ShalkiyaZinc N.V.

Unaudited Condensed Interim Consolidated Financial Statements for the period ended 30 June 2012

CONTENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht), section 5:25d, paragraph 2 sub c, we confirm that, to the best of our knowledge:

- the condensed interim consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 (Interim Financial Reporting)as adopted by the European Union and give a true and fair view of the assets, the liabilities, the financial position and the profits or the loss of ShalkiyaZinc NV and its consolidated companies (jointly referred to as the Group); and

- the condensed interim consolidated financial statements for the six months ended 30 June 2012 gives a true and fair view of the state of affairs as at 30 June 2012, the course of business during the six months period ended 30 June 2012 of the Group and the expected course of business, whereby, insofar as weighty interests do not oppose this, special attention is paid to the investments and the circumstances on which the development of turnover and profitability depend.

On behalf of the Group:

Alken Kuanbay
Executive Director of ShalkiyaZinc N.V.

14 December 2012

ShalkiyaZinc N.V.
Interim Condensed Consolidated Statement of Comprehensive Income

In thousands of USD

	Notes	6 months ended 30-Jun-2012 (unaudited)	6 months ended 30-Jun-2011 (unaudited)
Revenue		–	–
Cost of sales		–	–
Gross Profit		–	–
General and administrative expenses	5	(4,090)	(1,947)
Foreign exchange losses		(45)	(221)
Other income	8	1,905	1,090
Other expenses	8	(423)	(379)
Operating loss		**(2,653)**	**(1,457)**
Finance income	6	–	7,994
Finance costs	6	(126)	(1,641)
(Loss)/profit before income tax		**(2,779)**	**4,896**
Income tax benefit	7	245	–
(Loss)/profit for the period		**(2,534)**	**4,896**
Other comprehensive income/(loss):			
Exchange differences on translation to presentation currency		243	(19)
Other comprehensive income/(loss) for the year		**243**	**(19)**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(2,291)**	**4,877**
Basic and diluted (losses)/earnings per share from continuing operations, US cents	11	(8.34)	16.12

The notes on pages 8 to16 form an integral part of these interim condensed consolidated financial statements

ShalkiyaZinc N.V.
Interim Condensed Consolidated Statement of Financial Position

In thousands of USD

	Notes	30-Jun-2012 (unaudited)	31-Dec-2011 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		22,670	23,335
Long-term portion of VAT receivable		2,335	2,351
Prepayments for non-current assets	10	3,947	6,252
Long-term inventories		759	764
Deferred tax asset		1,769	1,535
		31,480	**34,237**
Current assets			
Advance to related party	15	5,056	7,122
VAT receivable		–	30
Inventories		311	385
Other receivables		198	193
Prepayments		115	62
Cash and cash equivalents	9	304	113
		5,984	**7,905**
TOTAL ASSETS		**37,464**	**42,142**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	11		
Share capital		407	407
Share premium		111,840	111,840
Cumulative currency translation reserve		962	1,205
Accumulated deficit		(80,805)	(78,271)
		32,404	**35,181**
Non-current liabilities			
Provision for future site restoration		798	778
Due to the Republic of Kazakhstan		1,641	1,557
		2,439	**2,335**
Current liabilities			
Trade and other payables	13	1,625	3,657
Due to SAT		53	53
Tax payable other than income tax		116	117
Income tax payable		119	130
Advances received		708	669
		2,621	**4,626**
TOTAL EQUITY AND LIABILITIES		**37,464**	**42,142**

The notes on pages 8 to16 form an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Statement of Cash Flows

