MANAGEMENT DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis of financial condition and results of operations should be read in conjunction with the audited Consolidated Financial Statements of Chagala Group Limited (the “Group”) as at and for the year ended 31 December 2012 and Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2012 prepared in accordance with IFRS.

Throughout this report, unless otherwise indicated by the context, references herein to the “Group”, “we”, our” or “us” means Chagala Group Limited, incorporated in the British Virgin Islands, and its corporate subsidiaries.

This Management's Discussion and Analysis (“MD&A”) reflects information known to management as at 25 March 2013.

Additional information relating to the Group, including our most current annual information form, is available on www.chagalagroup.com.

Information concerning forward-looking statements

Any statement contained in this Management's Discussion and Analysis that is not a statement of historical fact may be deemed to be forward-looking, including statements about our revenue, spending, cash flow, products, actions, intentions, plans, strategies and objectives. Without limiting the foregoing, words such as “ may”, “ hope”, “ will”, “ expect”, “ believe”, “ anticipate”, “ estimate”, “ projected” or “ continue” or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainty, and actual results may differ materially depending on a variety of factors, many of which are not within our control.

Forward-looking statements are predictions and not guarantees of future performance or events. The forward-looking statements are based on current industry, financial and economic information which we have assessed but which, by its nature, is dynamic and subject to rapid and possibly abrupt changes. Our actual results could differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with our business. We hereby qualify all our forward-looking statements by these cautionary statements. We undertake no obligation to amend this report or revise publicly these forward looking statements to reflect subsequent events or circumstances.

Introduction

Chagala Group is a facilities and services provider to the oil and gas industries in the Caspian region of Kazakhstan, now firmly established as one of the most high profile hydrocarbon exploration and production areas worldwide. In particular, the Group provides residential accommodation, office space, associated catering, leisure facilities and warehousing and logistics support to the major companies involved in the oil and gas industry in Kazakhstan.

The 2012 plan and results were again heavily influenced by unresolved issues surrounding the Karachaganak and Kashagan oil and gas projects. As a result, we, together with the majority of service operators in West Kazakhstan, experienced a decrease in sales from the 2011 level. However, we did receive several new contract awards at the end of 2012. Unfortunately, most of the benefits of these new contracts will only be reflected in the financial results for 2013.

2012 saw a bold step taken by the Board of Directors and senior management of Chagala as a number of previous investments were effectively written down the Group’s balance sheet. These assets, such as the Residential and Commercial Park in Bautino, were not generating revenues while at the same time substantially adding to our tax base. The result of this effort can be seen in the earlier section designated Financial Highlights. While these actions have resulted in a substantial loss for 2012, these losses should not be taken as a measure of the strength of our underlying business but rather as a need to adjust our balance sheet to today’s market value.

We continue to talk with our clients about future needs and are keen to invest where a sound business case exists. However, we continue to employ a cautionary approach to investing in new assets and will maintain this policy until such time as tangible forward movement on the major oil and gas projects is demonstrated.

We continue to focus our attention on medium and long term accommodation needs for the large oil projects which have driven the growth of Kazakhstan’s economy over the past 20 years. However, we have also worked hard over the past year to broaden our customer base beyond its traditional mix. We have successfully leveraged our portfolio of properties to attract client companies in new locations that did not previously consider working with the Chagala Group.

Kazakhstan Economy

Kazakhstan is once again showing the signs of strength and growth that characterised the economy before the financial crisis curtailed global growth in general. The recovery and stabilization of commodity prices over the last two years have provided the country with a base on which to recover, rebuild and rebound. Growth in GDP for 2012 has been estimated at 5.2% (third quarter 2012 annualised) growing to over 6.0% in 2013 according to the EBRD forecasts. Inflation for 2012 was also successfully managed by the country with a full year number between 6% and 8% expected. The Kazakh tenge also stayed at an almost constant rate of 150.00 KZT to 1USD throughout 2012.

Kazakhstan has voiced a strong desire to join the world's elite oil and gas producing countries with a top five ranking envisioned. Billions of dollars need to be spent by the Government and the oil companies to make this a reality.

In 2012, Chagala continued to build on its brand recognition in Kazakhstan with value for money, safety and security as well as comfort and service being the well known hallmarks for the Group. Chagala is well positioned to capitalize on this investment and we are confident that we have the management team, assets and financial capability to capture our fair share of this future windfall. We will continue to talk with our existing clients and measure our response to improvements in the sector as they happen. Our ongoing efforts to provide accommodation solutions to the oil and gas companies involved in the realisation of Kazakhstan's hydrocarbon potential continue to place us at the forefront of developments in western Kazakhstan. We continue to deploy our capital with discipline and focus our efforts on projects that combine long term financial success with blue chip clients. While maintaining strict controls on costs, we continue to review development opportunities within Kazakhstan as well as new opportunities outside these borders. Delays at our client's largest projects here in Kazakhstan have highlighted the need to review opportunities elsewhere and where feasible we are examining these opportunities and assessing the potential for investment and additional growth.

Currently, Kazakhstan's major projects include the majority Chevron owned onshore field known as Tengiz, the BG and AGIP controlled Karachaganak (KPO) oil and gas condensate field and the much publicised supergiant offshore oil field known as Kashagan which is being developed by a consortium of six international oil and gas companies in cooperation with KazMunaigas (KMG). Output from these three projects alone is expected to grow to 3 - 3.5 million barrels per day by 2020, potentially making Kazakhstan one of the top five oil producers/exporters in the world. Total oil production in 2012 amounted to roughly 1.58 million barrels of oil per day (bopd) with the forecast for 2013 rising to 1.66 million bopd.

In 2012, the Government of the Republic of Kazakhstan continued to build on its dominance of the country's hydrocarbon potential with new ownership stakes, expanded influence and new legislation in place to enhance and improve the investment climate.

Tengizchevroil, the Chevron/ExxonMobil/KMG/LukArko consortium developing the Tengiz field in western Kazakhstan, continues to lead Kazakhstan's oil industry both in terms of production and investment. This position is expected to continue for the foreseeable future as agreement on the venture's Future Growth Plan, envisioned as $15 to $20 billion in new investment intended to increase production, has been approved by both the consortium shareholders and the Government of the Republic of Kazakhstan. The expectation is that daily oil production at the Tengiz field will increase to roughly 780,000 barrels per day and potentially increase recoverable reserves by an additional 1.1 billion barrels by 2016. Total estimated recoverable reserves for the Tengiz field today are estimated at between 6 and 9 billion barrels.

