

FRONTIER
MINING LTD

INVESTMENT
MEMORANDUM

On ordinary shares of
FRONTIER MINING LTD.



Financial advisor



Almaty, 2013

This investment memorandum is prepared in order to complete the procedure of admission of ordinary shares of FRONTIER MINING LTD. (hereinafter - the Issuer) to the third category of the official list of joint stock company "Kazakhstan Stock Exchange", as well as to make potential investors form a fair idea of the activities and work prospects of the Issuer.

Investment memorandum is prepared on the basis of the audited consolidated financial statements for 2010 - 2012 years and the unaudited interim consolidated financial statements of the Issuer, prepared as at October 1, 2013, as well as on the basis of information about its activities and the industry in which it operates, obtained from the Issuer as well as from public official statistical reports, press releases of news agencies and other official sources..

The consolidated financial statements of the Issuer include financial and economic performance data of the Issuer and its subsidiaries: Frontier Mining Antilles NV, Frontier Mining Co-operative, U.S. Megatech, Inc., Limited Liability Partnership "FML Kazakhstan" and Limited Liability Partnership "Baltemir", as well as performance data of related companies - Limited Liability Partnership «KazCopper» («KazKynep») (the sole founder is U.S. Megatech, Inc.), Frontier Mining Finance BV (the sole founder is Frontier Mining Co-operative), Limited Liability Partnership "Kazakhstan Chemical Company" (the sole founder is Frontier Mining Finance BV). Hereinafter the Issuer, its subsidiaries and related companies, throughout the text of this investment memorandum collectively referred to as the Group.

The financial results reported in this investment memorandum, are in U.S. dollars, unless otherwise indicated. To make the assessment the Kazakh investors used the exchange rate of tenge to U.S. dollar as on October 1, 2013, determined by the National Bank of the Republic of Kazakhstan at 153.81 tenge per U.S. dollar.

Investment memorandum is prepared with the participation of "BTA Securities" JSC (hereinafter - Financial Advisor), acting as a financial advisor (www.btas.kz).

The present document is provided for information purposes only and cannot serve as a ground for any decision of investment or rejection of investment and should not be construed as an official recommendation by the Issuer or Financial Advisor. Each investor must make its own independent assessment and make a decision about investment.

Estimates and opinions presented in this document are based solely on the advice of audit organizations, Financial Advisor and the Issuer.

This investment memorandum (fully and/or partially) is not the basis of any obligation on the part of the Issuer or Financial Advisor.

If you have questions regarding the information contained in this investment memorandum, persons interested may contact:

- Contact person of the Issuer: Yerlan Minavar, Business Development Director, phone number: +7 (727) 311-15-44/92 (internal 145), fax +7 727 311 15 92, Erlan.M@KazCopper.kz
- Contact person of Financial Advisor: Dzhumadilova Ainura, Corporate finance department of «BTA Securities» JSC, phone number: +7 (727) 393-73-93, 393-73-01, fax +7 (727) 393-73-94, a_jumadilova@btas.kz.

SECTION 1. BRIEF INFORMATION ON SECURITIES

1.1. Brief information on securities

Type of securities	ordinary shares
ISIN	KYG368211093
CFI	ESVUFR
Declared amount of ordinary shares	In accordance with the Constituent Agreement of the Issuer authorized capital is formed as 3 000 000 000 ordinary shares with a par value of U.S. \$ 0.01 per share
Amount of placed shares	1 860 913 973 of ordinary shares
Amount of shares planned to be placed	500 000 000 of ordinary shares
Nominal value	0,01 U.S. dollar
Planned placement price	In accordance with the letters of Ministry of Industry and New Technologies of the Republic of Kazakhstan No.07-3/5-9486 dated December 20, 2012 and No.07-3/2-21660 dated August 06, 2013 the Issuer was given an authorization to place 500 000 000 shares with a price of not less than 5 pence per 1 share

1.2. Procedure of dividends payment

Procedure for payment of dividends and distributions on shares of the Issuer is determined by the Charter and the Companies Law of the Cayman Islands (hereinafter - the Cayman Islands) dated 1964 in the latest version, which at the time of application of the law will be approved by the authorized state body of the Cayman Islands on the revision of legislative acts¹ (The Companies Law, hereinafter - the Companies Law).

According to the present documents the shareholders of the Issuer by the ordinary resolution² may declare of the payment of dividends and distributions³ on the issued shares. The amount of dividend shall not exceed the amount recommended by Directors of the Issuer. Size of recommended amount is determined by the resolution of Directors of the Issuer as of the end of the year.

Charter and the Companies Law does not set the periodicity of payment of dividends on shares of the Issuer, for which reason the payment is made on the basis of the relevant decisions of Directors of the Issuer.

Directors of the Issuer may declare that any dividends or distributions in whole or in part shall be payable by the distribution of separate assets, and, in particular, by shares, bonds or other securities of the other company owned by the Issuer, or by any one or more of such methods. With this distribution, if necessary, Directors may settle it as they deem appropriate, and in particular may issue fractional shares and determine the cost for distribution of such separate assets or any part of them.

¹ As of October 1, 2013 the revision of the Companies Law, approved on July 31, 2012 (Revision 2012) is effective

² Decisions taken by a simple majority of shareholders of the Issuer

³ By "distribution" means the distribution of (fully or partially) the separate assets of the Issuer, including stocks and bonds of the Issuer, and securities of any other company owned by the Issuer.

Dividends may be paid by bank transfer or in the form of a check or warrant transfer, which is sent by post to the registered address of the recipient, or in the case of joint holders of the Issuer's shares, to registered address of the shareholder, who is listed first in the register of the shareholders, or to such person and to such address as joint owners have indicated in writing.

Payment of dividends and distributions are only made from earned or unrealized profit of the Issuer or in other manner permitted by the Companies Law.

1.3. Taxation of income received by the shareholders on shares

Criteria for inclusion the shareholders in the category "resident" and "non-resident" for tax purposes, are determined in accordance with the Code of the Republic of Kazakhstan "On taxes and other obligatory payments to the budget" (hereinafter – the Tax Code of RK).

For shareholders - legal entities who are residents of RK, as well as legal entities - non-residents carrying out their activities through a permanent establishment in the Republic of Kazakhstan

Payment of corporate income tax on income from the capital gains is carried out by the taxpayer - a resident of the Republic of Kazakhstan at the rate of 20%. Net income of the nonresidential legal entity from the activities in Kazakhstan through a permanent establishment is a subject to corporate income tax at a rate of 15%⁴.

Taxpayers who are residents and non-residents of RK are entitled to **reduce the taxable income** on the gains from the increment of the value of securities which were on the day of sale in the official list of KASE, reduced by the losses risen from the sale, in the case of the sale of securities by means of open trading on KASE (subparagraph 7, paragraph 2, art. 133, paragraph 1, art. 198, paragraph 1, art. 199 of Tax Code of RK).

From the total annual income of taxpayers - legal entities who are residents of RK the dividends shall be excluded, except for the cases specified in subparagraph 1, paragraph 1, art. 99 of Tax Code of RK.

For the shareholders – individuals, who are residents of RK

Dividends refer to the income which is taxable at a source of payment (art. 160 of Tax Code of RK), at the rate of 5% (paragraph.2, art.158 of Tax Code of RK).

Tax on the income from securities gains is paid by the taxpayer independently at the rate of 10% (paragraph 1, art.158 of Tax Code of RK).

In accordance with subparagraph 5, paragraph 1 of Article 156 dividends and securities payoffs which by the date of distribution of such dividends and payoffs are in the official list of a stock exchange operating in the territory of the Republic of Kazakhstan are excluded from the taxable individual's income.

In accordance with subparagraph 16, paragraph 1 of Article 156 capital gains when selling securities by the open auction method on the stock exchange operating on the territory of the Republic of Kazakhstan are excluded from the individual's taxable income, providing that those securities by the date of distribution are in the official list of this stock exchange.

For the shareholders - legal entities who are not residents of RK and carrying out their activities without a permanent establishment in the Republic of Kazakhstan

Income of a legal entity - non-resident from the increased value when selling securities issued by a resident, as well as shares issued by the non-resident, if 50 percent or more of the value of such shares is the property located in the Republic of Kazakhstan (subparagraph

⁴ Hereinafter the tax rates, as well as the information on how to tax the Issuer's shareholders are as of August 31, 2013.

5, paragraph 1, Art. 192 of the Tax Code of RK) as well as dividend income received from a legal entity - resident (subparagraph 9, paragraph 1, Art. 192 of the Tax Code of RK) are subject to withholding tax at the source of payment at the rate of 15% (subparagraph 6, Art. 194 of the Tax Code).

In accordance with subparagraph 5, paragraph 5 of Article 193, dividends and interest on securities which by the date of distribution of such dividends and interest are in the official list of a stock exchange operating in the territory of the Republic of Kazakhstan not subject to taxation.

In accordance with subparagraph 8, paragraph 5 of Article 193 capital gains when selling securities by the open auction method on the stock exchange operating on the territory of the Republic of Kazakhstan or foreign exchange of securities are excluded from the individual's taxable income, providing that those securities by the date of distribution are in the official list of this stock exchange.

For the shareholders – individuals, who are not residents of RK

Income of individuals - non-residents are subject to individual income tax at the source of payment at a rate of 15% (subparagraph 6, Art. 194, paragraph 1, Art.201)

The following income of individuals - non-residents are not subject to taxation:

- dividends and interest on securities which are by the date of distribution of such dividends and interest are in the official list of KASE (subparagraph 6, paragraph 1, Art. 200-1 of Tax Code of RK);
- capital gains from the securities which by the day of the sale listed on KASE, during realization of these securities by the open auction on KASE (subparagraph 9, paragraph 1 Art. 200-1 of Tax Code of RK).

1.4. Shareholders rights

In respect of this paragraph, the shareholders are listed as "**participants**". As that term is defined by the charter of the Issuer, in accordance with which:

"Participant" means a person whose name is specified on the register of members and includes each subscriber of the Constituent Agreement, pending the provision of the share (shares) due to him.

In turn, in accordance with sections 38 and 40 of the Companies Law of the Cayman Islands, subscribers of the Constituent Agreement are included in the register of members, as well as any person wishing to become a member of the company whose name is entered in the register of members, that is, any person who has acquired the shares of the Company in subsequent placements.

In accordance with section "Shares" of Issuer's Charter the following rights of the participants are identified:

1) With regard to the rights or restrictions on the shares during the vote by show of hands, each participant (individual) who is present in person or by attorney or, in case of a legal entity, corporation or other non-individual who is represented by its authorized representative has one vote and in case of the counting of votes, each party (individual) who is present in person or by attorney or, in case of a legal entity, corporation or other non-individual who is represented by its authorized representative shall have one vote for each share held by it.

2) Shares give to participants the right for the liquidation or payment of the capital, as well as the right to participate in the profits or assets of the company in accordance with the provisions of the Charter of the Issuer.

In case of liquidation, for the available shares the nominal paid value can be returned, as well as the excesses of assets (if any) of the company on an equal basis to the holders of shares.

Charter of the company provides the option of changing or canceling the rights granted by shares on the basis of prior written consent of the holders of three-fourths of the issued shares of that class or decision taken by not less than three-fourths of majority of the holders of shares of the class presented in person or by attorney at a separate general meeting of holders of shares of this class. The quorum for such meetings is at least one person holding or representing by attorney not less than one-third of the issued shares of that class.

Constituent documents of the Issuer do not contain norms discriminating and/or restricting the rights of the Issuer's shareholders on their transfer and/or disposal.

1.5. Terms and procedure for redemption of shares by the issuer

Subject to the provisions defined by the Companies Law and the constituent agreement of the Issuer, the Issuer may:

- issue shares, providing an obligation of their redemption or a shareholder's right to demand redemption of these shares. Issue of such shares is made on the basis of a special resolution⁵, which also determines conditions and the manner of such redemption;
- in the manner determined by the relevant decision of the general meeting of shareholders to redeem their shares and pay for them in any manner permitted by the Companies Law, including from the capital;
- make a payment in respect of redemption or purchase of its own shares otherwise than out of profits or the proceeds from the issue of new shares.

Taking into account the fact that the Issuer's shares are registered in accordance with the laws of the Cayman Islands, the Issuer's charter provides the possibility for the forced redemption of shares from American shareholders without their consent. The Issuer has this right in connection with the fact that in accordance with U.S. law, there are restrictions on the ownership of shares by U.S. investors, the issue of which was not registered under the U.S. Securities Act of 1933, as well as other state laws that are recognized in the territory of USA. Issuer redeems the shares in the following cases:

- 1) if there is a reason to believe that the shares of this shareholder can be defined as "plan assets", in the sense it is defined in accordance with U.S. Law on pension provision and the Tax Code of the United States;
- 2) if the ownership of Issuer's shares may cause the requirements in relation to the shareholder to be registered as "investment company", in accordance with the requirements of the U.S. "On Investment Companies".

1.6. Information on all stock exchanges and other regulated markets on which the issuer's securities are traded

The only founder of the Issuer by the time of its registration on July 21, 2010 in accordance with the laws of the Cayman Islands was Frontier Mining Ltd., registered in Delaware (USA). Shares of Frontier Mining Ltd. were admitted to circulation on the AIM trading floor of the London Stock Exchange on September 2, 2004.

In accordance with the decision of the shareholders of Frontier Mining Ltd. dated November 08, 2011 on changing the place of registration of the company, all assets and liabilities of Frontier

⁵ Hereinafter: Special resolution - a resolution for which at least two-thirds of the shareholders entitled to vote for such a decision, voted in person or by proxy. Procedure of taking such decision is defined by the Issuer's Charter.

Mining Ltd. were transferred to the Issuer. Instead of shares of liquidating Frontier Mining Ltd., Issuer's shares were distributed to the shareholders in the ratio of 1:1.

On December 22, 2010 shares of Frontier Mining Ltd. were excluded from the official list of AIM trading floor of London Stock Exchange and the Issuer's shares were admitted to AIM on 23 December, 2010. On the date of exclusion of shares of Frontier Mining Ltd. their amount was 917,336,219 shares.

Dynamics of maximum and minimum prices for the Issuer's shares, and before December 23, 2010 – for the shares of Frontier Mining Ltd., on AIM trading floor is as follows:

			<i>Gbp, British pence</i>		
Period	Maximum price	Minimum price	Period	Maximum price	Minimum price
2008	9,125	0,125	2 qt. 2012	5,975	4,400
2009	12,250	0,160	3 qt. 2012	5,175	3,525
2010	9,000	4,750	4 qt. 2012	3,950	1,975
2011	8,375	2,550	January, 2013	3,300	2,000
2012	6,550	1,975	February, 2013	3,125	2,850
1 qt. 2011	8,375	4,125	March, 2013	3,025	2,575
2 qt. 2011	6,125	3,325	April, 2013	3,125	2,325
3 qt. 2011	4,375	2,650	May, 2013	2,675	2,375
4 qt. 2011	4,375	2,550	June, 2013	2,575	2,125
1 qt. 2012	6,550	2,600	July, 2013	2,100	1,175

1.7. Information about the existing legislative restrictions on the export of dividends on shares of the Issuer

Taking into account the fact that the country of registration of the Issuer is a foreign state, the payment of dividends will be carried out with the Issuer's bank accounts opened in foreign banks. There are no restrictions on transfer of dividends to accounts of shareholders – residents of the Republic of Kazakhstan, but these amounts are subject to exchange control of authorized banks and financial monitoring for checking the origin of the funds in accordance with applicable regulations of the Republic of Kazakhstan.

1.8. Information about the procedure of placement of securities

The Issuer plans to start the placement after passing the procedure of including in the official list of joint stock company "Kazakhstan Stock Exchange" (hereinafter - KASE).

Considering that in accordance with the requirements of the Law "On Subsoil and Subsoil Use" dated June 24, 2010 (hereinafter - the Law on Subsoil) placing of shares of subsoil users is carried out in accordance with the resolution of the competent authority, notifications of Ministry of Industry and New Technologies of the Republic of Kazakhstan (hereinafter - the Competent authority⁶) No.07-3/5-9486 dated December 20, 2012 and No.07-3/2-21660 dated August 6, 2013 it was determined that the shares of the Issuer can be placed by December 20, 2013. By the

⁶ Here and throughout the text of this investment memorandum the Competent authority is the central executive body, who is carrying the realization of the rights related to the conclusion and execution of contracts for exploration, production and combined exploration and production on behalf of the Republic of Kazakhstan. At different periods this function was performed by the Agency of the Republic of Kazakhstan on investments (from March 1999 to January 2001), the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (from January 2001 to May 2010), the Ministry of Industry and New Technologies of the Republic of Kazakhstan (May 2010 - present)

present time the Issuer has sent a request to the competent authority for obtaining a permit for the placement of shares for a longer period.

1.9. Location of placement

Placement of shares of the Issuer will be carried out between an unlimited range of investors on the trading floors of KASE and AIM of London Stock Exchange.

1.10. Procedure for public distribution of information on the placement of securities

As indicated above, the placement of the shares will be carried out on an organized market: KASE and AIM of London Stock Exchange. In this connection, the order of payment, as well as its terms will be determined by the internal documents of the indicated organizers of the trades.

Information on the results of placement of shares on both Issuer's trading floors will be posted on the official websites of the respective stock exchanges: KASE⁷ and AIM of London Stock Exchange⁸.

1.11. Information about the procedure for the pre-emption right

Under the Law on Subsoil the implementation of pre-emptive rights for the Issuer involve obtaining the consent on buying or not buying of the placed shares of the Issuer from the Competent Authority, for which cause there is no procedure for the implementation of pre-emptive rights for the current shareholders.

In accordance with the above competent authority approvals mentioned in paragraph 1.8 the procedures for enforcement of the pre-emptive right were observed and the person who has this right person (namely, the Competent authority) refused to implement it, by issuing the permits for the placement.

1.12. Information on the registrar, the representative of the security holder and payment agent

The representative of the security holder and paying agent for the Issuer's shares is not provided.

Functions of the registrar on the Issuer's shares are carried out by Computershare Investor Services (Cayman) Limited, registered and located on the island of Grand Cayman, West Bay (legal and actual addresses: Windward 1, Regatta Office Park, West Bay Road, Grand Cayman KY1-1103, Cayman Islands).

The company's head office is registered and located in Melbourne, Australia (legal and actual addresses: GPO Box 2975EE, Melbourne VIC 3000, Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067)

Type of activity	<ul style="list-style-type: none">– work with investors– registrar services– services related to cooperation with the shareholders– transaction support– support at international capital markets
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CEO	William Stewart Crosby, CEO
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Contact phone number, fax	Head office: +61 (0)3 9415 5000,
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⁷ <http://www.kase.kz>

⁸ <http://www.londonstockexchange.com/companies-and-advisors/aim/aim/aim.htm>

+61 (0)3 9473 2500

Branch in Jersey: +44 (0) 1534 281200

Contact person

Robert Baker

Phone: +44 (0) 870 707 4040

Fax: +44 (0) 870 873 5851

robert.baker@computershare.co.je

1.13. Aims and reasons for the listing and subsequent placement of securities

As a result of placement of ordinary shares in the amount of 500 000 000, the Issuer plans to raise an amount equivalent to 40 000 000 US dollars.