In thousands of USD

	Notes	6 months ended 30-Jun-2012 (unaudited)	6 months ended 30-Jun- 2011 (unaudited)
Cash flows from operating activities			
Loss before income tax		(2,779)	4,896
Adjustments for:			
Depreciation of property, plant and equipment	5	537	691
Losses less gains on disposal of property, plant and equipment		12	(129)
Interest expense on bank borrowings	6	–	1,641
Write-off of interests as a result of restructuring	6	–	(5,405)
Foreign exchange loss		–	40
Unwinding of discount on provision for future site restoration		31	–
Unwinding of discount on due to the Republic of Kazakhstan		95	–
Provision on prepayments for long-term assets	10	2,601	–
Translation adjustment		(87)	(38)
Operating cash flow before working capital changes		**410**	**1,696**
Change in advances to related party	15	1,151	(15,526)
Change in other receivables		(6)	(19)
Change in inventories		72	26
Change in VAT receivable		30	(5)
Change in prepayments		(54)	17
Change in due to Republic of Kazakhstan		–	(76)
Change in trade and other payables	13	(2,024)	(7,062)
Change in taxes payable		34	(158)
Cash used in operating activities		**(387)**	**(21,107)**
Cash flows from investing activities			
Purchase of property, plant and equipment		140	(10)
Change in prepayments for non-current assets		(319)	29
Proceeds from sales of property, plant and equipment		(158)	–
Net cash (used in)/from investing activities		**(337)**	**19**
Cash flows from financing activities			
Proceeds from issuance of shares		–	50,000
Repayment of bank borrowings	12	–	(31,066)
Proceeds from borrowings from SAT		915	2,016
Net cash from financing activities		**915**	**20,950**
Net (decrease)/ increase in cash and cash equivalents		**191**	**(138)**
Cash and cash equivalents at the beginning of the year	9	113	300
Cash and cash equivalents at the end of the year	**9**	**304**	**162**

The notes on pages 8 to16 form an integral part of these interim condensed consolidated financial statements

ShalkiyaZinc N.V.
Interim Condensed Consolidated Statement of Changes in Equity

In thousands of USD

	Share capital	Share premium	Cumulative currency translation reserve	Accumulated deficit	Total
At 1 January 2011	83	62,164	1,360	(81,050)	(17,443)
Issuance of shares	324	49,676	–	–	50,000
Income for the year	–	–	–	2,779	2,779
Other comprehensive loss	–	–	(155)	–	(155)
Balance at 31 December 2011	**407**	**111,840**	**1,205**	**(78,271)**	**35,181**
Loss for the period	–	–	–	(2,534)	(2,534)
Other comprehensive loss	–	–	(243)	–	(243)
Balance at 30 June 2012	**407**	**111,840**	**962**	**(80,805)**	**32,404**

The notes on pages 8 to16 form an integral part of these interim condensed consolidated financial statements

1. CORPORATE INFORMATION

ShalkiyaZinc N.V. (the "Company" or "ShalkiyaZinc N.V."), a public limited liability company, was incorporated on 6 November 2006 under the laws of the Netherlands. The address of its registered office is Martinus Nijhofflaan 2, 2624 ES Delft, the Netherlands.

The Company is the sole shareholder of LLP ShalkiyaZinc Ltd ("LLP ShalkiyaZinc Ltd" or the "Subsidiary"). The Company and its Subsidiary together are further referred to as the Group.

The Company became listed on 14 December 2006 on the London Stock Exchange by issuing Global Depository Receipts (GDRs).

In September 2010, the Group signed an investment agreement with SAT & Company JSC ("SAT"), incorporated in the Republic of Kazakhstan, under which SAT acquires controlling stock in ShalkiyaZinc N.V. through issuance of 24,715,769 shares (81.39%) in ShalkiyaZinc N.V. in return for a capital investment of USD 50 million into ShalkiyaZinc Ltd. SAT obtained control over the Group on December 27, 2010 following receipt of a waiver from the government of its statutory right of pre-emption over transfer of the subsoil use interest. SAT is ultimately controlled by Mr. Rakishev.

Upon completion of transaction, SAT became the legal owner of 24,715,769 shares (81.39%) of Shalkiya Zinc N.V. in return for a capital investment of USD 50 million into ShalkiyaZinc Ltd. In addition, SAT has made mandatory cash offer for minority shareholders pursuant to UK takeover code. As a result of mandatory cash offer, SAT became a holder of 84.3% interest in the Company. During 2012 SAT acquired the shares of former management and other significant shareholders

The new shareholders structure is as follows:

Ultimate shareholders	Number of shares	Percentage of the Company's share capital
SAT	29,928,502	98.56%
Freefloat in the form of GDRs	437,267	1.44%

The Group's main activities are exploration, extraction and processing of complex lead-zinc ore in the Shalkiya field, located in the Zhanakorgan area of the Kyzyl-Orda region of the Republic of Kazakhstan. The Subsidiary's activities are regulated in accordance with the contract concluded between the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan and the Subsidiary dated 31 May 2002 for the extraction of complex ore in the Shalkiya field from 2002 to 2046 (the "Shalkiya Subsurface Use Contract").