KPO is one of the world's largest oil and gas condensate fields and KMG is now a 10% shareholder after purchasing a stake from the other shareholders in late 2010. It was expected that once KMG obtained an equity position that business would return to normal. Unfortunately, this was not the case as KMG spent most of 2012 assimilating itself into the project. Soon after taking the equity position, the Government announced its desire to see a gas processing plant and pipeline constructed to bring additional gas to the central part of the country, including Astana, the national capital. Estimates on the cost of the project are roughly 3.7 billion USD with a targeted completion date of four to five years with construction beginning in 2014. This is in addition to the still under discussion Phase III project which is estimated at 12 billion USD in new investment. Discussions on budgets and scope of works for this expansion continue.

Kashagan continues to suffer delays as the consortium developing the field is still at odds with the Government over Phase II cost projections – currently 50 billion USD. The expectation is that as the field moves into commercial production in mid 2013 (initial production scheduled to be roughly 70,000 to 80,000 barrels per day rising to roughly 350,000 per day) and revenues are generated from oil sales that negotiations on Phase II costs will again move forward and an agreement will be reached. In late 2012 it was announced that ConocoPhillips had agreed to sell its 8.4% stake in the Kashagan venture to ONGC Videsh Ltd., the international arm of India's national oil company, for a published 5 billion USD. The existing consortium members did not exercise their right of first refusal and the issue now rests with the Government as it decides whether to buy the ConocoPhillips stake or not. No decision is expected until June 2013 at the earliest.

ConocoPhillips also announced in 2012 that it wanted to exit its equity position in the N block project – a second offshore Caspian project located directly west of the port city of Aktau. KMG eventually purchased the stake in early 2013 and now has 75.5% of the project which has an estimated 270 million tons of recoverable oil. Mubadala of Abu Dhabi holds the remaining 24.5% stake.

Existing oil and gas pipelines are having capacity expanded where possible and, where expansion is not feasible, new lines are being built. The Caspian Pipeline Consortium, the 1,151 km Kazakhstan/Russia majority lead oil pipeline from the Tengiz oil field to the Black Sea marine terminal at Novorossiysk, has begun work on a 5.4 billion USD expansion project that will eventually take throughput capacity to 67 million tons per year. KMG has also made the construction of a third gas pipeline to China an infrastructure priority for 2013. This is in addition to studies being undertaken to take both oil and gas by pipeline south through Iran to the Persian Gulf or across the Caspian Sea to Azerbaijan for delivery to Europe. Notably this eliminates the necessity of crossing Russian territory which has caused some tension between Astana and Moscow.

Kazakhstan has also announced an immediate lifting of the ban placed on all new licenses for onshore fields put in place in 2009 while the Government drafted new tax legislation for sub surface users. It is assumed that the drop in investment resulting from the moratorium is the main driver behind this decision. The offshore sector still remains firmly under the control of the Ministry of Energy and closed to new activity although a recent spate of oil companies such as ENI and Total handing back offshore licenses and declining to invest may lead the Government to review its policy for offshore activity as well.

Kazakhstan is an interesting contrast between rapid growth and the realisation of potential cast against the realities of financial and political caution. On the one hand, the country is a growing voice in the international oil and gas market with vast reserves, some 30 billion barrels of proven oil, being targeted for use by some of the largest consumer nations, most notably China. On the other hand, much of this potential has been sidelined as discussions and disputes over capital budgets, future financial rewards and contracts continue to work themselves out. We continue to believe strongly that the resolution of these disagreements is still a ‘when’ situation rather than an ‘if’ and that Kazakhstan’s oil and gas reserves continue to present a bright future for the country.

We also continue to push ahead with non-traditional business lines for Chagala. Our entry into residential real estate for sale continues with the Saraishyk apartment development in Atyrau through our joint venture with ADM Capital. The presentation centre and model units are open and generating the expected high level of interest. As sales progress, we will look to capitalise on the market momentum and launch additional buildings within the development plan. Our joint venture with ADM Capital has also taken us into the commercial real estate market in Almaty with the purchase of a six floor class ‘A’ office building. We will continue to assess opportunities as they arise within the Chagala/ ADM Capital JV.

Key operational highlights

Chagala once again proved its resilience as 2012 was another challenging business year. Despite ongoing delays at two of the country's three large oil and gas projects, we delivered revenues in line with our expectations and new assets to under pin future growth and profitability. Of particular note, key operational highlights include:

January 2012	A joint venture was established with a leading international fund manager ADM Capital (ADM) for development of projects in Kazakhstan where the majority of this joint venture is held by ADM (70%) while 30% is held by the Chagala Group. The joint venture with ADM will look to deploy up to USD 60 mln focused on the development of commercial and residential properties in Kazakhstan, mainly Atyrau and Almaty. To date, initial projects have been identified in Atyrau and Almaty.
March 2012	Placement of Kazakh tenge denominated bonds through Kazakhstani Stock Exchange in an amount of $15 mln through the local SPV, Caspi Limited.
March 2012	33 townhouses were delivered to NCPOC on a long term lease representing a new product line for our Atyrau complex.
November 2012	Tendered for and won a substantial medium term accommodation award from NCPOC totaling 225 existing one bedroom units in Atyrau[1].
November 2012	The presentation centre and model units for sale of the Saraishyk apartments were opened in Atyrau.
December 2012	Refinanced our outstanding USD denominated long-term debts at more favorable terms resulting in greater financial flexibility and lower finance costs associated with serving of loan agreements. Debt currency now matches our income currency thereby better insulating the company from potentially negative currency fluctuations.

After 31 December 2012

February 2013	The joint venture with ADM completed its first purchase a 6 floor fully let class 'A' office building in Almaty.

[1] Albeit in March 2013, NCPOC reduced the number of units to 175.