Designated purpose of the attracted funds is continuation of the subsoil use contracts, details of which are given in paragraph 2.5 of this investment memorandum:

US dollars

<i>Aim of financing</i>	<i>Amount</i>	<i>Notes</i>
Capital expenses at Benkala field (Aktobe region, Kazakhstan)	8 237 695	
Crushing and Agglomerative complex	1 100 000	Increasing productivity and reducing of technological risks
Heap leaching pads	2 986 526	Construction of the 5th, 6th, 7th heap leach pads for season 2014 with the aim of increasing the productivity and performance of the plan in 2014
Electrowinning	765 387	Electrolysis cells (cells, scrubber covers)
Equipment installation	100 000	Used for quality installation of cells
Power systems	279 927	Second transformer for increasing of the reserve and removal of technological risks. Necessary, taking into account energy consumption of the production
Garages, including equipment	636 709	Increasing the quality of equipment, increasing the equipment output factor, increasing the efficiency of mining operations
Designing of tailing dump	100 000	Necessary for storage of the spent ore
Warehouse for sulfuric acid	216 216	Installation of the warehouse at the railway siding. This warehouse is essential for ensuring continuous production in accordance with the plan established for 2014. Full warehouse is 3-4 week supply of sulfuric acid required for continuous production, which reduces the technology risk of the Issuer
Coal warehouse	266 667	Installation of a coal warehouse located at the plant site, which is required to ensure continuous production with the plan established for 2014. Full warehouse is 3-4 week supply of coal required for continuous production, which reduces the technology risk of the Issuer
Railway	400 000	Completion of the 200 meters of the railway necessary for the delivery of coal to the boiler, which reduces the cost of coal supply
Office and Amenity Building	696 847	Construction of an office and amenity building is needed to improve the living conditions
Pumps for the open pit	230 000	Additional pumps are needed to solve problems with pumping of water out of the open pit. Moreover, the pumps are used to supply water during the production process
Miscellaneous capital costs	459 416	Auxiliary equipment related to the production cycle (electric motors, pumps, etc.), as well as other fixed assets (furniture, computer equipment), laboratory equipment, air conditioners
Geological exploration	2 814 000	Benkala and South Benkala: implementation of the proposed

		minimum program, bringing the reserves estimation to JORC⁹ standard. Baytemir: additional conduction works for the project protection before the State Commission on Mineral Reserves of the Republic of Kazakhstan (hereinafter - SRC)
Operatioal expenses	12 948 305	For operational activities: fuel, electricity, payroll budget, purchase of sulfuric acid, etc.
Refinancing of debts of the Issuer	16 000 000	Needed to reduce anxiety in the market about the creditworthiness of the Issuer, whereby the Issuer will be able to focus on solving the production problems. As a consequence the value of the shares and the attractiveness of the whole project may be increased.
Total costs	40 000 000	

* KZT/USD exchange rate by 01.10.2013, National Bank of RK: 153,81 tenge

By placing the shares, the Issuer plans to repay:

- 1) a loan from EXP T1 Ltd. (London, UK) in the amount of 10 million US dollars with the remuneration rate of 12% per annum. The maturity of the loan expires on November 22, 2013 and its extension is currently negotiated;
- 2) the outstanding principal on the loan notes issued for the Public Fund "Nursultan Nazarbayev Educational Foundation"¹⁰ (Almaty, Kazakhstan) in the amount of 5 million US dollars, including (1) outstanding principal of 600 000 US dollars on credit notes with the remuneration rate of 12% and the maturity date on May 18, 2014; (2) outstanding principal of 3 million US dollars on credit notes with the remuneration rate of 8% per annum and the maturity date on May 20, 2014; (3) outstanding principal of 1.4 million US dollars on credit notes with the remuneration rate of 12% and the maturity date on December 27, 2013;
- 3) partial repayment in the amount of one million US dollars of principal on notes issued for the Central Asian Educational Services SA (Commonwealth of the Bahamas, Nassau), balance of debt on which is 2 000 018 US dollars. Rate of remuneration is 12%, maturity date is on April 24, 2014.

On the loans of related parties which are waiting for the payment at the moment there are negotiations on restructuring. If the restructuring does not take place or the funds will not be raised, the repayment of these loans will be funded by the Group's own funds to be spent on capital expenses of Benkala deposit and Naimanjal contract area. In this case, the financing of these capital expenditures will be delayed until sufficient funds will be raised.

⁹ International system of mineral resources specified by the JORC Code. The Code is made by the Joint Ore Reserves Committee, which is located in Australia and was established in 1971 with the support of the Australian mining companies

¹⁰ Besides the main activity on implementation of innovative methods in education area, the work of Public Fund "Nursultan Nazarbayev Educational Foundation" also aims to implement innovative methods and technologies in the business sector of the economy by participating in the establishment of centers of education and training of labor force. In addition, the Fund provides financing of enterprises that use new technology for their industry or manufacturing technologies that are more environmentally friendly and productive comparing to the technologies used by the industry average. These technologies include the method of solvent extraction and electrowinning (Solvent Extraction Electrowinning, SX-EW), applied by the Issuer.

SECTION 2. GENERAL INFORMATION ABOUT THE ISSUER

Name	FRONTIER MINING LTD.
Document confirming the registration	Certificate of Incorporation dated July 21, 2010, issued by the Assistant Registrar of Companies of the Cayman Islands Certificate of change of name from July 28, 2010, issued by the Assistant Registrar of Companies of the Cayman Islands. According to this certificate the Issuer has been given the name of FRONTIER MINING LTD. (at the initial registration on July 21, 2010 the Issuer was registered as Frontier Mining Ltd.)
Registration number in the Register of Companies of Cayman Islands	243349
Legal address	1st Floor, Landmark Square Building, 64 Earth Close, PO Box 715 KY1-1107, Cayman Island
Contact details	Phone: +44 20 7898 9153 e-mail: information@frontiermining.kz
Official site	www.frontiermining.kz

2.1. History of establishments and development of activities of the Issuer

State registration of the Issuer has been carried out in accordance with the laws of the Cayman Islands on July 21, 2010. During the state registration the Issuer assumed the name of Frontier Mining Ltd., on July 23, 2010 the name was changed to FRONTIER MINING LTD.

The sole founder of the Issuer was Frontier Mining Ltd., registered on August 5, 1998 in Delaware in accordance with U.S.A. law. During the state registration it was planned that Frontier Mining Ltd. will carry out exploration activities and, in case of obtaining a permit, the development of copper and gold deposits in the Republic of Kazakhstan, as well as individual operations in the U.S.A. In this connection, Delaware was chosen as the place of registration as the best place to register in order to organize effective management of all activities of the company.

During the period from 1998 to 2010 Frontier Mining Ltd. changed its strategic direction and focused its activities on the territory of the Republic of Kazakhstan, in connection with which the Directors of Frontier Mining Ltd. decided to change the place of registration, as the location in Delaware was no longer effective from commercial and financial perspective. In addition, registration under the U.S. legislation could create certain restrictions for trading operations with shares of Frontier Mining Ltd., which since 2004 have been admitted to trading on the AIM trading floor of the London Stock Exchange. An additional argument in favor of changing the place of registration was that Frontier Mining Ltd. planned to expand its activities in the territory of the Republic of Kazakhstan, and it could be ineffective from a financial point of view due to the possibility of the tax obligations in the USA in respect of foreign operations of the company.

Cayman Islands were established as a new place of registration, and as the most effective method of changing the place of registration was considered the procedure of establishment of a new company in accordance with the laws of the Cayman Islands, and further joining of Frontier Mining Ltd. to that company. For this purpose, on July 21, 2010 in accordance with the laws of the Cayman Islands the state registration of the Issuer was made (the sole founder was Frontier Mining Ltd.).

On November 8, 2010 an extraordinary general meeting of shareholders of Frontier Mining Ltd. (the sole founder of the Issuer) was held, at which the shareholders decided to change the place of registration of the company by consolidation of Frontier Mining Ltd. with the Issuer.

The procedure was carried out by (1) the exchange of shares of Frontier Mining Ltd. to Issuer's shares of the quantitative ratio of 1:1, (2) the transfer of all assets, liabilities and responsibilities of Frontier Mining Ltd. in favor of the Issuer. By the reason that American shareholders of Frontier Mining Ltd., in accordance with the laws of the United States could not hold shares of a company incorporated under foreign law, the shares were subject to redemption by the Issuer.

The main assets of Frontier Mining Ltd., which were transferred to the Issuer included:

- 100% of the share in the authorized capital of the Limited Liability Partnership "FML Kazakhstan"¹¹ (Kurchatov, Kazakhstan), which in 1998 was purchased from EARTH SEARCH SCIENCES INC. (Lakeside, Montana, USA) and SEMTECH (Camarillo, California, USA) for cash.

"FML Kazakhstan" LLP acted as a contractor for the subsoil use contract No.299, signed with the Republic of Kazakhstan Agency for Investment on March 4, 1999 for exploration and subsequent production within Naimanjal area (hereinafter - **Naimanjal contract area**)¹².

- 50% of the share in the authorized capital of U.S. Megatech, Inc. (Road Town, Tortola island, British Virgin Islands), which in 2007 was acquired for cash by U.S. company Frontier Mining Ltd. from Coville Intercorp Ltd. (Road Town, Tortola island, British Virgin Islands).

U.S. Megatech, Inc. is the sole member of «KazCopper» Limited Liability Partnership ("KazCopper") (Almaty, Republic of Kazakhstan), which acts as a contractor under the contract on subsoil use at **Benkala deposit** (Aktobe region, Republic of Kazakhstan) signed with the Ministry of Energy and Mineral resources of Republic of Kazakhstan on November 15, 2007.

Besides the shares in authorized capitals of "FML Kazakhstan" LLP and U.S. Megatech, Inc., shares in the authorized capital of the following companies were transferred to the Issuer:

- 100% share in the authorized capital of Frontier Mining Antilles NV (Curacao, the Netherlands) was established on July 23, 2010 by Frontier Mining Ltd.;
- 0,01% share in the authorized capital of Frontier Mining Co-operative (Amsterdam, the Netherlands) was established on August 18, 2010 by Frontier Mining Ltd. (0.01%) and Frontier Mining Antilles NV (99,99%).

In turn, Frontier Mining Co-operative was at the time of transmission, and is as of October 1, 2013, the sole founder and the owner of 100% share in the authorized capital of Frontier Mining Finance BV (Amsterdam, the Netherlands), established on August 25, 2010;

- 100% of the share in authorized capital of the "Baltimir" Limited Liability Partnership (Semey, Kazakhstan), which Frontier Mining Ltd. acquired in 2008 for cash from "Degelen" Limited Liability Partnership (Kurchatov, Kazakhstan), "Aktas" Limited Liability Partnership (Ust-Kamenogorsk, Kazakhstan) and a number of individuals.

At the time when Frontier Mining Ltd. has acquired the share in the authorized capital of "Baltimir" LLP in 2008, this partnership was the contractor under the contract No.325 dated May 5, 1999 for the exploration of gold and silver at Baltimir deposit (Pavlodar, Kazakhstan). Under the contract, the geological exploration was conducted at the deposit, on the results of which no commercial detection were made. In 2010, all obligations on the part

¹¹ The former name of "FML Kazakhstan" LLP - "Polygon Resources" Limited Liability Partnership. The name change was made on October 31, 1998, after Frontier Mining Ltd. purchased 100% of the share in the authorized capital of this partnership

¹² Administratively Naimanjal contract area is located on the territory of Pavlodar, Karaganda and East Kazakhstan region

of the partnership to transfer the contract territory and abandon jobs were conducted. Currently "Baltemir" LLP does not carry out any activity.

Besides the decision to change the place of registration at the Extraordinary general meeting of shareholders held on November 8, 2010, the shareholders agreed to the purchase of 50% share in the authorized capital of U.S. Megatech, Inc. from Coville Intercorp Ltd. by the Issuer. The purpose of this transaction was increasing the Issuer's share in the authorized capital of U.S. Megatech, Inc. to 100%, and therefore to possess the exclusive rights to subsoil use at Benkala deposit. In addition, the Issuer has acquired from Coville Intercorp Ltd. 100% of the shares of "Maminskaya mining Company" Closed Joint-Stock Company (Sverdlovsk, Russia), which has the exclusive rights to subsoil use at **Maminskoye gold deposit** (Sverdlovsk region, Russia).

Acquisition amount of shares in the authorized capital of U.S. Megatech, Inc. and "Maminskaya mining Company" CJSC was 104,968,825 U.S. dollars, and was paid by (1) the transfer of 873,215,000 shares of the Issuer to Coville Intercorp Ltd. (47% of the placed shares of the Issuer) at fair value of 98,877,819 U.S. dollars and (2) offsetting receivables of Coville Intercorp Ltd. to the Issuer in the amount of 6,091,006 U.S. dollars.

	50% of the share in the authorized capital of U.S. Megatech, Inc.	100% of shares of "Maminskaya Mining Company" CJTC	<i>US dollars</i> Total
The fair value of the consideration paid	72 328 825	31 640 000	104 968 825

On December 23, 2010 on AIM trading floor of London Stock Exchange trading of shares of the Issuer were opened, and the trading of shares of Frontier Mining Ltd., registered in Delaware, were closed on December 22, 2010 in connection with the termination of its existence.

On April 11, 2011, after obtaining the appropriate permits from the authorized state bodies of the Republic of Kazakhstan for the transfer of 50% of the share in the authorized capital of U.S. Megatech, Inc., the transaction between the Issuer and Coville Intercorp Ltd. on the purchase of the authorized capital of U.S. Megatech, Inc. and "Maminskaya mining company" CJSC by the Issuer has been completed. As a result, the Issuer has received the exclusive subsoil use rights at Benkala deposit.

In July 2011, the Issuer sold 100% of the shares of "Maminskaya mining company" for U.S. \$ 37.5 million in cash to Stanhigh Limited (Limassol, Cyprus). Income of U.S. \$ 33.7 million, remained after the payment of all necessary transactions were the significant financial support to the Issuer for works at Benkala deposit.

In May 2011, the Issuer announced the conclusion of the sale and purchase contract of the rights to the subsoil use contract at the exploration **deposit of South Benkala**. The Republic of Kazakhstan had a preferential right to purchase the asset, which has not been implemented, whereby in December 23, 2011 on the basis of the Issuer's application the right of subsoil use was officially handed over to the Issuer's affiliated company - «KazCopper» ("KazCopper") LLP.

Thus, on the basis of its investment activities by the end of 2011 the Issuer has formed an independent group of integrated companies, which is the sole owner and has exclusive rights to subsoil use at Naimanjal contract area, Benkala deposit and South Benkala deposit.

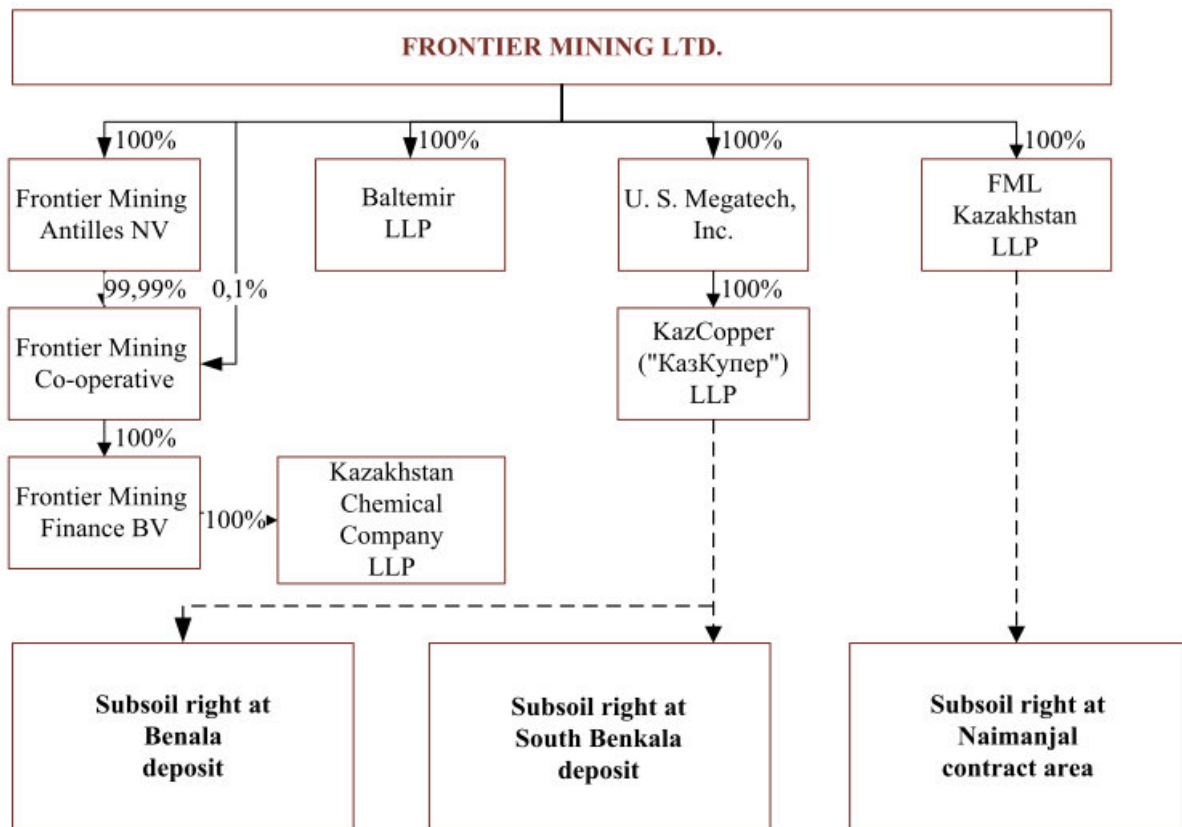
Below is a list of subsidiaries and related parties of the Issuer (hereinafter collectively with the Issuer referred to as the Group):

Name (location)	Information on Chief Executive Officer/ executive body	Type of activity	Issuer's share in the authorized capital
Frontier Mining Antilles NV	Functions of executive	Managing company	100%

(Curacao, Netherlands)	body is performed by the managing company Trustmoore (Curaçao) N.V. (Curacao, Netherlands)		
Frontier Mining Co-operative (Amsterdam, Netherlands)	Functions of executive body is performed by the managing company H&P Trust Company(Netherlands)B.V. (Amsterdam, Netherlands)	Managing company	Frontier Mining Antilles NV – 99,99% Issuer – 0,01%
Frontier Mining Finance BV (Amsterdam, Netherlands)	Functions of executive body is performed by the managing company H&P Trust Company(Netherlands)B.V. (Amsterdam, Netherlands)	Managing company	Frontier Mining Co-operative - 100%
U.S. Megatech, Inc. (British Virgin Islands, Tortola, Road Town, Weekmskey I, 24 De Castro Street, AkaraBldg.)	Director, Tastanov Adil Yerbolatovich, 1978 year of birth	Managing company	100%
«KazCopper» Limited Liability Partnership («КазКупер»), (Republic of Kazakhstan, Almaty, Al-Farabi Avenue 17, "Nurly Tau" Business Center, block 4 B, office 602)	General Director, Babiy Alexander Anatolievich, 1967 year of birth	Development and production at Benkala deposit. Exploration at South Benkala deposit	100% contributor of the authorized capital is U.S. Megatech, Inc., mentioned above
"FML Kazakhstan" Limited Liability Partnership (Republic of Kazakhstan, East Kazakhstan, Kurchatov Shkolnaya st., 1-1)	President, Babiy Alexander Anatolievich, 1967 year of birth	Exploration and development at Naimanjal contract area	100%
«Kazakhstan chemical company» Limited Liability Partnership (Republic of Kazakhstan, Almaty, Al-Farabi Avenue 17, "Nurly Tau" Business Center, block 4 B, office 602)	Director, Dusipov Rustam Berikovich, 1979 year of birth	Delivery and transportation of chemicals	Frontier Mining Finance BV - 100% ¹³
«Baltemir» Limited Liability Partnership (Republic of Kazakhstan, Semey, Kozbagarova st., building 9, apartment 6)	General director, Metelskaya Marina Anatolievna, 1977 year of birth	Non-producing	100%

Schematic structure of the Group is as follows:

¹³ Kazakhstan Chemical Company LLP was established on January 09, 2012 by Frontier Mining Finance BV (the sole founder)



2.2. Information on the share capital

Number of authorized shares	3 000 000 000 of ordinary shares
Number of placed shares	1 860 913 973 of ordinary shares
Nominal value	0,01 US dollars per one ordinary share

During the period of change of registration in 2010 American shareholders of Frontier Mining Ltd., which were in the category of "accredited investors"¹⁴ could get shares of the Issuer in exchange for shares of the American company Frontier Mining Ltd. in a quantitative ratio of 1:1. At the time of the exchange the total number of placed shares of the American company Frontier Mining Ltd. was 917 336 219, including 509 795 789 ordinary shares placed in the previous years and 407 540 430 of ordinary shares issued for the warrants.

