# Explanatory notes to the Interim Consolidated Financial Statements SAT & Company JSC For 3 quarter 2013

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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, 2013 are as follows:

| The Company/subsidiary | Principal activity |
|---|---|
| Sat &Company JSC | Investment activities |
| 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 |
| 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 |

Investments in ShalkiyaZinc N.V. and Sat Komir JSC are classified as assets held for sale.

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 3 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;

- 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);

## Bases of Consolidation

These consolidated financial statements reflect the Group's financial position as of September 30, 2013 as well as the result financial operations of the Group for the period ended September 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 (directly or indirectly), but not control over financial and operating policies, voting shares in these associates equals from 20% to 50%. Investments in associated companies are accounted using equity method and originally are accounted using acquisition cost. Dividends received from associated companies are deducted from carrying value of investments in the associated companies. Other changes in the net assets of associated companies, taking place after acquisition, accounted as follows: the share of the Group in profits or losses of the associated companies is accounted as a part of the consolidated profits or losses for the period and shown as a result of the associated companies, the share of Group in the other comprehensive income included in the other comprehensive income and shown in the separate line, all other changes in the share of associated companies net assets recognized as profits or losses which are included in the results of the associated companies.

## 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.

*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 life (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 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 deposits. 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 on ordinary shares are recognized as liabilities in the period in which they were approved by the shareholders. Dividends on preferred shares are recognized as liabilities each reporting period as 1 tenge for 1 share.

## Notes to the consolidated interim statement of comprehensive income

**Revenue**

| | 3 quarter 2013 | 3 quarter 2012 |
|---|---|---|
| Sale of metal | 5 534 395 | 8 682 347 |
| Sale of carbide calcium | 1 538 731 | 1 570 894 |
| Sale of chalk stone | 708 994 | 518 553 |
| Sale of coal | 667 | 1 255 248 |
| Other | 538 797 | 171 897 |
| **Total** | **8 321 584** | **12 198 939** |

**Revenue by location**

| | 3 quarter 2013 | 3 quarter 2012 |
|---|---|---|
| The Republic of Kazakhstan | 3 797 426 | 4 596 986 |
| The Russian Federation | 3 761 388 | 6 934 239 |
| The Republic of Moldova | 142 828 | 192 302 |
| Turkmenia | 76 321 | - |
| Uzbekistan | 72 442 | 198 191 |
| Ukraine | 44 041 | 60 075 |
| The Republic of Kyrgystan | 34 082 | - |
| Tadzhikistan | 24 805 | - |
| Chinese National Republic | - | 162 523 |
| Other regions | 368 251 | 54 623 |
| **Total** | **8 321 584** | **12 198 939** |

**Cost of goods sold**

| | 3 quarter 2013 | 3 quarter 2012 |
|---|---|---|
| Materials and supplies | 2 839 037 | 5 425 398 |
| Electricity | 2 350 718 | 1 632 486 |
| Salary and related taxes | 1 318 516 | 792 439 |
| Depreciation, amortization and depletion | 329 035 | 463 906 |
| Fuel | 232 175 | 244 802 |
| Taxes | 219 809 | 125 604 |
| Overhead expenses | 122 453 | - |
| Transportation | 118 608 | 118 680 |
| Repair and maintenance | 61 025 | 69 475 |
| Payments for usage of wagons | 52 883 | - |
| Auxiliary shops services | 33 553 | 94 877 |
| Rent of land and equipment | 21 948 | 67 377 |
| Business trip expenses | 3 255 | - |
| Rock mass excavation and transportation, refinery services | - | 310 392 |
| Services of contractors (excavation and other) | - | 38 818 |
| Provision on obsolete inventory | (176 942) | - |
| Changes in finished goods and work in progress | (237 583) | 934 937 |
| Other | 131 741 | 408 430 |
| **Total** | **7 420 231** | **10 727 621** |

**Selling Expenses**

| | 3 quarter 2013 | 3 quarter 2012 |
|---|---|---|
| Transportation | 171 317 | 630 286 |
| Rent and railway services | 100 647 | - |
| Materials | 79 690 | 96 280 |
| Salary | 60 884 | 119 529 |
| Other | 44 608 | 72 859 |
| **Total** | **457 146** | **918 954** |