1. Operating results, comments on the period of 2012 compared to 2011

1.1 Operating revenue and profit

The following table represents our operating results for the year ended 31 December:

In thousands of US Dollars	Year 2012	Year 2011	% Change
Room and rent revenue	23,001	24,891	-7.6%
Food and beverages revenue	6,194	8,493	-27.1%
Other operating revenue	2,801	2,844	-1.5%
TOTAL REVENUE	**31,996**	**36,228**	-11.7%
Utilities, cleaning and maintenance	5,808	5,304	9.5%
Costs of food and beverages	2,256	2,758	-18.2%
Salaries and employee benefits	9,284	9,883	-6.1%
General and administrative expenses	5,022	4,373	14.8%
EBITDA	**9,626**	**13,910**	**-30.8%**
Depreciation and amortization	8,267	6,784	21.9%
OPERATING PROFIT	**1,359**	**7,126**	**-80.9%**

The 2012 sales were influenced by the unresolved issues surrounding the Kashagan project which led to the reduction of medium term leases of apartments and, as a result, to decrease in occupancy and room rates. The reduction in F&B revenue is also a result of the reduction of occupancy and, generally, oil and gas workforce is Atyrau.

The increase in utilities, cleaning and maintenance expenses was primarily the result of completion of construction of 33 Townhouses which were delivered to NCPOC in March 2012 (see Note 1.3.1).

The increase in general and administrative expenses was primarily the result of an increase in property tax as a result of 33 townhouses put into operations during 2012 and the result of an increase of professional services related to the Group restructuring and debt optimisation processes which also led to decrease of Salaries and Employee Benefits (see Notes 1.3.3 and 1.3.4).

Depreciation and amortization increases were also due to increases as a result of new assets put into operations during 2012 (see Note 1.3.5).

1.2 Revenue

Revenue comprises:

a) ‘‘Room and rent revenue’’ which is the revenue from leasing hotel rooms, serviced apartments, office space and other similar facilities;

b) ‘‘Food and beverage revenue’’ which is the revenue from all our food and beverage outlets plus that derived from providing partial or full board to the serviced apartments;

c) “Other operating revenue” which is the revenue from our sport facilities membership fees, the revenue from facility management and maintenance and other operating revenues.

During this period our revenue decreased from USD 36,228 thousand during the twelve months ended 31 December 2011 to USD 31,996 thousand during the twelve months ended 31 December 2012. This 11.7% decrease resulted from decrease in occupancy rates and decrease of room rates. The reduction in F&B revenue is also a result of the reduction of occupancy and, generally, oil and gas workforce is Atyrau.

1.2.1 Room and rent revenue

Room and rent revenue decreased from USD 24,891 thousand during 2011 to USD 23,001 thousand during 2012.

In thousands of US Dollars	**Year 2012**	**Year 2011**
Hotel and serviced apartments	11,899	15,467
Offices rent	9,042	9,424
33 Townhouses	2,060	-
TOTAL	**23,001**	**24,891**

Outflow of the Kashagan consortium staff starting from August 2011 and replacement of the administrator of infrastructure for the project (AGIP KCO) by another one (NCPOC) during 2012 led to decrease of an average annual occupancy rate for serviced apartments in Atyrau by 42% while average annual occupancy rates for Aktau, Uralsk and Aksai increased by 7%, 9% and 18%, respectively. As a result, the Group's average annual occupancy rates for serviced apartments decreased by 25%. Also, the Group's average annual occupancy rates for hotel rooms decreased by 2%. These decreases in occupancy rates were tackled with a new rate structure, where corporate discounts and high utilisation agreements were favoured leading to rates for hotel rooms being decreased by 11% and for serviced apartments by 16%. As a result, hotels and serviced apartments revenue decreased by USD 3,568 thousand (23%).

Office rent revenue decreased by USD 382 thousand (4%) as a result of a reserved area for a joint venture with Regus that never materialised in Kazakhstan that left 1,100 m2 of office space unoccupied in Atyrau for most of 2012.

1.2.2 Food and beverage revenue

Food and beverage revenue decreased from USD 8,493 thousand during the twelve months ended 31 December 2011 to USD 6,194 thousand during the twelve months ended 31 December 2012. This decrease of 27.1% was mainly due to a decrease in the rate of occupancy of serviced apartments by 25% and hotel rooms by 2% (see Note 1.2.1).

1.2.3 Other operating revenue

Other operating revenue decreased from USD 2,844 thousand during 2011 to USD 2,801 thousand during 2012 as a result of the following:

In thousands of US Dollars	**Year 2012**	**Year 2011**
Laundry	433	508
Maintenance services	694	1,261
Facilities management	316	128
Membership fee (Sport & Leisure)	121	45
Other	1,237	902
TOTAL	**2,801**	**2,844**

- Laundry revenue decreased due to lower occupancy of the hotels and serviced apartments.
- Maintenance services revenue significantly decreased due to requests of the clients for the power upgrade of the offices for increasing an efficiency of power supply systems which was made in 2011.
- Other revenues were increased due to charges made to the client for reimbursement of utility costs related to 33 Townhouses (see Note 1.3.1).

1.3 Costs and expenses

Costs and expenses include various costs incurred in operating the hotels and serviced apartments, managing the offices and other facilities as follows:

1.3.1 Utilities, cleaning and maintenance

This includes the costs related to the selling of the hotel rooms and the serviced apartments and leasing the offices, including utility costs, room amenities for the hotels and serviced apartments, consumables and security.

Utilities, cleaning and maintenance expenses increased from USD 5,304 thousand during the twelve months ended 31 December 2011 to USD 5,808 thousand during the twelve months ended 31 December 2012. This 9.5% increase was primarily the result of increase in utility and security costs due to new accommodation facilities (Ural Residence) and 33 Townhouses which were launched in November 2011 and March 2012, respectively.

1.3.2 Costs of food and beverages

This includes the cost of the consumed food and beverages.

The costs of food and beverage decreased from USD 2,758 thousand during the twelve months ended 31 December 2011 to USD 2,256 thousand during the twelve months ended 31 December 2012. This decrease of 18.2% is primarily due to the decrease of sales of food and beverages by 27%. The 2012 total beverage margin is at the level of 2011 while the 2012 total food margin decreased due to an increase in food prices and a decrease of the billable meals to our apartment clients. The total food and beverage margins (costs as % of revenue) were as follows:

In thousands of US Dollars	**Year 2012**	**Year 2011**
Food Revenue	5,145	7,241
Food Costs	1,904	2,342
Food costs as % of Food revenue	37.0%	32.3%

In thousands of US Dollars	**Year 2012**	**Year 2011**
Beverage Revenue	1,049	1,252
Beverage Costs	352	416
Beverage costs as % of Beverage revenue	33.6%	33.2%

1.3.3 Salaries and employee benefits

This includes local and expatriate staff salaries, including sick leave, vacation pay, statutory payments, taxes and other benefits as well as recruitment and training costs.