Issue of shares for the warrants was made in connection with the fact that on April 30, 2009 between the Issuer and the Limited Liability Company «New Technology» (Almaty, Kazakhstan. Former name - JSC "Zere Group") an agreement was signed on the extension of credit facility of 10 million US dollars with maturing date on April 30, 2011. In October 2010, the credit line limit was increased to 20 million US dollars and the maturity date extended until January 2014.

In respect of this credit line in 2009 the Issuer issued share warrants which LLP «New Technology» had the right to execute in accordance with the terms of the agreement. In the event of exercise of these warrants, common shares of the Issuer in amount of 407 540 430 at a price of 1.5 pence (2.44 US cents) per share should be placed to only participant of «New Technology» LLP - River House Consultants Limited (London, UK). On January 15, 2010 «New Technology» LLP executed the warrants, which resulted that the Issuer in favor of River

¹⁴ Criteria to classify persons as "accredited investors" are defined under the USA Securities Act of 1933.

House Consultants Limited has placed 407 540 430 of ordinary shares (44% of the placed shares of the Issuer).

Issuer has determined that the warrants for the shares issued in 2009, were derivative financial liability and therefore were separately measured at fair value using a method based on option pricing model and market data related to its share prices and volatility at each reporting date to determine the fair value of the derivative liability.

Given the specified methods of computation at the moment of warrants execution the fair value was 45.3 million US dollars. The specified amount, including 9.9 million US dollars (407 540 430 of ordinary shares, 2.44 cents each) was taken into account in the authorized capital of the Issuer. And also 9.9 million US dollars were offset against the financial obligations of the Issuer on the credit line.

US dollars (unless specified otherwise)

	Placed shares, pcs.	Total nominal value	Additional paid capital	Total	Placing price (USA cent)	KZT/USD rate of National Bank of RK at the specified date
01.01.2010	509 795 789	5 097 958	53 936 563	59 034 521		148,36
Issue according share warrants	407 540 430	4 075 404	41 258 232	45 333 636	2,44	
Intermediate data at the time of reregistration	917 336 219	9 173 362	95 194 795	104 368 157		
Repurchase of shares from shareholders in USA	Minus 1 279 253	Minus 12 792	Minus 111 484	Minus 124 276	Minus 9,72	
The placement of shares after the registration in the Cayman Islands to finance the Benkala project	68 475 340	684 753	5 726 182	6 410 935	9,36	
Expenses for placement			-251 230	- 251 230		
Adjustment of debt to Sokol Holdings, Inc.			273 754	273 754	0,00	
Issued for Coville Intercorp Ltd	873 215 000	8 732 150	90 145 669	98 877 819	11,32	
31.12.2010	1 857 747 306	18 577 473	190 977 686	209 555 159		147,40
Issued for satisfaction of accounts payable Bracewell & Guliani LLP (London, UK)	3 166 667	31 667	356 557	388 224	12,26	
31.12.2011	1 860 913 973	18 609 140	191 334 243	209 943 383		148,04
-	-	-	-	-	-	
31.12.2012	1 860 913 973	18 609 140	191 334 243	209 943 383		150,29
-	-	-	-	-	-	
30.09.2013	1 860 913 973	18 609 140	191 334 243	209 943 383		153,62

Repurchase of shares from shareholders in the USA

During the exchange of shares of an American company Frontier Mining Ltd. the shares held by shareholders who were not accredited investors and, consequently, in accordance with the laws of the United States had no right to own shares of a foreign legal entity, have been redeemed by the Issuer. Issuer had redeemed 1 279 253 shares at a price of 6.25 British pence (9.72 US cents) per share.

The placement of shares after the registration in the Cayman Islands to finance the Benkala project

After Issuer received the admission to AIM on December 23, 2010 in order to finance the Group's working capital and to finance works at Benkala field, 68 475 340 of ordinary shares were placed for the price of 9.36 cents in the amount of 6 410 935 US dollars. These shares were paid in cash.

Adjustment of debt to Sokol Holdings, Inc.

The credit note, convertible to the Issuer's shares, which was issued by the Issuer in 2007 in favor of Sokol Holdings, Inc. (Delaware, USA), was valid at the end of 2010. If within 3 years of the date of the issue the note was not converted, it was subject to repayment by the Issuer in November 2010. At the beginning of 2010, this debt was considered by the Issuer as a current liability.

Due to the fact that in 2010 the repayment terms were modified and the maturity was extended until the end of 2012 (the debt was repaid in 2012), the net present value of the obligation was recalculated. As a result of the recalculation discount in the amount of 273 754 US dollars was attributed to the additional paid capital.

Shares issued for Coville Intercorp Ltd.

On December 31, 2010, the Issuer has issued 873 215 000 shares to the company Coville Intercorp Ltd. with the fair value of 98 877 819 US dollars as a payment for the conditional acquisition of 50% of the share in the authorized capital of U.S. Megatech, Inc. and 100% of shares of "Maminskaya Mining Company". The acquisition was conditional due to the fact that in respect of shares in U.S. Megatech, Inc. the transaction was completed only after obtaining permission of the authorized body of the Republic of Kazakhstan, as mentioned above in paragraph 2.1. of this memorandum.

The cost of the shares in authorized capitals of U.S. Megatech, Inc. and "Maminskaya mining company" JSC is determined by Coville Intercorp Ltd. (seller), on the basis of the carrying amount of those shares.

Issuance of shares for services rendered

On January 12, 2011, the Issuer has issued 3 166 667 of its common shares in order to pay for services of Bracewell & Guliani LLP (London, UK), rendered in connection with the change in place of registration and acquisition of the assets of Coville Intercorp Ltd.

As of October 1, 2013 the Issuer has not repurchased shares and shares owned by Group companies.

2.3. Main projects of the Issuer

NAIMANJAL CONTRACT TERRITORY

Contract No.299 for works on the exploration and production of gold, silver and coal at Naimanjal contract area for 30 years was signed on March 4, 1999 between the Government of the Republic of Kazakhstan, represented by Kazakhstan Agency for Investment and Limited Liability Partnership "Polygon Resources". In 1998, Frontier Mining Ltd. acquired a 100% in the authorized capital of the partnership and renamed it to "FML Kazakhstan" LLP (certificate of

state reregistration dated October 31, 1998. "FML Kazakhstan" LLP is still the contractor under this Contract.

The contract covers an area of about 529 square kilometers. Naimanjal contract area includes the following areas:

Areas included in Naimanjal contract territory	Deposits belonging to the areas	Type of extracted minerals	Status of works on site
Naimanjal	Naimanjal with Baritovoye mineral reserve base	Gold	Operation stopped
Koskuduk ore zone	Koskuduk (south part)	Gold	Operation stopped
	Koskuduk (north part)	Gold	Exploration and evaluation
	Shan	Gold	Exploration and evaluation
	Karazhyrek	Gold	Exploration and evaluation
	Zhusaly	Gold	Exploration and evaluation
Baitemir group of deposit	Baitemir copper porphyry deposit ¹⁵	Copper	Exploration and evaluation
	Baitemir quartz-gold deposit	Gold	Exploration and evaluation
	Baitemir complex deposit	Copper, gold	Exploration and evaluation
Beschoku-Yubileinoye ore field	Beschoku	Copper	Exploration and evaluation
	Kotansor	Copper, gold	Exploration and evaluation
	Yubileinoye	Copper	Exploration and evaluation
	Sarygozhal (with Sarygozhal 1, 2, 3 ore occurrence)	Copper	Exploration and evaluation

The most sizable deposit is Baitemir. Beschoku and Yubileinoye field and may be an additional source of raw materials for Baitemir field.

Naimanjal and Koskuduk area

Results of work at deposits of Naimanjal and Koskuduk (southern part) showed that the development of copper deposits gives a greater return on investment with industrial and financial points of view, in this connection in 2010 and 2011 the Issuer decided to stop work on the fields of Naimanjal and Koskuduk (southern part). Total loss of work stoppages in 2010 was 16.5 million US dollars, and in 2011 - 6.8 million US dollars¹⁶.

The Issuer decided to suspend works at Koskuduk area (southern part) and to concentrate efforts and resources on developing Baitemir group of deposits, as well as Beschoku-Yubileinoye ore field as fields related Baitemir group.

¹⁵ Porphyry - the general name for magmatic rocks with high silica content (SiO₂).

¹⁶ Including (1) cost of plant equipment - 4 508 511 US dollars; (2) carrying value of the deposit - 1 350 257 US dollars; (3) reserves – 682 102 US dollars.

In January 2012 "FML Kazakhstan" LLP applied to the public authorities with the question of surrendering of mining licenses in the fields of Koskuduk (southern part) and Naimanjal. On May 10, 2012 "FML Kazakhstan" LLP received approval of the Ministry of Industry and New Technologies of the Republic of Kazakhstan in respect of the surrendering of these licenses. In accordance with the requirements of the Subsoil Use Law towards the Competent Authority on June 20, 2013 the liquidation program was provided in relation to the above mentioned fields, under which the work for liquidation of subsurface objects must be completed within three years from the date of approval of the liquidation program by the authorized state body. As of October 1, 2013 it is still under consideration of the Competent Authority.

The Issuer independently estimates reserves for obligations for conservation and restoration of deposits. The reserve is based on the Issuer's assessment of the total cost of recovery discounted to its net present value and is marked as an asset for the expected lifetime of the deposit. Estimation of total value requires management to make certain assumptions, including restoration work and discount rates. Changes in these assumptions or changes in the law on environmental protection may lead to a change in a future period reserve. Any such change is registered during the review, and the amount of the asset and expenditure in each period is modified with regard to the prospects.

In accordance with the liquidation program the amount of expenses of the company for the entire period of its implementation will be 327 105 thousand tenge. Financing of the works related to the liquidation of subsurface objects will be implemented at their own expense. At the reporting date the liquidation fund was not formed.

SOUTH BENKALA DEPOSIT

In May 2011, the Issuer announced a sale and purchase agreement for the acquisition of rights to the subsoil use contract at the exploration deposit of South Benkala for total remuneration in the amount of U.S. \$ 2.5 million. Republic of Kazakhstan, represented by the Competent Authority, had a pre-emptive right to acquire the asset, which has not been implemented. Based on the statement of the Issuer, «KazCopper» ("КазКупер") LLP (a related party of the Issuer), with which the Ministry of Industry and New Technologies of the Republic of Kazakhstan concluded a contract No.3025 dated February 23, 2009 was defined as a contractor under the contract on subsoil use.

BENKALA DEPOSIT

Benkala copper-molybdenum-gold deposit is located in north-west of Kazakhstan within the Urals belt¹⁷. The result of works at the deposit is a key factor in achieving significant revenues in the short and long term for the Issuer. «KazCopper» ("КазКупер") LLP is the contractor at this deposit as a related party of the Issuer.

During 2012, LLP «KazCopper» ("КазКупер") completed the initial phase of development of Benkala deposit and construction of complex for the production of cathode copper by solvent extraction and electrowinning (Solvent Extraction Electrowinning, hereinafter – the SX-EW technology), which was started up in 2012.

SX-EW technology at extraction of copper from ore refers to technologies that are widely used in recent decades in the world of copper mining. By obtaining commercial value of solvent extraction the issue of efficiently processing of product solutions coming from the leaching area was resolved. The product of solvent extraction process is copper cathodes with a copper content of not less than 99.9%.

¹⁷ Geographical region in Russia and Kazakhstan, located between the East European and West Siberian plains. The main part of this region is the Ural mountain range. In Kazakhstan Aktobe and Kostanai regions can be geographically attributed to this region.

Extraction of copper is a technology that includes four main steps:

- solution (leaching) of copper in sulfuric acid;
- extraction of copper to organic stage by the means of extraction;
- re-extraction of copper from the organic phase with production of electrolyte;
- cathodic electrodeposition of copper from electrolyte.

To achieve cost-effective production rate when applying SX-EW technology it is required that copper minerals are acid-soluble. In many cases carbonate forms of copper (carbonates), such as malachite and azurite, are preferred source material for the application of SX-EW technology, since the kinds of minerals are usually more acid-soluble with 80-90% extracts, compared with 60-70% extraction level for deposits of chalcocite and chalcopyrite¹⁸. But for chalcocite and chalcopyrite deposits, this technology is highly effective.

Benkala and South Benkala are copper porphyry deposits that have primary copper sulphide minerals (with a predominance of chalcopyrite) with deeply eroded capping of supergene oxidized copper ore¹⁹ (with a predominance of chalcocite), which differ by not sufficiently high copper content in the ore. In this regard, the application of SX-EW technology by the Issuer is maximally useful, as this technology is cost-effective to extract copper from ore with not sufficiently high copper content.

2.4. Information about existence of any ratings assigned to the issuer and/or its securities

Issuer and the members of the Group, as well as the securities issued by them, were not rated by international and/or domestic rating agencies.

2.5. Information on licenses and subsoil use contracts

SUBSOIL USE RIGHT AT BENKALA DEPOSIT

On November 15, 2007 between the competent authority and U.S.Megatech, Inc. (New York, USA), the contract No. 2482 was concluded for exploration and mining of copper on Benkala deposit in Aktobe region. The only member of U.S. Megatech, Inc. was a subsidiary company of the Issuer – U.S. Megatech, Inc.

At the time of conclusion the contract period was 29 years, including 4 years - the period of exploration, 25 years - the period of production, with the possibility of extending the term of the contract.

In March 2008, U.S. Megatech, Inc. has appealed to the competent authority with a request to transfer all rights and obligations under the contract No. 2482 dated November 15, 2007 in favor of KazCopper LLP, the sole member of which is also U.S. Megatech, Inc.

On the basis of this statement in April 2008, the competent authority has taken a positive decision, as a result of which on August 13, 2008 there was registered a *Supplement 1* to the contract (registration number 2759). According to this supplement rights and obligations under the subsoil use contract were transferred to the new contractor - «KazCopper» ("КазКупер").

Under the contract in May 2011 the rates of Kazakhstan supplies on equipment and goods, services and works were reduced for the contractor in connection with the inclusion of the investment project of «KazCopper» («КазКупер») LLP named "Construction of cathode copper

¹⁸ Chalcopyrite (CuFeS₂), which also has the name "copper pyrite" and chalcocite (Cu₂S) are variations of copper sulfide. Both have commercial value.

¹⁹ Ore, formed as a result of surface (exogenous) geological processes (weathering, erosion, slope and coastal deformations caused in the most part by external to the lithosphere forces (solar, atmospheric, hydrosphere, gravitational).

production complex with the capacity of 7 tons per year in the first stage and increasing to 20 thousand tons in the second stage" into industrialization program of the Republic of Kazakhstan. In accordance with the investment project on products it was provided that at the complex for cathode copper production the innovative in the Republic of Kazakhstan SX-EW technology will be applied, which makes it possible to produce cathode copper with a copper content of not less than 99.9%.

Reduced rates of the local supply were defined in *Appendix 2* to the contract (registration number 3888-TPI dated May 16, 2011).

In 2011, the contractor appealed to the competent authority for an extension of the exploration period for copper at Benkala field for two years to complete the exploration and development of industrial production of the secondary ores.

As a result of these works the Company assumed to:

- justify industrial condition for secondary ores of Benkala deposits, make a report with the assessment of industrial stocks and approve stocks in the SRC, prepare a project of commercial exploration of the deposit;
- conduct geological and economic evaluation of primary ore of the deposit with estimated reserves and resources according to the approved condition²⁰.

This request was granted by the competent authority. *Appendix 3* to the contract (registration number 4032-TPI dated December 27, 2011) defined an extension of copper exploration period at Benkala deposit for 2 years till November 15, 2013, with the conduction of pilot production, and the expansion of the contract area to 2,53 square km.

As of October 1, 2013 the competent authority has approved the extension of the exploration period until November 15, 2016. *Appendix 4* about the extension of the exploration period is placed for the signature of the competent authority.

The Company intends to continue the exploration of sulphide ore to a depth of 500-700 m during 2013-2014. After the supplementary exploration of sulphide ores of the deposit the Company will make a full feasibility study (FS) of industrial conditions, as well as estimate reserves of the entire deposit according to C₁ category and will present the report for approval in SRC.

Contract identification	Contract No.2482 dated November 15, 2007 on the exploration and production of copper at Benkala deposit in Aktobe region of the Republic of Kazakhstan between the Ministry of Industry and New Technologies of the Republic of Kazakhstan (Competent authority) and «KazCopper» Limited Liability Partnership («KazKynep») (Contractor) with Appendixes No.No. 1,2,3
Purpose of the contract	Contractor carries out the exploration and production of copper within the contract area on an exclusive basis
Contract period	29 years, till November 15, 2036
Contract territory	Benkala deposit (copper, geological allotment area is 2,53 sq. km). Administratively the area is located in the Aktobe region.
Deposit category of difficulty	By its form, structure and distribution of useful component, Benkala porphyry copper deposit is classified as the second group of complexity ²¹

²⁰ Set of requirements for the quality and quantity of minerals in the subsoil, to geological and other conditions of deposit development, defining commercial value of deposits.

²¹ Deposits (areas) with complex geological structure with disturbed bedding, characterized by unstable capacity and internal structure or unrestrained quality of mineral and uneven distribution of the main valuable components.

Exploration and production period Exploration period: as of October 1, 2013 the Competent Authority approved the extension of the exploration period until November 15, 2016. *Appendix 4* about the extension of the exploration period is placed for the signature of the competent authority.

Production period: till November 15, 2036

Current work status

- continued development of the deposit;
- construction of oxide ore processing plant;
- cathode copper production.

Approved reserves as of 01.01.2011

	Balance reserves ²² , C ₂ ²³ category	Outbalance reserves, C ₂ category
Ore, thousand tons	37656,	73,2
Copper, thousand tons	198,9	,0
Average copper content, %	0,53	0,39

Minutes of meeting of SRC No. 1032-11-A dated 24.02.2011

Information on the availability of existing geological/mining allotments Geological allotment for subsoil use for exploration of copper at Benkala deposit (the area is 2.53 square kilometers, Aktobe region) is issued by the Republic Center of geological information "Kazgeoinform" under the Committee of Geology and Subsoil use of Ministry of Industry and New Technologies dated May 18, 2011

Obligations to return the contract territory and their execution Originally the area of the contract territory was 1,194 square kilometers. On the basis of Appendix No.3 in May 2011, the contract territory was expanded to 2,53 square kilometers.

The return of the contract territory is carried out by the end of the exploration period with the exception of the territory at which a commercial discovery is made.

SUBSOIL USE RIGHT AT NAIMANJAL CONTRACT AREA

Work at Naimanjal contract area is conducted pursuant to the Contract No. 299 on the exploration of gold, silver, platinum, copper, zinc, lead, nickel, cobalt, aluminum, magnesium, tungsten, molybdenum and stannum within Naimanzhal zone located in May area of Pavlodar region, Egendybulak area of Karaganda region and Abralinsk area of East Kazakhstan region in accordance with the license No. 1166 of GKI series concluded on March 4, 1999 between the Government of the Republic of Kazakhstan, represented by Agency for Investment of the Republic of Kazakhstan and "Polygon Resources" limited liability partnership (formerly name - "Botamoynak" Limited Liability Partnership, Kurchatov, Kazakhstan).

Initially the contract was awarded only to conduct an exploration till June 15, 2003 under the license No. 1166D GKI series on subsoil use right, issued by the Government of the Republic of Kazakhstan on June 15, 1998.

²² Balance reserves include such mineral resources, which are advisable be developed at existing technology and economy level. Off-balance reserves include reserves of minerals, which because of their small amount, poor quality, difficult operating conditions or processing are not used now, but in the future may be the object of industrial development

²³

C1 category includes reserves of explored deposits of complex geological structure, as well as poorly explored reserves of minerals in new areas or areas directly adjacent to the proved areas of deposits. They are calculated based on the extrapolation of geological data of proved areas of deposits. C2 category includes prospective resources identified outside the explored parts of deposits based on the interpretation of their geological structure, taking into account the analogy of similar and proved mineral bodies.

