



REPORT AND VALUATION

FOR

Chagala Group Limited

VALUATION AS AT 01 OCTOBER 2007

OF

PORTFOLIO OF ASSETS IN

Atyrau, Aktau, Bautino, Uralsk, Almaty, Ust-Kamenogorsk

KAZAKHSTAN

PREPARED BY:

**DTZ
ul. Gasheka,7
suit 360
Moscow
123056 Russia**



Contents

	Page
Schedule 1 – Properties Held as Investments	3
Schedule 2 – Properties in the Course of Development	3
Schedule 3 – Properties Held for Development	3
1 Introduction	4
2 Inspections	6
3 Compliance with Appraisal and Valuation Standards and The Listing Rules	7
4 Status of Valuer and Conflicts of Interest	7
5 Purpose of the Valuation Report	7
6 Basis of Valuation and Net Annual Rent	7
6.1 Market Value	7
6.2 Net Annual Rent	8
6.3 Taxation and Costs	8
7 Assumptions and Sources of Information	8
7.1 Title	8
7.2 Condition of Structure and Services, Deleterious Materials, Plant and Machinery and Goodwill	9
7.3 Environmental Matters	10
7.4 Areas	10
7.5 Statutory Requirements and Planning	10
7.6 Leasing	11
7.7 Legal Issues	11
7.8 Information	12
7.9 Valuation Methodology	12
8 Valuation Methodology & Assumptions	12
9 Valuation	14
10 Confidentiality and disclosure	14



Appendices/Schedules

Schedule 1 – Properties Held as Investments

Atyrau, Chagala Waterfront Apartments	Freehold
Atyrau, Chagala Center Office	Freehold
Atyrau, Chagala Plaza Apartments	Freehold
Atyrau, Restaurants and Bars	Freehold
Bautino, Chagala Hotel Phase I and Phase II	Freehold
Bautino, Chagala Guest House	Freehold
Uralsk Chagala Hotel	Freehold
Almaty Chagala Head Office	Freehold

Schedule 2 – Properties in the Course of Development

Aktau, 83 Hotel Apartments, Restaurant and Bar
Bautino, Chagala Hotel Phase III

Schedule 3 – Properties Held for Development

Atyrau, Chagala 150 Apartments
Atyrau, Chagala 60 Apartments
Atyrau, Chagala Apartments for sale
Atyrau, Chagala Office Buildings
Atyrau, Chagala Sports Complex
Atyrau, Chagala Zere Mall
Atyrau, land plots for development

Aktau, Chagala 180 Apartments & 3,000 sqm of Offices, Restaurant and Bar
Aktau, Warehouse
Aktau, land plot for development

Bautino Chagala ‘RCP’ Apartments, Warehouses & Offices
Bautino land plot for development

Ust-Kamenogorsk, Chagala Zere Mall

known hereinafter as “the Properties”



Valuation Report prepared for
Chagala Group Limited
Date of Valuation: 1 October 2007

Your ref:
Our ref: 07CHA071
Direct tel: 7 (495) 748 1111
Direct fax: 7 (495) 787 8887
E-mail: chris.dryden@dtz.com

1 October 2007

Chagala Group Limited
PO Box 957
Offshore Incorporations Centre
Road Town
Tortola
British Virgin Islands

Dear Sirs

1 Introduction

In accordance with instructions received from Chagala Group Limited, we, DTZ, Chartered Surveyors, have considered the properties referred to in the attached schedule (the "Schedule"), in order to advise you of our opinion of the Market Value as at the date of this document, of the freehold interests (as appropriate) in each of the properties (the "Properties"). We have valued each property individually and not as part of a portfolio.

The Properties are listed as follows:

PROPERTIES LOCATED IN ATYRAU, KAZAKHSTAN

Properties held as investments

Building 1

Chagala Hotel, Atyrau and technical building

Building 2

O'Neill's Pub plus office

Building 3

Chagala Waterfront Apartment block – 42 units

Building 4

Chagala Waterfront Apartment block – 43 units

Building 5

Chagala Centre Office

Building 6

Chagala Centre East, Annex 1



Building 7
Baker Hughes' office

Building 8
Chagala Administration Centre

Building 9A
Chagala Plaza Apartments Block I

Building 9B
Chagala Plaza Apartments Block II

Building 10
Chagala Plaza Apartments Block III

Building 11
Technical building and gymnasium

Building 12
Garage/Storage Facility

Building 13
Petrovski Restaurant

Properties in the Course of Development

Building 14
La Cabana Restaurant and Bowling Centre

Properties Held for Future Development

River front apartments – 60 units
150 apartments for rent
45, 000 sqm apartments for sale
Office building
Shopping Centre
Wellness centre and Clinic