Salaries and employee benefits decreased from USD 9,883 thousand during the twelve months ended 31 December 2011 to USD 9,284 thousand during the twelve months ended 31 December 2012. This 6.1% decrease was primarily the result of the following:

- decrease of number of employees due to improving of business processes (*number of the Group's employees at the end of 31 December 2012 and 2011 were 604 and 683, respectively);*
- stock options for 680,000 shares at the exercise price of USD 0.875 were granted in 2011 while stock options for 140,000 shares only at the exercise price of USD 0.575 were granted in 2012.

1.3.4 General and administrative expenses

General and administrative expenses for the twelve months ended 31 December are represented as follows:

In thousands of US Dollars	**Year 2012**	**Year 2011**
Taxes, duties and fees (mainly property tax)	2,006	1,741
Audit and valuation costs (incl. other professional fees)	1,187	780
Communication	330	313
Replacement costs	135	179
Marketing	353	256
Insurance	166	167
Bank charges	125	127
Travel	214	235
Other	505	574
TOTAL	**5,022**	**4,373**

General and administrative expenses increased from USD 4,373 thousand during the twelve months ended 31 December 2011 to USD 5,022 thousand during the twelve months ended 31 December 2012. This 14.8% increase is mainly as a result of the following:

- increase in property tax following an increase of fair value of properties as at 31 December 2011 as a result of new accommodation facilities (Ural Residence) and 33 Townhouses which were put into operation in November 2011 and March 2012;
- increase of professional services due to legal services incurred in the Group restructuring and debt optimization processes.

1.3.5 Depreciation and amortization

This includes the depreciation charged in accordance with our accounting policies after each annual valuation of our properties.

Depreciation and amortization increased from USD 6,784 thousand during the twelve months ended 31 December 2011 to USD 8,276 thousand during the twelve months ended 31 December 2012. This 21.9% increase is due to the launch of new accommodation facilities in Atyrau in November 2011 and 33 Townhouses in March 2012.

2. Net results, comments on the period of 2012 compared to 2011

2.1 Non operating results

The following table represents our net results for the year ended 31 December:

In thousands of US Dollars	**Year 2012**	**Year 2011**	**% Change**
Operating Profit	**1,359**	**7,126**	-80.9%
Net foreign currency translation loss	(190)	(399)	52.4%
Impairment of land, buildings and goodwill	(23,610)	(15)	-157300.0%
Loss on disposal of property, plant and equipment	(1,292)	(87)	-1385.1%
Finance income	217	41	-429.3%
Finance expenses	(4,932)	(2,074)	-137.8%
Other gain	266	135	-97.0%
(Loss) profit before income tax	**(28,182)**	**4,727**	**-696.2%**
Income tax benefit (expense)	3,004	(2,435)	-223.4%
Net (loss) profit for the year	**(25,178)**	**2,292**	**-1198.5%**

2.1.1 Net foreign currency translation gain / (loss)

This includes gains and losses on our foreign exchange exposure including foreign currency loans, cash and cash equivalents, payables and receivables accounts.

The functional currency of the Company and its subsidiaries is Kazakh Tenge (“Tenge”) while all items included in the financial statements of each entity are measured using that functional currency.

Tenge is not a fully convertible currency outside the territory of the Republic of Kazakhstan. The Group used exchange rates of Tenge to the U.S. Dollar established by the National Bank of the Republic of Kazakhstan. Below is an overview of foreign exchange rates of the Tenge to the U.S. Dollar ("USD") established by the National Bank of Republic of Kazakhstan:

	Exchange rate at 31 December	**Weighted average rate during the year**
2012	150.74	149.11
2011	148.40	146.62
2010	147.40	147.35

Net foreign currency translation loss of USD 190 thousand in 2012 was incurred because of weakening of the exchange rate of Tenge to USD. Net foreign currency translation loss decreased by 52.4% because in March 2012 the Group placed the Tenge denominated bonds for 2,250 million Tenge (equivalent to USD 15 mln) where proceeds from this placement were used for repayment of last tranche of the USD denominated loan obtained from SB JSC “HSBC Bank Kazakhstan” and Raiffeisen Bank International AG (Austria).

Also, at the end of 2012 the Group entered into the Tenge denominated loan agreements with SB JSC “HSBC Bank Kazakhstan” for 758,563 thousand Tenge and JSC “KazInvestBank" for 761,000 thousand Tenge, respectively, for the full repayment of outstanding USD denominated loan obtained from HSBC Bank and Raiffeisen Bank International AG (Austria).

Currently, the Group is not engaged in currency hedging activities due to the balance between the revenues and expenses in USD and Tenge. This policy may change, depending on the developments of the exchange rate of Tenge/U.S. Dollar.

2.1.2 Impairment of property, plant and equipment and goodwill

The Group assessed whether property, plant and equipment, goodwill and financial assets are impaired. The Group engaged an independent appraiser, Veritas Brown Cushman Wakefield, to determine the fair value of its land and buildings at 31 December.

In 2012, the Group recognized impairment of the following assets:

In thousands of US Dollars	
Impairment of buildings	18,924
Impairment of capital work in progress	2,469
Impairment of goodwill	2,133
Other impairments	84
TOTAL	**23,610**

Impairment of buildings is mainly related to impairment of Ural Residence building (USD 8,553 thousand), hotel building in Aktau (USD 2,271 thousand) and Residential Commercial Park in Bautino (USD 3,962 thousand) due to re-assessment of our sales plans based on the existing market situation and issues surrounding the Kashagan project. Impairment of 33 Townhouses (USD 3,081 thousand) represents difference between actual construction costs incurred and estimated fair value as at 31 December 2012.