On February 24, 2000 *Appendix 1* to the contract was registered. The grounds for the conclusion of this appendix were the following:

- "Polygon Resources" LLP, acting as a contractor under the contract, changed its name to "FML Kazakhstan" Limited Liability Company (certificate of state re-registration dated October 31, 1998);
- previously issued to the contractor license No. 1166D of SPC Series dated June 15, 1998 was replaced by a license No. 1166 DD of AI series dated August 16, 1999. The new license included the right for exploration with subsequent extraction (former license - only for exploration), and provided the right to explore and produce only such minerals as gold, silver, platinum, copper, lead, zinc (former license in addition to these minerals extended to nickel, cobalt, aluminum, magnesium, tungsten, molybdenum, stannum).

The new license No. 1166 DD of AI series dated August 16, 1999 was issued to "FML Kazakhstan" LLP by the Government of the Republic of Kazakhstan for the period of up to June 25, 2026. Accordingly, the contract was also extended until the expiry of the license period of exploration till June 15, 2003.

Based on the results of geological exploration as of January 1, 2003 the contractor performed prompt calculation of the reserves of gold and silver in the oxidized and semioxidized ores of Naimanjal deposits, which had been previously tested in the SRC. At the request of the contractor to extend the period of exploration²⁴ the Expert commission on considering appeals of subsoil users to change the conditions of licenses and contracts on March 19, 2003 (protocol No. 6) decided to extend the exploration period up to two years until June 15 2005. In accordance with this decision Appendix 2 was concluded (registration number 1387 dated April 14, 2004) on amending the terms of the contract.

On June 1, 2005 by an Expert Committee on considering appeals from subsoil users about the licenses and contracts conditions change (protocol number 16), at the request of the contractor, it was decided to extend the exploration period to assess the commercial detection by 2,5 years till December 15, 2007. Given the extension of exploration, as well as the fact that the contractor was recommended to make the test exploitation of Naimanjal ore during the exploration, in order to determine the parameters of heap leaching in an industrial environment, *Appendix 3* to the contract was signed (registration number 1819 dated August 27, 2005), according to which:

- the contract period was extended till December 31, 2028;
- exploration period given a contract extension for the assessment period ended commercial discovery December 15, 2007.

Since 2005, the contractor began the trial exploitation of Naimanjal deposit with processing of ores by the method of heap leaching. At the beginning of 2008 72% of gold recovery, silver recovery 25% was reached.

In late 2007, the contractor reapplied to the Competent Authority for an extension of the exploration period by two years till December 15, 2009 to conduct the following activities: reporting with estimation of reserves and approval of stocks in SRC; drafting of industrial development of Naimanjal deposit. On February 8, 2008 Competent Authority has taken the decision on the adoption of this apply and amending the terms of the contract (protocol No. 3). On October 14, 2009 Appendix 4 to the contract was registered (registration number 3421), which contained the terms of the extension of the exploration period till December 15, 2009.

²⁴ By the article 43 of the Law "On Subsoil and Subsoil Use" dated January 27, 1996 (repealed), that was in force until June 2010, the possibility of extending the period of exploration is provided.

In April 2009, the Issuer addressed the Competent authority for permission to conduct the pilot production within the exploration work at Naimanjal deposit in the amount of 170 thousand tons and at Baritovoye deposit in the amount of 12,6 thousand tons without changing financial obligations. As a result of this appeal Appendix No. 5 was concluded on December 14, 2009 (registration number 3474).

On June 28, 2010, taking into account: contractor's request to extend exploration period by two years and a trial operation in a volume of 450 thousand tons, and the decision of the Competent authority to extend the exploration period by two years till December 15, 2011 to assess the commercial deposits of Koskuduk, Beschoku, Yubileinoye, Baitemir and to carry out a pilot - commercial operation in a amount of 450 thousand tons **Appendix 6** to the contract were registered (registration number 3648-TPI). The indicated appendix also determined the obligation of the contractor to return the contract territory except for the objects of a commercial discovery.

The last **Appendix 7** (registration number 4028-TPI dated December 27, 2011) was concluded to extend the exploration period by three years (till December 15, 2014) to assess the detected occurrences at Baitemir group of deposits, deposits of Koskuduk (northern part), Shan, Karazhyrek, Zhusaly, Beschoku, Kotansor, Yubileinoye and Sarygozhal (with ore occurrences of Sarygozhal 1, 2, 3).

Till December 15, 2014 the contractor plans to complete the exploration work in order to make supplementary exploration and prepare for further exploration and commercial development, as well as to move to the production phase.

Contract identification	Contact No.299 on Exploration with subsequent extraction of precious (gold, silver, platinum) and non-ferrous metals (copper, lead, zinc) within Naimanjal area in Pavlodar, Karaganda and East-Kazakhstan regions of the Republic of Kazakhstan in accordance with the license No. 1166DD of AI series between the Kazakhstan Agency on investments (Competent authority - representing the Government of the Republic of Kazakhstan on subsoil use) and "FML Kazakhstan" Limited Liability Partnership (the Contractor) on March 4, 1999 with Appendixes 1,2,3,4,5,6,7.
Purpose of the contract	<p>The purpose of the contract is an effective exploration and production at commercial detection at the contract territory.</p> <p>The Contractor shall perform the exploration and production of licensed minerals within the contract area. The Government provided to the contractor the license for the exclusive right to carry out the exploration with subsequent extraction at the identified commercial detections of Naimanjal area.</p> <p>In the case of commercial detection the contractor is granted the exclusive right of production at the contract territory in accordance with the current legislation of the Republic of Kazakhstan.</p>
Contract period	Till December 31, 2028
Contract territory	<p>Baitemir group of deposits: Baitemir copper porphyry deposit, Baitemir quartz-gold deposit, Baitemir polymetallic deposit;</p> <p>Beschoku-Yubileinoye ore field with objects of commercial detection: Beschoku, Kotansor, Sarygozhal (with ore occurrences of Sarygozhal 1, 2, 3), Yubileinoye;</p> <p>Koskuduk ore zone with Koskuduk (northern part), Zhusaly, Karazhyrek and Shan areas.</p> <p>Administratively, the above sites are located on the territory of Pavlodar and East-Kazakhstan region.</p>

Deposit difficulty level	By its form, structure and distribution of useful component, Benkala porphyry copper deposit is classified as the second group of complexity
Exploration and production period	Exploration period: till December 15, 2014 Production period: till December 31, 2028
Current work status	At Koskuduk site (northern part), the main task is to count the reserves of gold-sulphide ores and their approval in SRC under C ₁ and C ₂ category at the Shan and Karazhyrek sites, as well as estimation and calculation of reserves under C ₂ category at Zhusaly ore occurrence. Exploration at the copper-gold mineralization zone identified by drilling to obtain the data for the development of a feasibility study on the estimated reserves of C ₁ and C ₂ category at Kotansor and Sarygozhal sites of Beschoku-Yubileinoe ore field.
Approved reserves	Works on the calculation and approving are in progress
Information on the availability of existing geological/mining allotments	Mining allotment for the right of subsoil use for the extraction of gold-silver ores of Naimanjal deposit (the area is 1,03 sq. km, Karaganda region) is issued in June 2011 by the Republic Center of geological information "Kazgeoinform" under the Committee of Geology and Subsoil use of Ministry of Industry and New Technologies of the Republic of Kazakhstan. Geological allotment for the right of subsoil use for the exploration of precious metals (gold, silver, platinum) and non-ferrous metals (copper, lead, zinc) in the Naimanjal area (Pavlodar, Karaganda and East-Kazakhstan region) is issued by the Committee of Geology and Subsoil use of Ministry of Industry and New Technologies on January 30, 2013. The geological allotment includes land Naimanjal, Baritovoye, Baitemir, Beschoku-Yubileinoe and Koskuduk areas and is 279,7 sq. km (excluding mining allotment of Naimanjal deposit).
Obligations to return the contract territory and their execution	Originally the contract area was 8108,8 sq. km. The return of the area shall be carried out according to schedule: after the second year of work - 20 % of the area, after the third year - 40% after the fourth year - 60%, after the fifth year - the whole contract area. In accordance with Appendix 7 the Issuer shall refund the contract territory except for the objects of detection: Koskuduk (northern part), Shan, Karazhyrek, Zhusaly, Baitemir quartz-gold deposit, Baitemir porphyry copper deposit, Baitemir polymetallic deposit, Beschoku, Kotansor, Yubileinoe and Sarygozhal.

SUBSOIL USE RIGHT AT SOUTH BENKALA DEPOSIT

The work at South Benkala deposit (Aktobe) is conducted on the basis of the Contract No.3025 dated 23 February 2009 for exploration of copper, signed between the Ministry of Industry and New Technologies of the Republic of Kazakhstan (Competent authority) and «KazCopper» Limited Liability Partnership (the Contractor).

Initially, regarding the results of the contest for the subsoil use right for the exploration of copper at South Benkala deposit in Aktobe region (protocol No.6 dated January 16, 2006), the indicated contract was awarded with "PromSnab 2030" Limited liability partnership (Aktobe, Republic Kazakhstan).

On August 19, 2010 *Appendix 1* (registration number 3696-TPI) to the contract was signed, according to which, at the request of "PromSnab 2030" LLP, the scope of outstanding obligations from 2009 was transferred to obligations in 2010.

In 2011 "PromSnab 2030" LLP applied to the competent authority for granting permission for the disposition of the subsoil use rights under this contract in favor of the «KazCopper» («КазКупер») Limited Liability Partnership.

The Competent authority has decided to allow the disposition in full scale, as a result of which, on the basis of the **Appendix 2** (registration number 4022-TPI dated December 23, 2011) to the Contract No.3025 dated February 23, 2009 on the exploration of copper at South Benkala deposit in benefit of «KazCopper» («КазКупер») LLP the right of subsoil use in the specified deposit was granted.

Currently the procedure of signing the **Appendix 3**, which has already received the approval, is in process. In accordance with Appendix 3 the exploration period at the deposit will be extended by two years until February 23, 2015.

Contract identification	The contract for the exploration of copper at South Benkala deposit of Aktobe region of Republic of Kazakhstan between the Ministry of Industry and New Technologies of the Republic of Kazakhstan (Competent authority) and «KazCopper» Limited Liability Partnership («КазКупер») (the Contractor) No.3025 dated 23 February 2009, with appendixes 1 and 2.
Purpose of the contract	Exploration within the contract area
Contract period	At the present moment the exploration period is extended till February 23, 2015. Appendix 3 to the contract is placed for the signing at the competent authority.
Contract territory	District South Benkala copper deposit is administratively part of the district Aitekebi area of Aktobe region. Contract area in accordance with the geological allotment is 29.0 sq. km
Deposit difficulty level	By its form, structure and distribution of useful component, Benkala porphyry copper deposit is classified as the second group of complexity
Exploration period	Till February 23, 2015
Current work status	Exploration within the contract area
Approved reserves	Under an author's calculation ²⁵ the estimated reserves on C ₂ category of South Benkala deposit, explored to a depth of 400-700 m on a grid of 200x200 m were: copper - about 610 thousand tons, molybdenum - 12.5 thousand tons, silver - 26.4 tons, sulfur - 2 223.2 thousand tons.
Information on the availability of existing geological/mining allotments	Geological allotment is issued by the Republic center of geological information "Kazgeoinform" under the Committee of Geology and Subsoil use of Ministry of Industry and New Technologies dated October 21, 2011
Obligations to return the contract territory and their execution	By the end of the second year of the contract – 10% By the end of the third year of the contract – 20% By the end of the fourth year of the contract – the rest of the territory except for the territory in which a commercial detection is made

2.6. Information on branches and representative offices of the Issuer

By the end of 2012 the Issuer had representative offices located in London and Almaty.

²⁵ Professional assessment of Gachkevich I.V. who made the prospecting and evaluation works at the deposit, 1981

2.7. Selected financial data (consolidated)

Indicator	<i>US dollars (unless otherwise stated)</i>			
	30.09.2013 (unaudited)	31.12.2012 (audited)	31.12.2011 (audited)	31.12.2010 (audited)
Assets	284 196 115	282 922 893	247 795 811	153 271 463
Exploration and evaluation assets	10 319 296	9 353 054	7 672 885	4 087 212
Deposit development assets	190 421 530	187 699 319	186 393,530	26 379 414
Debt obligations	87 653 633	73 951 149	33 739 916	19 699 450
Net assets	196 542 482	208 971 744	214 055 895	133 572 013
Shareholders' capital, including	209 943 383	209 943 383	209 943 383	209 555 159
– Long-term (subordinated) bonds	-	-	-	-
– Redeemable preferred shares	-	-	-	-
The number of shares included in the statement of changes in equity capital, pcs.	1 860 913 973	1 860 913 973	1 860 913 973	1 857 747 306
Gross income	1 731 259	163 643	301 450	471 024
Operating losses	- 1 975 889	- 6 613 459	-5 687 031	- 2 601 945
Loss from continuing operations	-5 787 153	-11 771 729	- 10 033 979	- 4 765 185
Net income (loss) for the periods	- 4 952 428	- 11 277 247	36 276 895	-31 315 169
Net income (loss) from the primary activity per share	- 0,002	-0,01	0,02	- 0,03
Net income (loss) from the continuing operations per share	- 0,002	-0,01	0,01	- 0,01
The amount of dividends per share	-	-	-	-
Diluted profit per share	- 0,002	-0,01	0,02	- 0,03
KZT/USD exchange rate, National Bank of RK	153,62	150,29	148,04	147,40

In 2010, the losses were largely conditioned upon the decision to suspend the operations at the Naimanjal deposit. In connection with the Issuer's expectation that the license for Naimanjal deposit will be refunded, the financial statement showed the impairment loss upon the carrying value of the assets of deposit development as well as the property related to this deposit (machines, equipment and so on).

In July 2011, the issuer decided to suspend work at Koskuduk deposit (southern part) and to focus on developing its copper deposits of Baitemir groups and Beschoku Yubileinoe ore field. As a result, the financial statements in 2011 showed the total impairment loss in the amount of 6,540,870 U.S. dollars, including the impairment of such classes of asset as property, machinery and equipment, deposit development assets and inventory items.

However, the loss in 2011 was largely compensated by the positive revaluation resulting from the Issuer's acquisition of 50% of share in the authorized capital of U.S. Megatech, Inc. and a 100% share in the authorized capital of "Maminskaya Mining Company" CJSC, which was mentioned earlier in this investment memorandum. The Issuer sought the exclusive ownership of the subsoil rights at Benkala deposit in order to maximize the value of the Group's mining operations.

The total acquisition cost of these assets amounted to 104,968,825 U.S. dollars. Such amounts included (1) 873 215 000 of ordinary shares of the Issuer at the fair value of 98,877,819 U.S. dollars, which have been transferred to the seller as payment assets, and (2) receivables of the

seller to the Issuer in the amount of 5,791,006 and 300,000 U.S. dollars. Said receivables referred to the seller's share in the cost of Benkala deposit development which was actually financed by the Issuer.

	Benkala project	Maminskoye deposit	<i>US dollars</i> Total
The fair value of the consideration paid	72 328 825	31 640 000	104 968 825

Before this association 50% ownership share of the Issuer in the authorized capital of U.S. Megatech, Inc., and hence of Benkala deposit, treated as a joint venture agreement and accounted in the financial statements according to a proportionate consolidation, whereby the carrying value of net assets of Benkala deposit was 18 693 500 U.S. dollars. The transaction value of this asset was 72,328,825 dollars. Positive difference as a result of revaluation was in amount of 53,635,325 U.S. dollars was recorded in the financial statements for 2011.

In 2012, with a small increase in revenue the loss was generated from sales due to the increase in labor costs, in connection with the launch of cathode copper production at Benkala deposit and increasing the volume of work at other sites.

Section 3. MANAGEMENT AND THE SHAREHOLDERS (PARTICIPANTS)

3.1. Issuer's management structure

GENERAL MEETING OF THE SHAREHOLDERS

General meeting of the shareholders should be held not less than once a year.

Law and the Issuer's Charter stipulates the Special decisions of the general meeting, the adoption procedure of which is referred in paragraph 1.5 of this memorandum, and the Ordinary decisions, which are taken by a simple majority.

In the list of issues that should be taken on the basis of the Special decision are changing the conditions of the charter, reduction of the share capital, change of the name, as well as other issues that may be prescribed by law and/or by the Issuer's Charter.

On the basis of the ordinary resolution the Issuer can:

- unite and divide all or any portion of its equity shares on the amount of more than the existing shares;
- convert all or any of its paid shares into bonds and re-convert the bonds into paid shares of any value;
- subdivide all or part of the existing shares into shares of larger size, provided that the proportion between the paid and the unpaid amount for each divisible share stays the same;
- cancel any shares which at the date of the decision on cancellation were not placed, as well as to reduce the amount of share capital by the amount of such cancellable shares;
- other solutions, if the law provides for their adoption by an ordinary decision.

DIRECTORS

Directors or the Board of Directors means the directors of the company, operating in a given moment of time, or, depending on the circumstances, directors, who are members of the Board of Directors or its committee.

The Company on the basis of an ordinary decision may appoint any person as a director.

The Director shall hold the office for a time until he will be dismissed from office on the basis of an ordinary decision.

The Company on the basis of an ordinary decision may from time to time determine the maximum and minimum number of directors appointed, but, unless the number is defined as above, the number of Directors shall not be limited.

Remuneration of directors may be determined by the Board of Directors or by an ordinary decision.

At the annual general meeting of the company each year one third of the directors holding office for the time being or, if their number is not equal to three or not multiple of three, then the number is close to it, but at least one third, retire, and each director resigns at least every three years. Director retiring at the meeting shall continue in office until the meeting is closed or postponed.

Official Powers and Duties of Directors

With regards to the provisions of the Companies Law, the Charter and any decisions made at the general meeting, the Issuer's activities are managed by the Directors.

Within its mandate, the Directors are entitled to:

- appoint any person, including one of the Directors, to the position that they may deem necessary to implement the management of the Issuer, as well as to determine the remuneration and terms of reference of the person;
- appoint a secretary and, if necessary, the assistant secretary, as well as to determine the remuneration and terms of reference of the person;
- establish committees with Directors, which include one or more Directors, and transmit to such committees any of its powers within the limits of the decisions taken by the Directors;
- establish committees, local councils, departments to guide any prescribed for them affairs of the Issuer, as well as to appoint any persons as members of such committees, local councils, government departments, as well as to determine the remuneration of such persons;
- transfer to committees, local councils, departments, referred to in the preceding paragraph, as well as to managers or other representatives the powers, rights, discretionary powers, which are currently provided by the Directors, and may authorize the members of any local council or any of local councils at that point of time, to take position in the local council, on condition that the Directors deem acceptable and suitable;
- at any time dismiss any person appointed by them, and cancel or make changes to the powers and rights granted to such persons. If such person does business in good faith and within the powers and rights granted to him such removal is possible only on receiving a relevant notification;
- directly or indirectly appoint any company or person (group of persons) by the Directors, as the attorney or attorneys of the Company, with the grant of rights and/or powers, which in its volume will not exceed the rights and/or powers granted to the Directors;
- determine the method of the management of the Issuer, which they deem appropriate in certain cases;
- all persons listed above, to whom the Directors put on any powers and rights, including discretionary, may subcontract the rights assigned to them at that time, discretionary rights and powers;
- act on behalf of the Issuer under the authority to borrow money, mortgage and encumbrance of obligations, property and uncalled part of the authorized shares, or any part thereof, for the purpose of issuing bonds, preferred shares and other securities, as well as in respect of any debt security, debt or obligation of the Company or any third party.

Code of Business Conduct of the Issuer is approved by the Board of Directors represented by General Director on December 7, 2012.

3.2. Members of the Board of Directors of the Issuer

Yerlan Zhenisovich Aliyev, born in 1969
Chairman of the Board of Directors, CEO

From April to September 2010: "Starbank" Closed Joint Stock Company (Russia, banking), Chairman of the Board of Directors;

from June 2011 to December 2012: FRONTIER MINING LTD., Independent Director;

from December 2012 to the present time: FRONTIER MINING LTD., CEO and a Chairman of

the Board of Directors.

