Invest LLP – 24.37%

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 September 30, 2012	As of September30, 2011
Net income attributable to shareholders	(2 805 294)	132 861
Weighted average number of ordinary shares in thousands	1 192 794 372	1 178 442
Profit (loss) per share attributed to JSC shareholders (KzT)	**(2,35)**	**0,11**

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 September 30, 2012 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