**General and administrative expenses**

| | 3 quarter 2013 | 3 quarter 2012 |
|---|---|---|
| Salary and related taxes | 1 273 450 | 1 188 853 |
| Legal services, consultations, etc. | 388 726 | 621 401 |
| Depreciation and amortization | 328 721 | 219 935 |
| Security | 201 161 | 147 148 |
| Taxes | 196 448 | 167 070 |
| Materials | 119 868 | 87 554 |
| Fines and penalties | 51 642 | 16 578 |
| Business trip expenses | 50 346 | 69 516 |
| Rent | 48 528 | 67 498 |
| Sponsorship and other financial aid | 47 756 | 109 172 |
| Communication | 30 077 | 65 683 |
| Bank services | 24 288 | 39 116 |
| Provision on doubtful debts | 865 | 389 583 |
| Other | 188 617 | 272 347 |
| **Total** | **2 950 493** | **3 461 454** |

**Other operating expenses**

| | 3 quarter 2013 | 3 quarter 2012 |
|---|---|---|
| Foreign exchange loss | 290 386 | 798 393 |
| Loss from disposal of fixed assets | 99 670 | 69 573 |
| Other | 266 881 | 95 507 |
| **Total** | **656 937** | **963 473** |

**Other operating income**

| | 3 quarter 2013 | 3 quarter 2012 |
|---|---|---|
| Foreign exchange gain | 164 970 | 782 888 |
| Income from sale of fixed assets | 131 364 | 41 981 |
| Income from grab iron and other products | 775 197 | 910 612 |
| Other | 135 216 | 270 884 |
| **Total** | **1 206 747** | **2 006 365** |

**Interest income**

| | 3 quarter 2013 | 3 quarter 2012 |
|---|---|---|
| Recognition of income on discounted receivables | 241 443 | |
| Income from deposits | 17 436 | 5 237 |
| Other | 6 143 | - |
| **Total** | **265 022** | **5 237** |

**Interest expense**

| | 3 quarter 2013 | 3 quarter 2012 |
|---|---|---|
| Interest expenses – bank loans | 1 411 676 | 1 757 098 |
| Dividends | 292 756 | 318 117 |
| Recovery of discount | 280 103 | - |
| Interest expenses – bonds | 814 416 | 824 852 |
| Other | 234 491 | 270 657 |
| **Total** | **3 033 440** | **3 170 724** |

Profit from discontinued operations includes gain from sale of SAT Komir JSC shares in the amount of KzT 2 230 354 thousand.

# Notes to consolidated interim statement of financial position
# Current assets

## Cash and Cash Equivalents

As of September 30, 2013 cash amounted to KzT 403 348 thousand kept on current bank accounts and non restricted.

**Other short-term financial assets**

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Financial aid | 8 772 619 | 9 734 190 |
| **Total** | **8 772 619** | **9 734 190** |

**Short-term trade and other receivables**

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Trade receivables | 966 683 | 476 447 |
| Short-term receivables from employees | 100 196 | - |
| Financial aid | 15 000 | - |
| Receivables for securities | - | 2 151 768 |
| Advances paid | - | 327 417 |
| Other receivables | 492 444 | 478 827 |
| Provision for doubtful debts | (101 505) | (564 309) |
| **Total** | **1 472 818** | **2 870 150** |

**Inventory**

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Finished products | 1 279 231 | 808 756 |
| Raw materials | 971 941 | 1 073 344 |
| Work in progress | 88 220 | 230 999 |
| Goods for sale | 11 504 | 11 189 |
| Other | 10 684 | 171 185 |
| Provision for obsolete inventory | (299 507) | (171 161) |
| **Total** | **2 062 073** | **2 124 312** |

### Other current assets

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Input VAT | 1 555 189 | 1 532 791 |
| Short-term advances paid | 460 114 | - |
| Other current taxes | 76 921 | - |
| Prepaid expenses | 12 980 | - |
| Other | 34 625 | 28 365 |
| Provision for doubtful debts | (28 476) | (19) |
| **Total** | **2 111 353** | **1 561 137** |