Number of owned shares (stakes in the authorized capital) of the Issuer and its subsidiaries, related or associated companies: Y. Zh. Aliyev is one of the major shareholders of Coville Intercorp Ltd., which in turn owns 41.44% of the placed shares of the Issuer.

Tastanov Erbulat Adiyatovich, born in 1948
Executive director

From October 2008 to March 2011: "Center of the Earth Sciences, Metallurgy and Concentration" Joint Stock Company, President;

from 7 December 2012 to the present time: FRONTIER MINING LTD., Executive Director.

Doctor of Technical Sciences Erbulat Adiyatovich Tastanov is a member of the Scientific and Technical Council of "NAC "Kazatomprom" JSC and a member of the Committee on Development of the Mining of Ministry of Industry and Trade of the Republic of Kazakhstan.

Number of owned shares (stakes in the authorized capital) of the Issuer and its subsidiaries, related or associated companies: Tastanov E. A. is one of the major shareholders of Coville Intercorp Ltd., which in turn owns 41.44% of the placed shares of the Issuer.

Boyd Bishop, born in 1946
Independent director

From 1990 to the present time: BISHOP ASSOCIATES. INC., President. Company provides technology transfer services and infrastructure projects for the countries of the former Soviet Union.

From July 2010 to the present time: FRONTIER MINING LTD., Independent Director.

Number of owned shares (stakes in the authorized capital) of the Issuer and its subsidiaries, related or associated companies: none.

William Durand "Randy" Eppler, born in 1954
Independent director

From 2004 to the present time: Sierra Partners LLC (Denver, Colorado, USA), Partner. Company provides consulting services to organizations operating in the oil and mining industries.

From November 2010 to the present time: FRONTIER MINING LTD., Independent Director.

Number of owned shares (stakes in the authorized capital) of the Issuer and its subsidiaries, related or associated companies: none.

During 2012, members of the Board of Directors, which in this period were members of the Board of Directors, remuneration payments were made in the following amounts:

<i>Executive directors</i>	
George Cole	160 534
Sagadiyev Yerlan Kenzhegalievich	78 365
<i>Independent directors</i>	
Aliyev Yerlan Zhenisovich	24 000
Boyd Bishop	18 000

William Durand Eppler	18 000
Tastanov Erbulat Adiyatovich	18 000
Greg Vojack	18 000

During 2012 and 2013 Sagadiyev Y.K. (December 2012), George Cole (May 2013) and Greg Vojack (May 2013) left the Board of Directors of the Issuer at its own initiative.

3.3. The sole executive body of the Issuer

Aliyev Yerlan Zhenisovich, in 1969 **Chairman of the Board of Directors, CEO**

From April to September 2010: "Starbank" Closed Joint Stock Company (Russia, banking), Chairman of the Board of Directors;

from June 2011 to December 2012: FRONTIER MINING LTD., Independent Director;

from December 2012 to the present time: FRONTIER MINING LTD., CEO and a Chairman of the Board of Directors.

Number of owned shares (stakes in the authorized capital) of the Issuer and its subsidiaries, related or associated companies: Y. Zh. Aliyev is one of the major shareholders of Coville Intercorp Ltd., which in turn owns 41.44% of the placed shares of the Issuer.

3.4. The organizational structure of the Issuer

As on October 31, 2013 the number of employees of the Group is 600 people, including employees of the Issuer - 10 people.

Information on the leaders of Issuer's key units.

Name, position	Education	Work experience
Aliyev Yerlan Zhenisovich CEO, Chairman of the Board of Directors	Lomonosov Moscow State University, Faculty of Computational Mathematics and Cybernetics, Applied Mathematics. Lomonosov Moscow State University, Graduate School of Business, MBA	23 years
Malimbaev Umbet Sultanovich Operations director	1996, the Kazakh Polytechnic Institute, Faculty of Metallurgy, specialty - Mineral Processing, Mineral Engineer	17 years
Nurumbetova Marzhan Arifovna Financial director	Tashkent Institute of Mechanization and agriculture, KIMEP	13 years

3.5. Shareholders (participants) of the Issuer

As on October 1, 2013 the total number of ordinary shares of the Issuer, placed between 498 shareholders, was 1,860,913,973 shares.

The structure of shareholders who own five percent or more of the total issued and paid-up shares of the Issuer as follows:

Full / abbreviated name, legal form	Legal / actual addresses	Ultimate beneficiary	Number of shares owned	Percentage of shares owned
Coville Intercorp Ltd	Road Town, Tortola, British Virgin Islands	Aliyev Y. Zh. - 33%, Tastanov A.E. - 33%,	771 215 000	41,44%

		Walts Resources Ltd (Toronto, Canada) - 34%		
River House Consultants Limited	London, Great Britain	Sagadiev E. K. – 100%	470 040 430	27,80%

In nominal holding there are 517,469,557 ordinary shares of the Issuer (25.26% of the placed shares of the Issuer). There are no persons holding five percent or more of the total placed shares of the Issuer among nominal holders.

3.6. Information on affiliates

Taking into account the fact that the Issuer is registered under foreign law, the Issuer determines the range of affiliates in accordance with the standard 24 of International Financial Reporting Standards.

Below is a list of the major related parties of the Issuer:

Legal entities		
Grounds for acknowledging the affiliation	Full name / Activity	Locations
Subsidiary organization	Frontier Mining Antilles NV Management Company	Curacao, Netherlands
Subsidiary organization	Frontier Mining Co-operative Management Company	Amsterdam, Netherlands
100% subsidiary of Frontier Mining Co-operative Company	Frontier Mining Finance BV Management Company	Amsterdam, Netherlands
Subsidiary organization	U.S. Megatech, Inc. Management Company	British Virgin Islands, Tortola, RoudTaun, UikemsKeyI, 24 De Castro Street, AkaraBldg.
100% subsidiary of US Megatech, Inc.	«KazCopper» LLP («KazКyнеp») Work on the contract areas of Benkala deposit (exploration and production) and South Benkala deposit (exploration)	Republic of Kazakhstan, Almaty, Al-Farabi Avenue 17, "Nurly Tau" Business Center, 4 B unit, 602 office
Subsidiary organization	«FML Kazakhstan» LLP Exploration for and exploration of on the Naimanzhal deposit contract area	Republic of Kazakhstan, East Kazakhstan, Kurchatov city, Shkolnaya street, 1-1
100% subsidiary of Frontier Mining Finance BV	«Kazakhstan chemical company» LLP Chemicals delivery and transport	Republic of Kazakhstan, Almaty, Al-Farabi Avenue 17, "Nurly Tau" Business Center, 4 B unit, 602 office
Subsidiary organization	«Baltemir» LLP Off-duty	Republic of Kazakhstan, East Kazakhstan, Kurchatov city, Oktyabrskaya street, 12

Sagadiyev E.K. is a major participant of «New Technology» LLP and one of the ultimate beneficiaries of a major shareholder of the Issuer	«New Technology» LLP	Almaty, Republic of Kazakhstan
Sagadiyev E.K. is the ultimate beneficiary of River House Consultants Limited and one of the ultimate beneficiaries of a major shareholder of the Issuer	River House Consultants Limited	London, UK
Major shareholder of the Issuer	Coville Intercorp Ltd	Road Town, Tortola, British Virgin Islands
Sagadiyev E.K. is the ultimate beneficiary of Casterwal Invest Ltd. and one of the ultimate beneficiaries of a major shareholder of the Issuer	Casterwal Invest Ltd.	Road Town, Tortola, British Virgin Islands
Sagadiyev E.K. is the President of "University of International Business" LLP	"University of International Business, UIB" LLP	Almaty, Republic of Kazakhstan
Tastanov A.E. (Chief Operating Officer of the Issuer) is a member of the Board of Directors of «KazDrilling» LLP	«KazDrilling» LLP	Almaty, Republic of Kazakhstan
Tastanov A.E. is a member of «Calder Projects Kazakhstan» LLP directorate	«Calder Projects Kazakhstan» LLP	Almaty, Republic of Kazakhstan

Individuals

Grounds for acknowledging the affiliation	Name	City and country of residence
An officer of the Issuer: CEO, Chairman of the Board of Directors of the Issuer	Aliyev Yerlan Zhenisovich	Almaty, Republic of Kazakhstan
Former CEO and Chairman of the Board of Directors of the Issuer (resigned in 2012). Currently, he is the ultimate beneficiary of a major shareholder of the Issuer	Sagadiyev Yerlan Kenzhegalievich	Almaty, Republic of Kazakhstan
An officer of the Issuer: Executive Director	Tastanov Erbulat Adiyatovich	Almaty, Republic of Kazakhstan
Executive position: Chief Operating Officer of the Issuer	Tastanov Adil Erbulatovich	Almaty, Republic of Kazakhstan

3.7. Information on changes of shareholders

Over the last three years the transactions leading to a change of shareholders, holding five percent or more of the Issuer's shares of the total number of its placed shares, have not been held.

3.8. Information on the subsidiaries of the Issuer

Information on organizations, in the authorized capital of which the Issuer owns five percent or more of the total placed shares or interests are given in [Clause 2.1](#) of this memorandum.

Results of financial-economic activity of these organizations are listed below:

US dollars

	31.12.2010/ 2010	31.12.2011/ 2011	31.12.2012/ 2012	30.09.2013/ 9 months of 2013
Frontier Mining Antilles NV (consolidated data based on indicators of Frontier Mining Co-operative, Frontier Mining Finance BV, "Kazakhstan Chemical Company" LLP)				
Equity ²⁶	1	1	-1 249	- 1 249
Assets	1	15 033	5 714	2 836
Sales volume	-	-	-	-
Net loss	-	-37 363	- 4 890	- 4 890
"FML Kazakhstan" Limited Liability Company				
Equity	-21 795 393	-30 517 803	- 32 372 195	-31 891 265
Assets	14 453 221	5 452 409	11 504 265	4 966 575
Volume of sales, Gold (oz / g)	4180/ 118 500	2 048/ 58 080	-	-
Volume of sales, silver (oz / g)	11 300/ 320 350	6 087/ 172 577	-	-
Revenues from sales	5 656 898	3 249 408	-	-
Net income (loss)	-14 010 489	- 8 722 410	-1 854 392	480 930
U.S. Megatech, Inc.				
Equity	854	- 1 784	- 524	-408
Assets ²⁷	1	1	1	1
Sales volume	-	-	-	-
Net loss	-7	-158	328	- 548
«KazCopper» LLP («КазКупер»)				
Equity	-1 056 153	-2 390 754	-6 195 381	-8 752 096
Assets	840 843	16 777 072	44 576 932	46 172 005
Sales volume (tons)	-	-	692	390
Sales revenue	-	-	5 372 018	2 761 662
Net income (loss)	-594 062	-1 334 948	-3 804 626	-2 556 715
«Baltemir» LLP				
Equity	-706 969	-706 970	-706 970	-706 970
Assets	28 397	27 587	27 587	27 587
Sales volume	-	-	-	-

²⁶ The authorized capital of Frontier Mining Antilles NV at the time of establishment on 23 July 2010 was formed at a rate of 1 USD, and consisted of one share of par value of 1 USD. As on October 1, 2013 the authorized capital has not changed.

²⁷ With assets of 1 USD negative equity is offset by accounts payable

Net loss	3	-	-	-
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3.9. Information on participation in industrial, bank and financial groups, holdings, concerns, associations

The Issuer doesn't belong to any industrial, banking, financial groups, holdings, concerns and associations.

Section 4. BANKS, ADVISORS AND AUDITORS OF THE ISSUER

4.1. Information on the banks of the Issuer

Wells Fargo²⁸

Legal/actual addresses: United States, 80112, Colorado, Greenwood Village, Arapahoe Road, 9350 E (9350 E Arapahoe RD. Greenwood Village. CO, 80112)

Information about the chief executive officers: Chairman John Stumpf (John G. Stumpf).

Services provided to the issuer: cash management service.

Major transactions between the Issuer and Wells Fargo have not been concluded.

Subsidiary Bank "Sberbank of Russia" JSC ("Sberbank" JSC SB)

Legal/actual addresses: Republic of Kazakhstan, 050010, Almaty, Medeuskiy district, Gogol/Kaldayakov Street, 30 /26;

Information about the chief executive officers: Chairman Kamalov Alexander Ilyasovich

Services provided to the issuer: cash management services, lending.

Information about the transactions concluded between the Issuer and "Sberbank" JSC SB is provided in Clause 6.10 of this Memorandum.

4.2. Information on the advisors of the Issuer

Full name	"BTA Securities" branch organization of "BTA Bank" JSC"
Abbreviated name	"BTA Securities" JSC
Type of services provided	Financial advisor services
License details	License to operate in the securities market №0401201983, №0403200991 after July 24, 2008
Chief executive officer	Chairman Oleg Grigorievich Tsurkan
Legal address	The Republic of Kazakhstan, Almaty, Husainova Street, 281
Actual address	The Republic of Kazakhstan, 050060, Almaty, Husainova Street, 281

²⁸Financial company, providing a wide range of banking and insurance services in the U.S., Canada and Puerto Rico

4.3. Information on the audit organizations audited the financial statements of the Issuer

Audit of the financial statements of the Issuer for the last three years has been held by "Deloitte" LLP. The Issuer expects that over the next three years "Deloitte" LLP will also conduct an audit of financial statements.

Full name	"Deloitte" Limited Liability Company
License details	State License for audit activity in the Republic of Kazakhstan № 0000015, MFU -2 type, issued by the Ministry of Finance of the Republic of Kazakhstan after September 13, 2006
Chief executive officer	Mark Smith, Managing Partner , the Caspian region
Address	The Republic of Kazakhstan, 050000, Almaty, Al-Farabi Avenue , 36 /2, Almaty Financial Center, Building "B"

"Deloitte" LLP is a member of the following associations:

- American Chamber of Commerce in Kazakhstan;
- Financial Institutions' Association of Kazakhstan;
- Board of Statutory Auditors of the Republic of Kazakhstan;
- The European Business Association of Kazakhstan;
- Almaty City Regional Financial Centre Development Committee of National Bank of the Republic of Kazakhstan;
- Canadian Business Association in Russia and Eurasia.

Section 5. COMPANY'S PROFILE

5.1. Information on the industry and the position of the Issuer in the industry

In Kazakhstan and north along the Ural belt in Russia there are numerous, including large copper deposits, with operating mines and smelters. In the most of the copper mines along the Ural belt and Kazakhstan are extracted primary and oxidized copper sulfides from large deposits with low and medium porphyry content. However, there are deposits with high copper-sulfide ore content among them.

In general, Kazakhstan holds about 10% of the world's copper reserves, of which in explored reserves Kazakhstan occupies the third place in the world.

Type of mineral	In-place reserves (tons)	World ranking (in reserves)	World ranking (in the ore content)
Copper	39 300 000	12	63

The amount of extracted copper grows annually.

Volumes of ferrous and non-ferrous metals extraction (thousand tons)



Source: Agency on Statistics of the Republic of Kazakhstan

Most of the oil produced in the territory of the Republic of Kazakhstan copper is exported to China and the UK.

Major companies conducting activities on development of non-ferrous metal deposits in the Republic of Kazakhstan, are the following:

- Central Asia Metals** Company (London, United Kingdom) operates and holds a 60 % interest in the copper production project in Kounrad deposit (Kazakhstan). Central Asia Metals is engaged in leaching of oxide ore old waste dump as large-scale operations of leaching from dumps and processing at the factory, applying SX-EW technology with a capacity of 10 000 tons per year. Waste dump reserves are characterized by low content of copper at 0.16 % and low recovery rate of 40 % -50%. However, the factor, ensuring the profitability of the project, is that the company does not bear the costs of extraction, agglomeration²⁹ or warehousing, and has a much lower capital costs associated with leach

²⁹ The formation of relatively large porous pieces (agglomerates) from fine ore or dusty materials.

fields. The factory with a capacity of 10 000 tons per year was put into operation in May 2012.

- **Kazakhmys PLC** (London, United Kingdom) is the largest copper producer in Kazakhstan, and is also listed on the London Stock Exchange. The company operates 18 underground and open-pit copper mines in Karaganda and East Kazakhstan regions, which also provide significant production of zinc, silver and gold by-products. In addition to its mining operations, Kazakhmys PLC has smelting and processing capacity of 400 thousand tons per year. Kazakhmys PLC has two key projects on expanding its activities in Kazakhstan: Bozshakol (Pavlodar region) and Aktogai (Karaganda region), whose purpose is to add the capacity of 100 000 tons per year to a copper production for the next six years.
- **"Russian Copper Company" Closed Joint Stock Company** (Ekaterinburg, Russia), is the combined company for the production of cathode copper and wires conducting its operations in Russia and Kazakhstan, operates Priorsky (Aktobe region) and 50 let Oktyabrya (Aktobe region) copper- zinc mines, which are about 210 km to the west from Benkala deposit, where the Issuer is operating . The production rate of copper-zinc ore is 3 million tons per year, and the concentration is carried out on the field for export to the smelters.

"Russian Copper Company" CJSC also owns Mikheyevskoe (Chelyabinsk region, Russia) and Tominskoe (Chelyabinsk region, Russia) porphyry-copper ore deposits, which are currently under a feasibility study. Both deposits are located along the eastern border of the Ural belt and exhibit characteristics similar to Benkala deposit (low-grade copper with gold as associated component).

"Russian Copper Company" CJSC has also the experience in the hydrometallurgical recovery of copper using oxidized copper ore leaching at the field for the cathode copper production in Polevskii city (Russia), north of Benkala deposit within the Ural belt.
- **Eurasian Natural Resources Corporation PLC** (London, UK) is engaged in the operation of several chrome ore deposits, which are about 260 km west of Benkala deposit along the southern long span of the Ural belt.
- **Polymetal International PLC** (Jersey island, Channel Islands) operates Varvarinskoe gold - copper ore deposit (Kostanay region), which is 190 km north of Benkala deposit. In 2011 the processing volume in Varvarinskoe deposit was 1 million ton per year, with a copper content of 0.87% level, giving 7.4 tons of copper in concentrate. Flotation results reached 90.6% of copper recovery and 56.1% of gold recovery. Varvarinskoe deposit has a significant content of gold in reserves and resources, which also passes through the leaching process for the production of dore³⁰.
- **Glencore International PLC** (Jersey island, Channel Islands) through its subsidiary "Kazzinc" Limited Liability Company (Ust -Kamenogorsk) operates Shaimerden zinc deposit, located 80 km north of Benkala deposit, which contains 538 000 tons of zinc with a level of 21.7 % of zinc grade

With regard to the further development of the industry one of the main problems is a lack of reserve deposits with economic reserves of raw materials. According to independent experts, in the long term (estimated 10 - 15 years) a decrease in copper production in the country due to depletion of ore reserves and declining mining conditions on operating mines is expected, since the depletion of copper ore base its replenishment is much slower with simultaneous reduction of copper in ore on actively operating deposits.

³⁰ Gold-silver alloy, receiving on gold ore deposits and sending to refineries for further purification. Refineries accept dore, containing not less than 70% of gold and/or silver.

One of the solutions to this problem is to invest in exploration and development of new deposits, as well as the use of technologies that can provide the largest possible rate for copper recovering from the ore at relatively low cost. The category of such technologies includes SX-EW technology.

In connection with the above, the work of the Group for exploration of the deposits, which have not been operated before, is timely and promising. In terms of production, raw material base of the Issuer has been estimated on average similar to that with which competing companies work, that is low and medium copper grade. In this case, an additional factor that positively affects the performance of the Issuer, is the use of SX-EW technology, which gives a high degree of copper extraction from the ore. However, taking into account the fact that on October 1, 2013 the Issuer is in the process of exploration and evaluation of deposits and has not yet entered the production stage, the conclusion on the position of the Issuer in the industry is not possible.

5.2. Information about the attempts of absorption

The Issuer has no information about the attempts of third parties to absorb the Issuer through the acquisition of its shares. In turn, the Issuer did not attempt to absorb another organization for the last completed and the current years.

5.3. Information on major contracts

The major contracts of the Issuer's activities are contracts for subsurface use on Naimanjal contract territory, Benkala deposit and South Benkala deposit, details of which are given in Clause 2.5 of this memorandum.