In thousands of US Dollars

Property		Location	Fair value as at 31 December 2011 (A)	Residual Value as at 31 December 2012 (B)	Fair value as at 31 December 2012 (C)	Difference (C)-(B)
Hotel building	76 rooms	Atyrau	8,597	8,040	8,137	97
Apartments buildings	231 apartments	Atyrau	18,502	17,887	16,212	(1,675)
Apartments building (Ural Residence)	108 apartments	Atyrau	21,454	21,147	12,594	(8,553)
33 Townhouses	33 townhouses	Atyrau	-	14,417	11,336	(3,081)
Office buildings	12,219 m2	Atyrau	24,598	22,608	23,740	1,132
Hotel building	83 rooms	Aktau	5,026	4,854	2,583	(2,271)
Hotel building	147 rooms	Bautino	13,109	12,471	12,313	(158)
Resedential Commercial Park	56 rooms	Bautino	4,335	3,962	-	(3,962)
Hotel building	49 rooms	Uralsk	1,596	1,492	1,457	(35)
Apartments building	41 apartments	Uralsk	3,054	2,904	3,094	190
Residential camp	125 rooms	Aksai	4,321	4,061	3,384	(677)
Office building		Almaty	866	827	1,048	221
Land plots			-	19,072	19,506	434
Other properties			34,548	15,130	12,082	(3,048)
TOTAL			**140,006**	**148,872**	**127,486**	**(21,386)**
Reflected as an impairment loss						(18,924)
Reflected as a decrease of revaluation reserves						(2,462)

The above table represents fair value as at 31 December 2011 (column A), book (residual) value as at 31 December 2012 (column B), which includes fair value as at 31 December 2011 less depreciation for 2012, and fair value as at 31 December 2012 (column C). Upon improvement of the market conditions, the fair value of the Residential Commercial Park in Bautino can be increased with corresponding reversal of previously recorded impairment expenses.

Fair value of land is determined by reference to market-based transactions while fair value of buildings is determined by using the income approach (expected profit from the facility).

Impairment of capital work in progress mainly represent write-off of the master plan expenses (USD 1,010 thousand) related to Atyrau projects: the plans have significantly changed resulting in the previous plans obsolete. Also, it includes costs of the Caspian Star project (USD 885 thousand) for construction of apartments and offices in Aktau. The Caspian Star project is currently frozen and planned to be resumed upon improvement of the market conditions.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses where the recoverable amount of the cash-generating units has been determined based on a value in use calculation using cash flow projections which were revised due to delays in development of the Karachaganak and Kashagan projects. As a result, the goodwill related to the following cash-generating units was fully written off:

In thousands of US Dollars	
Aktau Development Company LLP	1,592
Bayan Limited LLP	272
Chagala Aksai LLP	270
TOTAL	**2,133**

2.1.3 Loss on disposal of property, plant and equipment

The Group recorded the loss on disposal of property, plant and equipment in the amount of USD 1,292 thousand in 2012 (2011: USD 87 thousand) which resulted from demolition of a building and the transfer of a land plot under this building to the joint venture with ADM for development of the Sarayshyk project (apartments for sale) in Atyrau.

2.1.4 Finance income / (expenses)

Finance income of USD 217 thousand and USD 41 thousand in 2012 and 2011, respectively, represents interest from bank deposits.

Finance expenses represent interest accrued on borrowings and fair value of interest rate swap instruments as follows:

In thousands of US Dollars	**Year 2012**	**Year 2011**
Interest expense on borrowings	3,287	1,418
Amortisation of loan arrangement fees	1,460	377
Unwinding of bond discount	153	-
Loss on swap derivative instrument	-	230
Other	32	49
TOTAL	**4,932**	**2,074**

The increase in the interest expense is mainly due to the following additional borrowings:

- On 5 September 2011 Caspi Limited LLP concluded a KZT denominated credit facility agreement with JSC “KazInvestBank" in the amount of USD 9,434 thousand (equivalent to 1,400 million Tenge) for financing the construction of 33 Townhouses.
- On 6 September 2011 Caspi Limited LLP entered into KZT denominated credit line facility of USD 2,022 thousand (equivalent to 300 million Tenge) with SB JSC “HSBC Bank Kazakhstan” with maturity date 30 May 2012. On 9 November 2012 this credit line facility was extended until 30 May 2013.
- On 8 December 2011 Aktau Development Company LLP entered into USD denominated credit line facility of USD 500 thousand with SB JSC “HSBC Bank Kazakhstan” with maturity date 30 November 2012. On 9 November 2012 this credit line facility was extended until 30 May 2013 with conversion of USD denominated loan to KZT denominated loan.
- In March 2012 Caspi Limited LLP placed bonds on the Kazakhstan market in the amount of USD 15 million (equivalent to 2,250 million Tenge). The bond proceeds was used for financing construction of residential and commercial real estate, as well as for repayment of some liabilities to creditors, including liabilities under the credit facility agreement with SB JSC “HSBC Bank Kazakhstan” and Raiffeisen Zentralbank Osterreich AG related to Caspi Limited LLP.

On 10 December 2012 and 12 November 2012 Caspi Limited LLP, Bayan Limited LLP and Aktau Development Company LLP entered into the loan agreements with SB JSC “HSBC Bank Kazakhstan” for 758,563 thousand Tenge and JSC “KazInvestBank" for 761,000 thousand Tenge, respectively, for the full repayment of outstanding loans obtained under the credit facility agreement with SB JSC “HSBC Bank Kazakhstan” and Raiffeisen Zentralbank Osterreich AG. As a result, the remaining amount of arrangement fees related to this credit facility agreement were written off.

There are the following main reasons for the full repayment of outstanding loans obtained under the credit facility agreement with SB JSC “HSBC Bank Kazakhstan” and Raiffeisen Zentralbank Osterreich AG:

- to reduce the currency risk by means of refinancing US dollars denominated borrowings with KZT denominated borrowings and Bonds because the Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the Group’s operating activities when revenue or expense is denominated in a different currency from the Group’s functional currency;
- to reduce the level of pledged immovable properties where at the end of 2012 pledged immovable properties were in an amount of USD 48 mln while at the end of 2011 pledged immovable properties were in an amount of USD 123 mln;
- to reduce costs of serving the facility agreements because the credit facility agreement with SB JSC “HSBC Bank Kazakhstan” and Raiffeisen Zentralbank Osterreich AG requires involvement of number of legal and other advisors on a regular basis.

The loss on swap derivative instruments represent an adjustment of the fair value of the interest rate swap instrument which was recognized as a liability in the amount of USD 581 thousand and USD 790 thousand as at 31 December 2012 and 2011, respectively.