PROPERTIES LOCATED IN AKTAU, KAZAKHSTAN

Properties in the course of development

Aktau, 83 Hotel Apartments, Restaurant and Bar

Properties Held for Future Development

180 Apartments
3,000 sqm of Offices
Warehouse



PROPERTIES LOCATED IN BAUTINO, KAZAKHSTAN

Properties held as investments

Chagala Hotel Bautino Phase I and Phase II
Bautino Guest House

Properties Held for Future Development

Chagala Hotel Bautino Phase III
Bautino Chagala 'RCP' Apartments, Warehouses & Offices
Bautino, Land Plot for Future development

PROPERTIES LOCATED IN URALSK, KAZAKHSTAN

Properties held as investments

Chagala Hotel, Uralsk

Properties Held for Future Development

Chagala Hotel, Uralsk

PROPERTIES LOCATED IN ALMATY, KAZAKHSTAN

Properties held as investments

Chagala Group Offices

PROPERTIES LOCATED IN UST-KAMENOGORSK, KAZAKHSTAN

Properties held for Future Development

Chagala Zere Mall

VACANT LAND PLOTS

Bautino	20, 000 sqm
Atyrau	30,000 sqm
Atyrau	300, 000 sqm

2 Inspections

The properties were inspected by Chris Dryden BLE MA MRICS between 6 August and 8 August 2007 and Andrey Kuzmin between 6 August and 10 August 2007. Preparing the following Valuation Report we have not inspected the Properties in Uralsk and Ust-Kamenogorsk. In this regard we have relied on the information supplied by the Client. We understand that the Property in Ust-Kamenogorsk is a flat land plot for shopping centre development. We also assume that the Property in Uralsk is in the same condition, as it was at previous inspection, made by Alexander Yakovlev on 12



September 2006. We base our assumption on the evidence that there were no facts, which can significantly influence the condition of the building.

3 Compliance with Appraisal and Valuation Standards and The Listing Rules

We confirm that the valuations have been made in accordance with the appropriate sections of both the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Appraisal and Valuation Standards, 5th Edition (the "Red Book").

In preparing this report, we have complied with the requirements contained within the provisions of PR 5.6.5G of the Prospectus Rules regulated by the Financial Services Authority.

4 Status of Valuer and Conflicts of Interest

We confirm that we have undertaken the valuations acting as External Valuers as defined in the Red Book, qualified for the purpose of the valuation.

We have had no direct or indirect interest, financial or otherwise in the Properties, or the Company or their subsidiaries or other affiliates.

5 Purpose of the Valuation Report

We understand that Chagala Group Limited ("the Client") requires a revaluation of the properties as at 1 October 2007. We, OOO "DTZ Debenham Zadelhoff Limited", have prepared a Market revaluation for each Property, noted above, in accordance with the terms set out in this Valuation Report and its Appendices.

6 Basis of Valuation and Net Annual Rent

6.1 Market Value

The value of each of the Properties has been assessed in accordance with the relevant parts of the current RICS Appraisal and Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. Under these provisions, the term "Market Value" means "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In undertaking our valuations on the basis of Market Value we have applied the interpretive commentary which has been settled by the International Valuation Standards Committee and which is included in PS 3.2. The RICS considers that the application of the Market Value definition provides the same result as Open Market Value, a basis of value supported by previous editions of the Red Book.



Each property is defined in three distinct categories: (a) properties held as investments, (b) properties in course of development, and (c) Properties held for future development and have been valued in accordance with the requirements of the Red Book on the basis of Market Value.

6.2 Net Annual Rent

The net annual rent for each of the Properties that are leased is referred to in the Schedule where appropriate. Net annual rent is defined in the Listing Rules as "the current income or income estimated by the valuer:

- (i) ignoring any special receipts or deductions arising from the property;
- (ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and
- (iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent". In assessing an appropriate level of management costs, we have assumed that a third party purchaser would be an established company with a track record in the hospitality business. They would therefore be able to acquire the subject developments "at the margin" of their management and administration costs. However, where the stock is being acquired by a "start-up" business, costs can be considerably higher than average management costs, particularly in the first few years of business.