5.4. Information on capital investments

Capital investments, made by the Issuer for the last three years, are associated with the construction and equipping of infrastructure on deposits. The main costs were born by the Issuer in 2011 and 2012, in connection with the construction of a complex for the copper extraction using SX-EW technology on Benkala deposit. Besides, the Issuer has purchased the necessary equipment and mining machinery.

US dollars

Naimanjal contract area

Bank loans	594 180	2 244 680	1 654 760	42 309 060	Mining, extraction of minerals, including copper and gold
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Benkala and South Benkala deposit

Shareholders' loans	-	1,025,287	-	10,052,896	Mining, extraction of copper
External loans	17 764 122	34 149 616	23 201 310	172 448	

5.5. Information on results of production operations and sales of the Issuer

	Gold	Silver	Cathode copper	Total
2010				
Volume, tons	130	351	-	481
Revenue, USD	5 383 840	273 058	-	5 656 898
2011				
Volume, tons	58	173	-	231
Revenue, USD	3 054 419	194 989	-	3 249 408
2012				
Volume, tons	-	-	692	692
Revenue, USD	-	-	5 230 755	5 230 755
9 months of 2013				
Volume, tons	-	-	909	909
Revenue, USD	-	-	7 376 798	7 376 798

In 2010 and 2011 revenues of the Issuer were formed as sales of gold and silver, which were obtained on Naimanjil and Koskuduk sites, situated in Naimanjil contract territory. The decline in the production of precious metals in 2011 is explained by the cessation of work on Naimanjil and Koskuduk sites.

Starting from 2012 revenue of the Issuer is formed only by the sale of cathode copper produced at Benkala deposit.

5.6. Activities for sales and information on the main consumers of the Issuer's products

In August 2012 a tri party "offtake" agreement, under which 100% cathode copper produced on Benkala deposit is exported to the EXP T1 Ltd, was concluded between the Issuer, «KazCopper» LLP ("Казкүпер") and EXP T1 Ltd Company (London, UK). Term of the agreement expires in August 2016 or after delivery to the buyer of 50 tons of cathode copper produced by «KazCopper» LLP ("Казкүпер ") on Benkala deposit.

EXP T1 Ltd. Company is one of the special units of RK Mine Finance Trust 1 enterprise (London, UK), which is a part of Red Kite investment funds group (London, UK), investing in developing metallurgical enterprises worldwide

5.7. Information on the main suppliers

The Issuer has no suppliers, whose share in the total volume of purchased services, materials and equipment is more than ten percent.

5.8. The degree of dependence of the Issuer on existing suppliers and consumers

Taking into account the fact that the Issuer has no suppliers, which accounted for ten percent or more in the total amount of material, equipment and services purchased by the Issuer, the degree of dependence of the Issuer is low.

As for the dependence on a single buyer, holding exclusive rights to the Issuer's products, until the expiry of the contract concluded between the Issuer and EXP T1 Ltd. Company, the Issuer will take measures to find new production distribution channels.

5.9. Information on the key factors affecting the Issuer

Seasonality

Currently, the production of cathode copper, which today is the only product produced by «KazCopper» LLP (“КазКупер”), is subject to such factor as seasonality. So in 2012, cathode copper production was checked from January to April. However, «KazCopper» LLP (“КазКупер”) is working on testing of optimal production parameters to minimize the potential interruption of the production cycle during the winter season.

Foreign economic activity

The share of imports in the Issuer’s purchased materials, equipment, spare parts, tools, work and services is 45%.

As has been stated above export is equal to 100% in sales of cathode copper produced by «KazCopper» LLP (“КазКупер”). Term of the “offtake” agreement expires in August 2016 or after delivery to EXP T1 Ltd Company of 50 tons of cathode copper (as on October 1, 2013 delivered a little more than 1,600 tons).

Competition

Information on competitors of the Issuer is listed in Clause 5.1. of this memorandum. Taking into account the fact that the implementation of all products is provided by the agreement with EXP T1 Ltd. Company, during 2014 - 2015, prior to the search for new customers, the impact of competition on the Issuer is slight.

5.10. Information on contracts and future liabilities of the Issuer

ISSUER’S OBLIGATIONS FOR CREATION OF PROVISIONS FOR SITE RESTORATION

In accordance with the legislation of the Republic of Kazakhstan subsoil user during the development of the deposit is required to form a reserve for the recovery and purification of the site from any possible contamination.

On 31 December 2012 the total amount of the Issuer’s accrued provision for site restoration was 2,665,162 USD, including 2,191,025 USD related to Naimanjal and Koskuduk mines (Naimanjal contract area), the work on which has been stopped, and 474 137 USD related to Benkala mine.

OTHER FINANCIAL LIABILITIES

Naimanjal contract area geological studies value payment

According to the contract for the acquisition by "FML Kazakhstan" LLP of subsoil use rights on Naimanjal contract area, concluded between "FML Kazakhstan" LLP and the Competent Authority of the Republic of Kazakhstan, the historical cost of geological studies conducted by government agencies prior to the acquisition of subsoil use rights by the Issuer in the amount of 1,436,400 USD is due in equal quarterly payments commencing from the date of start of industrial production, which is confirmed by the relevant permit of competent authority of the Republic of Kazakhstan.

Under the current terms of the contract №299, as specified in Clause 2.5 of this memorandum, industrial production is scheduled to start in 2015. Until that time, the Issuer will accrue a provision for future expenses on geological research payment. As on December 31, 2012 amount of accrued provision was 899,902 USD.

Social benefits for the development of Aktobe city

Within the contract №2482 of 15 November 2007 on the exploration and extraction of copper on Benkala deposit, specified in Clause 2.5 of this memorandum, the Issuer bears the social commitments of 6,000,000 USD, payable in equal installments over a 29-year term of the contract, that is until 15 November 2036. These obligation expenses are capitalized and included by the Issuer to the cost of Benkala deposit.

Payments to the Astana city Fund

Within the contract №2482 of 15 November 2007 on the exploration and extraction of copper on Benkala deposit, the Issuer has an obligation for social payments in the amount of 1.5 million USD to the building fund of Astana in equal installments over a 29-year term of the contract.

Loans payable to related parties

Repayment of a loan note convertible into shares and issued in favor of Sokol Holdings Inc., which was mentioned in Clause 2.2 of this memorandum, was conducted by Casterwal Invest Ltd.³¹

Repayment was made on the basis of an agreement concluded between the Issuer and Casterwal Invest Ltd. on May 31, 2012. According to the terms of this agreement, Casterwal Invest Ltd. has granted a 2.2 million USD loan to the Issuer to repay debt to Sokol Holdings, Inc. The loan was granted on conditions of annual interest accrual of 4%, which is due to a quarterly payment. Loan maturity is September 30, 2014. Convertible loan conditions include the creditor's right to convert the loan into 31,300,000 shares of the Issuer at a price of 5 pence (0.07 U.S. cents) per share. On the maturity date, at the discretion of Casterwal Invest Ltd., convertible loan can be repaid by issuance of the Issuer's shares, or returned in cash.

In addition, in 2011 Coville Intercorp Ltd. Granted to the Issuer an interest-free loan of 860,000 USD, maturing in December 2013.

Issuer's debts to Casterwal Invest Ltd. and Coville Intercorp Ltd. companies are reflected in the financial statements of the Issuer as part of accounts payable. On December 31, 2012 and September 30, 2013 their total discounted amount was equal to 2,993,612 USD.

US Trade and Development Agency grant

The Issuer has obtained a grant from the US Trade and Development Agency in the amount of 340,000 USD. According to the terms of the grant, it must be returned to the Agency in the event of industrial production on Naimanjal deposit and profit from the sale of products made from the ore of Naimanjal deposit. In the opposite case, the Issuer is not obligated to return it.

Whereas in 2011 work on Naimanjal deposit was discontinued and this territory shall be returned to the Competent Authority, the above-noted grant will not be returned to the Agency and will be reflected in the income of the Issuer after completion of Naimanjal deposit return and abandon operations realization. As on October 1, 2013, the abandonment program on this deposit is still under consideration of the Competent Authority.

Issuer's share warrants release

On April 28, 2011 the Issuer issued 2.4 million USD notes to be paid by Central Asian Educational Services SA (Commonwealth of the Bahamas, Nassau). For benefit of the creditor these notes are accompanied with 7.68 million of the Issuer's bearer shares, which can be executed at 8 British pence.

On June 8, 2011 the Issuer signed an additional agreement with Central Asian Educational Services SA for the issue of notes payable at 1.4 million USD. In accordance with the terms of this loan to Central Asian Educational Services SA additional 4,480,000 bearer shares at an

³¹ The company is affiliated in relation to the Issuer. The basis for determining it as affiliated to the Issuer is specified in Clause 3.6 of this memorandum

exercise price of 8 British pence per share were issued. Bearer shares may be flogged at the discretion of the Issuer's notes holder in any period up to 2 years after the issue date.

On April 18, 2012, the Issuer issued notes payable in the amount of 1.6 million USD for the "Nursultan Nazarbayev Educational Foundation" Public Fund (Almaty, Kazakhstan). Notes maturity date is May 18, 2014. These notes were also accompanied with 5.12 million bearer shares at an exercise price of 8 British pence.

Later, the Issuer signed two additional agreements with the fund on notes payable: 1) On June 20, 2012 an additional agreement in the amount of 3 million was signed, the maturity date is May 20, 2014 and 2) On December 27, 2012 an additional agreement in the amount of 1,4 million USD maturing was signed on December 27, 2013. These issues were not accompanied with bearer shares.

On September 30, 2013, none of the above bearer shares have been implemented.

	9 months of 2013	2012	2011
Beginning-of-year	17 280 000	12 160 000	-
Granted	-	5 120 000	12 160 000
Flogged	-	-	-
Ending-of-year	17 280 000	17 280 000	12 160 000

5.11. Information on Issuer's participation in trials

The Issuer does not participate in the trials, the results of which could cause the reduction or restriction of activities of the Issuer and the imposition on him of cash and/or other obligations at a cost of 1,000 MCI.

5.12. Description of risk factors

CONSTRUCTION RISKS

In respect of the Company there are risks associated with both the preparatory period of construction, and not completed construction period, which could have a negative impact on the activities, results of operations and financial condition.

Preparatory period

Distance from transportation hubs entails costs associated with creation of access roads, as well as increased operating costs for their maintenance.

Isolated location of engineering networks entails additional capital investments in electricity, heat and water liners to the mines.

Disadvantages of design and survey works

Within the business acquisition the Issuer plans the construction and design of new production plants, which creates common risks arising in relation to construction and development projects that will lead to an increase in construction costs, delay of putting the production capacity into operation.

Financial solvency

The Issuer may be unable to complete the construction of real estate, if does not receive financing on favorable terms and as scheduled. Any significant increase in costs may lead to the closure of unprofitable project.

Construction phase

The Issuer may face a shortage of materials or skilled labor, labor disputes, disputes with construction companies, unforeseen environmental or technical problems, fire and other catastrophic events, problems with the construction schedule and interruptions caused by weather conditions.

Licenses and permits

In addition, the opening of newly constructed objects depends, among other things, on obtaining all necessary licenses, permits and approvals, such as state and local land use permits, building permits, zoning and land use permits, permits for life safety. Any of these factors may postpone the execution of projects and substantially increase the cost of development work, including debt servicing costs and construction costs.

RISKS RELATED TO OPERATING ACTIVITIES

The resulting sum of the insured event may not cover all losses

Despite the fact that most of the tangible assets insured by a local insurance company, the Company can hold responsible for the uninsurable hazards activity or against which the Company cannot be insured because of the high cost of paying premiums.

Uninsured risks losses may cause the fact that the Company will incur costs that could have a material adverse impact on the implementation of activities, results and financial condition.

Competition with other companies

There is no certainty that competition with other companies will not have a material adverse impact on the implementation of operations, financial condition, results of operations or prospects of the Issuer.

RISKS RELATED TO THE EMPLOYEE

One of the factors that determine the effectiveness of the Issuer is the ability to attract, retain and motivate qualified personnel. In Kazakhstan there is strong competition to attract personnel with relevant experience, because of the relatively small number of qualified individuals. Issuer's failure to successfully resolve personnel request may have negative consequences for the implementation of activities, performance and financial condition.

RISKS RELATED TO FINANCING

Dependence on external sources of funds for future development

Issuer's strategy involves significant capital expenditures for the further development of production-economic activity in the production of cathode copper. Additional sources of capital may not necessarily be available at the preferred conditions or, in principle. Issuer's access to third-party sources of capital depends on many factors, including market assessment of the growth potential and also current income and their future potential. If the Issuer is unable to obtain access to sources of capital from third parties on favorable terms, it may lead to negative consequences for the activities, performance and financial condition. Moreover, an additional debt financing may substantially increase the proportion of borrowed funds.

Interest rate risk

Interest rate risk means the risk of that the future earnings of financial instruments will fluctuate due to changes in market interest rates. Risk of changes in market interest rates primarily has an impact on Company's long-term loans.

Contractual conditions and obligations under the loan agreements may restrict the range of the Company's activities

Agreement on credit lines contains standard requirements, including reservations and other restrictions on the ability of the Company to borrow due to financial obligations. These financial obligations include requirements to comply with certain financial ratios. These and other contractual conditions and obligations will reduce the degree of flexibility in the course of our operations and create a risk of our debts default, if the Company is unable to meet them. In case of violation of the loan contractual terms, Company's creditors may require immediate repayment of the debt, and if the loan was issued upon security – the ownership of the collateralized property may be transferred to creditors. Moreover, such a violation may result in further restricting of the use of funds by the Company to pay dividends or make payments related to the activity. In addition, any violation may result in cross-defaults on other debts.

RISK REDUCTION ACTIVITIES

Construction risks

Complex designing was carried out by Calder Projects Australian Company, which has an extensive experience in designing similar industrial complexes on heap leaching using SX-EW technology in the world. Issuer has also concluded a contract with a local design company "Batys Engineering", which carried out the project adaptation to the requirements of Kazakhstan legislation in the field of construction and architecture.

The Issuer has invested additional capital investments in complex infrastructure: railway siding with three branches (sulfuric acid storage, fuel storage, loading bay), industrial roads on the deposit, power lines to ensure complex electric power system have been built.

To reduce the risks during the construction period, the Issuer has concluded agreements for the purchase of goods, works and services with several contractors to reduce dependence on a single supplier. This diversification has allowed monitoring of different types of work in more details and making decisions faster.

The Issuer has formed a team of qualified experts in the field of construction and architecture. The project team included such units as construction, technology, energy, financial and instrumentation and control units. The team followed the progress and quality of construction.

Conditions of contracts with contractors were composed so that it contributed in reduction of substandard work risks, settlement of the warranty period, which could allow detecting errors of construction during the operation. Terms of payment were established so that the contractors did not need the funding for the materials purchase, and could continue working in spite of delay of funding.

Operational risks

The Issuer is constantly working on reduction of the cost of operating expenses, the company's business processes are set so that it allows to reduce the expenditure level.

In order to reduce production costs and increase the efficiency of business processes in 2012 the Issuer has launched "Improving the efficiency of enterprise processes" project. The project purpose involves a development of enterprise processes procedures and implementation productivity enhancement instruments. Implementation of process regulations and control over their work, making adjustments bring 20% of the economic effect.

Risks associated with staff

The Issuer is constantly working on improvement of the labor organization, forms and systems of the payroll management, material and moral incentives.

The Issuer plans to develop projects of perspective and annual plans for labor and wages of organization and its divisions:

- calculate the wage fund and the number of employees with regard to the need of the most rational use of labor resources,
- ensure the right balance of employees by category of staff and qualification categories, identify the needs of workers and employees,
- planning of qualified personnel training,
- deliver planning data to organization units.

Employees of the HR department of the Issuer study the effectiveness of implementing existing wage forms and systems, material and moral incentives, prepare proposals for their improvement. Develop a mechanism for allocating additional revenues resulting from production efficiency, product quality improvement, and production costs reduction. Take part in drawing up plans for the organization team social development, developing and implementing measures to strengthen labor discipline, reduction in staff turnover, increase in control over the use of working time and observance of internal labor regulations.

The Issuer intends to develop regulations on promotion of employees in order to improve hardware utilization and reducing labor costs. Introduction of accounting indicators on labor and wages will help analyze and monitor key performance indicators of labor resources (KPI, cost ratio over time).

Within the contracting activity the Issuer complies with licensing contract terms on personnel training. Annually, according to the training program, compiled on the basis of requests from departments, the Issuer bears the costs of staff training and skills development in the higher education institutions and other training organizations.

During 2012, «KazCopper» LLP ("КазКупер") completed the initial phase of Benkala deposit and of cathode copper processing and production complex development, which are the main source of operating funds for the Issuer. Group requires operational and financial inflows of funds for further work on the production of cathode copper on Benkala deposit, to continue exploration and development on other deposits; for obligations repayment at maturing.

According to the Issuer's auditors (the Issuer's financial audit for 2012), funding requirements, which the Issuer must have arisen during 2013 exceeded the Group's total amount of cash at December 31, 2012, the expected cash flow from operating activities and the amount of undrawn borrowings. These factors pointed to the existence of a material uncertainty which may cast significant doubt on the possibility of the Issuer and its Group to continue to operate as a going concern.

In the auditor's opinion stated that in order to overcome an expected shortfall, the main activity of the Issuer is negotiations on a new funding instrument, as well as on the possibility of extending the current liabilities maturities, which may occur before the obtaining of this additional financing facility.

On October 1, 2013 extensions on a number of short-term loans were obtained, and the Issuer is in talks with potential investors who might be interested in buying shares of the Issuer in case of their placement at KASE and AIM.

Section 6. FINANCIAL POSITION

The consolidated financial statement of the Issuer includes financial and economic indicators of the Issuer and the members of his Group indicated in Clause 2.1 of this investment memorandum.

6.1. Consolidated financial statement

CONSOLIDATED BALANCE SHEET

	<i>US dollars</i>			
Assets	30.09.2013 Unaudited	31.12.2012 Audited	31.12.2011 Audited	31.12.2010 Audited
Long-term assets				
Exploration and evaluation of mineral resources	10 319 296	9 353 054	7 672 885	4 087 212
Excavation	190 421 530	187 669 319	186 393 530	27 254 391
Fixed assets	58 533 148	55 318 433	37 817 108	7 849 833
Intangible assets	63 801	76 280	12 340	22 129
Prepaid fee ³²	-	-	-	98 877 819
Advances paid on long-term assets	1 352 013	5 969 272	9 820 653	3 549 755
Deferred tax assets	6 203 482	5 488 048	1 915 526	306 881
Associated cash deposit ³³	440 157	389 593	362 047	121 938
Deferred tax expense related to the origination and reversal of temporary differences	-	-	-	319 896
Total long-term assets	267 333 427	264 263 999	243 994 089	142 389 854
Short-term assets				
Mineral resources	8 739 679	9 766 274	234 143	1 109 262
Trade receivables	1 537 488	183 759	37 776	250 730
Current tax assets	1 031 872	1 000 218	1 987 216	720 002
Advances and prepaid expenses	3 059 187	5 246 718	-	574 337
Other receivables	164 540	277 842	41 837	7 733 532
Cash and cash equivalents	2 329 922	2 184 083	1 500 750	493 746
Total current assets	16 862 688	18 658 894	3 801 722	10 881 609
TOTAL ASSETS	284 196 115	282 922 893	247 795 811	153 271 463
KZT/USD rate, NB of RK	153,62	150,29	148,04	147,40

US dollars

Liabilities and equity	30.09.2013	31.12.2012	31.12.2011	31.12.2010
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³² Shares, transferred to Coville Intercorp Ltd, with the purchase of stakes in US Megatech, Inc. and "Maminskaya mining company" companies' equity capital. Shares are reflected in the asset balance, as the transaction was actually completed in 2012

³³ Restricted cash represents cash contained in a limited bank account for future remediation of Benkala deposit. According to the contract on subsoil use on Benkala deposit, the accumulation of funds to meet future obligations to restore the deposit is required of the subsoil user.