2.2 Loss (profit) before income tax

As a result of the factors described above, our profit before income tax decreased by 696.2%, from profit of USD 4,727 thousand during fiscal 2011 to loss of USD 28,182 thousand during fiscal 2012. The major reasons for this decrease and set-offs for the above, are the following:

- increase of impairment losses by USD 23,595 thousand;
- decrease of revenue by USD 4,232 thousand;
- increase of finance expenses by USD 2,858 thousand;
- increase of depreciation and amortization expenses by USD 1,483 thousand;
- increase of loss on disposal of property, plant and equipment by USD 1,205 thousand;
- decrease of salaries and employee benefits by USD 599 thousand;
- increase of utilities, cleaning and maintenance expenses by USD 504 thousand;
- decrease of costs of food and beverages by USD 502 thousand.

2.3 Income tax

The 2012 income tax benefit includes current income tax expense in the amount of USD 134 thousand and deferred tax benefit in the amount of USD 3,138 thousand.

In thousands of US Dollars	**Year 2011**	**Year 2011**
Current income tax expense	134	1,489
Deferred income tax expense / (benefit), net	(3,138)	946
Income tax expense	**(3,004)**	**2,435**

Current income tax expense, which is measured at the amount expected to be paid, decreased due to the decrease of the taxable income.

Below is reconciliation between the theoretical tax charge at statutory tax rate of 20% based on profit before income tax and current income tax:

In thousands of US Dollars	**Year 2012**	**Year 2011**
Income (loss) before taxation	(28,182)	4,727
Theoretical tax charge at statutory rate of 20%	(5,636)	945
Tax effect of items which are not deductible or assessable for taxation purposes:		
Impairment of capital work in progress and goodwill	937	-
Unrecognized deferred tax assets	807	522
Non-taxable expenses of the Parent	577	399
Non-deductible tax losses	6	324
Other non-deductible expenses	305	245
Income tax expense (benefit)	**(3,004)**	**2,435**
Deferred income tax expense (benefit)	3,138	(946)
Current income tax expense	**134**	**1,489**

Unrecognized deferred tax assets mainly represent the tax effect related to impairment of the Bautino RCP Camp which will be reversed in the future after finalizing plans for development of projects associated with this facility, if any.

Deferred income tax expense mainly represents a temporary difference between accounting and tax depreciation where for tax purposes depreciation is calculated based on initial costs of property, plant and equipment and no valuation or impairment is taken into consideration. The difference between the 2012 and 2011 deferred tax expense is explained by decrease of the book value of property, plant and equipment during 2012 by USD 14,842 thousand (see Note 3.1) while during 2011 the book value of property, plant and equipment was increased by USD 11,541 thousand.

As a result, movements in deferred tax balances were as follows:

In thousands of US Dollars	**Year 2012**	**Year 2011**
1 January	(10,447)	(10,253)
Recognised in Consolidated income statement:		
Deferred income tax benefit (expense), net	3,138	(946)
	3,138	**(946)**
Recognised in Consolidated Statement of changes in equity:		
Deferred tax due to revaluation of property, plant and equipment	492	695
	492	**(10,504)**
Foreign currency translation	141	57
31 December	**(6,676)**	**(10,447)**

2.4 Net (loss) profit for the year

As a result of the above, during the twelve months ended the 31 December 2012 we experienced a net loss of USD 25,178 thousand compared to a net profit of USD 2,292 thousand during the twelve months ended the 31 December 2011.

The earnings per share decreased from USD 0.03 per share for 2011 to loss per share of USD 0.29 for 2012. The number of shares (4 shares = 1 GDR) outstanding remains unchanged at 85,027 thousand.

3. ASSETS

3.1 Non-Current Assets

The following table represents the overview of non-current assets as at 31 December:

In thousands of US Dollars	31 December 2012	31 December 2011	% Change
Property, plant and equipment	138,563	153,405	-9.7%
Intangible assets	220	506	-56.5%
Capital work in progress	827	11,876	-93.0%
Long term prepayments	94	7,313	-98.7%
Investment in an associate	22	44	-50.0%
Deferred transaction costs	-	150	-100.0%
Restricted cash	43	42	2.4%
Goodwill	-	2,167	-100.0%
Deferred tax asset	912	403	126.3%
Non-Current Assets	**140,681**	**175,906**	**-20.0%**

3.1.1 Property, plant and equipment

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charges.

In thousands of US Dollars	31 December 2012	31 December 2011
Land	19,506	19,100
Buildings	107,982	120,906
Furniture and equipment	11,075	13,399
TOTAL	**138,563**	**153,405**

The following represents changes in property, plant and equipment during 2012:

In thousands of US Dollars	Year 2012
Revaluation and impairment	(21,386)
Disposals and depreciations	(9,346)
Purchase of new furniture and equipment, including additions to buildings	1,849
New assets put into operations (transfers from capital work in progress)	16,517
Foreign exchange translation difference	(2,476)

Fair value of land is determined by an independent appraiser, Veritas Brown Cushman Wakefield, by reference to market-based evidence while fair value of buildings is determined by using the income approach which is based on determination of expected profit from the object of valuation.

In thousands of US Dollars			
Land and buildings	**Location**	**Fair Value as at 31 December 2012**	**Fair Value as at 31 December 2011**
Caspi Limited LLP			
Offices	Atyrau	23,740	24,598
Apartments	Atyrau	28,078	38,478
Townhouses	Atyrau	11,336	-
Hotels	Atyrau	8,137	8,597
Other facilities	Atyrau	10,551	13,797
Land	Atyrau	11,756	11,804
Subtotal		***93,600***	***97,273***
Aktau Development Company LLP			
RCP	Bautino	-	4,335
Hotels	Bautino	12,313	13,109
Hotels	Aktau	2,583	5,026
Other facilities	Aktau and Bautino	1,558	2,272
Land	Aktau and Bautino	5,672	5,341
Subtotal		***22,126***	***30,083***
Bayan Limited LLP			
Apartments	Uralsk	3,094	3,054
Hotels	Uralsk	1,457	1,596
Other facilities	Uralsk	222	295
Land	Uralsk	884	858
Subtotal		***5,657***	***5,803***
Chagala Aksai LLP			
Apartments	Aksai	3,384	4,321
Other facilities	Aksai	461	534
Land	Aksai	719	636
Subtotal		***4,564***	***5,491***
Chagala Management LLP			
Office	Almaty	1,048	866
Other facilities	Almaty	17	18
Land	Almaty	475	472
Subtotal		***1,540***	***1,356***
TOTAL		**127,486**	**140,006**

All other equipment is measured at cost less accumulated depreciation and impairment charges.