6.3 Taxation and Costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants; taxation allowance funding that may arise on disposals.

The capital valuations and rents included in the valuation report are net of value added tax at the prevailing rate.

7 Assumptions and Sources of Information

An Assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the Company's advisers have confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below: -

7.1 Title

We have not had access to the title deeds of the Properties, though we have had access to and have read the legal reports on title for the properties and have reflected these in our valuations subject hereto. We have made an Assumption that the Properties have good and marketable freehold title in each case and that the Properties are free from rights of way or easements, restrictive covenants,



disputes or onerous or unusual outgoings. A number of the properties are subject to individual mortgages

We understand that each property is either held by the Company, its subsidiaries, or jointly with third parties. We have valued a 100% share of the tenure stated in each property as if each property was held entirely by the Company as at the valuation date. We have not made any adjustment to value which may be appropriate when considering fractional ownership. We would caution that where the Company has a fractional entitlement to revenues from the sale / lease of properties, the Company may have a higher proportional (typically 100%) liability for the construction costs. This is particularly the case where the company has an obligation to provide a share of the completed developments to the City authorities.

Unless disclosed to us to the contrary and recorded in the Appendix, each valuation is on the basis that:

- a. the property possesses a good and marketable title (albeit in the case of land leases through the sale of shares of the lessee company), free from any unusually onerous restrictions, covenants or other encumbrances;
- b. where the interest held in the property is leasehold, there are no unreasonable or unusual clauses which would affect value and no unusual restrictions or conditions governing the assignment or disposal of the interest;
- c. leases to which the property may be subject are on standard market terms, and contain no unusual or onerous provisions or covenants which would affect value;
- d. all notices have been served validly and within appropriate time limits;
- e. the property excludes any mineral rights; and
- f. vacant possession can be given of all accommodation which is not leased.

7.2 Condition of Structure and Services, Deleterious Materials, Plant and Machinery and Goodwill

We have made enquiries in order, so far as reasonably possible, to establish the potential existence of contamination arising out of previous or present uses of the site and any adjoining sites.

Our enquiries, inspections and the Environmental Reports have provided no evidence that there is a significant risk of contamination in respect of any of the Properties, with the exception of the land held for development in Atyrau. We recommend that an environmental report be undertaken. In the event that contamination exists at a level to affect value, we reserve the right to reappraise our valuations.

Other than as referred to above, we have not made any investigations into past or present uses, either of the Properties or any neighbouring land to establish whether there is any contamination or potential for contamination to the subject Properties. Commensurate with our Assumptions set out above we have made no allowance in these valuations for any effect in respect of actual or potential contamination of land or buildings. A purchaser in the market might, in practice, undertake further investigations than those undertaken. If it is subsequently established that contamination exists at any of the Properties or on any neighbouring land or that any of the premises have been, or are being, put to any contaminative use then this might reduce the values now reported.

Commensurate with our assumptions set out above we have not made any allowance in the valuation for any effect in respect of actual or potential contamination of land or buildings.



Our valuations include items usually regarded as forming part of the building and comprising landlord's fixtures, such as boilers, heating, lighting, sprinklers and ventilation systems but generally exclude operational plant and machinery and those fixtures and fittings normally considered to be the property of the tenant.

7.3 Environmental Matters

We have not investigated ground conditions/stability and each valuation is on the basis that buildings that have been constructed, have appropriate regard to existing ground conditions. Where the property has development potential, our valuation is on the basis that there are no adverse ground conditions which would affect building costs. However, where you have supplied us with a building cost estimate, we have relied on it being based on full information regarding existing ground conditions. We have considered the Company's construction estimates in the light of typical market norms.

We have not carried out any investigations or tests, nor been supplied with any information from the Company or from any relevant expert that determines the presence or otherwise of contamination (including any ground water). Accordingly, our valuation has been prepared on the basis that there are no such matters that would materially affect our valuation. A purchaser in the market might, in practice, undertake further investigations than those undertaken. If it is subsequently established that contamination exists at any of the Properties or on any neighbouring land or that any of the premises have been, or are being, put to any contaminative use then this might reduce the values now reported.