INVESTMENT MEMORANDUM
ORDINARY SHARES OF FRONTIER MINING LTD

	Unaudited	Audited	Audited	Audited
Equity				
Authorized (share) capital	209 943 383	209 943 383	209 943 383	209 555 159
Option premium on convertible notes	120 993	120 993	25 926	25 926
Uncovered loss	- 64 807 861	- 60 042 983	- 48 765 736	- 85 042 631
Total equity	145 256 515	150 021 393	161 203 573	124 538 454
Fixed liabilities				
Loans	60 198 021	47 581 084	25 362 130	
Liabilities for restoration work	2 479 444	2 665 162	1 101 981	495 676
Other long-term liabilities ³⁴	4 384 934	4 271 870	1 443 122	1 097 766
Other long-term financial liabilities ³⁵	340 000	340 000	340 000	340 000
Long-term estimated liabilities	-	-	37 595	-
Deferred tax liabilities ³⁶ (to reveal)	34 740 752	34 871 818	34 923 866	-
Total long-term liabilities	102 143 151	89 729 934	63 208 694	1 933 442
Short-term liabilities				
	-			
Short-term trade receivables				
	2 874 015	10 041 126	9 760 115	2 155 549
Loans	27 455 612	26 370 065	8 377 786	19 699 450
Other financial liabilities ³⁷	2 993 612	3 252 233	3 412 762	3 313 146
Other short-term liabilities	3 473 210	3 508 142	1 832 881	1 631 422
Total short-term liabilities	36 796 449	43 171 566	23 383 544	26 799 567
TOTAL LIABILITIES AND EQUITY				
	284 196 115	282 922 893	247 795 811	153 271 463
KZT/USD rate, NB of RK	153,62	150,29	148,04	147,40

³⁴Other long-term liabilities include liabilities of "FML Kazakhstan" LLP to pay the cost of geological studies conducted on Naimanjal contract area, according to the contract #299 dated 04 March 1999; obligations of «KazCopper» LLP ("KazKynep") on social payments for Aktobe city development and payments in building fund of Astana under contract #2482 dated 15 November 2007. These obligations are disclosed in detail in Clause 5.10 of this memorandum

³⁵The Issuer has obtained a grant from the U.S. Agency for Trade and Development in the amount of 340,000 USD. In accordance with the terms of the grant, it must be returned to the Agency in the event of industrial production on Naimanjal deposit and profit from the sale of products made from the ore of Naimanjal deposit. In the opposite case, the Issuer is not required to return it. Due to the fact that on October 1, 2013 it has been decided to return this deposit to the Competent authority, grant will not be refunded.

³⁶Deferred tax liability associated with the mineral rights, which was formed in 2011 in connection with the business combination, namely the completion of the deal to buy 50% of the Issuer's share in the authorized capital of the U. S. Megatech, Inc., which resulted in 100% of the Issuer's share in U. S. Megatech, Inc. authorized capital

³⁷Issuer's payables to Casterwal Invest Ltd. and Coville Intercorp Ltd. companies, indicated in Clause 5.10 of the memorandum

CONSOLIDATED PROFIT AND LOSS STATEMENT

	<i>US dollars</i>			
	9 months of 2013 Unaudited	2012 Audited	2011 Audited	2010 Audited
Revenue	7 376 798	5 372 018	3 249 408	5 656 898
Cost of realized goods and services	- 5 645 539	- 5 208 375	- 2 947 958	- 5 185 874
Gross profit	1 731 259	163 643	301 450	471 024
Selling expenses, administrative and other expenses	- 3 707 148	- 6 777 102	- 5 988 481	- 3 072 969
Operating profit / loss	- 1 975 889	- 6 613 459	- 5 687 031	- 2 601 945
Interest income	-	-	-	90 572
Share revaluation surplus	-	-	53 635 325	-
Net gain on financial liabilities revaluation at fair value	-	-	-	-
Interest expenses	- 3 442 605	- 5 112 819	- 4 485 981	- 2 288 560
Gain on derivative financial instruments	-	37 595	- 37 595	- 8 990 161
Income / - exchange losses	- 33 321	- 37 313	- 426 090	- 144 055
Registration place changing and assets acquisition costs	-	-	-	- 714 500
Impairment loss	- 858	418 386	- 6 540 870	- 16 525 902
Assets sale loss	- 1 595 840	-	-	-
Assets sale income	1 727 427	-	-	-
Other income / - expenses	368 659	- 45 451	139 033	34 748
Profit before tax	- 4 952 428	- 11 353 061	36 596 791	- 31 139 803
Taxes	-	75 814	- 319 896	- 175 366
Net profit	- 4 952 428	- 11 277 247	36 276 895	- 31 315 169
KZT / USD rate, NB of RK	153,62	150,29	148,04	147,40

Notes to the profit and loss statement

- In 2010, the Issuer acquired a 50 % share in US Megatech, Inc., which in turn is 100 % owner of «KazCopper» LLP ("КазКупер"), which owns the subsoil rights on Benkala deposit. In fact, the deal was completed on April 11, 2011 after obtaining a permission from the state authorities of the Republic of Kazakhstan.

As a result of this transaction, the Issuer became a 100% member of US Megatech, Inc., as before 2010 it has already owned a 50% share of the company's equity capital.

Prior to execution of the transaction, that is while the Issuer owned 50% share of US Megatech, Inc. equity capital, the Issuer's share of Benkala deposit was regarded as a joint venture agreement and taken into consideration in the Group's consolidated financial statement using proportionate consolidation, whereby the balance value of deposits was 18,693,500 USD. Following completion of the transaction the balance value of deposits was revaluated and reached 72,328,825 USD. As a result of the revaluation the positive difference in the amount of 53,635,325 USD was recorded in the consolidated financial statement for 2011.

2. In 2010 and 2011, the Issuer decided to cease operations at Naimanjal and Koskuduk mines located on Naimanjal contract area. In connection with the expectation that the license for the mines will be returned to the state, impairment loss on the balance value of mine development assets was represented in the financial statements for 2010 and 2011, as well as assets related to these mines (machines, equipment, etc.) in the amount of 16,525,902 USD in 2010 and 6,540,870 USD in 2011.
3. During the first 9 months of 2013 the equipment was written off in connection with the retirement in the amount of 1,595,840 USD, and the ancillary equipment and 19 cistern wagons was also realized in the amount of 1,727,427 USD.

CONSOLIDATED STATEMENT OF CASH FLOWS

US dollars

	9 months of 2013 Unaudited	2012 Audited	2011 Audited	2010 Audited
Operating activities				
Loss for the year	- 4 895 944	- 11 353 061	36 596 791	- 31 315 169
Depreciation of fixed assets, exploration assets	4 165 644	4 773 119	807 564	1 330 195
Depreciation of intangible assets	7 093	15 588	-	6 991
Income tax expense recognized in statement of total losses	-	-	-	175 366
Loss / proceeds of sale of property, machinery and equipment	-	-	-	16 839
Supplies provision	-	-	1 922	-
Changes in reserve on problem loans	-	319 264	-	-
VAT recoverable reserve cancellation	-	- 11 125	58 981	- 40 882
Income / loss on asset sale	- 1 595 840	- 418 386	6 540 870	-
Profit / loss on impairment	-	-	- 53 635 325	16 525 902
Income / loss on financial liabilities at fair value through profit and loss	-	- 37 595	37 595	8 990 161
Interest expenses	5 021 995	5 112 819	4 485 981	2 288 560
Gains / losses on exchange rate differences	- 331 275	1 532 163	-	-
Operating activities cash flows	2 371 673	- 67 214	- 5 105 621	- 2 022 037
Increase in VAT receivable	- 747 088	- 2 574 399	- 2 086 502	- 819 940
Increase / decrease in mineral resources	1 026 595	- 9 532 131	1 199 639	- 602 085
Increase / decrease in receivables	- 1 353 729	- 145 983	212 954	- 250 730
Increase / decrease in deferred expenses	2 187 531	- 5 246 718	574 337	362 287
Increase / decrease in other income	113 302	- 236 005	1 150 689	- 5 358 852
Increase / decrease in accounts payable	- 7 167 111	281 011	3 508 741	1 043 278
Increase / decrease in other current liabilities	- 34 932	1 675 261	- 861 582	858 882
Cash outflows from operating activities to tax and interest payment	- 3 603 759	- 15 846 177	- 1 407 345	- 6 789 197
Interest payment	- 4 377 193	- 4 410 974	- 2 550 616	- 835 199
Net cash from operating activities	- 7 980 952	- 20 257 152	- 3 957 961	- 7 624 396
Investing activities:				
Reduction in exploration and evaluation expenditure	- 966 242	- 1 680 169	- 3 585 673	- 1 005 781
Reduction in the cost of extraction	- 2 752 211	- 1 865 233	- 1 753 962	- 2 560 962
Acquisition of fixed assets	- 7 511 088	- 17 376 455	- 26 936 672	- 5 491 545
Sale / purchase of intangible assets	5 386	- 79 528	-	- 11 860
Proceeds of fixed assets sale	1 726 569	418 386	-	-

**INVESTMENT MEMORANDUM
ORDINARY SHARES OF FRONTIER MINING LTD**

Proceeds of Maminskoye license area sale	-	-	37 450 000	-
Maminskoye area loans repayment	-	-	- 4 360 000	-
Advances on long-term assets	4 617 259	3 532 117	- 1 274 138	- 3 502 173
Geological studies fee	-	-	- 103 448	-
Cash received from the business combination	-	-	228 203	
Restricted cash deposit	- 50 564	- 27 546	- 240 109	- 80 999
Net cash flows from investing activities	- 4 930 891	- 17 078 428	- 575 799	- 12 653 320

Financial activities

Loan from related parties	-	8 945 384	2 300 000	15 000 000
Loan from financial institutions	12 616 937	25 043 954	8 696 228	2 000 000
Notes and other loans receipt	440 745	6 600 000	13 800 000	-
Repayment of the loan to related parties	-	- 1 909 830	- 10 833 946	- 543 990
Repayment of the loan to financial institutions	-	-	- 8 000 000	-
Repayment of the loan to Sokol Holdings, Inc.	-	- 210 595	- 421 518	- 1 403 753
Repayment of convertible notes and other loans	-	- 450 000		
Proceeds of shares issued	-	-	-	5 860 935
Buy-in	-	-	-	- 124 276
Shares issue expences	-	-	-	- 251 230
Non-cash assets	-	-	-	-
Net cash from financing activities	13 057 682	38 018 913	5 540 764	20 537 686

Increase / decrease in cash and cash equivalents 145 839 683 333 1 007 004 259 970

Impact of foreign currency exchange rates on the dollar - -

Cash and cash equivalents at the beginning of the year 2 184 083 1 500 750 493 746 233 776

Cash and cash equivalents at the end of the period 2 329 922 2 184 083 1 500 750 493 746

KZT/USD rate, NB of RK 153,62 150,29 148,04 147,40

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US dollars

	Issued capital	Additional paid capital	Accumulated losses	Option premium on convertible loan	Total
01.01.2010	5 097 958	53 936 563	- 53 727 462	25 926	5 332 985
Issue of shares	13 479 515	136 767 369			150 246 884
Fair value adjustment on financial liabilities to related parties		273 754			273 754
Loss for the year, representing total comprehensive loss for the year			- 31 315 169		- 31 315 169
01.01.2011	18 577 473	190 977 686	- 85 042 631	25 926	124 538 454
Issue of shares	31 667	356 557	-	-	388 224
Profit for the year, representing total comprehensive income for the year	-	-	36 276 895	-	36 276 895
01.01.2012	18 609 140	191 334 243	- 48 765 736	25 926	161 203 573
Loss for the year, representing total comprehensive loss for the year	-	-	- 11 277 247	-	- 11 277 247
Issue of convertible note	-	-	-	118 833	118 833
Effect of income tax	-	-	-	- 23 766	- 23 766
01.01.2013	18 609 140	191 334 243	- 60 042 983	120 993	150 021 393
Loss for the period, representing total comprehensive loss for the period	-	-	- 4 952 428	-	- 4 952 428
Effect of income tax			187 550		187 550
30.09.2013	18 609 140	191 334 243	- 64 807 861	120 993	145 256 515

6.2. Intangible assets

Name	Initial cost	Accumulated depreciation	Depreciable value at 30.09.2013	<i>US dollars</i>
				Depreciation rate
Program support	90 520	26 719	63 801	30%

KZT/USD rate, NB of RK on 30.09.2012: 153.62

6.3. Exploration and evaluation assets

In this section, the Issuer considers the cost of exploration and evaluation of mineral resources, except for expenses incurred in the course of activities prior to exploration and evaluation, and also after the technical feasibility and commercial viability of mineral resources extracting becomes apparent.

	<i>US dollars</i>		
	<i>9 months of 2013</i>	2012	2011
Beginning of period	9 353 054	7 672 885	4 087 212
Naimanjal contract area	5 883 533	4 822 257	4 087 212
South Benkala contract area	3 469 521	2 850 628	-
Dynamics for the period	277 498	1 680 169	3 585 673
Extension of South Benkala area	-	618 893	-
Acquisition of South Benkala contract area	-	-	2 850 628
Extension of Naimanjal contract area	277 498	1 061 276	735 045
End of period	10 319 296	9 353 054	7 672 885
Naimanjal contract area	6 161 031	5 883 533	4 822 257
South Benkala contract area	4 158 265	3 469 521	2 850 628
KZT / USD rate at the end of the period, NB of RK	153,62	150,29	148,04

6.4. Mining assets

US dollars

	Mineral rights	Development mining	Site restoration asset	Historical cost	Contractual social assets	Total
01.01.2011	19 750 000	21 675 044	334 994	365 966	359 445	42 485 449
Extensions		1 753 962				1 753 962
Acquisition of Maminskoye deposit	32 640 000					32 640 000
Acquisition at a business combination	154 869 331	3 152 337	46 184		378 604	158 446 456
Change in estimates			522 191			522 191
Write-off	- 32 640 000		-			- 32 640 000
Accumulated depreciation and impairment losses		- 15 981 846	- 466 716	- 365 966		- 16 814 528
31.12.2011	174 619 331	10 599 497	436 653		738 049	186 393 530
Extensions		1 865 232			2 755 509	4 620 741
Moving to capital construction-in-progress		- 1 882 888				- 1 882 888
Accumulated depreciation and impairment losses	- 1 030 229	- 304 293	- 14 170		- 113 371	- 1 462 064
31.12.2012	173 589 101	10 277 548	422 483	-	3 380 187	187 669 319
Extensions	3 138 051					3 138 051
Accumulated depreciation and impairment losses	-62 388				-323 452	-385 840
30.09.2013	176 664 764	10 277 548	422 483	-	3 056 735	190 421 530

6.5. Fixed assets

US dollars

Name	Initial cost	Accumulated depreciation	Depreciable value at 30.09.2013	Depreciation rate
Buildings, structures	24 285 748	3 206 687	21 079 061	13%
Machinery and equipment	15 623 034	2 132 193	13 490 841	14%
Transportation	5 481 861	2 996 538	2 485 323	55%
Office Equipment	1 011 764	248 674	763 090	25%
Plots of land	68 223	-	68 223	-
Other fixed assets	7 133 503	504 571	6 628 932	10%
Incomplete construction	14 017 678	-	14 017 678	-
			58 533 148	

Over the past three years, revaluation of fixed assets has not carried out.

6.6. Liquidation fund

In the Issuer's balance sheet, the funds, remitted to the bank account in connection with the obligation of the Issuer for the future remediation of Benkala deposit, are recognized as cash in savings accounts or as a linked cash deposit. As of September 30, 2013 its size was 440,157 USD.

6.7. Incomplete construction

Since 2011, the Issuer has been working to expand the cathode copper production complex using solvent extraction and electrowinning method (SX-EW technology), which was launched in 2012. Production capacity of the complex is 7 tons of cathode copper per year. Work, which is scheduled to end on December 31, 2014, to extend the complex is carried out by the Issuer in order to increase production capacity to 20 tons of cathode copper per year.

Construction works are financed by bank loans and equity of the Issuer and «KazCopper» LLP ("KazCopper"). In addition, funds which are expected to attract as a result of the offering will be partially directed to the construction of this complex.

6.8. Receivables

Information on major debtors of the Issuer:

US dollars

Name of the debtor	Grounds for receivables	Amount of receivables	Share of total receivables	Scheduled maturities
EXP T1 Ltd (London, UK)	Receivable for goods shipped (cathode copper)	1 353 535	44%	Under the agreement
Consolidated Alloys Pty LTD (Thomastown , Australia)	Prepayments for goods	477 716	16%	31.12.2014

Tecnologias Cobra Limitada (Antafagasta , Chile)	Prepayments for goods	434 303	14%	31.12.2013
"UPSK -trans" Limited Liability Company (Aktobe, Kazakhstan)	Prepayment for services	203 196	7%	Until the complete fulfillment of contract terms
"Titan Fuel-and-energy Company" Limited Liability Company (Kostanai , Kazakhstan)	Prepayments for goods	100 801	3%	31.12.2013
"Tsentrenergoremont" Limited Liability Company (Karaganda, Kazakhstan)	100% advance payment for goods	129 997	4%	31.12.2013
"Alatau Energotrade Limited" Limited Liability Company (Kostanai , Kazakhstan)	Prepayments for electricity under the contract	55 127	2%	31.12.2013
Kuptsov N.P. SP (Kostanai , Kazakhstan)	Prepayments for goods	91 655	3%	Until the complete fulfillment of contract terms
"Staurolite" Limited Liability Company (Kostanai , Kazakhstan)	Prepayment for services	29 916	1%	Until the complete fulfillment of contract terms
BROCHOT SA (Tremblay- en-France, France)	Prepayments for goods	66 183	2%	31.12.2013

Information on the Issuer's debtors which are related parties with respect to the Issuer:

<i>US dollars</i>			
Name of the debtor	Grounds for receivables	Amount of receivables	Scheduled maturities
"University of International Business" Limited Liability Company	Receivables have arisen out of «KazCopper» LLP ("КазКупер") employees training prepayment	24 594	31.08.2014

Information on debtors by type of receivables:

US dollars

Name of the debtor	Grounds for receivables	Amount of receivables	Scheduled maturities
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Trade receivables

EXP T1 Ltd (London, UK)	Under the agreement the final payment is made after the invoicing	1 353 535	Under the agreement
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Prepayment

Consolidated Alloys Pty LTD (Thomastown , Australia)	Prepayments for goods	477 716	31.12.2014
Tecnologias Cobra Limitada (Antafagasta , Chile)	Prepayments for goods	434 303	31.12.2013
"UPSK -trans" Limited Liability Company (Aktobe, Kazakhstan)	Prepayments for services	203 196	Until the complete fulfillment of contract terms
"Titan Fuel-and-energy Company" Limited Liability Company (Kostanai , Kazakhstan)	Prepayments for goods	100 801	31.12.2013
"Tsentrenergoremont" Limited Liability Company (Karaganda, Kazakhstan)	100% prepayments for goods	129 997	31.12.2013
"Alatau Energotrade Limited" Limited Liability Company (Kostanai , Kazakhstan)	Prepayments for electricity under the contract	55 127	31.12.2013
Kuptsov N.P. SP (Kostanai , Kazakhstan)	Prepayments for goods	91 655	Until the complete fulfillment of contract terms
"Staurolite" Limited Liability Company (Kostanai , Kazakhstan)	Prepayments for services	29 916	Until the complete fulfillment of contract terms
BROCHOT SA (Tremblay-en-France, France)	Prepayments for goods	66 183	31.12.2013

Temporary financial assistance

No

Loans that are qualified as receivables by the Issuer

No

Structure of receivables by currency:

Receivables' currency	Receivables amount in this currency
Tenge	403 433 403
Rubles	837 230
USD	1 949 994
Euro	4 202

To a large extent the receivable is short-term, and therefore the impact of exchange rates on receivables can be considered negligible.