In November 2008, due to decline in the world market prices on the Group's products caused by world economic recession the Subsidiary suspended its production activities. As of the date of authorization of these interim condensed consolidated financial statements production activities were not resumed.

In December 2004, the Subsidiary entered into a subsurface use contract with the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan for the exploration and extraction of complex ore in the Talap field (the "Talap Subsurface Use Contract"). The term of the Talap Subsurface Use Contract is 20 years.

These interim condensed consolidated financial statements were authorised for issue on 14 December 2012 by the Company's Board of Directors.

2. BASIS FOR PREPARATION

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2011 and for the year then ended.

Functional and presentation currency

These interim consolidated financial statements are presented in US dollars ("USD"), unless otherwise stated.

The functional currency of the Company and the Subsidiary is the Kazakhstani Tenge ("Tenge"). The Group has chosen to present its consolidated financial statements in USD. The Group uses USD for presentation of its financial statements and their publishing on the international markets as the Tenge is not fully convertible and recognisable currency in the international markets.

Going concern

Management prepared these consolidated financial statements on a going concern basis, which assumes the realisation of assets and discharge of liabilities in the normal course of business within the foreseeable future. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the recent financial crisis on future operations of the Group.

3. NEW ACCOUNTING PRONOUNCEMENTS

(a) Standards, amendments and interpretations effective in 2011:

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.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010).

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011).

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

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on the Group's consolidated financial statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

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. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

3. NEW ACCOUNTING PRONOUNCEMENTS(continued)

– 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.

– 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 only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

– 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.

– Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012).

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012).

IAS 27, Separate financial statements, IAS 28, Investments in associates and joint ventures, IFRS 10, Consolidated financial statements, IFRS 11, Joint arrangements, IFRS 12, Disclosure of interests in other entities (issued in May 2011 and effective for accounting periods beginning on or after 1 January 2013. Earlier application is permitted if some/all of the entire package of standards are adopted at the same time).

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted).

IFRIC 20, Stripping costs in the production phase of a surface mine (effective for accounting periods beginning on or after 1 January 2013, subject to endorsement by the EU).

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).

Amended IAS 19, Employee Benefits (issued in June 2011, effective for 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).

The Group is considering the implications of the new standards, the impact on the Group and the timing of its adoption by the Group. Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011, except for the adoption of new standards and interpretations endorsed by the European Union and in effect as at 1 January 2012 noted above.

5. GENERAL AND ADMINISTRATIVE EXPENSES

	For the six months ended	
(In USD thousands)	**30-Jun-2012 (unaudited)**	**30-Jun-2011 (unaudited)**
Provision for doubtful debts *(Note 10)*	2,601	–
Depreciation	537	691
Payroll and salary taxes	312	441
Consulting services	150	425
Fines and penalties	9	49
Provision for unused vacation	–	45
Materials	36	34
Rent	50	22
Maintenance costs	1	117
Bank charges	3	8
Communication	101	7
Other	290	108
	4,090	**1,947**

6. FINANCE INCOME AND FINANCE COSTS

	For the six months ended	
In thousands of USD	**30-Jun-2012 (unaudited)**	**30-Jun-2011 (unaudited)**
Finance income		
Gain on restructuring	–	7,994
	–	**7,994**
Finance costs		
Interest expense	–	1,641
Unwinding of discount on provision for future site restoration	31	–
Unwinding of discount on due to the Republic of Kazakhstan	95	–
	126	**1,641**

7. INCOME TAX

Income tax (benefit) / expense comprised the following:

	For the six months ended	
(In USD thousands)	**30-Jun-2012 (unaudited)**	**30-Jun-2011 (unaudited)**
Current income tax expense	11	–
Deferred income tax (benefit)/expense	234	–
	245	**–**

The entities based in Kazakhstan are subject to income tax on taxable profit as determined under the laws of the Republic of Kazakhstan. The income tax rate was 20% in both 2010 and 2009. In November 2009, an amendment to the corporate income tax rate reducing schedule was enacted to reduce the corporate income tax rate to 17.5% effective from 1 January, 2013 and 15% effective from 1 January 2014. However, during 2010 changes occurred and the rate was fixed at 20% from 1 January 2011 and for subsequent years.