Where there is high voltage electrical supply equipment close to a property, it should be noted that the possible effects of electromagnetic fields on health have been the subject of media coverage. Public perception may, therefore, affect marketability and future value of the property.

7.4 Areas

We have inspected each completed property internally and externally from ground level and each development site externally from ground level between 6th August and 10th August 2007. No measured surveys have been carried out by DTZ and we have relied entirely on the site and floor areas and dimensions provided to us by the Company. We have assumed that these are correct and calculated on the appropriate basis, as normally adopted by the local property market.

In relation to a number of the land sites, it was not possible to accurately determine the extent of the site boundaries as these were not clearly shown on site.

7.5 Statutory Requirements and Planning

In accordance with instructions, we have not made enquiries of the Local Planning Authorities but have been appraised of the planning position by virtue of discussions with Board Members of the Chagala Group.

We have assumed that in each case, the buildings have been, or will be, constructed in full compliance with valid Town Planning and Building Regulations' approval and have the benefit of valid Fire



Certificates. Similarly, we have also seen that the subject properties are not subject to any outstanding Statutory Notices as to their construction, use or occupation and that the uses of the subject properties are duly authorised or established and that no adverse planning conditions or restrictions apply.

From our discussions with Board Members of the Chagala Group, we understand that at the date of this Report, Bautino RCP has zoning approval and the site has been formally designated for a camp. For the planned projects in Atyrau, Chagala Group have provisional approval for the master plan from the City authorities. The site has been formally designated for multi use purposes. Once the master plan and detailed designs are finalised, Chagala Group will submit for formal planning consent. None of the other properties held for development have formal planning consent. We further understand however that discussions are ongoing with the relevant Planning Authorities regarding the proposed developments. As the Government in Kazakhstan is committed to maximising oil and gas revenues, the Chagala Group are confident that the plans proposed at the subject development sites will receive approval from the relevant Planning Authorities.

For the avoidance of doubt, we are assuming that all planning consents for development as per the Chagala Group Proposals will be granted without delay.

We are advised that the Chagala Group office in Almaty does not have the requisite consent to be used as offices. We recommend that this situation is rectified. Our valuation of this office is based on office use and therefore assumes that change of use consent to office will be granted without delay or financial penalty.

7.6 Leasing

We have read all the related documents provided to us. We have not been supplied with any legal due diligence reports in respect of the leases. We have made assumptions that copies of all relevant documents have been sent to us and that they are complete, up to date and accurate.

We have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge, or we have been specifically advised to the contrary, we have made an Assumption that the tenants are financially in a position to meet its/their obligations. Unless otherwise advised, we have also made an Assumption that there are no material arrears of rent or service charges or breaches of covenants, current or anticipated tenant disputes.

However, our valuation reflects the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.

In assessing gross development values of the completed commercial elements of the schemes, we have assumed that the properties will be let on 5 year 'triple net' leases.

7.7 Legal Issues

Legal issues, and in particular the interpretation of matters relating to title and leases, may have a significant bearing on the value of an interest in property. Where we have expressed an opinion upon legal issues affecting the valuation, then such opinion should reflect legal advice and be subject to verification by the client with a suitable qualified lawyer. In these circumstances, we accept no responsibility or liability for the true interpretation of the legal position of the client or other parties in respect of the valuation of the property.



7.8 Information

We have made an Assumption that the information the Company and its professional advisers have supplied to us in respect of the Properties is both full and correct.

It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date. We have relied upon information supplied to us by the Company and have assumed that the value have been supplied to us and that the information is correct as at the date of the valuation.

7.9 Valuation Methodology

In providing market values in respect of Bautino, Aktau and Atyrau, we have recognized the major (and only) driver to value is the oil and gas industry. It is clear that without the oil industry, the majority if not all the occupational demand currently experienced would not exist. In assessing on going demand for the subject properties, we have taken cognisance of the level of investment being undertaken by the oil industry and take comfort from numerous predictions that oil production is not estimated to peak until 2020.

The subject developments at Bautino, Aktau and Atyrau are, or will become, self contained villages for employees in the oil and gas industry. There are hotels, serviced apartments, restaurants, bars, offices and in time there will be shopping facilities. In our opinion, these uses are largely inter-dependant on one another and as such we have considered each 'village' as one entity and valued the different uses collectively by application of a multiplier to gross operating profit.