6.9. Share capital

Liabilities and equity	30.09.2013	31.12.2012	31.12.2011	<i>Доллары США</i>
	Unaudited	Audited	Audited	31.12.2010 Audited
Equity				
Authorized (share) capital	209 943 383	209 943 383	209 943 383	209 555 159
Option premium on convertible notes	120 993	120 993	25 926	25 926
Uncovered loss	- 64 807 861	- 60 042 983	- 48 765 736	- 85 042 631
Total equity	145 256 515	150 021 393	161 203 573	124 538 454

During 2010 - 2012 and 9 months of 2013 no dividends were paid.

6.10. Credit lines, loans and leasing contracts

BANK LOANS AND CREDIT LINES

«Sberbank of Russia» JSC Subsidiary bank credit line

Borrower: «KazCopper» LLP ("КазКупер")

Credit line: \$25 million for investing activities, \$10 million for working capital

Support: the right of subsoil use on Benkala deposit, equipment and machinery, 100% share of the authorized capital of «KazCopper» LLP ("КазКупер"); related parties warranty

20 million USD tranche

Lending purpose: investment activity

Balance of debt on 30.09.2013: 19,698,393 USD

Interest rate (annual %): 9%

Maturity date: October 12, 2018

Special conditions: : repayment of principal on a monthly basis, starting from September 12, 2014

9 million USD tranche

Lending purpose: working capital financing

Balance of debt on 30.09.2013: 9,000,000 USD

Interest rate (annual %): 8.5%

Maturity date: October 12, 2018

Special conditions: repayment of principal on a monthly basis, starting from September 12, 2014

5 million USD tranche

Lending purpose: investment activity

Balance of debt on 30.09.2013: 5,000,000 USD

Interest rate (annual %): 9%

Maturity date: October 12, 2018

Special conditions: repayment of principal on a monthly basis, starting from September 12, 2014

1 million USD tranche

Lending purpose: working capital financing

Balance of debt on 30.09.2013: 833 333 USD

Interest rate (annual %): 8.5%

Maturity date: October 12, 2018

Special conditions: repayment of principal on a monthly basis, starting from September 12, 2014

10 575 045 USD tranche

Lending purpose: working capital financing

Balance of debt on 30.09.2013: 10,575,045 USD

Interest rate (annual %): 8%

Maturity date: April 16, 2017

Special conditions: repayment of principal on a monthly basis, starting from September 12, 2014

4 507 700 USD tranche

Lending purpose: investment activity

Balance of debt on 30.09.2013: 4,507,700 USD

Interest rate (annual %): 9%

Maturity date: October 12, 2018

Special conditions: repayment of principal on a monthly basis, starting from September 12, 2014

OTHER LOANS

Notes payable issued for Central Asian Educational Services SA

Borrower: the Issuer

Lending purpose: investment costs of Benkala deposit

Issue of convertible loan notes amounting to 2.4 million USD

Balance of debt on 30.09.2013: 2,000,018 USD

Interest rate (annual %): 12%

Maturity date: April 24, 2014

Special conditions: notes are accompanied with 7,680,000 bearer shares of the Issuer with an execution period of 2 years at the price of 8 pence per share. To date, the shares have not been in demand by the note holders.

Issue of convertible loan notes amounting to 1.4 million USD

Balance of debt on 30.09.2013: 1,412,888 USD, including interest

Interest rate (annual %): 12%

Maturity date: June 2, 2014

Special conditions: notes are accompanied with 4,480,000 bearer shares of the Issuer with an execution period of 2 years at the price of 8 pence per share. To date, the shares have not been in demand by the note holders.

EXP T1 Ltd. loan - Special unit of RK Mine Finance Trust 1 (part of a group of Red Kite investment funds)

Borrower: the Issuer

Contract amount: 10 million USD

Lending purpose: investment costs of Benkala deposit

Balance of debt on 30.09.2013: 10,026,667 USD, including interest

Interest rate (annual %): 12%

Maturity date: November 22, 2013

Special conditions: concurrently with the issuance of the loan transaction, the Issuer, «KazCopper» LLP ("КазКупер") and EXP T1 Ltd. Have concluded an "off-take" agreement that 100% of the products to be produced on Benkala deposit will be sold to EXP T1 Ltd. (export) . Term of the agreement expires in 2016 or after delivery by «KazCopper» LLP ("КазКупер") of 50,000 tonnes of cathode copper in favor of the buyer, whichever comes first.

"Nursultan Nazarbayev Education Foundation" Public Foundation

Borrower: the Issuer

Lending purpose: investment costs of Benkala deposit

Issue of convertible loan notes amounting to 1.6 million USD

Balance of debt on 30.09.2013: 600 000 USD

Interest rate (annual %): 12%

Maturity date: May 18, 2014

Special conditions: notes are accompanied with bearer shares in the amount of 5.12 million shares at a price of 8 British pence .

Issue of credit notes amounting to 3 million USD

Balance of debt on 30.09.2013: 3,000,000 USD

Interest rate (annual %): 8%

Maturity date: May 20, 2014

Issue of credit notes amounting to 1.4 million USD

Balance of debt on 30.09.2013: 1.4 million USD

Interest rate (annual %): 12%

Maturity date: December 27, 2013

Dunliary Management LTD. (Dun Laoghaire , Ireland) interest-free credit

Borrower: the Issuer

Amount of the contract: 600 000 USD

Lending purpose: «KazCopper» LLP ("KazКyнеp") working capital finance

Balance of debt on 30.09.2013: 100 000 USD

Maturity date: December 20, 2013

LOANS FROM RELATED PARTIES

«New Technology» Limited Liability Company

Credit line in the amount of 20 million USD

Borrower: the Issuer

Lending purpose: investment activity

Balance of debt on 30.09.2013: 12,730,907 USD

Interest rate (annual %): 15%

Maturity date: January 31, 2014

Credit line in the amount of 125 million tenge (unused balance on 30.09.2013 amounts to 104 million tenge)

Borrower: "FML Kazakhstan" LLP

Lending purpose: financing the current economic and operational needs

Balance of debt on 30.09.2013: 21 million tenge

Interest rate (annual %): 10 000 tenge for the entire period

Maturity date: December 31, 2013

A loan of 30 million tenge

Borrower: "FML Kazakhstan" LLP

Lending purpose: financing the current economic and operational needs

Balance of debt on 30.09.2013: 30 million tenge

Interest rate (annual %): 10 000 tenge for the entire period

Maturity date: December 31, 2013

Interest-free loan of 60 million tenge

Borrower: «KazCopper» LLP ("KazКyнеp")

Lending purpose: financing the current economic and operational needs

Balance of debt on 30.09.2013: 60 million tenge

Maturity date: December 31, 2018

Aliyev Yerlan Zhenisovich

Borrower: the Issuer

Lending purpose: operating expenses

Loan of 500 000 USD

Balance of debt on 30.09.2013: 638 904 USD, including interest

Interest rate (annual %): 15%

Maturity date: December 31, 2013

Interest-free loan of 100 000 USD

Balance of debt on 30.09.2013: 92 647 USD

Maturity date: January 12, 2014

Tastanov Erbulat Adiyatovich

Borrower: the Issuer
Contract amount: 20.75 million tenge
Lending purpose: Benkala deposit investment costs
Balance of debt on 30.09.2013: 134 974 USD
Interest rate (annual %): interest-free
Maturity date: December 31, 2018

Sagadiyev Yerlan Kenzhegalievich

Borrower: the Issuer
Contract amount: 200 million tenge
Lending purpose: Benkala deposit investment costs
Balance of debt on 30.09.2013: 132 679 USD
Maturity date: December 31, 2018

6.11. Other financial liabilities

Naimanjal contract area geological studies value payment

According to the contract for the acquisition by the Issuer of subsoil use rights on Naimanjal contract area, concluded between the Issuer and the Competent Authority of the Republic of Kazakhstan, the historical cost of geological studies conducted by government agencies prior to the acquisition of subsoil use rights by the Issuer in the amount of 1,436,400 USD is due in equal quarterly payments commencing from the date of start of industrial production, which is confirmed by the relevant permit of competent authority of the Republic of Kazakhstan.

Under the current terms of the contract №299, as specified in Clause 2.5 of this memorandum, industrial production is scheduled to start in 2015. Until that time, the Issuer will accrue a provision for future expenses on geological research payment. As on December 31, 2012 amount of accrued provision was 899,902 USD.

Social benefits for the development of Aktobe city

Within the contract №2482 of 15 November 2007 on the exploration and extraction of copper on Benkala deposit, specified in Clause 2.5 of this memorandum, the Issuer bears the social commitments of 6,000,000 USD, payable in equal installments over a 29-year term of the contract, which is until 15 November 2036. These obligation expenses are capitalized and included by the Issuer to the cost of Benkala deposit.

Payments to the Astana city Fund

Within the contract №2482 of 15 November 2007 on the exploration and extraction of copper on Benkala deposit, the Issuer has an obligation for social payments in the amount of 1.5 million USD to the building fund of Astana in equal installments over a 29-year term of the contract.

Issuer's share warrants release

On April 28, 2011 the Issuer issued 2.4 million USD notes to be paid by Central Asian Educational Services SA (Commonwealth of the Bahamas, Nassau). For benefit of the creditor these notes are accompanied with 7.68 million of the Issuer's bearer shares, which can be executed at 8 British pence.

On June 8, 2011 the Issuer signed an additional agreement with Central Asian Educational Services SA for the issue of notes payable at 1.4 million USD. In accordance with the terms of this loan to Central Asian Educational Services SA additional 4,480,000 bearer shares at an exercise price of 8 British pence per share were issued. Bearer shares may be flogged at the discretion of the Issuer's notes holder in any period up to 2 years after the issue date.

6.12. Loan payable

The Issuer's Loan payable is formed by debt under contracts for the purchase of goods and services. Taking into account the fact that the Issuer has no major suppliers, relating to loan payable there are also no creditors, whose share in loan payable is 10%.

Below is a list of ten largest creditors of the Issuer:

				<i>US dollars</i>
Name of a creditor	Grounds for loan payable	Loan payable amount on 30.09.2013	Share of the total loan payable amount	Scheduled maturities
"Kazzinc" Limited Liability Company (Ust-Kamenogorsk, Kazakhstan)	Payment for goods	241 120	4%	After receipt of funding, or funds for the implementation
Borisenko Individual entrepreneur (Kostanai, Kazakhstan)	Payment for goods	90 067	1%	After receipt of funding, or funds for the implementation
"Asbestos geological survey company" Limited Liability Company (Zhitikara, Kazakhstan)	Payment for goods	81 899	1%	After receipt of funding, or funds for the implementation
"Globus" Limited Liability Company (Almaty, Kazakhstan)	Payment for services	76 803	1%	After receipt of funding, or funds for the implementation
Almaty branch of "Promtechmontazh" JSC (Almaty, Kazakhstan)	Payment for services	69 161	1%	After receipt of funding, or funds for the implementation
"Орт сөндіруші" Joint Stock Company (Aktobe, Kazakhstan)	Payment for services	63 086	1%	After receipt of funding, or funds for the implementation
"Deloitte" Limited Liability Company (Almaty, Kazakhstan)	Payment for services	47 793	1%	After receipt of funding, or funds for the implementation
"Ivolga-Holding" Limited Liability Company (Almaty, Kazakhstan)	Payment for goods	22 659	0,3%	After receipt of funding, or funds for the implementation

"FML Kazakhstan" Limited Liability Company (Semipalatinsk , Kazakhstan)	Payment for goods	27 982	0,3%	After receipt of funding, or funds for the implementation
"Byelkamit" Joint venture (Almaty, Kazakhstan)	Payment for goods	27 304	0,3%	After receipt of funding, or funds for the implementation

Loan payable to related parties

Name of a creditor	Loan payable amount on 30.09.2013	Scheduled maturities
«Calder Projects Kazakhstan» Limited Liability Company	3 357 678 tenge	Prior to complete performance of obligations by parties
«KazDrilling» Limited Liability Company	3 240 798 tenge	Prior to complete performance of obligations by parties

Loan payable types

US dollars

Name of a creditor	City, country of registration	Grounds for loan payable	Loan payable amount on 30.09.2013	Scheduled maturities
Loan for supplied fixed assets, raw materials and products (for services rendered, work performed)				
"Kazzinc" Limited Liability Company	Ust-Kamenogorsk, Kazakhstan	Delivery agreement	241 120	According to the terms of the contract payment period begins after the reporting period within 15 days after the invoice billing
Borisenko SP	Kostanai, Kazakhstan	According to the terms of the contract payment period begins after the reporting period on the next month after the account grant	90 067	After the receipt of funding or funds for the implementation
"Asbestos geological survey company " Limited Liability Company	Zhitikara, Kazakhstan	According to the terms of the contract payment period begins after the reporting period on the next month after the account grant	81 899	After the receipt of funding or funds for the implementation

"Globus" Limited Liability Company	Almaty, Kazakhstan	According to the terms of the contract payment period begins after the reporting period on the next month after the account grant	76 803	After the receipt of funding or funds for the implementation
Almaty branch of "Promtechmontazh" JSC	Almaty, Kazakhstan	According to the terms of the contract payment period begins after the reporting period on the next month after the account grant	69 161	After the receipt of funding or funds for the implementation
Prepayments				
-	-	-	-	-
Temporary financial aid				
-	-	-	-	-
Loans from non-financial institutions, which are classified as loans payable by the Issuer				
Sagadiyev E.	Almaty, Kazakhstan	Loan agreement	132 679	31.12.2018
Tastanov E.A.	Almaty, Kazakhstan	Loan agreement	134 974	31.12.2018
«KazDrilling» Limited Liability Company	Almaty, Kazakhstan	Loan agreement	219 532	31.12.2018
Coville Intercorp Ltd. Company	Road Town, Tortola isl., British Virgin Islands	Loan agreement	535 338	31 December 2013
Casterwal Invest Ltd. Company	Road Town, Tortola isl., British Virgin Islands	Loan agreement	2 458 274	30 September 2014
"New Technologies of Kazakhstan" Limited Liability Company	Almaty, Kazakhstan	Loan agreement	236 367	31.12.2018

Loan payable currency

Loan currency	Loan payable amount in this currency on 30.09.2013	Issuer's forecast relating to the loan
AUD	53 706	53 706
EUR	25 021	25 021
KZT	66 239 891	66 239 891
RUB	3 322	3 322
USD	773 915	773 5

6.13. Sales volume

	Gold	Silver	Cathode copper	Total
2010				
Volume, tons	130	351	-	481
Revenue, US dollars	5 383 840	273 058	-	5 656 898
2011				
Volume, tons	58	173	-	231
Revenue, US dollars	3 054 419	194 989	-	3 249 408
2012				
Volume, tons	-	-	692	692
Revenue, US dollars	-	-	5 230 755	5 230 755
9 months of 2013				
Volume, tons	-	-	909,242	909,242
Revenue, US dollars	-	-	7 376 798	376 798

6.14. Cost of sales

	30.09.2013	31.12.2012	31.12.2011
Labor	3 923 014	4 050 972	1 027 867
Third Party Services	2 397 398	2 487 691	257 196
Severance tax	762 808	1 539 776	139 020
Consumables and spare parts	490 377	1 075 941	473 851
Maintenance	122 594	28 840	54 849
Other expenses	54 486	144 471	4 780
Cash operating costs	7 750 678	9 327 691	1 957 563
Depreciation and depletion	980 754	2 031 274	990 395
Total cost of production	8 731 431	11 358 965	2 947 958
Change in finished goods and work in progress	- 3 085 893	- 6 150 590	-
Total cost of sales	5 645 539	5 208 375	2 947 958

Factors that could affect the growth or reduction in the cost of cathode copper during 2013 were missing.

6.15. Results of non-core activities

Over the last 2010 - 2012 years, the Issuer has no income and expenses from non-operating activities.

During the first 9 months of 2013 in the consolidated statements of profit and loss of the Issuer were recorded revenues from auxiliary equipment and 19 cistern-wagons amounting to 1,727,427 USD.

6.16. Ratios

<i>1 October 2013</i>	
Liquidity ratios	
Absolute liquidity ratio	8%
Acid-test ratio	16%
Current ratio	46%
Financial stability ratios	
Equity to total assets	0,5
Leverage	1

6.17. Cash flows

During 2012, the Issuer and its subsidiaries have completed the initial development of Benkala deposit, construction of a complex of cathode copper production using solvent extraction and electrowinning method and launched the production in August 2012. Mining and processing of ore declined during the winter months and resumed in April 2013. As of October 1, 2013, the Issuer has not yet received significant revenue from Benkala deposit.

The Issuer needs operating and financial cash inflows to promote plans for the production of cathode copper on Benkala deposit; to continue the exploration and development of South Benkala and Baytemir porphyry copper deposits to fulfill obligations under subsoil use contracts, and to repay obligations as they come to maturities. Taking into account the above mentioned, the Issuer has decided to place shares. In case the shares will not be placed in full, the Issuer is considering issuing of a new financing instrument in the form of credit notes in the amount of 20 million USD, negotiations on which as on October 1, 2013 are being already conducted. The Issuer expects to be able to extend the maturities of existing short-term debt to cover cash shortages and, if necessary, to delay investments until the receipt of sufficient funds to repay short-term loans.

Issuer's forecasts on cash flow, based on the assumption that there will be budgeted production on Benkala deposit, and that market prices will be in accordance with the predicted copper prices, show that the Group will generate operating cash inflows for the period up to June 30, 2014 year. Key assumptions made in the forecast of operating cash inflows include:

- minimum copper production on Benkala deposit in 2013 at a rate of 2,000 tons and 7,663 tons in 2014;
- copper price at 7000 USD per ton in 2013 and 6500 USD per ton in 2014.

Funding requirements of the Group significantly exceeded its cash balance, repayment of short-term liabilities and successful negotiations on additional funding are the main focus of the Issuer.

Issuer's performance forecast up to the end of 2016:

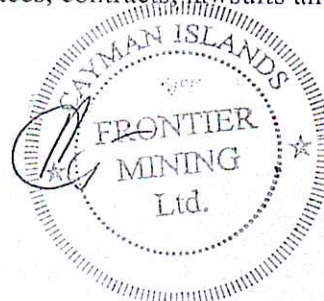
US dollars

Production	4 quarter of 2013	2013	2014	2015	2016
Operating activities	746 969	-812 317	20 692 770	25 532 204	52 618 257
Revenues	4 536 000	14 000 000	49 809 500	65 218 500	118 762 083
Cost	-2 342 776	-9 534 808	-18 553 076	-26 830 034	-44 716 724
Implementation costs	-116 652	-349 957	-1 340 859	-1 690 641	-2 817 734
Other administrative expenses	-771 965	-3 087 861	-3 087 861	-3 087 861	-5 146 435
MET	-390 857	-1 172 571	-4 492 707	-5 664 693	-9 441 154
VAT when buying	-166 780	-667 120	-1 642 228	-2 413 068	-4 021 780
Other expenses (WIP)	0	0	0	0	0
Investment activities	-3 489 328	-9 273 002	-28 962 187	-45 301 794	-11 897 533
Revenue	4 536 000	14 000 000	49 809 500	65 218 500	118 762 083
Cost of sales	-2 342 776	-9 534 808	-18 553 076	-26 830 034	-44 716 724
Financial activities	-4 626 121	5 356 813	14 540 940	27 495 117	-30 578 373
Bank loans receiving	-87 500	398 000	0	0	0
Repayment of bank loans	0	-34 534 000	0	0	0
New financing receiving		49 434 000			
Repayment of a new financing			- 1 000 000	- 8 072 333	- 8 072 333
External loans			40 000 000	50 000 000	- 10 000 000
Shareholder loans, other external loans	- 3 400 000	- 5 428 187	- 18 600 000		
Interest payment	- 1 138 621	- 4 513 000	- 5 859 060	- 14 432 550	- 12 506 040
Other non-operating activities	-1 200 000	-1 200 000	994 000	3 795 000	2 795 000
Cash flow	-8 568 480	-5 928 506	7 265 523	11 520 526	12 937 350
Cumulative cash flow	-8 495 696	-8 495 696	-1 230 173	10 290 354	23 227 704

6.18. Other significant information

There is no other significant information concerning the Issuer's activities, potential liabilities that may arise as a result of previously issued guarantees, contracts, lawsuits and other events.

FRONTIER MINING LTD. CEO



Aliyev Y. Zh.