### Assets for sale

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Assets of ShalkiyaZink | 21 783 394 | 21 929 691 |
| Assets of SAT&Company JSC | 739 711 | 761 169 |
| Assets of SAT Komir JSC | - | 2 983 817 |
| **Total** | **22 523 105** | **25 674 677** |

## Non-current assets

### Long-term trade and other receivables

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Long-term receivables from LG Chem | 1 536 200 | 1 268 039 |
| Other | 291 198 | 364 305 |
| Provision from doubtful debts | - | (380 555) |
| **Total** | **1 827 398** | **1 251 789** |

### Investment property

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Property included in Temirtau Electro Metallurgical Plant JSC | 2 855 983 | 2 853 372 |
| **Total** | **2 855 983** | **2 853 372** |

### Exploration and evaluation assets

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Exploration and evaluation assets at the beginning of the period | 3 825 714 | 3 781 538 |
| Depreciation of exploration and evaluation assets | - | (292 568) |
| Additions to exploration and evaluation assets | - | 453 409 |
| Transfer to presentation currency | (135 215) | 96 765 |
| Impairment | - | (213 430) |
| **Exploration and evaluation assets at the end of the period** | 3 690 499 | **3 825 714** |

## Intangible assets

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Licenses, subsurface use right | 2 019 419 | 2 019 419 |
| Other | 37 975 | 44 190 |
| **Total** | **2 057 394** | **2 063 609** |

## Other long-term assets

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Advances paid for other long-term assets | 944 537 | 540 000 |
| Advances paid for fixed assets | 762 607 | 1 186 301 |
| Long-term part of input VAT | 519 228 | 1 095 735 |
| Advances paid for exploration and evaluation assets | 441 780 | 35 825 |
| Restricted cash | - | 44 857 |
| Other | 21 585 | 109 289 |
| Provisions | - | (13 985) |
| **Total** | **2 689 737** | **2 998 022** |

## Property, plant and equipment

| | Land | Buildings and Construction | Machinery and Equipment | Transport, furniture, computers and other office equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Cost at the beginning of the period** | 3 397 447 | 9 782 735 | 11 334 371 | 1 807 648 | 2 794 664 | 29 116 865 |
| Accumulated depreciation | - | (1 707 003) | (2 232 436) | (595 699) | (146 920) | (4 682 058) |
| **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 | - | 4 248 | 141 481 | 105 772 | 577 620 | **829 121** |
| Disposals | - | (1 654) | - | (487) | - | **(2 141)** |
| Depreciation | - | (125 949) | (443 294) | (98 418) | - | **(667 661)** |
| Depreciation on disposals | - | 12 | 506 | - | - | **518** |
| **Cost at the end of the period** | 3 397 447 | 9 785 329 | 11 475 852 | 1 912 933 | 3372284 | **29 943 845** |
| Accumulated depreciation | | (1 832 940) | (2 675 224) | (694 117) | (146 920) | **(5 349 201)** |
| **Carrying amount at the end of the period** | **3 397 447** | **7 952 389** | **8 800 629** | **1 218 815** | **3 225 364** | **24 594 644** |

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

# Current liabilities

## Short term borrowings

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Alliance Bank JSC | 2 926 129 | 3 032 135 |
| Bank RBK JSC | 693 988 | 252 051 |
| NurBank JSC | 114 853 | 402 161 |
| SberBank of Russia JSC | - | 5 134 269 |
| Eurasian bank JSC | - | 85 679 |
| Other | 4 451 | 780 285 |
| **Total short-term loans** | **3 739 421** | **9 686 580** |

## Other short-term financial liabilities

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Bonds as part of other short-term financial liabilities | 322 280 | 322 280 |
| Dividends of preferred shares | 252 077 | 194 596 |
| Interest expense on bonds | - | 478 663 |
| Other financial debts | - | 579 797 |
| **Total** | **574 357** | **1 575 336** |

## Short-term trade and other payables

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Trade payables to suppliers | 5 281 001 | 2 228 083 |
| Short-term rent payables | 211 | - |
| Interest payable | 330 723 | - |
| Other payables | 3 724 930 | - |
| **Total** | **9 336 865** | **2 228 083** |