Any revaluation surplus is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in the income statement as impairment, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. The details of the impairment are indicated in Note 2.1.2 above.

3.1.2 Capital work in progress

Capital work in progress is measured at cost and is not depreciated, however the Group assesses at each reporting date whether there is an indication that an asset may be impaired.

The following represents changes in capital work in progress during 2012:

In thousands of US Dollars	**Year 2012**
Additions	8,228
Impairment	(2,469)
New assets put into operations (transfers to property, plant and equipment)	(16,808)

Capital work in progress is related to the following projects under construction:

In thousands of US Dollars	**31 December 2012**	**31 December 2011**
Caspi Limited LLP		
Masterplan	-	2,735
33 townhouses	-	6,867
New office building	762	762
Other	65	16
Aktau Development Company LLP		
Caspian Star (apartments and offices)	-	899
RCP Camp	-	188
Other projects	-	409
TOTAL	**827**	**11,876**

3.1.3 Long term prepayments

Long term prepayments as at 31 December 2011 in the amount of USD 7,313 thousand are mainly related to construction works and acquisition equipment for 33 townhouses. Long term prepayments as at 31 December 2012 in the amount of USD 94 thousand are mainly related to other projects planned in Atyrau.

3.1.4 Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. The recoverable amount of the cash-generating units has been determined based on a value in use calculation using cash flow projections of the Group covering a 5-year period. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognized. As a result of this testing, the goodwill was fully written off (please, see Note 2.1.2 for additional information).

3.2 Current Assets

The following table represents the overview of current assets as at 31 December:

In thousands of US Dollars	**31 December 2012**	**31 December 2011**	**% Change**
Inventories	3,968	3,304	20.1%
Trade receivables	5,166	4,764	8.4%
Taxes prepaid	2,404	3,089	-22.2%
CIT prepaid	1,207	733	64.7%
Other assets	498	461	8.0%
Cash and cash equivalents	754	1,839	-59.0%
Due from related parties outside the group	296	125	136.8%
Current Assets	**14,293**	**14,315**	**-0.2%**

3.2.1 Inventories

Inventories increased from USD 3,304 thousand as at 31 December 2011 to USD 3,968 thousand as at 31 December 2012. This 20.1% increase is mainly due to the launch of Ural Residence Block A, 33 Townhouses and Sarayshyk project in Atyrau.

3.2.2 Trade receivables

Trade accounts receivable increased from USD 4,764 thousand as at 31 December 2011 to USD 5,166 thousand as at 31 December 2012. This 8.4% increase is explained by increase in average collectability periods from 47 days during 2011 to 60 days during 2012. As a result, 61% of receivables as at 31 December 2012 were not overdue while 34% were overdue for less than 30 days while 69% of receivables as at 31 December 2011 were not overdue while 25% were overdue for less than 30 days.

The majority of the Group's trade receivables as at 31 December 2012 are KZT denominated while the majority trade receivables as at 31 December 2011 were USD denominated.

3.2.3 Taxes prepaid

The major part of taxes prepaid represents recoverable VAT. As at 31 December 2012 and 2011 the VAT recoverable was USD 2,331 thousand and USD 3,066 thousand, respectively. The amount of VAT recoverable decreased due to reimbursement of VAT by the tax authority in Aktau.

3.2.4 Other assets

Balance of other assets represent prepayments for goods and services required for providing the operational services for hotels, apartments, offices, restaurants and other facilities.

4. Liquidity and capital resources

4.1 Liquidity

The Group's primary source of liquidity is provided by the Group's operating and financing activities. Our capital resources consisted primarily of funds we have borrowed from banks and the sale of our services. As at 31 December 2011 we had cash of USD 754 thousand. We incurred a net loss of USD 25,178 thousand and net profit of USD 2,292 thousand for the year ended 31 December 2012 and 2011, respectively. Our current assets exceeded our current liabilities by USD 4,773 thousand and USD 732 thousand as at the year ended 31 December 2012 and 2011, respectively.

The following table sets forth key items from the Group's consolidated statements of cash flows for the years ended 31 December:

In thousands of US Dollars	**Year 2012**	**Year 2011**
Net cash from operating activities	5,802	11,281
Net cash used in investing activities	(3,442)	(30,022)
Net cash from financing activities	(3,446)	7,065
NET DECREASE IN CASH	**(1,086)**	**(11,676)**

4.1.1 Net cash from operating activities

In fiscal 2012 net cash provided by operating activities was USD 5,802 thousand compared to net cash provided by operating activities of USD 11,281 thousand in fiscal 2011. This decrease in net cash provided by operating activities primarily occurred due to decrease in sales and increase of interest expense due to additional borrowings.

4.1.2 Net cash used in investing activities

Net cash used in investing activities during the twelve months ended 31 December 2012 was USD 3,442 thousand. The cash outflows in investing activity during 2012 mainly occurred due to completion of construction of 33 Townhouses in Atyrau.

By comparison, during the twelve months ended 31 December, 2011, we used net cash in investing activities of USD 30,022 thousand. The cash outflows in investing activity during 2011 mainly occurred due to construction of, or building work on, the Ural Residence building and 33 Townhouses in Atyrau.

4.1.3 Net cash from financing activities

Net cash used in financing activities during the twelve months ended 31 December 2012 was USD 3,446 thousand compared to net cash provided by financing activities of USD 7,065 thousand in fiscal year 2011.

The 2012 net cash outflow occurred due to repayment of the increased Group's debts. Also, proceeds obtained from placement of bonds were mainly used for repayment of the credit facility agreement with SB JSC “HSBC Bank Kazakhstan” and Raiffeisen Zentralbank Osterreich AG related to Caspi Limited LLP while the remaining balance under this credit facility agreement was repaid at the end of 2012 by using loans obtained from SB JSC “HSBC Bank Kazakhstan” and JSC “KazInvestBank" (see Note 2.1.4).

The 2011 net cash inflow occurred due to net proceeds received by the Group under the credit facility agreement with SB JSC “HSBC Bank Kazakhstan” and Raiffeisen Zentralbank Osterreich AG, the loan agreement with JSC “KazInvestBank"and the overdraft facility agreement with SB JSC “HSBC Bank Kazakhstan” (see Note 2.1.4).