8 Valuation Methodology & Assumptions

General

In the case where Property interests are only partly owned by the Company we have valued the whole interest and it is up to the Company to advise of the percentage owned.

Definitions

- | | |
|--|--|
| 1) Market Value
In Existing State: | Land/Residual Value |
| 2) Estimated Costs
Of Completing Development: | Cost of Construction plus Professional Fees |
| 3) Estimated
Developers Profit: | Value on Completion less Estimated Costs of Completing
Development less Market Value in Existing State. |

It should be noted that the estimated developers profit is based on the assumptions listed below and were any of these assumptions to vary due to market forces or were to prove to be incorrect then this would affect the estimated developers profit reported herewith.



4) Value

Upon Completion: Gross Development Value.

Investments Valuation Methodology & Assumptions

For our valuation we have used the traditional method of valuation using the initial and equivalent yield method. This method capitalizes the net current income stream attributed to the properties by applying the appropriate yield. The appropriate yield adopted is derived, where available, from comparable evidence of investment yields in the current market for similar property. We have, where appropriate, also used discounted cash flow methodology.

We have applied the gross annual rental income as provided by the company for each property, as at the valuation date (01 October 2007), per annum. From this income certain deductions were made to arrive at a true net income. In arriving at the net passing rent we have made deductions to reflect non-recoverable management and miscellaneous costs, operating costs and an allowance for the landlord's non-recoverable external and structural repairing liabilities.

Our choice of yield also implicitly accounts for rental indexation and reversion, the length of lease/leases and possibility for extension, the covenants of the tenants plus the macro and micro location of each property, quality of the building and catchment population where applicable. The resultant figure gives the net value, which we have reported in this report.

Purchaser's costs for property asset transfers in Kazakhstan are not considered. This accords with local market practice.

Developments Valuation Methodology & Assumptions

We have undertaken residual valuations to calculate the Market Value of the development sites. The Gross Development Value the "GDV" is the gross present value derived from the sale of the developed properties as at the date of the valuation. Our values are supported by values on per sq m basis.

We have received from the Company details of the proposed developments and we have employed those details as the basis of our residual valuations. We have assumed that the Company is acting in business like manner with the aim to maximise their profits. Therefore we have assumed that the Company is developing the sites to their maximal potential.

Acquisition costs: We have not adopted acquisition fees in our gross development value in accordance with local market practice.

Construction Cost: The Company has supplied us with their estimation of the cost of construction of their intended developments. We have not verified or validated these estimations and in preparing residual valuations we have made the assumption that they are accurate, complete and fully inclusive of all fees and contingencies. We have discussed the level of construction costs with the Board members of the Chagala Group and satisfied ourselves as to what is included/excluded from the figures provided. As Chagala Group are currently constructing a number of buildings at the subject



locations, we are satisfied that the figures they have adopted reflect current tender prices. We have however inflated these costs by five per cent for the purpose of our valuation. We have also made the assumption that no additional expenditure is to be incurred in obtaining consent for development

Timing: Where a development timetable has been provided by the company we have made the assumption that it is reasonably achievable and that all necessary consents have been or will be obtained.

Additional Assumptions: We have assumed that finance could be available at the rate of appropriate interest to the country for the duration of the development and we have also assumed appropriate profit on cost and applied it to reflect the developer's risk.

9 Valuation

We are of the opinion that the aggregate of the Market Values as at the effective date of this report, 1 October 2007, of the freehold interests in the Properties described in the Schedule, subject to the Assumptions and comments in this Valuation Report was as follows: -

Existing Properties	104 616 767 USD
Planned Properties	80 236 451 USD
Vacant Land	9 500 000 USD
TOTAL	194 353 218 USD

10 Confidentiality and disclosure

The contents of this Valuation Report and Schedule may be used only for the Purpose of this Valuation Report. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any other document, prospectus or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt such approval is required whether or not DTZ are referred to by name and whether or not the contents of our Valuation Report are combined with others.

We confirm consent has been given to this valuation report being included in the admission document in the form and context in which it is included.

Yours faithfully

CHRIS DRYDEN
CHARTERED SURVEYOR
DIRECTOR
FOR AND ON BEHALF OF
DTZ