The charge in amount of USD 243 for the six month ended 30 June 2012 relates to the provision on prepayments for long-term assets *(Note 10)*.

8. OTHER INCOME AND EXPENSES

	For the six months ended	
In thousands of USD	**30-Jun-2012 (unaudited)**	**30-Jun-2011 (unaudited)**
Other Income		
Railway services	642	479
Write-off of other payable provision	1,201	339
Other	62	272
	1,905	**1,090**
Other Expenses		
Materials	117	107
Rent of railway transport	148	128
Security	14	49
Losses on disposal of assets	13	12
Other	131	83
	423	**379**

9. CASH AND CASH EQUIVALENTS

(In USD thousands)	**30-Jun-2012 (unaudited)**	**31-Dec-2011 (audited)**
Cash in banks, USD denominated	109	24
Cash in banks, KZT denominated	30	50
Cash in banks, EUR denominated	6	25
Cash on hand, KZT denominated	1	1
Cash on hand, USD denominated	–	13
Restricted cash	158	–
	304	**113**

10. PREPAYMENTS FOR LONG-TERM ASSETS

Prepayments as at 30 June 2012 include up-front prepayment of USD 2,895 thousand made to Midiel AB in 2011 for the supply of hoisting equipment and USD 3,357 thousand made in 2007 to Outotec OY for the supply of mills. Due to suspension of production in November 2008, supply of mills has not been completed.

Until August 2012 management of the Company was in the process of negotiation on the terms with Outotec OY to agree on delivery of the mills by 2013 as soon as operation of the new plant will be resumed. Management believed the Company is in a strong position that the prepayment is fully recoverable. In 2012, the Company did not reach agreement with Outotec OY on revised terms of supply and payment of the full cost of equipment, and it was decided to terminate the contract. Outotec OY refused to refund the prepayment, and in October 2012 the Company filed the claim to Arbitration Institute of the Stockholm Chamber of Commerce seeking refund of the full prepayment made by the Company. Management believes that the Company has strong position on this matter which will be sustained by the arbitrary. However, the Company took a conservative position and as at and for the period ended 30 June 2012 recorded full provision of prepayment to Outotec OY.

11. EQUITY

During 2011 SAT has purchased the 24,715,769 newly issued ordinary shares of ShalkiyaZinc N.V.

The authorized share capital of ShalkiyaZinc N.V. is EUR 1,500,000, divided into 150,000,000 shares each with a nominal value of EUR 0.01 per share. The issued share capital of ShalkiyaZinc N.V. is EUR 303,658 divided into 30,365,769 shares each with a nominal value of EUR 0.01 per share, equivalent to USD 412,747 at an exchange rate of USD 1.359.

According to the Company's Articles of Association, the Company's reserves may be distributed to shareholders, provided that total shareholders' equity exceeds the called-up and paid-up capital and legal reserves of the Company.

Foreign currency translation reserve

Foreign currency translation reserve is used to record exchange differences arising from the translation of the consolidated financial statements from functional currency into presentation currency. Foreign currency translation reserve is non-distributable legal reserve.

Income and loss per share

The numerator for the calculation of the basic earning/loss per share for the period ended 30 June 2012 is the loss after tax of USD 2,534 thousand (HY 2011: USD net income of 4,896 thousand) and the denominator for the calculation of the basic earning/loss per share is 30,365,769.

	For the six months ended	
	30-Jun-2012 (unaudited)	**30-Jun-2011 (unaudited)**
Income/(loss) per share, *in US cents*	(8.34)	16.12
Diluted income/(loss) per share, *in US cents*	(8.34)	16.12
Income/(loss) attributable to ordinary shareholders, in thousands of USD	(2,534)	4,896
Issued ordinary shares at the end of the period	30,365,769	30,365,769

12. BANK BORROWINGS

(In USD thousands)	**30-Jun-2012 (unaudited)**	**31-Dec-2011 (audited)**
Opening balance	–	34,790
Interest charged for the period	–	1,641
Foreign exchange difference	–	40
Repayments over the period	–	(31,066)
Gain on restructuring	–	(5,405)
Translation difference	–	–
Closing balance	**–**	**–**

On 30 June 2011, the Group has completed the restructuring of its loans to BTA Bank. As a result of restructuring the Group was granted with favourable terms. In particular, interest rate was decreased from 16% to 7.5% per annum, retrospectively. Following debt restructuring referred to above, the Group has repaid its debt to BTA Bank in full.