4.2 Current Liabilities

The following table represents the overview of current liabilities as at 31 December:

In thousands of US Dollars	**Year 2012**	**Year 2011**	**% Change**
Current portion of long-term borrowings	4,178	8,641	-51.6%
Short term borrowings (overdraft facility)	2,487	2,022	23.0%
Interest payable	280	352	-20.5%
Trade accounts payable	1,328	1,893	-29.8%
Advances from customers	656	56	1071.4%
Taxes payable	347	386	-10.1%
CIT payable	13	2	550.0%
Other payables and accruals	140	206	-32.0%
Due to related parties outside the Group	91	25	264.0%
Current Liabilities	**9,520**	**13,583**	**-29.9%**

Current liabilities primarily consisted of the current portion of long-term borrowings, short-term borrowings (overdraft facility), trade accounts payable, taxes payable and other payables and accruals.

Trade accounts payable represents payables to suppliers and service providers, mostly to contractors in connection with the Group’s operating activities and the development of the Group’s projects.

The balances of trade accounts payable, taxes payable and other payables and accruals were relatively at the same level during 2011 and 2010. Advances from customers increased due to prepayments made by the client for rent of 33 Townhouses in accordance with the prepayment terms of the rent agreement.

4.3 Non-current Liabilities

As at 31 December 2012 and 2011, the non-current liabilities were USD 35,367 thousand and USD 37,000 thousand, respectively. Decrease of USD 1,633 thousand is explained by decrease in deferred tax liability by USD 3,262 thousand (see Note 2.3) and increase in long-term borrowings by USD 1,602 thousand.

Increase in long-term borrowings is mainly due to repayment of the credit facility agreement with SB JSC “HSBC Bank Kazakhstan” and Raiffeisen Zentralbank Osterreich AG related to Caspi Limited LLP by using proceeds from bonds placed on the Kazakhstan market made in March 2012 where under the bond terms the whole principal amount is repayable at the end of the bond period resulting in an increase in the non-current portion and corresponding decrease in current portion of long-term borrowings.

4.4 Capital resources

4.4.1 Capital commitments, capital expenditures and future projects

As at 31 December 2012, the Group had no material capital commitments while commitments as at 31 December 2011 were approximately USD 2,317 thousand.

The Group's management is aware of the fact that Kazakhstan's economy is vulnerable to marked downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in instability in the capital markets, significant deterioration of liquidity in the banking sector and the tighter credit conditions. The market volatility in the real estate sector may significantly decrease or increase the carrying values of premises and equipment in the future. However, the Group is currently somewhat protected as a result of its focus on the oil and gas sector and having some long term leases.

While the Group's management believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas mentioned above could affect the Group's medium term (2-3 years) and long term (over the next 4-5 years) plans.

4.4.2 Borrowings

SB JSC "HSBC Bank Kazakhstan" and Raiffeisen Bank

On 12 June 2008, the Group entered into credit facility agreement with SB JSC "HSBC Bank Kazakhstan" and Raiffeisen Zentralbank Osterreich AG (the Credit Facility Agreement). The total amount of the Credit Facility Agreement was USD 53,500 thousand. On 22 November 2010, the amended agreement was signed in order to decrease the total amount of the Credit Facility Agreement to USD 34,307 thousand and replace one of the lenders - Raiffeisen Zentralbank Osterreich AG with another lender - Raiffeisen Bank International AG. As at 31 December 2011 the Group had an outstanding balance of USD 25,730 thousand which was fully redeemed by the Company on 11 December 2012 by using proceeds from placements of the 5-years KZT denominated bonds and loans obtained from SB JSC "HSBC Bank Kazakhstan" and JSC "KazInvestBank".

JSC KazInvestBank

On 5 September 2011 Caspi Limited LLP concluded a KZT denominated credit facility agreement with JSC "KazInvestBank" in the amount of USD 9,434 thousand (equivalent to 1,400 million Tenge) for financing the construction of Townhouses with a maturity date of 5 September 2016. The loan was fully drawn in 2011.

5-years KZT denominated bonds

On 1 December 2011 Caspi Limited LLP registered on Kazakhstan Stock Exchange (KASE) the 5-years KZT denominated bonds (НИН - KZP01Y05E129) with a coupon rate of 10% per annum for the amount of USD 30 million (equivalent to 4,500 million Tenge). In March 2012 Caspi Limited LLP placed bonds on the Kazakhstan market in the amount of USD 15 million (equivalent to 2,250 million Tenge) at a discount which resulted in an effective interest rate of 12%. The bond proceeds was used for financing construction of residential and commercial real estate, as well as for repayment of some liabilities to creditors, including liabilities under the Credit Facility Agreement related to Caspi Limited LLP.

SB HSBC Bank Kazakhstan JSC and Kazinvestbank JSC

On 10 December 2012 and 12 November 2012 Caspi Limited LLP, Bayan Limited LLP and Aktau Development Company LLP entered into the loan agreements with SB JSC "HSBC Bank Kazakhstan" for 758,563 thousand Tenge and JSC "KazInvestBank" for 761,000 thousand Tenge, respectively, for the full repayment of outstanding loans obtained under the Credit Facility Agreement.

Short-term borrowings

On 6 September 2011 Caspi Limited LLP entered into KZT denominated credit line facility of USD 2,022 thousand (equivalent to 300 million Tenge) with HSBC Bank Kazakhstan JSC with a maturity date of 30 May 2012. On 9 November 2012 this credit line facility was extended until 30 May 2013.

On 8 December 2011 Aktau Development Company LLP entered into USD denominated credit line facility of USD 500 thousand with SB JSC "HSBC Bank Kazakhstan" with a maturity date of 30 November 2012. On 9 November 2012 this credit line facility was extended until 30 May 2013 with conversion of USD denominated loan to KZT denominated loan.

Long-term loans and borrowings are repayable as follows:

In thousands of US Dollars	**31 December 2012**	**31 December 2011**
Maturity up to 1 year, including interest payable	4,458	8,993
Total current portion	**4,458**	**8,993**
Maturity between 1 and 2 years	8,089	8,524
Maturity between 2 and 5 years	18,873	18,122
Maturity over 5 years	-	-
Total long-term portion	**26,962**	**26,646**
Total long-term borrowings	**31,420**	**35,639**

5. Responsibility statement

To the best of my knowledge:

(a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and

(b) the management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Should there be any questions on the above please feel free to contact myself.

Francisco Parrilla
Chief Executive Officer