## Other current liabilities

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Advances received | 1 808 207 | 850 139 |
| Taxes payable | 279 544 | 224 889 |
| Short-term part of deferred income | 99 042 | 218 623 |
| Other current liabilities | 37 298 | 101 898 |
| **Total** | **2 224 091** | **1 395 549** |

## Liabilities of subsidiaries for sale

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Liabilities of ShalkiyaZink | 4 489 132 | 4 324 628 |
| Liabilities of SAT Komir JSC | - | 4 809 706 |
| **Total** | **4 489 132** | **9 134 334** |

# Non-current liabilities.

## Long term borrowings

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| SberBank of Russia JSC | 12 725 943 | 8 005 701 |
| Other | 3 583 | 14 522 |
| **Total loans** | **12 729 526** | **8 020 223** |

## Other long-term liabilities

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Debt component of preferred shares | 3 717 907 | 3 689 195 |
| Deferred income | 2 769 228 | 2 769 228 |
| Commercial discovery bonus | 529 427 | 529 519 |
| Historic expenses | 80 743 | 80 743 |
| Actuarial obligation | 71 245 | - |
| Other long-term liabilities | 10 694 | 94 099 |
| **Total** | **7 179 244** | **7 162 784** |

## 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 12 coupon period ending January 3, 2014 is 7.9% per annum. As of September 30, 2013 the bonds are placed in the quantity of 119 994 347.

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, 2013 | As of September 30, 2012 |
|---|---|---|
| Bonds at nominal value | 11 999 435 | 12 004 955 |
| Discount | (521 308) | (801 658) |
| Bonds part of other short-term financial liabilities | (322 280) | (322 280) |
| **Carrying value of long-term financial liabilities on the 1st bond issue** | **11 155 847** | **10 881 017** |

**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 3 coupon period ending on February 2, 2014 is 7.9% per annum. As of September 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 September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Bonds at nominal value | 1 185 588 | 1 185 588 |
| Premium | 74 014 | 80 153 |
| **Carrying value of long-term financial liabilities on the 2nd bond issue** | **1 259 602** | **1 265 741** |
| **Total bonds payable** | **12 415 449** | **12 146 758** |

## Equity

The equity of the Group amounting to KzT 29 021 704 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 31 579 958 thousand and included:

- placed ordinary shares 1 236 522 341 for the total amount of KzT 19 395 442 thousand;
- placed preferred shares 392 637 722 for the total amount of KzT 12 184 516 thousand.

As of reporting period 200 620 ordinary shares were placed for the amount of KzT 14,244 thousand and 3 445 452 preferred shares were placed for the amount of KzT 111 977 189 thousand.

Debt component totaling to KzT 3 717 907 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.

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 256 351 thousand and total amounted to – KzT 11 546 771 thousand.

Retained earnings/Accumulated deficit amounted to KzT 14 144 781 thousand.

### Carrying amount of one ordinary share

| | As of September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Total assets | 85 761 153 | 87 590 519 |
| Intangible assets | 2 057 394 | 2 063 609 |
| Liabilities | 56 739 449 | 55 570 704 |
| Preferred shares | 12 184 515 | 12 072 538 |
| **Net assets for ordinary shares** | **14 779 795** | **17 883 668** |
| Number of ordinary shares, thousand pcs. | 1 236 522 | 1 236 527 |
| **Carrying amount KzT** | **11,95** | **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 September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Accrued dividends | 98 159 | 194 596 |
| Preferred shares | 12 184 515 | 12 072 538 |
| Including debt component of the preferred shares | 3 717 907 | 3 689 195 |
| Number of preferred shares, pcs | 392 638 | 389 192 |
| **Carrying amount, KzT** | **31,28** | **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 September 30, 2013 | As of September 30, 2012 |
|---|---|---|
| Net income/(loss) attributable to shareholders | (2 609 644) | (2 805 294) |
| Weighted average number of ordinary shares in thousands | 1 236 443 | 1 192 794 |
| Profit (loss) per share attributed to JSC shareholders (KzT) | **(2,11)** | **(2 ,35)** |

## 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*