As of 30 June 2012, property, plant and equipment with a net carrying value of USD 10,180 thousand were still pledged to the BTA Bank.

13. TRADE AND OTHER PAYABLES

In thousands of USD	**30-Jun-2012 (unaudited)**	**31-Dec-2011 (audited)**
Trade payables for purchased property, plant and equipment	–	219
Trade payables for services	1,365	2,096
Total financial payables	*1,365*	*2,315*
Accrued expenses	–	1,107
Payables to employees	224	227
Other	36	8
	1,625	**3,657**

In 2012, due to expiry of the statute of limitation the Group has written-off accrued provision on environmental pollution in amount of USD 1,107 thousands.

At 31 December financial payables were denominated in various currencies as follows:

In thousands of USD	**30-Jun-2012 (unaudited)**	**31-Dec-2011 (audited)**
US Dollar	335	681
Euro	84	223
Tenge	946	1,411
	1,365	**2,315**

14. COMMITMENTS AND CONTINGENCIES

Training

Pursuant to the Talap Subsurface Use Contract, the Group is obliged to finance the professional training of the Kazakhstani staff for not less than 1% of operating costs during the production period. Management believes that as at 30 June 2012 the Group fully complies with Kazakhstani personnel training requirements.

Liquidation fund

Pursuant to the Shalkiya Subsurface Use Contract, the Group is obliged to accumulate cash on a special bank account in the amount of not less than 1% of operating costs to fund future site restoration costs related to obligations to restore and make safe mines after use and the estimated costs of cleaning up any chemical leakage.

Pursuant to the Talap Subsurface Use Contract, the Group is obliged to accumulate cash in a special bank account in the amount of not less than 1% of exploration and operating costs (capped at USD 7,767 thousand) to fund future site restoration costs related to obligations to restore and make safe mines after use and the estimated costs of cleaning up any chemical leakage.

At 30 June 2012, the Group was fully in compliance with the liquidation fund commitment. In January 2012 the Group initiated bank deposit for liquidation fund and transferred required amount.

Insurance

The insurance industry in the Republic of Kazakhstan is in the process of development, and many forms of insurance coverage common in development markets are not yet generally available. The Group does not have full coverage for its mining, processing and transportation facilities, for business interruption, or for third party liabilities in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations

Taxation

Kazakhstani tax legislation and practice is in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may not coincide with that of management. As a result, tax authorities may challenge transactions and the Company may be assessed with additional taxes, penalties and fines. Tax periods remain open to review by the Kazakhstani tax authorities for five years.

The Company's management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained. In management's view, no material losses will be incurred in respect of existing and potential tax claims.

Legal claims

The Group is subject to various legal proceedings related to business operations, such as property damage claims. The Group's management does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Group's financial position or results of operations. The Group assesses the likelihood of material liabilities and makes provisions in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated.

15. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include entities under control of SAT, entities over which SAT exercises significant influence or joint control, key management personnel of the Company, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Company's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates. The Company's ultimate controlling party is disclosed in Note 1.

As at 30 June 2012, the outstanding balances with related parties were as follows:

In thousands of USD	**30-Jun-2012** (unaudited)	**31-Dec-2011** (audited
Advances given to SAT	5,056	7,534

<u>Compensation of key management personnel</u>

Key management personnel comprise members of the Group's management and members of management Board, totaling four persons at 30 June 2012 (31 December 2011: five persons). Compensation to key management personnel consists of short-term employee benefits. Since the Company does not pay social securities or pensions, all salary payments are considered as short-term employee benefits. Total compensation paid to key management personnel amounted to USD 66 thousand as at 30 June 2012 (31 December 2011: USD 117 thousand).

16. SUBSEQUENT EVENTS

In August 2012 the Group purchased the mining equipment for the total consideration of USD 800 thousand.